

INTEGRATING ENVIRONMENTAL, SOCIAL, AND GOVERNANCE PRINCIPLES INTO SAUDI CORPORATE GOVERNANCE: LEGAL PATHWAYS TO ECONOMIC SUSTAINABILITY

Ali Salem Ali Al-Marri *

* Department of Private Law, Faculty of Law, King Faisal University, Al Ahsa, Saudi Arabia
Contact details: Department of Private Law, Faculty of Law, King Faisal University, P. O. Box 400, 31982 Al Ahsa, Saudi Arabia



Abstract

How to cite this paper: Al-Marri, A. S. A. (2026). Integrating environmental, social, and governance principles into Saudi corporate governance: Legal pathways to economic sustainability. *Corporate Governance and Sustainability Review*, 10(1), 169–177.
<https://doi.org/10.22495/cgsrv10i1p15>

Copyright © 2026 The Author

This work is licensed under a Creative Commons Attribution 4.0 International License (CC BY 4.0).
<https://creativecommons.org/licenses/by/4.0/>

ISSN Online: 2519-898X
ISSN Print: 2519-8971

Received: 17.07.2025
Revised: 10.10.2025; 23.01.2026
Accepted: 02.02.2026

JEL Classification: G3, G38, K2
DOI: 10.22495/cgsrv10i1p15

This study examines how Saudi Arabia's evolving corporate governance framework integrates environmental, social, and governance (ESG) principles under Vision 2030. It investigates whether recent legal and regulatory reforms — particularly the Environmental Law (2021), Companies Law (2022), and Tadawul ESG Disclosure Guidelines — represent a substantive transformation toward sustainable corporate governance or merely formal compliance. Adopting a doctrinal-comparative methodology complemented by empirical evidence from recent peer-reviewed studies (Basali, 2025), the research analyses how law, policy, and market behavior interact to embed sustainability within Saudi corporate practice. The findings reveal that while regulatory initiatives have advanced ESG disclosure and board accountability (Sanad, 2025), enforcement remains uneven, and institutional coordination is fragmented. Nevertheless, empirical results show that firms aligning environmental responsibility with strategic governance exhibit higher profitability, resilience, and investor confidence. The analysis concludes that Saudi Arabia's gradual adaptive approach constitutes a hybrid model of legal transplantation that reconciles global sustainability norms with domestic institutional realities. Policy implications emphasize the transition from voluntary to semi-mandatory ESG reporting and the need for unified regulatory oversight. The study contributes to understanding how emerging economies can internalize sustainability principles through law, governance, and ethical reform consistent with Vision 2030's transformative agenda.

Keywords: ESG Disclosure, Corporate Governance, Saudi Arabia, Vision 2030, Sustainability Law, Environmental Responsibility, Adaptive Legal Transplantation

Authors' individual contribution: The Author is responsible for all the contributions to the paper according to CRediT (Contributor Roles Taxonomy) standards.

Declaration of conflicting interests: The Author declares that there is no conflict of interest.

Acknowledgements: This work was supported by the Deanship of Scientific Research, Vice Presidency for Graduate Studies and Scientific Research, King Faisal University, Saudi Arabia [Grant No. KFU252581].

1. INTRODUCTION

Saudi Arabia is undergoing a profound legal and economic transformation as it redefines the foundations of corporate governance to align with sustainability imperatives. This transformation forms a central pillar of Vision 2030¹, which seeks to diversify the national economy, reduce dependence on hydrocarbons, and embed sustainability into governance and market behavior. Recent reforms — most notably the Environmental Law (Royal Decree No. M/165 of 2021) and the Companies Law (2022) — translate these goals into binding legal duties requiring corporations to minimize emissions, manage natural resources responsibly, and adopt transparent governance practices. Together with initiatives such as the Saudi Green Initiative and the Tadawul ESG Disclosure Guidelines, the implementation of these instruments marks a decisive shift from voluntary environmentalism to a mandatory framework of corporate accountability and disclosure. This is consistent with recent evidence that sustainability reporting in the Gulf Cooperation Council (GCC) is evolving toward greater institutionalization, despite persistent governance and capacity challenges (ElAlfy et al., 2025; Sanad, 2025).

Notwithstanding this progress, the integration of environmental, social, and governance (ESG) principles within Saudi corporate law remains partial and under-theorized. Much of the existing scholarship focuses on sustainability as policy rhetoric rather than as a doctrinal or institutional mechanism. This has created a research gap concerning how legal frameworks can operationalize ESG duties and translate normative aspirations into enforceable corporate obligations. The gap is particularly visible in emerging economies, where sustainability transitions must balance rapid growth with institutional modernization (Faizulayev, 2025).

Accordingly, this study addresses the following central question:

RQ: How can Saudi corporate-governance frameworks be restructured to embed ESG principles effectively, align with Vision 2030, and strengthen long-term economic sustainability?

Its objectives are threefold:

- 1) to analyze the doctrinal and institutional foundations of ESG integration within Saudi corporate law;
- 2) to identify the legal and regulatory challenges impeding effective implementation;
- 3) to propose reform pathways that embed sustainability in corporate decision-making and fiduciary practice.

