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**Original Research Article**

# Enterprise Risk Management and Financial Instruments Governance in Saudi Conglomerates under Vision 2030

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**Abstract:** Saudi conglomerates are entering a period in which financial growth, privatization, supply-chain localization, and large project delivery require more disciplined enterprise risk management. This review examines how enterprise risk management and financial instruments governance can be integrated in Saudi conglomerates under Vision 2030. It argues that treasury products, sukuk, credit facilities, derivatives, intercompany funding and liquidity buffers should not be treated as isolated finance transactions; they should be governed as strategic risk tools connected to board oversight, risk appetite, internal controls, accounting discipline and market disclosure. A structured narrative review was conducted across recent academic work, regulatory materials, financial-sector reports and practice literature published mainly between 2020 and 2025. The paper develops a governance framework that links group-level risk architecture with financial instrument life-cycle controls. Findings indicate that Saudi conglomerates need stronger integration between board risk committees, group treasury, audit functions, subsidiary finance teams, legal review, Sharia governance where relevant, and investor communication. The study contributes a practical model for aligning ERM maturity with the Financial Sector Development Program, capital-market deepening and sustainable corporate performance.

**Keywords**: Enterprise Risk Management, Financial Instruments, Derivatives Governance, Sukuk, Saudi Conglomerates, Vision 2030, Treasury Risk, Corporate Governance.



## 1. INTRODUCTION

Vision 2030 has changed the risk profile of Saudi corporate groups. Conglomerates that were historically anchored in trading, energy, construction, real estate, banking relationships, logistics or family ownership are now participating in more complex value chains, public-private partnerships, giga-project supply networks and capital-market transactions. These opportunities expand revenue, yet they also expose firms to interest-rate repricing, foreign exchange volatility, commodity price swings, counterparty concentration, liquidity stress, project delays, cyber disruption, climate transition requirements and sharper investor scrutiny. A traditional finance function that records transactions after execution is therefore insufficient. Saudi groups need risk governance that anticipates uncertainty before capital is committed and then monitors whether financial instruments actually reduce enterprise exposure.

The attached model paper is useful because it links Vision 2030, financial-market development and the design of financing instruments for Saudi public institutions. Al Ajlouni and Al Habeeb (2022) frame sukuk innovation as part of the Kingdom's search for diversified sources of funding and sustainable institutional performance. This review follows that logic but shifts the unit of analysis from municipal finance to conglomerate governance. In a diversified corporate group, sukuk, bank debt, deposits, guarantees, derivatives, receivables financing and intercompany loans are not neutral instruments. They shape risk distribution among subsidiaries, influence reported earnings, affect covenant headroom and determine how resilient the group remains when market prices or project cash flows move unexpectedly.

The Financial Sector Development Program seeks a diversified and effective financial sector that supports private-sector growth and capital-market development (Vision 2030, 2026). At the same time, the Capital Market Authority's corporate governance regulations require listed companies to establish risk-management structures, assess risk exposure and maintain internal controls (CMA, 2023). These developments make ERM a board-level requirement rather than an optional administrative exercise. For Saudi conglomerates, the key question is how to connect strategic risk appetite with the daily governance of financial instruments. This paper answers that question through a review-based framework suitable for listed groups, large private groups preparing for capital-market access and family conglomerates professionalizing their control environment.

## 2. Aim and Objectives of the Study

The aim of the study is to develop a review-based governance framework for integrating enterprise risk management and financial instruments governance in Saudi conglomerates under Vision 2030. The framework is intended to support boards, chief risk officers, chief financial officers, treasury teams, internal auditors and compliance officers in converting financial instruments from reactive funding tools into controlled mechanisms for resilience and strategic growth.

