الحلول المستدامة
Sustainable Solutions

Governance in Practice: A Saudi Framework

From Boardrooms to Frontlines Across All Sectors

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01

Executive Summary

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Saudi institutions are in the middle of their fastest-ever change in governance. **Vision 2030** demands more than ambition on paper. It requires action. Companies and nonprofits face mounting pressure to make decisions that are transparent, accountable, and measurable. Surface-level compliance is no longer enough.

The **Capital Market Authority (CMA), Tadawul**, and the **Ministry of Human Resources and Social Development** have raised the bar for governance. But execution still varies. Many boards and executives struggle to translate detailed regulations into daily operations. More institutions are producing reports, but many of those efforts are still reactive. They are not integrated into ongoing systems.

This presents an opportunity. **Research** shows that better governance improves profit margins and risk resilience. In addition, Saudi Arabia's governance infrastructure is expanding. In 2025, the CMA **approved regulatory enhancements** that establish new governance standards to protect investor rights. The **Saudi Industrial Development Fund** (SIDF) released **reporting benchmarks**. Institutions that act now can generate long-term value, not just meet short-term rules.

The Practical Governance Framework supports this progress. It is grounded in Saudi law and Vision 2030 priorities. The model organizes governance into four pillars:

01 Roles and responsibilities

02 Policies and documentation

03 Decision systems

04 Feedback loops

When everyone in an organization uses the same structure, confusion disappears. Every team — the board, management, operations, and beyond — uses one shared framework with the same processes and expectations. Governance stops being a separate or confusing task and becomes a simple, consistent way of making decisions. Communication becomes faster and clearer, and compliance easier through every part of the organization.

02

Context and Rationale

2.1 - The Evolution of Governance in Light of Vision 2030

Saudi Arabia's governance landscape has changed. Vision 2030 made that clear.

The national plan draws strong links between economic growth and transparency and sustainable development. These become structural requirements that lock in long-term diversification and prosperity.

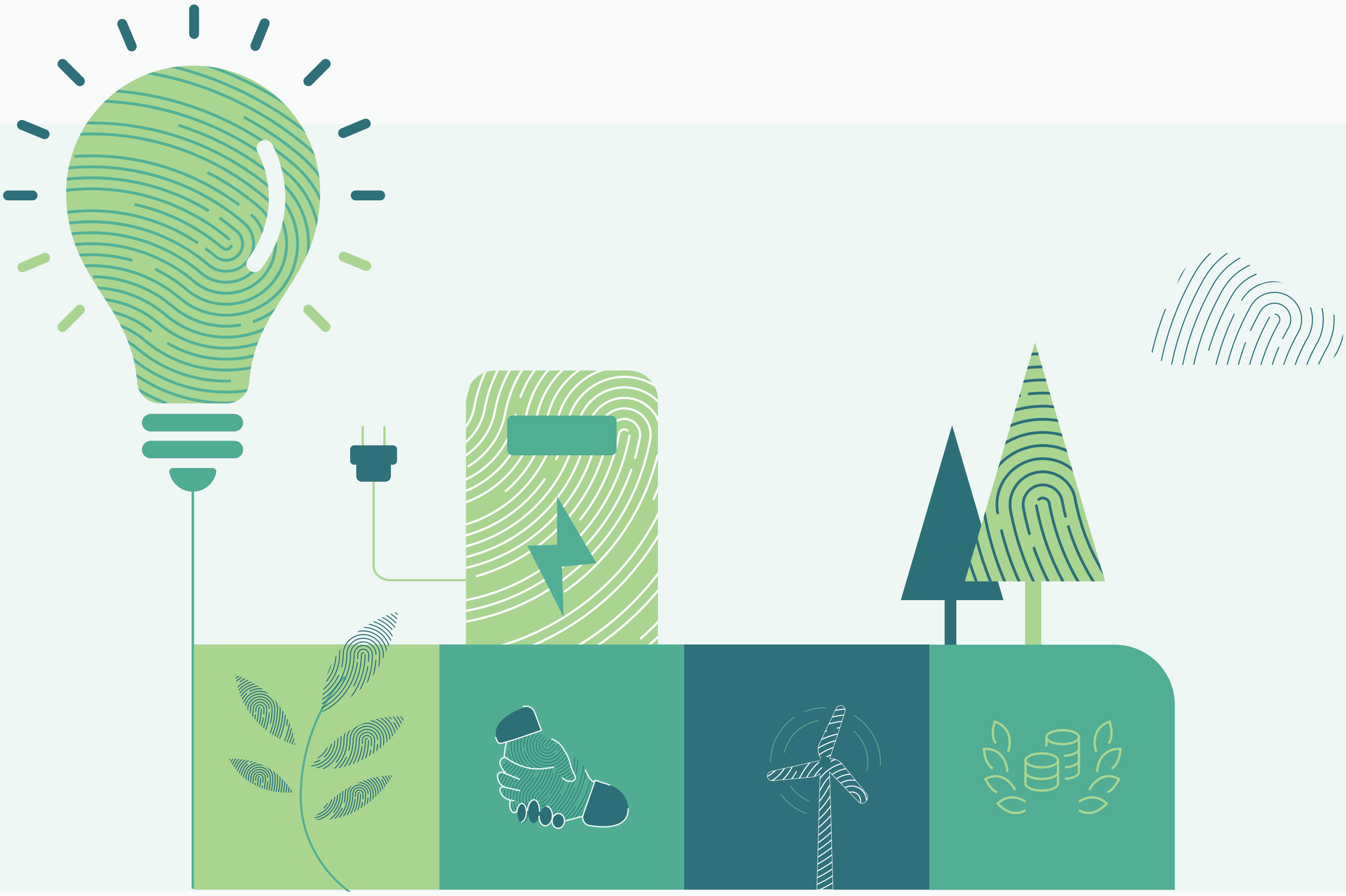
For example, **the Fiscal Sustainability Program** introduced spending controls and public-sector accountability measures backed by data. Similarly, the **National Transformation Program** set performance targets and reform incentives across ministries and public bodies.