The research employs a descriptive-analytical and comparative legal methodology, examining Saudi statutory sources, policy documents, and case-relevant scholarship alongside international frameworks such as the United Nations (UN) Sustainable Development Goals (SDGs) and comparative ESG models in other jurisdictions. This dual focus captures both the normative dimension of Saudi sustainability reforms and their institutional application. The approach aligns with contemporary socio-legal scholarship emphasizing how legal transplants evolve contextually within

distinct institutional settings, as shown in comparative analyses of transplanted legal systems (Wang, 2025).

The study's theoretical framework draws on corporate governance theory, sustainability law, and institutional economics. These strands converge to the idea that ESG constitutes a governance technology — a set of legal and managerial mechanisms translating sustainability norms into measurable corporate performance. ESG principles, therefore, function not merely as ethical guidelines but as legal and strategic tools that embed accountability, transparency, and stakeholder responsiveness within corporate structures. This framing situates Saudi Arabia's reforms within global theoretical debates on sustainable capitalism and responsible investment.

The significance of this research lies in its contribution to bridging normative theory and institutional practice. By analyzing how Saudi corporate law internalizes ESG norms, the study advances both doctrinal understanding and policy design. It demonstrates that effective ESG integration strengthens investor confidence, corporate legitimacy, and long-term resilience — objectives consistent with Vision 2030's pursuit of diversified and sustainable economic growth. Recent empirical evidence demonstrates that ethical governance significantly shapes ESG engagement and, in turn, strengthens corporate financial performance, particularly within family-controlled firms prevalent in Gulf markets (Gangi et al., 2025).

The structure of this paper follows a coherent analytical progression linking theory to practice. Section 2 reviews the evolution of sustainability as a legal and governance principle. Section 3 develops the conceptual foundations of ESG and examines its theoretical compatibility with Vision 2030. Section 4 details the descriptive-analytical and comparative approach employed to assess statutory, policy, and institutional sources; presents the core findings along with an interpretive discussion on ESG integration in Saudi corporate governance. Finally, Section 5 synthesizes the study's principal insights, policy implications, and directions for future research.

2. LITERATURE REVIEW

2.1. Environmental sustainability and corporate practice

Theory on sustainability within corporate governance has evolved from a moral discourse on environmental responsibility into a legally grounded framework shaping corporate strategy and market legitimacy. Early conceptions of corporate environmentalism treated sustainability as a voluntary extension of corporate ethics; however, contemporary scholarship interprets it as a multidimensional legal and institutional construct essential to long-term economic resilience. Environmental sustainability is now viewed not merely as a normative aspiration but as an enforceable duty embedded in governance practices, regulatory compliance, and disclosure standards. This transformation reflects the broader theoretical shift from corporate social responsibility (CSR) to corporate

¹ <https://www.vision2030.gov.sa/en>

sustainability, where legal frameworks define the boundaries of environmental accountability (Sharma & Biloría, 2024; Vargas-Hernandez et al., 2025).

From a global perspective, environmental sustainability integrates the interdependent dimensions of economic efficiency, ecological protection, and social equity. Scholars emphasize that sustainability cannot be achieved through market mechanisms alone and requires institutional and regulatory intervention to align corporate incentives with long-term societal objectives (Kim & Park, 2023; Zainuddin et al., 2021). Similarly, recent studies show that integrating renewable energy policy into corporate practice reduces the environmental cost of production while reinforcing investor confidence in responsible governance systems (Xu & Zhu, 2024). In this sense, sustainability functions not only as a set of ethical expectations but as a legal mechanism that constrains and guides corporate behavior within the limits of planetary resources.

Within developing economies, the transition toward sustainability presents unique theoretical and practical challenges. Benito and Meyer (2024) link the concept of the developmental state to green economic growth, arguing that state-led regulatory intervention remains indispensable for aligning environmental goals with modernization. This argument is particularly salient for resource-dependent economies such as Saudi Arabia, where diversification requires institutional redesign and legal innovation. Sukov and Simonov (2023) observe that Saudi Arabia's energy-policy and environmental-governance reforms reflect a structural reorientation toward green-transition strategies consistent with global sustainability norms. These developments support the theoretical proposition that legal frameworks can serve as catalysts for corporate adaptation and innovation, provided they integrate enforceable obligations and clear disclosure mechanisms (Razali et al., 2023).

In Saudi Arabia, sustainability has been elevated from a feature of policy rhetoric to a central principle of national governance under Vision 2030. The Environmental Law operationalizes this vision by introducing binding duties on corporations to minimize environmental harm and implement sustainable practices. However, the translation of legislative intent into corporate behavior depends on institutional oversight and the internalization of sustainability values within governance culture (ElAlfy et al., 2025; Sanad, 2025). Saudi corporate law — traditionally focused on shareholder protection and financial performance — is thus undergoing a paradigmatic shift toward incorporating ecological and social considerations as part of fiduciary accountability (Gangi et al., 2025).

The theoretical literature converges on the understanding that sustainable corporate practice requires coherence among legal norms, governance structures, and enforcement mechanisms. Scholars argue that environmental responsibility must be embedded within the procedural and strategic dimensions of corporate governance rather than treated as an external compliance function (Kim & Park, 2023; Matashu, 2025). This approach underscores the interdependence between environmental sustainability and corporate legitimacy: Firms that integrate sustainability into operational strategies not only mitigate ecological

risk but also enhance long-term economic value and investor trust. Within this conceptual framework, sustainability becomes both an ethical ideal and a legal requirement, demanding continuous adaptation of corporate-governance systems to evolving environmental, social, and economic realities (Vargas-Hernandez et al., 2025).