The objectives are fourfold. First, the paper reviews recent literature and regulatory guidance on ERM, corporate governance, financial-risk disclosure, derivatives, sukuk and accounting for risk mitigation. Second, it identifies the major financial instrument risks facing Saudi conglomerates, including market risk, liquidity risk, credit risk, operational risk, legal enforceability risk and disclosure risk. Third, it proposes a life-cycle model covering exposure identification, strategy selection, approval, execution, valuation, accounting, monitoring, close-out and lessons learned. Fourth, it links the proposed model with Vision 2030 priorities, especially financial-sector depth, private-sector participation, stronger governance and improved institutional performance.

## 3. METHODOLOGY

A narrative review methodology was selected because the topic crosses finance, accounting, law, governance, Islamic capital markets and strategic management. The review was not limited to one statistical question; instead, it sought to synthesize evidence into a practical architecture for decision-making. Sources were screened from 2020 to 2025, with priority given to peer-reviewed studies, official Saudi documents, international accounting guidance, capital-market materials and professional literature that directly addressed ERM, corporate governance, financial instruments, hedge accounting, sukuk, derivatives or risk disclosure. Older conceptual sources were used only where they remain foundational, such as the COSO ERM framework.

The review process followed four stages. In the first stage, the topic was scoped around Saudi conglomerates and the financial instruments most likely to affect their risk profile. In the second stage, sources were categorized into five themes: ERM and governance; Saudi regulatory development; financial instruments and treasury risk; accounting and disclosure; and Vision 2030 capital-market transformation. In the third stage, the evidence was compared to identify recurring gaps, such as fragmented treasury authority, weak scenario analysis, limited derivative documentation, inconsistent subsidiary reporting and insufficient linkage between risk appetite and financial statement disclosures. In the fourth stage, a governance framework and two operational tables were developed to translate the review into a practical model.

The methodological contribution is the integration of strategy, governance and instrument-level controls. Many ERM studies focus on board structure or firm performance, while many financial-instrument discussions focus on accounting, valuation or legal enforceability. Saudi conglomerates need both perspectives simultaneously. The framework therefore treats risk appetite as the starting point, instrument selection as a controlled response, accounting and disclosure as evidence of discipline, and board reporting as the mechanism that closes the governance loop.

## 4. LITERATURE REVIEW AND CONCEPTUAL BACKGROUND

ERM is commonly understood as a coordinated process for identifying, assessing, responding to and communicating risks that may affect strategy and performance. COSO emphasizes governance and culture, strategy and objective-setting, performance, review and revision, and information, communication and reporting as interrelated components of ERM (COSO, 2020). In conglomerates, these components are difficult to implement because exposures are distributed across subsidiaries with different businesses, currencies, banking relationships, maturity profiles and risk cultures. A group-level framework must therefore preserve subsidiary accountability while ensuring that the board sees consolidated exposure.

Recent Saudi governance research supports this need for integrated oversight. Al-Matari and Al-Dubai (2025) found that governance committees can strengthen financial risk disclosure in Saudi financial firms, suggesting that formal governance mechanisms influence transparency. Gerged and Agwili (2020) showed that corporate governance mechanisms affect Saudi firm value and profitability in heterogeneous ways, which implies that the quality of implementation matters more than the existence of rules alone. For conglomerates, a risk committee that merely receives reports is insufficient; it must challenge assumptions, understand treasury strategies and monitor whether risk decisions remain within appetite.

The financial-instrument dimension has also become more important. IFRS 9 and IFRS 7 improved hedge accounting and disclosure requirements so that financial statements can better reflect risk-management activities, although dynamic risk management remains complex (IASB, 2025). This point is highly relevant for Saudi groups that hedge floating-rate debt, foreign purchases, commodity-linked inventory, project receivables or foreign-currency funding. A derivative that reduces economic volatility may still create reporting volatility if hedge documentation, effectiveness assessment or valuation controls are weak. Financial governance therefore requires accounting competence before trade execution, not after year-end audit queries arise.

