

# Appointing a Director of a Private Company: Checklist (Saudi Arabia)

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A Checklist on the eligibility requirements and the procedure for appointing directors (including the chairperson) of a Saudi private company, particularly, joint stock companies (JSCs) and limited liability companies (LLCs).

A Checklist on what to consider when appointing directors (including the chairperson) of Saudi joint stock companies (JSCs) and limited liability companies (LLCs). It deals with the formal appointment procedure, eligibility requirements, term of office, and post-appointment formalities. For a comparison of board structure, membership, and the process for appointing a director in different jurisdictions, see Quick Compare Chart, Board structure, membership, director personal criteria and appointment process.

Unless otherwise stated for clarity, a director, for the purpose of this Checklist, means a natural person that, individually or as part of a board, has the main duty to manage and oversee a company's operations to implement its corporate purpose.

Notably, in Saudi Arabia, the term director is used for a JSC, while the term manager is used for the person with the same duties in an LLC. Many businesses use the term director irrespective of the type of company. However, it is important to keep up with good practice and generally accepted legal terminologies used in Saudi Arabia. Where this Checklist refrains from distinguishing between JSCs and LLCs, the term director can be taken to apply to both directors of a JSC and managers of an LLC.

For the purpose of this Checklist:

- Companies Law refers to the [Companies Law, Royal Decree No M/132 of 2022](#).
- Commercial Register Law refers to the [Law of Commercial Register, Royal Decree No. M/1 of 1995](#).
- JSC refers only to a closed JSC, which, unlike a listed JSC, is a Saudi stock company that is not listed on the [Saudi Stock Exchange](#). Information on listed JSCs is only provided as a useful

comparison to closed JSCs. Simplified joint stock companies (SJSCs), which are newly introduced by the Companies Law and generally considered a fusion between closed JSCs and LLCs, are outside the scope of this Checklist.

- Corporate charter is a general term that can refer to either:
  - bylaws, the governing document for JSCs and single shareholder LLCs; or
  - articles of association, the governing document for LLCs owned by multiple shareholders.
- The appointment and dismissal of directors for companies that are regulated by a special regulatory body, such as the [Saudi Central Bank, Capital Market Authority](#), or other regulators, are outside the scope of this Checklist.

## Number of Directors

A JSC is managed by a board of directors with at least three members, one of which is the chairperson (Article 67, Companies Law). The current version of the Companies Law, unlike previous versions, does not require a JSC to appoint a vice chairperson (Article 78(2), Companies Law). However, a vice chairperson is generally recommended for a large board to enhance governance and ensure continued smooth board operations if the chairperson is absent.

An LLC can be managed by either:

- A single general manager.
- Two managers.
- A board of managers of at least three members. (Article 160, Companies Law.)

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A company's corporate charter sets out the required number of directors. The directors can be named in the corporate charter or separately appointed by a shareholders' resolution. Appointment by a separate resolution is recommended to avoid having to amend the corporate charter for every change in management.

Saudi law does not specify a maximum number of directors that can sit on the board of directors.

### Eligibility Requirements

The following eligibility requirements must be satisfied when appointing a director of a Saudi company (applying equally to the directors of a JSC or managers of an LLC, unless otherwise stated):

- **Nationality.** Typically, there are no nationality requirements that directors must meet, as the [Ministry of Commerce](#) generally accepts directors that are non-Saudi nationals.
- **Educational qualifications.** Generally, there are no specific educational qualifications required for directors, but it is usually advantageous to appoint directors with relevant academic and professional backgrounds that fit with the company's purpose and objectives. However, there are certain regulatory bodies that may expect certain educational qualifications (for example, law firms need to have a director with a background in law that is licensed to practice).
- **Residency requirements.** Generally, if none of the directors are Saudi nationals, then at least one director must seek residency in Saudi Arabia to ensure activation of essential governmental services for the company.
- **Conflicting offices.** Under Saudi law:
  - the chairperson of a closed JSC can also perform an executive function, which was prohibited under previous versions of the Companies Law and remains prohibited for listed JSCs under Capital Market Authority regulations;
  - directors cannot participate in a business that competes with the company in which they serve as directors unless specifically licensed or authorised by the shareholders (Article 27(2), Companies Law);
  - directors cannot serve as a company's statutory auditor (Article 20(2), Companies Law); and
  - government employees cannot be directors of private companies or accept a membership in a board of directors unless appointed by the government (Article 13, Civil Service Law, Royal Decree No. M/49 of 1977).

- **Independent and minority directors.** JSCs and LLCs are not required to have independent directors nor directors appointed by minority shareholders. However, the Ministry of Commerce encourages JSCs to have independent members, based on the guiding corporate governance rules for unlisted JSCs.
- **Directors do not need to be shareholders.** Unless the corporate charter provides otherwise, directors do not need to be shareholders of a company to be appointed.
- **Natural person.** A director of a company must be a natural person (Article 68(1), Companies Law). Unlike other jurisdictions, there is no Saudi law that allows an artificial body to act as the registered manager of a Saudi-based company.
- **Fiduciary duties.** Directors must be able to fulfil fiduciary duties, such as the duty of care, duty of loyalty, and duty to act within their authority and in the best interest of the company (Article 26, Companies Law).
- **Limits on number of directorships.** Directors may be appointed to the board of more than one company and will owe the same fiduciary duties to each company. Holding more than one directorship may have an impact on some directors' duties (for example, the duty to disclose an interest in a proposed transaction between two companies where the director holds directorship). It is important to ensure that the director who holds management positions in various companies can allocate the needed time to perform their duties for the company they will be appointed for. This is essential to be clear before the appointment to ensure the director can meet the expectations of those appointing them.