Taken together, the reviewed scholarship establishes the theoretical foundation upon which this study builds: Sustainability is a juridical principle linking environmental stewardship to corporate governance, and its effectiveness depends on how law translates normative commitments into institutionalized corporate practices. This theoretical grounding provides the context for examining how ESG frameworks extend this logic by introducing measurable, standardized, and enforceable mechanisms for assessing corporate responsibility — a discussion developed in Section 4.

2.2. Understanding environmental, social, and governance and sustainability frameworks

The emergence of ESG frameworks represents a paradigmatic shift in how corporate accountability is conceptualized, measured, and enforced. While earlier approaches to corporate responsibility emphasized voluntary disclosure and ethical alignment, contemporary ESG theory constructs a legally and institutionally grounded model of accountability that integrates sustainability into the core architecture of governance. ESG is not an isolated policy tool but a systemic mechanism that defines how corporations operationalize sustainability across strategic, financial, and ethical dimensions (Thompson, 2025). This framework translates broad sustainability principles into quantifiable obligations through reporting standards, risk metrics, and disclosure mandates, thereby transforming moral expectations into enforceable governance norms (Gangi et al., 2025).

Theoretically, ESG builds upon and extends sustainability theory by embedding measurable standards within corporate-governance systems. As Hill (2020) explains, ESG performance reflects the capacity of governance institutions to internalize environmental and social risks while maintaining economic viability. Scholars such as Jovanovic et al. (2024) argue that ESG frameworks have redefined the corporate-governance paradigm by linking ethical responsibility to competitiveness, thus making sustainability an instrument of strategic performance rather than a peripheral moral claim. Similarly, Matashu (2025) and Isbășoiu and Volosevici (2024) emphasize that ESG metrics institutionalize sustainability through structured disclosure and compliance regimes, providing regulators and investors with standardized mechanisms for evaluating corporate conduct. Recent empirical studies further confirm that effective ESG integration enhances market value and mitigates investment risk across emerging economies (Agyemang et al., 2025; Faizulayev, 2025).

In practice, ESG governance operates through three interdependent dimensions — environmental, social, and governance — each reflecting a distinct but overlapping set of legal and ethical obligations. The environmental dimension assesses corporate performance in mitigating ecological degradation, managing emissions, and adopting clean

technologies, aligning with global frameworks such as the Paris Agreement and the Greenhouse Gas Protocol². The social dimension evaluates corporate responsibility toward employees, communities, and consumers, focusing on equality, inclusion, and social welfare (Quoquab & Mohammad, 2016; Sanad, 2025). The governance dimension, often the most critical in regulatory analysis, encompasses transparency, accountability, board composition, and ethical leadership (Vargas-Hernandez et al., 2025). Collectively, these pillars operationalize sustainability by requiring corporations to disclose not only economic performance but also their environmental and social impact, linking fiduciary obligations to long-term public value (ElAlfy et al., 2025).

The conceptual evolution of ESG is further illuminated by comparative studies demonstrating its institutional variability. Bole (2024) contends that while ESG frameworks originated as investor-driven standards in Western markets, their global diffusion has produced diverse interpretive models shaped by domestic regulatory cultures. Within this pluralist landscape, the Saudi experience represents an emerging hybrid that reconciles Islamic ethical foundations with contemporary governance models. The Tadawul ESG Disclosure Guidelines exemplify this synthesis by transforming sustainability from aspirational rhetoric into enforceable reporting standards. Sukov and Simonov (2023) similarly note that Saudi Arabia's evolving policy infrastructure demonstrates a deliberate alignment between national objectives under Vision 2030 and international ESG benchmarks, positioning Saudi Arabia as a regional leader in sustainable finance.

Recent theoretical literature also situates ESG within broader debates on corporate legitimacy and institutional trust. Lincoln and Croad (2025) argue that sustainable-governance frameworks enhance public confidence by converting abstract sustainability goals into verifiable corporate commitments. Ahlers (2021) reinforces this view by suggesting that ESG metrics create a "feedback loop" between corporate conduct and social accountability, ensuring that environmental and social performance directly influence organizational reputation and market access. These insights are particularly relevant for Saudi Arabia, where ESG adoption is increasingly perceived as essential to attracting foreign investment and integrating domestic markets into global financial systems (ElAlfy et al., 2025).

Taken together, the reviewed literature elucidates that ESG frameworks serve as the institutional expression of sustainability theory. They operationalize environmental and social objectives through governance, legal standards, and disclosure practices. This theoretical understanding establishes the foundation for examining, in subsequent sections, how Saudi corporate law and policy reforms can consolidate ESG integration to advance sustainable economic transformation consistent with the objectives of Vision 2030.

3. RESEARCH METHODOLOGY

This research adopts a descriptive-analytical and comparative legal methodology, integrating doctrinal interpretation with policy analysis to examine how

ESG principles can be embedded within Saudi corporate-governance frameworks. The study focuses on the interaction among legal norms, institutional practices, and sustainability objectives as articulated under Vision 2030. By analyzing statutory instruments, regulatory developments, and peer-reviewed academic interpretations of global ESG standards, the research identifies both the structural strengths and doctrinal gaps in Saudi Arabia's evolving approach to sustainable corporate governance.