Saudi capital-market development adds another layer. The FSDP aims to deepen the financial sector, support private-sector growth and develop capital-market instruments. The attached model paper noted that sukuk can bridge financing gaps and align with Vision 2030 by diversifying funding sources (Al Ajlouni & Al Habeeb, 2022). In corporate groups, sukuk and debt instruments can support expansion, but they introduce obligations around covenants, investor communication, rating expectations, liquidity forecasting and asset encumbrance. Governance must assess whether an instrument matches the group's cash generation pattern and whether it concentrates risk in a particular subsidiary or project vehicle.

Derivatives governance is becoming more relevant as Saudi markets mature. Chambers and Partners (2025) observed that Saudi Arabia has advanced its domestic derivatives market through reforms under the FSDP, while ICMA (2025) described close-out netting as a critical mechanism for derivatives, repos and other financial contracts. These developments improve market infrastructure, but they also raise expectations that corporate users will maintain stronger policies, documentation, counterparty limits and collateral awareness. A conglomerate that enters swaps or forwards without a clear governance process may reduce one risk while creating legal, liquidity or conduct risk.

## 5. Risk Landscape for Saudi Conglomerates

Saudi conglomerates face a combination of strategic and financial risks that cannot be separated cleanly. Growth under Vision 2030 often requires larger project commitments, imported technology, foreign suppliers, long-dated contracts and multi-bank financing. These features create currency exposures when purchases or debt are denominated in foreign currencies; rate exposures when floating-rate debt funds fixed-margin projects; liquidity exposures when receivables collection does not match financing maturities; and credit exposures when subsidiaries rely on a narrow set of customers or counterparties. Because conglomerates operate across sectors, risk can migrate silently from one subsidiary to another through guarantees, cash pooling and informal support.

Financial instruments are used to manage these exposures, but they can also amplify them. A forward contract can stabilize imported equipment costs, yet poor forecasting can leave the group over-hedged if project volume changes. A profit-rate swap can protect debt service, yet it may generate fair-value losses that management does not understand. Sukuk can diversify funding, yet the underlying asset structure and periodic distribution obligations require careful cash-flow mapping. Intercompany loans can allocate liquidity efficiently, yet they may obscure subsidiary performance if pricing and maturity terms are not transparent. These examples show why instrument governance should sit inside ERM rather than inside a narrow treasury silo.

The risk landscape is also affected by organizational culture. Some Saudi conglomerates retain family ownership, centralized decision-making and relationship-based banking practices. These features can support rapid action, but they may also weaken documentation, segregation of duties and independent challenge. As groups prepare for listings, bond or sukuk issuance, strategic partnerships or institutional investment, they face higher expectations for formal delegation, board reporting, risk appetite statements and control evidence. ERM maturity therefore becomes a market-access capability.

## 6. Proposed Governance Framework

The proposed framework begins with board-approved risk appetite. The board should define acceptable exposure for liquidity, leverage, foreign currency, profit-rate sensitivity, commodity risk, counterparty concentration, project guarantees and earnings volatility. These limits should be expressed in measurable terms such as value-at-risk, earnings-at-risk, debt-service coverage, liquidity days, counterparty rating limits and maximum unhedged exposure. The risk committee should review these limits at least semi-annually and after major strategy changes, acquisitions or financing events. This approach reflects the CMA expectation that companies monitor risk exposure and update risk-management policies when internal or external factors change (CMA, 2023).

The second layer is group treasury governance. Treasury should own the instrument policy, maintain approved counterparty lists, control dealing authority, document hedging objectives and report consolidated exposure. However, treasury should not be the only decision maker. Legal should assess enforceability and netting terms; accounting should confirm IFRS classification and hedge documentation; Sharia advisers should review sukuk or Islamic derivatives where relevant; tax specialists should assess withholding and zakat effects; and internal audit should test compliance. The CFO should integrate these views before execution, while the CRO should confirm alignment with risk appetite.