Vision 2030 reflects a new way of thinking about governance, one that connects accountability to performance. That perspective now influences listed companies, regulators, nonprofits, and government agencies. Governance is no longer limited to compliance. Every institution is expected to demonstrate how its governance drives national development goals.

2.2 - The Evolving Regulatory Landscape

In Saudi Arabia, governance regulation has become more structured. The **Capital Market Authority's Corporate Governance Regulations** define board roles, committee scope, internal controls, and disclosure obligations. These rules have continued to evolve since their initial release in 2017.

In addition, the **Tadawul Listing Rules** require timely, bilingual disclosure of material information. Listed companies are accountable for what they report and how quickly they report it.



In the nonprofit sector, the **Ministry of Human Resources and Social Development** (HRSD) and the **National Center for Non-Profit Sector** (NCNP) share governance responsibilities. HRSD has introduced a **national governance and categorization framework** that sets expectations for leadership structure and operational transparency in nonprofit associations. NCNP monitors nonprofit classification, board performance, and compliance with governance protocols.

In addition, other authorities are increasingly shaping governance standards. The **Ministry of Commerce** (MoC) oversees governance for unlisted entities under the **Saudi Companies' Law**. **Nazaha**, the anti-corruption authority, enforces ethical compliance and integrity practices. Depending on scope, the **Digital Government Authority** (DGA) and **General Court of Audit** (GCA) may also contribute to digital governance and audit oversight.

2.3 - Persistent Challenges and Gaps

Organizations may still view governance as paperwork. It is something that takes away from rather than contributes to outcomes. Boards meet and charters exist, but governance fails to embed itself to guide decisions and monitor accountability. The structure is there, but it's not functional or practical day to day.

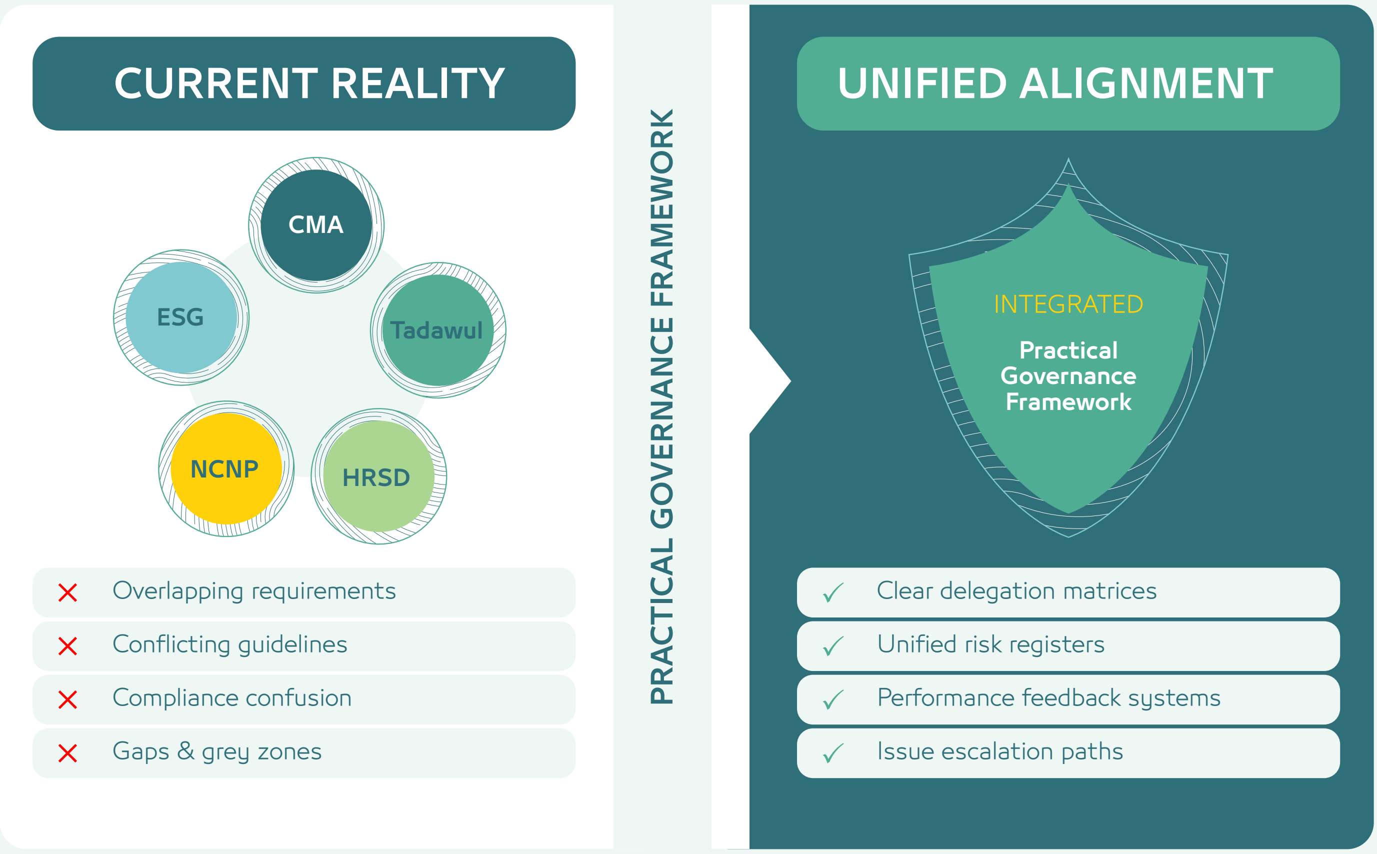
In practice, institutions try to meet overlapping codes from the **CMA**, **Tadawul**, **NCNP**, and **HRSD**. Each of these frameworks was developed with a different sector and purpose in mind, so there is little alignment and often confusion. Rules and requirements may be repeated or, in some instances, ignored altogether.