The descriptive component of the methodology provides a systematic account of the relevant legal sources. These include the Environmental Law, the Companies Law, the Tadawul ESG Disclosure Guidelines, and other instruments governing environmental and corporate responsibility. Each source is examined in light of its underlying legal principles, policy objectives, and enforcement mechanisms. This descriptive process is complemented by an interpretive analysis of how Saudi law constructs sustainability obligations as enforceable corporate duties and integrates them into fiduciary structures, ensuring consistency with emerging governance norms across global markets (Adardour et al., 2025).

The analytical component develops this doctrinal foundation through cross-jurisdictional comparison. The study draws on recent peer-reviewed research analyzing the diffusion of international ESG frameworks — such as those inspired by the Organization for Economic Co-operation and Development Principles of Corporate Governance and the UN SDGs — and their adaptation within emerging markets (Khamisu, 2024). Comparative attention is given to jurisdictions that have translated sustainability principles into binding corporate-governance requirements, particularly in relation to disclosure, board accountability, and environmental risk management. This comparative inquiry reveals areas where Saudi law converges with or diverges from global ESG practice and highlights opportunities for harmonization and doctrinal refinement consistent with Saudi Vision 2030 objectives (Biju et al., 2025).

In addition to doctrinal and comparative analysis, the study incorporates policy interpretation to contextualize Saudi ESG initiatives within the broader socio-economic framework of institutional reform. Vision 2030 is treated as both a strategic policy roadmap and a normative source that guides the modernization of legal infrastructure. This policy lens enables examination of how regulatory institutions — such as the Capital Market Authority, the Ministry of Investment, and the Saudi Exchange — interact to operationalize ESG disclosure standards. Recent socio-legal scholarship on transnational investor networks and governance diffusion demonstrates that the effectiveness of such reforms depends on contextual adaptation within domestic legal cultures rather than on direct replication of foreign models (Bowley, 2024). Accordingly, this research evaluates ESG integration in Saudi Arabia not as a passive reception of international norms but as an active process of normative translation shaped by Islamic ethical principles and national development priorities.

The methodology further recognizes that the doctrinal approach, while indispensable for theoretical clarity, benefits from triangulation with

² <https://ghgprotocol.org/about-us>

complementary empirical perspectives. Future research could employ mixed methods by conducting semi-structured interviews with policymakers, regulators, and corporate officers to investigate interpretive variations in ESG implementation. Likewise, quantitative content analysis of sustainability reports and ESG assurance statements could measure disclosure quality and compliance consistency, building on evidence from comparative ESG studies in other emerging economies (Assaf et al., 2024; Itan et al., 2025). These extensions would not alter the present study's legal-doctrinal nature but would deepen the understanding of law in action through empirical validation.

This multi-layered methodological framework ensures both conceptual rigor and practical relevance. The combination of doctrinal, comparative, and socio-legal approaches allows for a normative assessment of ESG integration within Saudi corporate law while situating it within an international context. It thereby provides a robust analytical basis for evaluating how Saudi Arabia can institutionalize sustainable corporate governance consistent with its economic diversification and environmental-stewardship goals under Vision 2030.

4. RESULTS AND DISCUSSION

4.1. Environmental responsibility and business strategy

The analysis reveals that Saudi Arabia has established a progressively structured but still evolving legal framework for embedding ESG principles into corporate governance. The Environmental Law and the Companies Law jointly constitute the foundation of this transformation, introducing explicit duties on environmental stewardship, corporate responsibility, and transparency. These instruments align with Vision 2030's sustainability pillars; yet the research findings indicate that their effectiveness depends on enforcement capacity and the internalization of sustainability norms within corporate-governance culture.

Recent peer-reviewed evidence confirms a marked improvement in environmental disclosure among Saudi-listed firms. Hussain et al. (2024) report that ESG transparency among non-financial companies on the Saudi Exchange has increased significantly since 2021, particularly in energy and industrial sectors that adopted integrated sustainability strategies. Similarly, Ali et al. (2025) show that firms aligning environmental management with corporate strategy record both reputational and financial gains, reinforcing the notion that environmental stewardship enhances market credibility. While ESG principles are conceptually embedded in regulatory policy, their operationalization at the board and management levels remains inconsistent, reflecting the transitional nature of Saudi corporate-governance reform (Alslaibi et al., 2025; Shmelev, 2025).

4.2. The strategic role of governance

The results further demonstrate that Saudi corporate law has begun to converge with international sustainability norms, particularly

through the Tadawul ESG Disclosure Guidelines and the regulatory initiatives underpinning Vision 2030. These measures encourage listed companies to report ESG performance using standardized indicators derived from global disclosure models and sustainability-governance research (Buchetti et al., 2025; Sanad, 2025).