The third layer is subsidiary integration. Subsidiaries are closest to commercial exposures, so they must capture forecast purchases, sales, receivables, project milestones, inventory requirements and debt needs. A group that hedges without reliable subsidiary forecasts risks mismatched instruments. Therefore, each subsidiary should submit standardized exposure reports to group treasury, including forecast confidence levels and scenario ranges. The central function should then aggregate exposures, net natural offsets and decide whether external instruments are needed. This reduces unnecessary trading and supports a more economical use of hedging capacity.

The fourth layer is monitoring and learning. Every financial instrument should have an owner, rationale, risk metric, accounting treatment, maturity, counterparty, valuation source and close-out plan. Performance should be reviewed against the original objective rather than against profit or loss alone. A hedge that loses fair value may still be successful if the underlying exposure gains value; conversely, a profitable derivative may be unacceptable if it was speculative or outside policy. Lessons from mismatches, margin calls, covenant pressures or audit adjustments should be fed back into policy revisions.

## 7. Financial Instruments Governance Model

Financial instruments governance should follow a full life cycle. The first step is exposure identification. Management should distinguish between committed exposures, highly probable forecast exposures and speculative assumptions. The second step is strategy selection. Not every exposure should be hedged with derivatives; alternatives include natural hedging, contract repricing, currency matching, fixed-rate funding, sukuk structuring, insurance, supplier negotiation or portfolio diversification. The third step is approval and execution. Material transactions should require evidence of risk appetite alignment, delegated authority, counterparty due diligence and documented purpose.

The fourth step is valuation, accounting and disclosure. IFRS 9 requires documentation of hedging relationships and risk-management objectives at inception when hedge accounting is applied. IFRS 7 disclosures then communicate the nature and extent of risks arising from financial instruments. Conglomerates should maintain independent valuation procedures, avoid sole reliance on dealer marks for material instruments and reconcile accounting entries to treasury systems. Audit committees should receive summaries of derivative positions, hedge effectiveness, fair-value sensitivity, credit exposure and any exceptions to policy.

The fifth step is monitoring and close-out. Instruments should be monitored through stress tests, liquidity forecasts and counterparty exposure reports. Close-out decisions should consider economic exposure, accounting consequences, legal terms and funding impact. The 2025 Saudi focus on close-out netting and collateral arrangements is particularly important because enforceable netting reduces counterparty credit risk and supports more resilient derivatives and repo markets. For corporate users, this means legal documentation is not a technical detail; it is a core risk-control mechanism.