Mid-sized firms and nonprofit institutions face the steepest challenge. They might lack clear delegation matrices, risk registers, performance feedback systems, and issue escalation paths. Governance processes are either too informal or too rigid to be useful.

These gaps reduce impact and increase exposure.

From Fragmentation to Alignment

How the Practical Governance Framework unifies regulatory requirements



Reducing gaps, increasing impact, and minimizing exposure through unified governance

2.4 - The ESG and Sustainability Imperative

Environmental and social governance (ESG) has become a part of the nation's governance culture. **The Saudi Green Initiative** (SGI) and the **Public Investment Fund's ESG stance** are two examples. Both connect national sustainability goals to operating expectations in various sectors. Within this mindset, ESG is embedded rather than framed as a separate discipline.

The **Saudi Exchange's 2023 discussions** on **IFRS S1** and **S2** further confirmed this direction.

Sustainable finance regulations are also taking shape.

The CMA and Saudi Exchange encourage ESG integration in financial reporting. **ESG-linked sukuk** and green bonds are products of this change in capital markets.

In light of this, ESG has evolved from a disclosure trend into a strategic issue.

A **study** commissioned by the CMA (Almubarak et al., 2023) examined 309 firm-year observations in listed companies. It found that stronger ESG reporting is linked to better financial sustainability. Firms with mature ESG practices also performed more reliably during the COVID-19 crisis.

Public institutions are adopting similar models; the **SIDF integrates ESG principles** into its policies and risk management frameworks. Sector-specific mandates are following suit. The government **introduced the Mining Sustainability Principle** as part of its mining sector reforms. Since its introduction, every mining application has been assessed for its ESG commitment.

However, some institutions still manage ESG in isolation. Governance exists in silos, segmented by department or compliance function. There is no unified model, and, therefore, the company fails to apply its frameworks and initiatives consistently.

In addition, ESG adoption rates are low. **Environmental disclosure** averages about 3 percent, and social disclosure about 15 percent. Reports still lack complete data integration and audit trails. What's more, voluntary disclosure has improved over time but remains modest when measured against regional benchmarks; **earlier studies** record Saudi averages near 32 percent versus about 42 percent in the UAE.

2.5 - The Consequences of Weak Governance

Weak governance carries legal and reputational risks. At the market level, it erodes investor confidence. The CMA has made it clear in its **own research** that improved governance practices directly support investor protection. Conversely, governance failures erode trust in financial reporting and prompt greater scrutiny from regulators and shareholders alike.

At the institutional level, poor or incomplete governance exposes companies to regulatory enforcement. Non-compliance with governance regulations can result in **fines and, in some cases, criminal charges**. In listed companies, this falls under the jurisdiction of the CMA. For all other legal entities, enforcement is led by the MoC.

In addition, persistent governance lapses can lead to other **"deterrent penalties"** that aim to "create an investment environment that is attractive to all categories of investors and safe from unfair or improper practices."

2.6 - Takeaway

The Saudi governance ecosystem has matured. The next challenge is coherence, where separate frameworks converge into one system.

The Practical Governance Framework aims to provide a solution.

03

An Introduction to Your Practical Governance Framework

3.1 - Positioning Statement

Governance reform in Saudi Arabia is not short on ambition. **Vision 2030**, nonprofit regulations, and capital market rules all point toward the same goal: institutions that are transparent and accountable.