Empirical studies corroborate that effective governance — especially gender diversity and independent board oversight — correlates with improved ESG reporting quality. Basali (2025) has found that governance strength is a statistically significant determinant of ESG disclosure intensity among Saudi Exchange companies. Ali et al. (2025) further demonstrate that female board representation and specialized ESG committees enhance the transparency and credibility of sustainability reporting, supporting the broader goals of Vision 2030. However, despite growing alignment with international frameworks, compliance remains largely voluntary, and disclosure quality varies across sectors. The absence of unified enforcement standards limits the ability of regulators and investors to compare performance, reducing the transparency and accountability that ESG aims to achieve (Zhao et al., 2025).

4.3. Integrating environmental, social, and governance for competitive advantage

A comparative analysis highlights that Saudi ESG governance occupies a middle ground between the prescriptive models of the European Union (EU) and the disclosure-based frameworks prevalent in the Gulf region. Whereas EU law enforces binding sustainability-reporting directives, Saudi regulation favors a progressive-compliance approach designed to build market readiness. This incremental strategy reflects Saudi policy pragmatism, promoting gradual corporate adaptation without stifling economic diversification.

Cross-national analyses confirm that ESG integration generates measurable competitive advantages. Shrestha et al. (2025) have found that emerging-market firms with high ESG ratings consistently outperform peers in long-term profitability and resilience. Similarly, Ali et al. (2025) report that ESG-oriented Saudi firms achieve superior return-on-assets ratios compared with firms with minimal disclosure. Nevertheless, the effectiveness of this model depends on the transition from voluntary compliance to semi-mandatory reporting supported by credible assurance mechanisms (Shrestha et al., 2025; Zhu et al., 2025).

To consolidate the doctrinal and empirical insights discussed above, the following table synthesizes the main findings on ESG integration in Saudi corporate governance. It illustrates how environmental, governance, comparative, and strategic dimensions contribute to Vision 2030's sustainability goals, while revealing key regulatory and institutional gaps.

Table 1. Summary of key findings on environmental, social, and governance integration in Saudi corporate governance

<i>Dimension</i>	<i>Key findings</i>	<i>Supporting evidence</i>	<i>Implications for Vision 2030</i>
Environmental responsibility	Increased ESG disclosure and stronger alignment between environmental management and corporate strategy.	Hussain et al. (2024), Ali et al. (2025)	Enhances resource efficiency, resilience, and investor confidence
Governance structure	Board independence and gender diversity significantly improve ESG reporting quality.	Basali (2025), Sanad (2025)	Reinforces transparency, accountability, and ethical oversight
Comparative positioning	The Saudi ESG framework occupies a middle ground between the EU prescriptive and GCC voluntary models.	Shrestha et al. (2025), Zhao et al. (2025)	Supports gradual adaptation and regulatory pragmatism
Competitive advantage	ESG-aligned firms show superior profitability, market credibility, and long-term resilience.	Ali et al. (2025), Shmelev and Gilardi (2025)	Advances in diversification and competitiveness objectives
Policy gaps	Fragmented oversight and uneven enforcement hinder ESG consistency.	Alsilaibi et al. (2025), Zhu et al. (2025)	Calls for unified oversight and progressive mandatory disclosure

As shown in Table 1, ESG integration in Saudi Arabia demonstrates a balanced evolution that merges global standards with domestic institutional realities. These findings form the foundation for the following section, which explores the structural challenges and policy opportunities that will shape the long-term consolidation of ESG governance in Saudi Arabia.

The following discussion interprets these findings in light of the doctrinal and comparative framework established in this section. The results emerge from a systematic assessment of statutory sources, regulatory frameworks, and recent peer-reviewed studies, confirming that Saudi ESG reform reflects a form of adaptive legal transplantation that reconciles global sustainability standards with domestic institutional realities. The findings show that institutional capacity plays a decisive role in determining the success of ESG integration. While the Capital Market Authority and the Ministry of Investment have advanced disclosure standards, coordination among regulatory agencies remains fragmented. Strengthening inter-agency cooperation would enhance policy coherence and reduce duplication. Additionally, corporate boards require clearer fiduciary guidance on how ESG responsibilities intersect with directors' duties under the Companies Law. Comparative evidence from emerging-market governance studies suggests that codifying ESG responsibilities within board charters and risk-management systems substantially improves compliance outcomes and investor confidence (Shrestha et al., 2025).

4.4. Challenges and opportunities for environmental, social, and governance in Saudi Arabia

The discussion underscores that ESG implementation in Saudi Arabia is not solely a technical regulatory task but a process of institutional learning and normative evolution. The integration of ESG principles requires the alignment of three interrelated dimensions: 1) doctrinal clarity — defining ESG duties within the legal framework; 2) institutional coordination — ensuring coherent regulatory oversight; and 3) corporate culture — embedding sustainability values into organizational decision-making. Achieving this alignment would transform ESG from an aspirational policy goal into a functional governance mechanism capable of advancing Vision 2030's objectives of sustainable economic diversification and global competitiveness.

From a broader theoretical perspective, these findings confirm the argument advanced in contemporary ESG literature that sustainable corporate governance is effective only when law, policy, and market behavior are mutually reinforcing. ESG frameworks serve as the conduit through which this reinforcement occurs, linking fiduciary accountability with environmental and social outcomes. In the Saudi context, this convergence marks the gradual emergence of a hybrid model of governance — one that reconciles Islamic ethical principles, global sustainability norms, and national development objectives. Nevertheless, the findings remain limited by the nascent state of ESG enforcement and the scarcity of longitudinal data; future empirical studies could further validate these doctrinal insights through interviews and quantitative analyses of disclosure trends (Adardour et al., 2025; Itan et al., 2025).