**Graphical Representations**

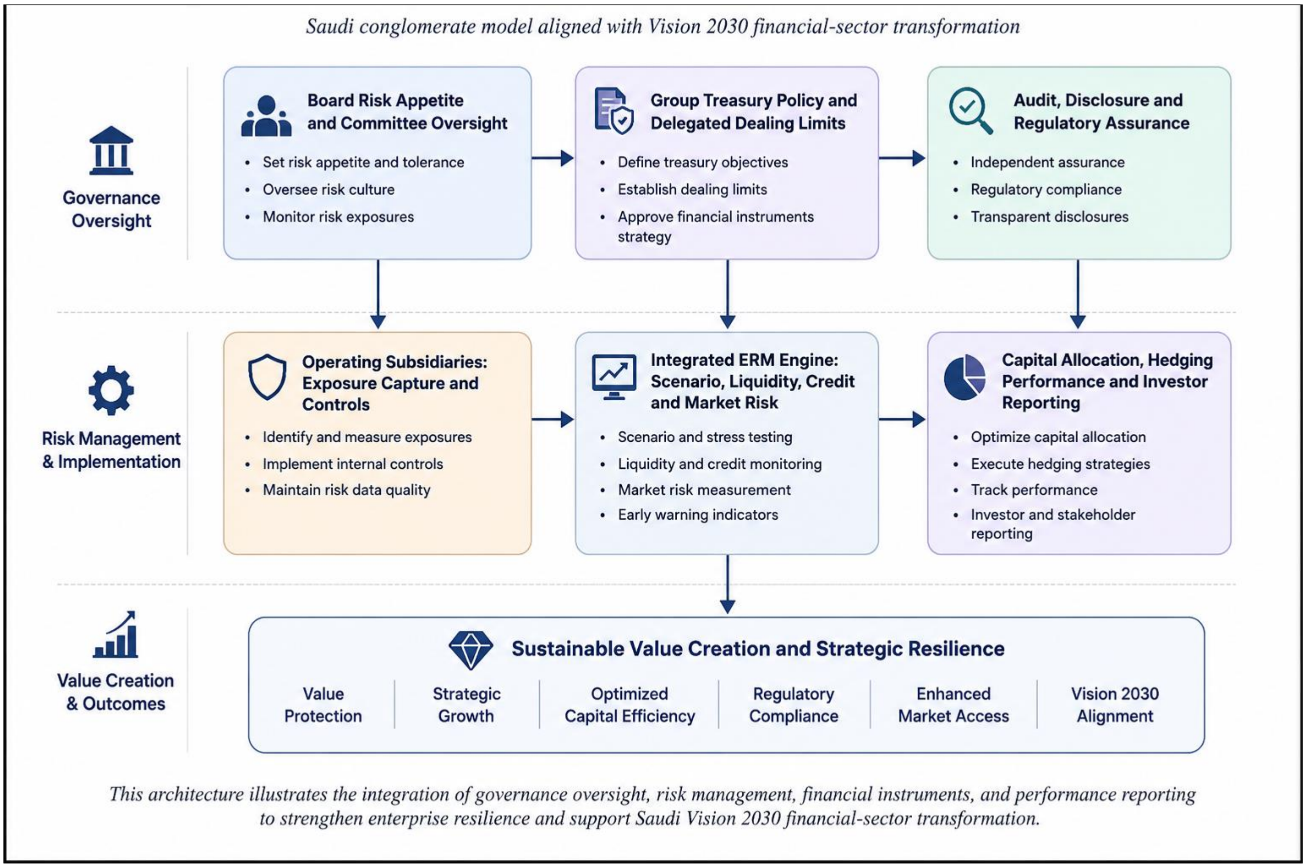


**Figure 1: Integrated ERM and financial instruments governance architecture for Saudi conglomerates**

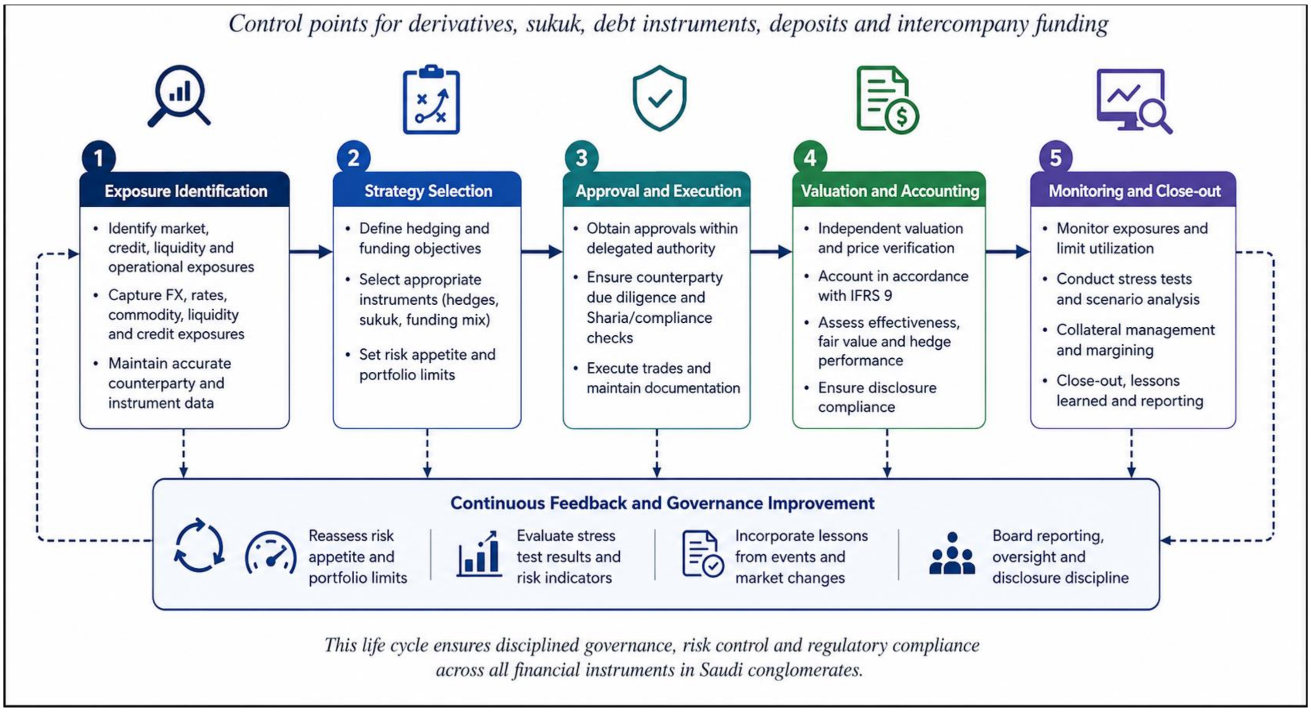


**Figure 2: Financial instruments governance life cycle from exposure identification to close-out learning**

**Table 1: Key financial instrument risk exposures and governance responses**

| Instrument/exposure | Primary risk | Governance control | Board-level metric |
|---|---|---|---|
| Floating-rate loans or sukuk | Profit-rate repricing and debt-service volatility | Approved mix of fixed/floating funding; scenario analysis before issuance | Earnings-at-risk and debt-service coverage |
| FX forwards and options | Forecast mismatch, counterparty and valuation risk | Hedge only committed or highly probable exposures; independent valuation | Open FX exposure and hedge effectiveness |
| Commodity-linked contracts | Margin compression and inventory valuation risk | Natural hedging, contract pass-through clauses and limits | Gross margin sensitivity |
| Intercompany funding | Hidden leverage and liquidity transfer risk | Documented pricing, maturity and repayment waterfall | Subsidiary liquidity days |
| Guarantees and letters of credit | Contingent liability and concentration risk | Central register and approval thresholds | Guarantee utilization against appetite |

**Table 2: Review-derived implementation roadmap for Saudi conglomerates**

| Phase | Core actions | Responsible owners | Expected output |
|---|---|---|---|
| Quarter 1 | Map exposures, instruments, counterparties, covenants and reporting gaps | CFO, CRO, group treasury, subsidiaries | Consolidated exposure inventory |