But ambition alone cannot produce outcomes. Institutions need a model they can use day in and day out.

Your Practical Governance Framework offers that. It distills Saudi Arabia's evolving governance agenda into a framework that connects policy, performance, decision-making, and sustainability.

It draws from the country's reform programs and published research:

Vision 2030 highlights the need for transparency and inclusive participation.

The CMA Corporate Governance Regulations introduce mandatory disclosure, internal control, and board independence. However, it left many institutions without clear implementation pathways.

The Almubarak et al. (2023) study concluded that well-governed Saudi firms show better market value and resilience.

3.2 - Concept and Theory

Governance works when it influences how people make decisions. It fails when it is treated as a checkbox or an admin task.

The Practical Governance Framework is operational by design. It defines governance as a system of behavior, a continuous loop connecting decisions, documentation, and impact.

Clarity creates accountability. When roles, policies, decisions, and feedback loops are clear, institutions do not need workarounds.

The model aligns with three recognized governance theories used in governance research:

Legitimacy theory: Institutions earn trust when they act in line with social expectations.

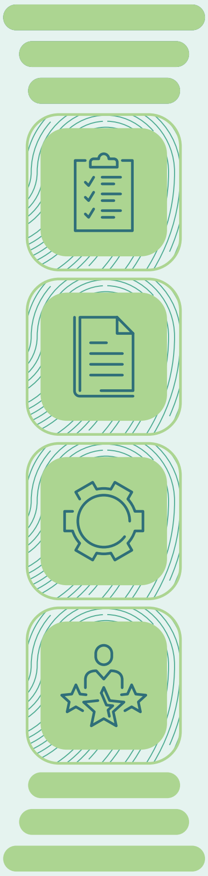
Signaling theory: Strong governance signals reliability to investors and stakeholders.

Stakeholder theory: Governance must serve broader interests, not just shareholders.

Saudi institutions are already moving in this direction. This model picks up from there. It turns governance's evolution into a usable structure.

3.3 - Four Core Pillars of the Framework

The model is built on four interdependent pillars:



Roles and responsibilities:
Clarifies decision rights and accountability

Policies and documentation:
Ensures decisions are recorded and aligned with regulatory standards

Decision systems:
Connects strategic goals to risk, operations, and reporting

Feedback loops:
Uses audits, performance data, and stakeholder input to improve over time

Below, we explore how each pillar works in practice to remove confusion and create a shared approach to governance. You will see how:

Pillar 1 defines who decides and executes.

Pillar 2 turns those decisions into clear, traceable documentation.

Pillar 3 establishes systems that connect governance to performance.

Pillar 4 builds continuous improvement through feedback and accountability.

Each pillar includes practical application tips so you can embed these principles in daily operations. Together, they make governance more straightforward and transparent.

3.4 - Value Proposition for Saudi Institutions

The model gives Saudi institutions what they might currently lack: a way to operationalize governance expectations without administrative load.

Its structure improves:

Clarity, as it shows who decides and how decisions get documented.

Risk control, by linking roles and data to real-time decision oversight.

Governance credibility, through the embedding of reporting cycles and policy tracking.

3.5 - Takeaway

The Practical Governance Framework translates Saudi Arabia's strategic vision into a repeatable system.

The next section explores how each pillar works in practice and how institutions can adapt it to their own context.

04

Pillar 1: Roles and Responsibilities

4.1 - Why Roles and Responsibilities Matter

An effective governance system starts with one question: Who decides what? Without a clear answer, it can be difficult to uphold accountability. It can also lead to decision bottlenecks, confusion, and, at times, power conflicts.

The CMA Corporate Governance Regulations require every institution to separate duties between the board, its committees, and executive management. Yet in practice, many organizations (including mid-sized firms and nonprofits) still blur those lines.

This costs organizations. Companies with independent boards and documented oversight roles tend to **achieve higher rating scores** and stronger financial results. Do the opposite, and your organization risks missing opportunities or losing market share.

There's also the issue of legitimacy. Poorly defined roles can make it difficult for team members to fulfil their responsibilities. This is not by any fault of their own. They simply do not know what is being asked of them.

This miscommunication creates a gap between stakeholder expectations and reality, and that gap puts an organization's credibility under fire. Both legitimacy and stakeholder theories explain why defined authority structures increase public trust and investor confidence.

In short, decisions need names next to them. Only then can your well-intended policies impact day-to-day operations and, ultimately, your business outcomes.

4.2 - Board Governance

The role of a board is to turn governance policies into real actions. Members approve procedures, but more than that, they offer oversight of risk and sustainability.

Under the CMA's regulations, boards must maintain audit, nomination, and remuneration committees. In the Practical Governance Framework, these function as information feedback channels. Each one collects data, reviews it, and pushes insight back to the board so decisions are founded on verified information rather than assumptions.

The Saudi Exchange ESG Guidelines recommend that boards review ESG disclosures with the same rigor as financial statements. SMSF agrees. When transparency becomes a central focus, it improves governance and naturally strengthens ESG performance. Open, consistent reporting aligns every function with shared accountability and measurable impact. The goal is to ensure governance is well reviewed while enabling board members to take ownership of it. The benefits are compelling; firms with independent, active boards **outperform peers** during market shocks.