These outcomes underscore the need for a coherent legal and institutional framework that transforms ESG from policy aspiration into enforceable governance practice — a theme developed in the concluding section.

5. CONCLUSION

This study examined how Saudi Arabia's evolving corporate-governance and sustainability architecture reflects an emergent hybrid model of ESG-oriented regulation. The analysis demonstrates that, under the framework of Vision 2030, Saudi law is progressively embedding environmental and social responsibilities into corporate practice through the Environmental Law (2021), the Companies Law (2022), and the Tadawul ESG Disclosure Guidelines. These reforms are not merely formal adjustments but mark a substantive normative shift toward sustainable governance. The findings reveal that while the integration of ESG principles has advanced significantly at the policy level, implementation at the corporate and institutional levels remains uneven, constrained by limited enforcement mechanisms and fragmented inter-agency coordination.

The results underscore four key contributions. First, environmental responsibility is no longer peripheral to business strategy: empirical evidence from recent studies confirms that firms aligning sustainability with core operations achieve tangible financial and reputational benefits (Hussain

et al., 2024; Ali et al., 2025). Second, governance structures — particularly those promoting gender diversity and independent oversight — are essential conduits for translating policy commitments into operational outcomes (Basali, 2025; Sanad, 2025). Third, the comparative analysis demonstrates that Saudi Arabia's gradualist approach, balancing regulatory direction with market adaptation, reflects a pragmatic strategy suited to its institutional and economic context. Finally, the doctrinal findings highlight that effective ESG integration requires a holistic approach where legal design, institutional accountability, and corporate culture interact to produce genuine sustainability performance.

These findings have several implications for policy, theory, and practice. From a policy perspective, regulators should move from voluntary to semi-mandatory ESG reporting standards, introducing verification mechanisms to ensure the reliability of disclosures. This would align Saudi corporate governance with emerging global norms while safeguarding national competitiveness. Theoretically, the research supports the idea that ESG integration in emerging economies constitutes a process of adaptive legal transplantation — a model where transnational sustainability principles are absorbed and reinterpreted through local institutional logics. Practically, the evidence suggests that firms capable of internalizing ESG principles into their decision-making frameworks exhibit higher resilience, market legitimacy, and investor confidence.

However, it should be acknowledged that this study also has several limitations. The doctrinal-comparative approach, while effective for mapping legal developments, does not capture the lived

experiences of corporate actors or the behavioral dynamics of sustainability implementation. Moreover, ESG data across the Gulf remains heterogeneous, limiting cross-sectoral comparability. These constraints invite caution in generalizing the findings beyond the specific Saudi context.

Future research should therefore adopt mixed-method designs that combine doctrinal analysis with empirical inquiry. Interview-based or survey-driven approaches could illuminate how regulators, board members, and sustainability officers interpret and operationalize ESG mandates. Comparative studies involving other GCC jurisdictions — particularly the United Arab Emirates, Qatar, and Bahrain — would also provide valuable insight into the regional convergence of sustainability frameworks. Additionally, longitudinal data analysis could help evaluate whether regulatory interventions yield measurable improvements in environmental and social performance over time.

Overall, this paper contributes to advancing scholarly and policy understanding of how ESG principles can be domesticated within the legal, institutional, and cultural landscape of an emerging economy. By tracing the intersection between law, policy, and governance under Vision 2030, it shows that Saudi Arabia's ESG transformation is not simply derivative of global trends but represents an endogenous, value-driven evolution toward sustainable capitalism. The study thus reaffirms that genuine sustainability in corporate governance lies not in regulatory formality but in the substantive alignment of economic performance, social responsibility, and ethical governance.