While not a Saudi legal requirement, in practice, directors must also be at least age 18 and have mental capacity.

### Procedure for Appointing Directors

Subject to limited exceptions, the appointment procedure consists of the following steps:

- **Corporate charter review.** This is often a neglected step in appointments. It is important to double check and carefully review the corporate charter for any specific requirements on appointing directors. For example, some corporate charters require the director be a shareholder and not a third party.
- **Nomination.** Shareholders or the board nominate a candidate for the director position. If there is

a nomination committee within the company, that committee plays a pivotal role in making nominations to the board before referral to the shareholders.

A key aspect to consider in the nomination process is the director's remuneration. Some companies have clear remuneration policies (usually JSCs), while others (typically LLCs) leave this open (that is, remuneration is determined on a case-by-case basis). Directors' remuneration should be clearly set out in a written document, as directors have, in some cases, filed claims for unpaid fees based on unclear remuneration policies or practices. It is useful to set clear expectations around remuneration provisions when interviewing or meeting candidates for a director position.

- **Shareholders' resolution.** The shareholders pass a resolution appointing the director in a general assembly meeting unless the corporate charter sets a different procedure, such as issuing a separate resolution from an appointing shareholder or amending the corporate charter where the shareholders name directors.
- **Acceptance of appointment.** The nominated person must formally consent to act as a director. In practice, the Ministry of Commerce typically requests a written acceptance letter from the director to confirm their acceptance of the appointment, unless the director files the registration documents for the appointment themselves, which is usually considered as implied consent.

If a director resigns, the Ministry of Commerce typically requests a copy of the resignation letter. For JSCs, the resignation letter must be addressed to the board chairperson (Article 69(3), Companies Law). For LLCs, the resignation letter is typically addressed to the shareholders and the board (if there is a board), depending on the procedures in the corporate charter.

- **Registration.** The appointment must be registered in the commercial register (Article 4, [Implementing Regulations of the Commercial Register Law](#)). The supporting documentation for the registration can include the director's full name, identity number, and citizenship, a copy of the director's identification, the powers of the director, and the resolution appointing the director (see [Filing or Registering the Appointment at Companies' House](#)).

(See [Exceptions to Procedure for Appointing Directors](#).)

## Exceptions to Procedure for Appointing Directors

Under Saudi law, the main exceptions to the procedure for appointing directors of a Saudi company are:

- **Initial director appointments.** The company's initial directors are appointed at the time of company formation. The incorporators file the incorporation application and necessary documents with the Ministry of Commerce.
- **Filling casual vacancies.** If a director's position becomes vacant in a JSC, the remaining board members can appoint a temporary director until the next general assembly meeting (Article 69(4), Companies Law). The temporary directorship must be filed with the commercial register.

## Procedure for Appointing Chairperson

The chairperson for an LLC can be appointed by the board of managers or the shareholders, as determined in the corporate charter. Typically, the preference is for the shareholders to appoint the chairperson of an LLC.

A JSC's board of directors appoints the board's chairperson. A chairperson in a JSC can:

- Resign from the chairperson position and remain a board director if they so choose. The board then decides on a new chairperson.
- Be dismissed by a resolution of the board of directors if the board wishes to appoint a replacement chairperson.

## Filing or Registering the Appointment at Companies' House

The director's appointment must be registered in the commercial register of the company within 30 days of the appointment (Article 4, Commercial Register Law).

The required information for the registration filing must include:

- The director's full name and citizenship.
- A copy of the director's identification document, such as:
  - a Saudi national identity card for Saudi directors;

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- a residency card for non-Saudi residents; or
- a passport copy for non-Saudi nationals who are not a resident in Saudi Arabia.
- The authority of the director.
- The resolution appointing the director.

Additionally, the director's authority must be clarified in the registration, which is filed by either the company's management or the appointing shareholders' local authorised representative along with the company's corporate charter and, for foreign companies, the company's investment license.

### Term of Office

The maximum term of office for the board of directors of a JSC is four years. The general assembly can renew board appointments. (Article 68, Companies Law.)

There is no set term of office under Saudi law for the managers of LLCs. The term can be definite or indefinite as per the wishes of the shareholders (Article 160, Companies Law). Normally, the term of office is governed by the provisions of the corporate charter.

### Invalid Appointments and Validity of Act

If the appointment process for a director in a JSC is carried out incorrectly, the appointment can be deemed invalid. The decision to appoint a manager in an LLC is not valid before third parties until the manager is registered in the commercial register (Article 162, Companies Law). The Ministry of Commerce reviews the necessary supporting documentation to assess the validity of the appointment.

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