| Quarter 2 | Approve risk appetite, dealing limits, accounting review and legal documentation standards | Board risk committee and audit committee | Financial instruments policy |
| Quarter 3 | Implement dashboard, stress testing, valuation routines and exception reporting | Treasury, finance transformation and IT | Board risk dashboard |
| Quarter 4 | Internal audit review, training, disclosure readiness and lessons-learned review | Internal audit, legal, finance and investor relations | Assurance report and revised controls |

## 8. DISCUSSION

The central finding of this review is that Saudi conglomerates need to move from transaction governance to portfolio governance. Transaction governance asks whether a specific instrument was approved. Portfolio governance asks whether the total set of instruments still supports strategy, remains within risk appetite and improves resilience. This distinction matters because conglomerates may execute many individually approved transactions that collectively create maturity concentration, counterparty dependence or correlated exposure. A group-level dashboard is therefore essential.

The second finding is that ERM and financial reporting must be linked. Risk committees often discuss operational and strategic risk, while accounting teams handle IFRS disclosures separately. This separation can weaken governance because financial statement volatility may reveal weaknesses in risk strategy, and disclosure gaps may indicate incomplete exposure capture. A mature model connects treasury objectives, accounting treatment, fair-value measurement, sensitivity analysis and investor communication before instruments are executed.