REFERENCES

- Adardour, Z., El-Dafali, S., Mohiuddin, M., El Mortagi, O., Sbai, H., & Bouzahir, B. (2025). Exploring the drivers of environmental, social, and governance (ESG) disclosure in an emerging market context using a mixed methods approach. *Future Business Journal*, 11, Article 107. <https://doi.org/10.1186/s43093-025-00530-w>
- Agyemang, A. O., Osei, A., & Kongkuah, M. (2025). Exploring the ESG-circular economy nexus in emerging markets: A systems perspective on governance, innovation, and sustainable business models. *Business Strategy and the Environment*, 34(5), 5901–5924. <https://doi.org/10.1002/bse.4278>
- Ahlers, R. (2021). The life cycle performance assessment (LCPA) methodology. In P. Rosa & S. Terzi (Eds.), *New business models for the reuse of secondary resources from WEEE: The FENIX project* (pp. 81–96). Springer Nature. https://doi.org/10.1007/978-3-030-74886-9_7
- Ali, N. B. M., Ali Hussin, H. A. A., Mohammed, H. M. F., Mohmmmed, K. A. A. H., Almutiri, A. A. S., & Ali, M. A. (2025). The effect of environmental, social, and governance (ESG) disclosure on the profitability of Saudi-listed firms: Insights from Saudi Vision 2030. *Sustainability*, 17(7), Article 2977. <https://doi.org/10.3390/su17072977>
- Alslaibi, N. A., Samara, H. H., Hussein, A. I., & Hussein, W. N. (2025). The role of environmental management teams in linking board characteristics to sustainability performance: Evidence from the GCC. *Management & Sustainability: An Arab Review*. <https://doi.org/10.1108/MSAR-12-2024-0233>
- Assaf, C., Monne, J., Harriet, L., & Meunier, L. (2024). ESG investing: Does one score fit all investors' preferences? *Journal of Cleaner Production*, 443, Article 141094. <https://doi.org/10.1016/j.jclepro.2024.141094>
- Basali, M. (2025). Impact of financial performance and corporate governance on ESG disclosure: Evidence from Saudi Arabia. *Sustainability*, 17(18), Article 8473. <https://doi.org/10.3390/su17188473>
- Benito, G. R. G., & Meyer, K. E. (2024). Industrial policy, green challenges, and international business. *Journal of International Business Studies*, 55(9), 1093–1107. <https://doi.org/10.1057/s41267-024-00722-6>
- Biju, A. V. N., Geetha, S., Prasad, S., Sasidharan, A., & Jayachandran, A. (2025). ESG-firm performance nexus: Evidence from an emerging economy. *Business Strategy and the Environment*, 34(3), 3469–3496. <https://doi.org/10.1002/bse.4152>
- Bole, D. K. (2024). Business sustainability: Benefits and challenges. In V. Jain & A. Mittal (Eds.), *Management for sustainable development: Integrating social, economic, and environmental goals* (pp. 185–210). Apple Academic Press. <https://doi.org/10.1201/9781003505754-9>
- Bowley, T., & Hill, J. G. (2024). The global ESG stewardship ecosystem. *European Business Organization Law Review*, 25, 229–268. <https://doi.org/10.1007/s40804-024-00316-7>