Apply this in your organization:
Family-owned and founder-led businesses often hesitate to delegate authority. Start by defining which decisions must stay at the board level and which can be assigned to management. Clarity prevents conflict and protects business continuity.

4.3 - Management and Operational Alignment

The board owns governance. But, it takes an organization to embed it and reap the financial rewards.

Managers and functional heads must know their reporting duties and decision limits. This allows accountability to flow through every level of the company.

The benefits are far-reaching. Under **the Tadawul Listing Rules**, companies must disclose accurate and timely information. By defining manager duties and limits, each department knows who validates data and who approves its release.

In addition, transparent management structures strengthen investor confidence. They improve resilience because information moves consistently to where decisions are made.

Data accuracy and timeliness are part of decision readiness, where leaders have access to complete, up-to-date, and traceable information that they can use to act with certainty.

Apply this in your organization: Map out every recurring decision.

This might include:

- Budget approvals
- Risk escalations
- Policy updates

Assign each decision ***a decision owner*** and ***a data owner***. This aligns operations with governance expectations.

4.4 - Social Responsibility and Community Mandates

Governance today extends beyond the boardroom, outside of the scope of management, and even past the four walls of the organization. Boards and executive teams are expected to define how their institutions contribute to society.

CMA Article 84 states:

"The Ordinary General Assembly, based on the Board recommendation, shall establish a policy that guarantees a balance between its objectives and those of the community for purposes of developing the social and economic conditions of the community."

Further, Article 87 requires organizations to report on "details of the Company's social contributions."

This creates a two-pronged accountability line. First, the line stretches inward to shareholders and stakeholders. Second, it moves outward to the community at large.

Apply this in your organization:

First, identify where your organization's activities intersect with community outcomes. Think about elements like partnerships or procurement decisions that have social or economic impact.

Then, set measurable community objectives related to these activities. Make sure ownership of this measurement is assigned to someone. Record your contributions and report your results, just as you would report financial performance.

Finally, make sure responsibility for community engagement is defined within roles and governance structures rather than being treated as an ad hoc initiative. Assign oversight and connect outcomes to executive and board evaluation.

4.5 - Building Clarity Mechanisms

Institutions can build accountability into daily operations using a few simple tools:

01

Delegation matrix:

Define who approves which decisions and financial thresholds. Update it when structures change.

02

Board charter:

Review and re-endorse it each year. Ensure committee scopes and oversight duties reflect current priorities.

03

Accountability map:

Demonstrate how risk and audit functions connect.

04

Disclosure calendar:

Match up reporting dates with external deadlines. This prevents last-minute data issues and strengthens audit readiness.

05

Disclosure calendar:

Evaluate whether roles remain fit for purpose. Adjust decision authority when scale or complexity changes.

4.6 - Connecting the Dots

Pillar 1 defines who decides, who advises, and who executes.

Pillar 2: Policies and Documentation ensures that every one of those decisions is recorded and ready for review.

05

Pillar 2: Policies and Documentation

5.1 - The Importance of Documentation

The success of governance depends on whether a decision can be traced. Even if roles are defined according to the benchmarks set in Pillar 1, if a team member cannot show how a choice was made or when it was reviewed, momentum is lost.

This requires you to write out the internal rule book. What are your ethics policies? Your board manuals? Your decision matrices? Your delegation of authority?

The **CMA Corporate Governance Regulations** require internal-control reports and permanent record retention. Yet, your organization may not have consistent templates or clear audit trails. If that is the case, you are leaving growth on the table; **transparent governance documentation** correlates with stronger sustainable-growth rates.

Before you can benefit from robust governance, your organization must change its mindset. Documentation cannot be viewed as another time-wasting clerical task. Instead, it must be seen as value-creating. It proves diligence. It is evidence of accountability to every stakeholder.

5.2 - Turning Policy into Process

Policies should give people clear action steps to take to implement them. Whether risk, procurement, human resources (HR), ethics, or authority define:

The policy's purpose

The responsible owner (the person who makes sure the policy is followed)

The required records and what must be documented

The reporting cycle (how often the policy is reviewed and updated)

You may also want to include version control and approval logs. That way, any change leaves a trace.

Apply this in your organization:

If you have specific commitments defined by your policies, incorporate these as operational steps within your policies. For example, you might require every procurement decision to document supplier environmental practices.

Incorporate these checkpoints into existing workflows so compliance and sustainability reporting draw from the same data sources. Be sure to define the responsible owner and map the reporting cycle.

5.3 - Audit Trails and Evidence Management

Documentation is your organization's memory — and its defense. Questions will arise. An audit trail shows exactly what happened and proves that procedures were followed correctly.

A strong evidence system also supports disclosure and transparency. The **G20/OECD Principles** state that verifiable records are integral to market confidence and accountability. Without them, boards cannot demonstrate compliance or assure investors that governance, sustainability, and financial information are reliable.

To build a robust evidence system:

- Record all board and committee decisions. Include the motion, outcome, responsible person, and follow-up date.
- Maintain supporting documentation for financial statements, sustainability disclosures, and material transactions. The OECD notes that incomplete or unclear records weaken both audit quality and investor confidence.
- Store records using logical naming conventions, and maintain consistency across departments.
- Apply digital timestamps and access controls to preserve document integrity and traceability. Reliable audit evidence should show who accessed or modified information and when.
- Ensure external auditors can verify record completeness. The OECD advises that auditors must be able to assess whether financial data is prepared "in all material respects" under applicable standards.

Apply this in your organization: Look at every decision and report as if it could be evidence that may be reviewed at a later date. With this perspective, build routines that make accuracy and traceability automatic.

5.4 - Integrating ESG and Financial Reporting

Financial and sustainability disclosures serve the same purpose: to give investors, regulators, lenders, and stakeholders a complete picture of performance, risk, and resilience. Treating them as separate systems creates duplication and weakens trust in reported results.

The IFRS S1 and IFRS S2 standards establish a global baseline for sustainability and climate-related disclosure. They require organizations to present material ESG information with the same frequency and assurance applied to financial statements.

Integrating the two begins with a single data model. Financial and non-financial metrics should originate from the same verified sources and use shared controls. They should also follow the same review cycles. This improves traceability and reduces reconciliation work while supporting a consistent narrative.

Apply this in your organization: Treat ESG information as part of your finances. Regularly convene finance, risk, and ESG leads to review shared data and align disclosures before submission. Document the decisions and follow-up actions.

5.5 - Building a Culture of Documentation

Precise documentation is a part of professional integrity. Your goal is to embed that mindset into your workplace's culture. To do this:

- Connect policy compliance to individual performance reviews.
- Offer practical training on record management where required.
- Acknowledge departments with no audit exceptions or corrective actions.
- If applicable, translate all policies into Arabic and English to meet Tadawul's bilingual disclosure requirements. This also ensures accessibility.

Apply this in your organization: Make documentation visible. Post the annual disclosure calendar where employees can see it. This helps make record-keeping a shared responsibility.