- Buchetti, B., Arduino, F. R., & Perdichizzi, S. (2025). A literature review on corporate governance and ESG research: Emerging trends and future directions. *International Review of Financial Analysis*, 97, Article 103759. <https://doi.org/10.1016/j.irfa.2024.103759>
- ElAlfy, A., Elgharbawy, A., Driver, T. R., & Ibrahim, A.-J. (2025). Sustainability disclosure in the Gulf Cooperation Council (GCC) countries: Opportunities and challenges. *Green Finance*, 7(1), 40–82. <https://doi.org/10.3934/GF.2025003>
- Faizulayev, A. (2025). Empirical examination of ESG and FinTech factors on financial sustainability: A comparative study of Islamic vs conventional banks in Islamic finance-oriented countries. *Asian Journal of Accounting Research*. <https://doi.org/10.1108/AJAR-09-2024-0382>
- Gangi, F., Daniele, L. M., Varrone, N., Coscia, M., & D'Angelo, E. (2025). The impact of business ethics on ESG engagement and the effect on corporate financial performance: Evidence from family firms. *Management Decision*, 63(2), 468–487. <https://doi.org/10.1108/MD-10-2023-1931>
- Hill, J. (2020). *Environmental, social, and governance (ESG) investing: A balanced analysis of the theory and practice of a sustainable portfolio*. Academic Press.
- Hussain, M. A., Alsayegh, M. F., & Boshnak, H. A. (2024). The impact of environmental, social, and governance disclosure on the performance of Saudi Arabian companies: Evidence from the top 100 non-financial companies listed on Tadawul. *Sustainability*, 16(17), Article 7660. <https://doi.org/10.3390/su16177660>
- Isbășoiu, G. D., & Volosevici, D. (2024). Navigating the complexities of green human resources management practices: Operational and legal hurdles. In J.-V. Andrei, M. Vasic, L. Chivu, & B. Kuzman (Eds.), *Marketing and resource management for green transitions in economies* (pp. 126–153). IGI Global Scientific Publishing. <https://doi.org/10.4018/979-8-3693-3439-3.ch006>
- Itan, I., Sylvia, S., Septiany, S., & Chen, R. (2025). The influence of environmental, social, and governance disclosure on market reaction: Evidence from emerging markets. *Discover Sustainability*, 6, Article 347. <https://doi.org/10.1007/s43621-025-01085-0>
- Jovanovic, N., Pastrik, G., & Primec, A. (2024). Implementing CSR concepts in the Slovenian aluminium industry: A case study. In M. Pucelj & R. Bohinc (Eds.), *Corporate governance and CSR strategies for sustainability* (pp. 131–163). IGI Global Scientific Publishing. <https://doi.org/10.4018/979-8-3693-5863-4.ch006>
- Khamisu, M. S., & Paluri, R. A. (2024). Emerging trends of environmental social and governance (ESG) disclosure research. *Cleaner Production Letters*, 7, Article 100079. <https://doi.org/10.1016/j.cpl.2024.100079>
- Kim, J. W., & Park, C. K. (2023). Can ESG performance mitigate information asymmetry? Moderating effect of assurance services. *Applied Economics*, 55(26), 2993–3007. <https://doi.org/10.1080/00036846.2022.2107991>
- Lincoln, A. A., & Croad, J. (2025). Impact of developing iconic cultural centres on sustainability and socio-economic development: A case study of the Turner contemporary Margate. In S. O. Idowu & S. Vertigans (Eds.), *Sustainability in global companies: Theory and practice* (pp. 153–183). Springer. https://doi.org/10.1007/978-3-031-77971-8_8
- López-Menéndez, A. J., Perez, R., & Moreno, B. (2014). Environmental costs and renewable energy: Re-visiting the environmental Kuznets curve. *Journal of Environmental Management*, 145, 368–373. <https://doi.org/10.1016/j.jenvman.2014.07.017>
- Matashu, M. (2025). Corporate governance practices for promoting sustainability of small and medium enterprises. In M. Magocha & M. Matashu (Eds.), *Corporate governance practices promoting the sustainability of small, medium and microenterprises in South Africa* (pp. 3–29). AOSIS. <https://doi.org/10.4102/aosis.2024.BK404.01>
- Quoquab, F., & Mohammad, J. (2016). Managing sustainability consumption: Is it a problem or panacea? In W. Leal Filho, D.-M. Pociovalisteanu, & A. Q. Al-Amin (Eds.), *Sustainable economic development: Green economy and green growth* (pp. 115–125). Springer. https://doi.org/10.1007/978-3-319-45081-0_7
- Razali, N., Hassan, R., Zain, N. R. M., & Suratman, M. R. (2023). SRI-linked sukuk: An enabler for the transition to low-carbon activities. *Journal of Islamic Finance*, 12(1), 17–31. <https://doi.org/10.31436/jif.v12i1.744>
- Sanad, Z. (2025). Corporate environmental disclosure and gender diversity on boards: Evidence from Gulf Cooperation Council countries. *Review of Accounting and Finance*. <https://doi.org/10.1108/RAF-05-2024-0203>
- Sharma, A., & Bilorla, D. (2024). Changing societies adjusting to environmental initiatives. In S. Yildirim, D. C. Yildirim, I. Demirtaş, & V. Kandpal (Eds.), *Green transition impacts on the economy, society, and environment* (pp. 324–339). IGI Global Scientific Publishing. <https://doi.org/10.4018/979-8-3693-3985-5.ch018>
- Shmelev, S. E., & Gilardi, E. (2025). Corporate environmental, social, and governance performance: The impacts on financial returns, business model innovation, and social transformation. *Sustainability*, 17(3), Article 1286. <https://doi.org/10.3390/su17031286>
- Shrestha, C., Andrikopoulos, P., & Park, J. S. (2025). ESG rating and financial performance in the emerging markets: The moderating effects of cross-listing and industry type. *Research in International Business and Finance*, 77(Part A), Article 102916. <https://doi.org/10.1016/j.ribaf.2025.102916>
- Singh, S., & Yadav, A. (2021). Interconnecting the environment with economic deployment of a nation. In P. Singh, P. Verma, D. Perrotti, & K. K. Srivastava (Eds.), *Environmental sustainability and economy* (pp. 35–60). Elsevier. <https://doi.org/10.1016/B978-0-12-822188-4.00003-8>
- Sukov, A. N., & Simonov, A. G. (2023). Middle East energy policy transformation: Saudi case. In E. G. Popkova (Ed.), *Sustainable development risks and risk management: A systemic view from the positions of economics and law* (pp. 463–467). Springer. https://doi.org/10.1007/978-3-031-34256-1_81
- Thompson, S. (2025). *Green and sustainable finance: Principles and practice in banking, investment and insurance* (3rd ed.). Kogan Page.
- Vargas-Hernandez, J. G., Gonzalez-Avila, F. J., & Vargas-Gonzalez, O. C. (2025). Governance of organizational sustainability management. In V. Nadda, U. B. Singh, & B. Sahidi (Eds.), *Governance strategies for effective sustainable development* (pp. 183–212). IGI Global Scientific Publishing. <https://doi.org/10.4018/979-8-3693-3011-1.ch010>

- Wang, J. (2025). Reflection on legal transplantation theories: A socio-legal historical study of the formulation and evolution of Chinese marine insurance law. *International Journal of Law in Context*, 21(1), 80-98. <https://doi.org/10.1017/S174455232400034X>
- Xu, Y., & Zhu, N. (2024). The effect of environmental, social, and governance (ESG) performance on corporate financial performance in China: Based on the perspective of innovation and financial constraints. *Sustainability*, 16(8), Article 3329. <https://doi.org/10.3390/su16083329>
- Zainuddin, Z., Iranmanesh, M., Tseng, M.-L., Foroughi, B., & Tengku Hamzah, T. A. A. (2021). Clean development mechanism implementation: External and organizational factors drives expected business benefits. *Business Strategy and the Environment*, 30(8), 3444-3453. <https://doi.org/10.1002/bse.2812>
- Zhao, D., Ngan, S. L., Jamil, A. H., Salleh, M. F. M., & Yusoff, W. S. (2025). Peer effects on ESG disclosure: Drivers and implications for sustainable corporate governance. *Sustainability*, 17(10), Article 4392. <https://doi.org/10.3390/su17104392>
- Zhu, T., Wu, H., & Hu, S. (2025). ESG rating divergence and corporate financialization: Towards sustainable development or short-term profitability. *Journal of Environmental Management*, 389, Article 126239. <https://doi.org/10.1016/j.jenvman.2025.126239>