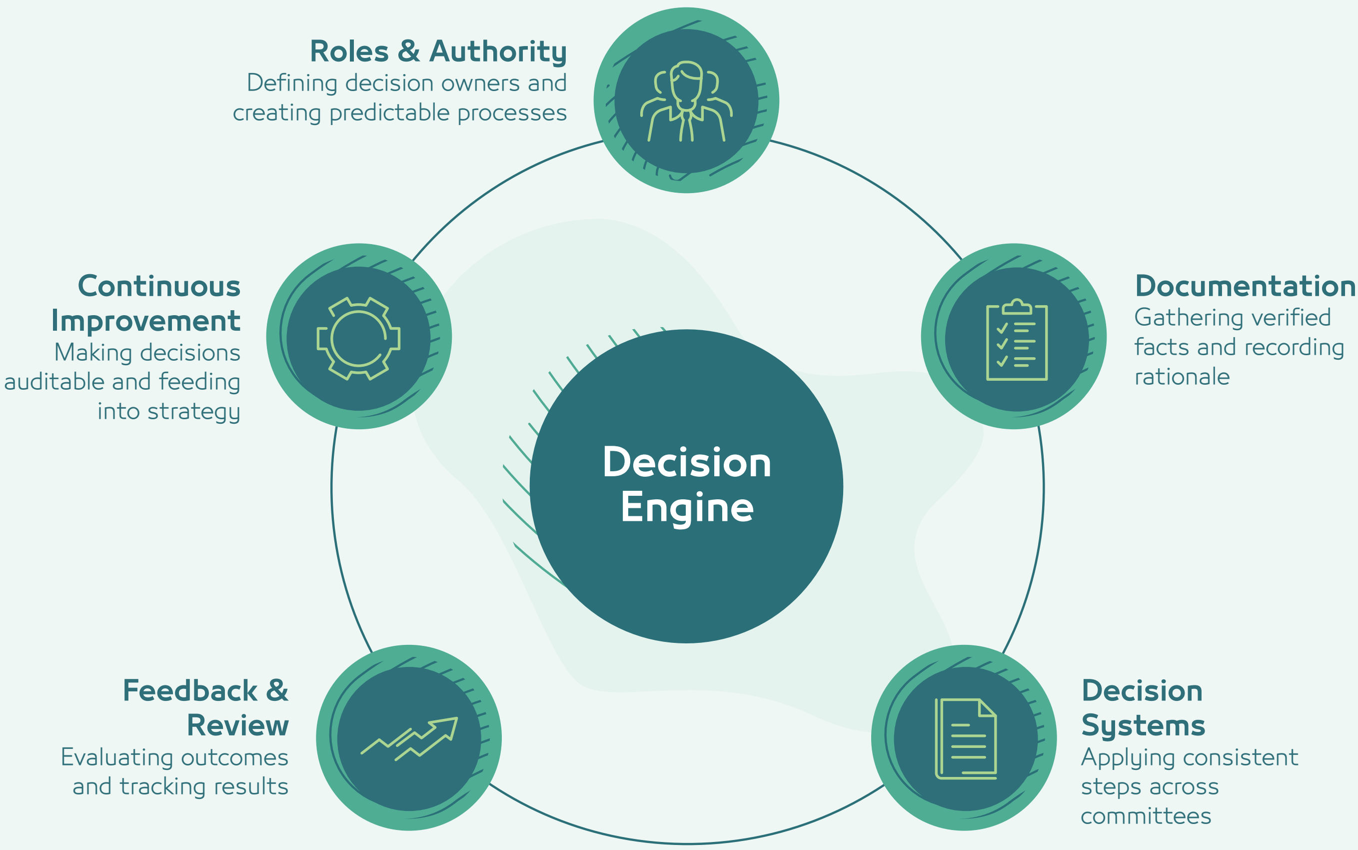
5.6 - Connecting the Dots

Pillar 2 converts responsibilities into recorded evidence. The next step, Pillar 3: Decision Systems, shows how these records become measurable actions through structured processes of risk and performance management.

06

Pillar 3: Decision-Making Systems

6.1 - Governance as a Decision Engine



Governance is the system that drives coordinated, evidence-based decision making, escalation, and recording. It ensures that each choice is based on verified information and accountability. It is not defined by guesses or blinded by hierarchy. Public institutions, in particular, need a decision-making system to streamline bureaucracy.

An effective decision process defines who has authority to reduce informal influence and create a predictable rhythm. It outlines what information is required and how outcomes are evaluated. It also shows how decisions move through approval channels and how results are tracked over time.

Governance decisions should follow consistent steps: gather the facts, confirm the decision owner, record the rationale, and schedule a review. When these steps are applied across committees and departments, decisions become comparable and auditable.

This consistency is what makes governance a true decision engine. It produces decisions that are transparent and grounded in evidence, ready to feed into strategy, risk, and performance systems that enable organizational growth.

6.2 - Integrating Strategy, Risk, and Performance

Good decisions occur when strategy, risk, and performance share the same information. This is how that might look in practice:

Step 1: Strategic Alignment

Connect every significant decision to a Vision 2030 or similar target. That way, your governance is tied to and contributes to national priorities and long-term value creation. It also aligns with stakeholder and investor expectations.

For example, say you ruin a logistics company. You are looking to invest in new vehicles. So, you align your purchasing decisions with the Saudi Green Initiative fuel-efficiency goals.

Step 2: Risk Integration

Maintain a live risk register covering operational and financial exposures. Use it to assess how each decision affects your risk position before approval.

Step 3: Performance Monitoring

Track measurable outcomes that indicate governance quality. Examples include the following:

- Percentage of policies reviewed on schedule
- Number of board meetings with full attendance
- Timeliness and accuracy of regulatory or financial disclosures
- Frequency of internal control reviews

Apply this in your organization:
Set up a dashboard that consolidates strategy, risk, and performance data. That way, board members and executives can see how the three interact at a glance and integrate all data into decision-making.

6.3 - Formalizing Decision-Making Systems

Organizations need to follow a consistent process that moves decisions from discussion to execution. A formalized decision-making system will likely include the following components:

- Meeting templates that include supporting documents and outcome tracking.
- Defined approval thresholds for financial and operational actions, ensuring decisions are made at the right level of authority.
- A board pack structure that includes variance explanations and risk alerts.
- A fixed decision calendar that links review dates with reporting cycles.

Apply this in your organization: Connect every recurring decision to a defined process. This starts by identifying which roles or committees approve financial, operational, or strategic actions.

Use the same templates for agendas and minutes so information is presented consistently. Then, align decision timelines with reporting cycles instead of personal schedules.

6.4 - Data Integrity and Digital Systems

Accurate data is the foundation of sound decisions, and for most organizations, that data's integrity depends on the strength of the digital systems storing it.

Digital systems are beneficial. They improve the accuracy, speed, and traceability of reporting. But, they also introduce risk. The **OECD notes**:

"Digital technologies can enhance the supervision and implementation of corporate governance requirements, but supervisory and regulatory authorities should give due attention to the management of associated risks."

To strengthen data integrity:

- Build a central data repository that consolidates finance, HR, and compliance metrics. This creates a single source of truth, one verified source for reporting and analysis.
- Set automatic reminders for overdue reports or unresolved actions.
- Use digital tools that record version changes and approvals so every modification can be traced back to a person and a date.
- Train staff to verify data and manage information securely.

Apply this in your organization:
Assign a data steward to manage a governance register. Record which data sources feed each disclosure, who owns them, and when they were last reviewed. Include digital security checks as part of that review.

6.5 - Solidifying Decision Accountability

Accountability gives governance its weight. A decision has little value if no one owns the outcome or verifies the result. Every decision should have a named owner, a clear rationale, and a defined review point.

The OECD states:

"A formal structure of procedures that promotes the transparency and accountability of board members and executives to shareholders helps to build trust in markets."

Practical strategies include:

- A live decision register that assigns ownership and tracks completion status
- Escalation rules that trigger action when deadlines pass or performance measures are missed
- Scheduled reviews by audit or governance committees to confirm that decisions produced the intended result
- Internal reporting that documents progress and lessons learned

Apply this in your organization: Build accountability into your review cycles. Require decision owners to confirm progress before the next board or committee meeting, and consider publishing brief, regular summaries of important decisions and their outcomes.

6.6 - Connecting the Dots

Pillar 3 makes decision-making traceable and reviewable. The next section, Pillar 4: Accountability and Feedback Loops, expands this further by strengthening accountability across people, processes, and institutional performance.

07

Pillar 4: Accountability and Feedback Loops

7.1 - Sustaining Governance Through Continuous Improvement

Many organizations implement governance once but never revisit or improve it. This pillar ensures sustainability. Governance needs regular review and the willingness to adjust. Without that discipline, frameworks age faster than the institutions they are meant to protect.

So, treat governance as a living system. Policies and reporting routines should evolve as regulations, strategy, and risk conditions change. What worked during setup may not suit periods of growth or leadership transition.

Schedule structured reviews. Confirm that board and committee structures still reflect current responsibilities and reporting lines. Check that escalation paths are active and that policies remain practical for daily operations.

Conduct internal or external governance audits to verify compliance with Saudi Corporate Governance Regulations, OECD Principles, and IFRS disclosure standards. Record the findings and set review dates for each corrective action.

Then, track progress through your governance register and confirm outcomes at board or audit committee meetings. Update templates, retire outdated processes, and document every change. Consistent small updates maintain alignment between governance intent and operational reality.

7.2 - Evaluating Performance and Oversight

Board evaluations, individual performance reviews, and policy audits are the tools that ensure governance is active and credible:

- Board evaluations test the quality of oversight and decision-making. They measure whether directors have the right information and independence to act in the organization's best interest.
- Individual performance reviews connect executive behavior with agreed priorities and risk boundaries.
- Policy audits verify that frameworks remain relevant and compliant. They expose blind spots before they become governance failures.

Apply this in your organization: Use consistent evaluation tools and evidence criteria:

- For board reviews, gather data on attendance and the quality of discussion. You do not want to rely on perception or personal biases based on relationships.
- For executive performance, measure progress against defined objectives and ethical standards.
- For policy audits, verify that procedures make sense in the context of current regulations and remain practical in daily use.

7.3 - Devising the Feedback Loop

Feedback loops align governance with reality. They connect planning, execution, and evaluation so that each decision produces measurable learning.

A consistent feedback process strengthens accountability. It allows you to compare planned outcomes with actual results and confirm whether governance systems are working. Reviewing data against expectations shows where strategy or reporting processes need refinement. It also ensures that board oversight is based on evidence rather than guesses.

To do this, establish a review process. You might have board committees examine performance data and compare it to approved strategies. From there, note what was a success and what required adjustment. These insights can then be fed into the next planning cycle well before decisions are made.

Governance then becomes an adaptive system. Decision-making systems, as defined by Pillar 3, are current and responsive to real market and operational conditions.

Apply this in your organization: After each project or decision, compare actual results to the plan and record the causes of any deviation. Capture these findings in a shared log accessible to management and the board.

7.4 - Enabling Learning and Adaptation

Governance that learns is stronger than governance that never tries. Institutions rarely get everything right the first time, and that is expected. The goal is not perfection. It is introducing small, consistent habits and course corrections that create credibility and resilience over time.

Learning-oriented governance views mistakes and feedback as data. When a control fails or a process underperforms, there is an opportunity to do better next time. Each review should document:

- What occurred and which policy or process was affected
- Why the issue arose
- What corrective action was taken and who was responsible
- How the change will be verified and sustained over time

When learning is part of governance, compliance becomes continuous and proactive rather than reactive. Every review cycle adds strength and builds consistency. Over time, the organization becomes more transparent and capable of adapting to new expectations and risks.

Apply this in your organization:
Schedule an annual governance review. Use it to confirm lessons learned and retire outdated practices. You can also set improvement goals for the year ahead.

08

The Practical Governance Pathway

The Practical Governance Pathway

The Practical Governance Framework introduced above presents a pathway forward through four interconnected pillars:

1. Define who decides, who advises, and who executes to prevent decision bottlenecks, confusion, and power conflicts.

2. Document what decisions were made, by whom, and why. Use this to reduce disputes and improve institutional memory. It also helps with IPO readiness and compliance.

3. Formalize how decisions are made to reduce informal influence and create a predictable rhythm.

4. Ensure accountability with board evaluations, individual performance reviews, and policy audits. Allow your organization to learn and adapt.

01

Informal

1. Ad hoc
2. Initial
3. Chaotic
4. Inconsistent

02

Documented

1. Emerging
2. Managed
3. Standardized
4. Isolated
5. Repeatable

03

Integrated

1. Defined
2. Structure
3. Measured
4. Competent

04

Strategic

1. Aligned
2. Disciplined
3. Predictable
4. Quantitatively managed

05

Optimized

1. Adaptive
2. Opportunistic
3. Synthesized
4. Proactive
5. Agile

This **framework** moves institutions from confusing and reactive compliance to adaptive, simplified execution in line with Saudi and global requirements.

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