The third finding is that Vision 2030 creates both opportunity and discipline. Capital-market deepening gives Saudi groups more funding options, including sukuk, debt instruments and derivatives. However, broader market access brings higher scrutiny from investors, banks, regulators and rating agencies. Conglomerates that can evidence robust ERM, transparent disclosures and disciplined instrument governance will be better positioned to raise capital, support large projects and absorb shocks. Those that treat risk management as a compliance formality may face higher funding costs and weaker credibility during stress.

### 9. Recommendations

Saudi conglomerates should adopt six practical actions. First, boards should approve a clear risk appetite statement for financial risks and review it after major strategic decisions. Second, group treasury should maintain a financial instruments policy covering permitted instruments, prohibited speculative activity, delegation, counterparty limits, valuation, hedge documentation and exception reporting. Third, subsidiaries should submit standardized exposure forecasts with confidence ratings so that group treasury can aggregate and net exposures before trading. Fourth, accounting and legal review should be mandatory before material derivatives, sukuk or structured financing are executed. Fifth, the audit committee should receive periodic reports on financial instrument risk, valuation, disclosure and policy compliance. Sixth, internal audit should test the entire life cycle from exposure capture to close-out, not merely confirm that approvals exist.

Technology can strengthen these actions. A centralized treasury management system linked to enterprise resource planning data can improve exposure visibility and reduce manual errors. Scenario analytics can show how exchange rates, profit rates, commodity prices and delayed collections affect liquidity and covenant headroom. Dashboards can support board-level discussion by translating technical positions into risk appetite usage. However, technology cannot replace governance. Data quality, role clarity, independent challenge and ethical culture remain decisive.

Board reporting should convert complex exposures into concise decision focused evidence so directors can challenge assumptions before financial stress emerges materially Governance discipline also improves negotiation with banks investors suppliers auditors and regulators because the group can demonstrate consistent exposure ownership documented controls and credible accountability Implementation should start with a baseline diagnostic that compares policy wording against actual dealing practices bank confirmations subsidiary forecasts accounting records and board minutes The diagnostic should identify undocumented exposures unused limits obsolete mandates manual spreadsheets unsupported valuations and unclear escalation routes Management can then prioritize controls that reduce the greatest risk with the least operational disruption A second practical step is to create a monthly treasury risk pack with a short executive summary a limit utilization page a maturity ladder a counterparty table a hedge effectiveness summary and a list of exceptions requiring action A third step is to link remuneration and performance evaluation to control quality as well as financing cost Treasury teams should be rewarded for reducing volatility improving liquidity resilience and maintaining transparent documentation not merely for obtaining low pricing Subsidiary managers should also be assessed on forecast accuracy because weak forecasts make even well designed hedges unreliable The final step is periodic simulation Management should rehearse adverse scenarios such as delayed receivables sudden rate increases currency depreciation covenant tightening counterparty downgrade cyber disruption in payment systems or inability to roll over short term facilities These exercises reveal whether the governance model works when decisions must be made quickly under pressure They also show whether board members receive the right information at the right time In this sense ERM maturity is proven during stress not during routine reporting cycles The same simulation record should be retained for audit evidence and compared with actual events during the year When results are discussed openly directors can see which assumptions were conservative which were optimistic and which controls failed to operate This feedback supports continuous improvement and makes risk culture observable through behaviour rather than slogans It also helps conglomerates communicate with banks and investors using evidence from tested controls which is more convincing than broad statements about prudent management and conservative financing philosophy across all subsidiaries This strengthens institutional confidence when strategic expansion requires external capital and long term market credibility across cycles and stakeholders consistently.

## 11. Critical Success Factors

Successful implementation depends on governance quality rather than policy volume. The first critical factor is ownership clarity. Boards should own appetite, executives should own decisions, treasury should own execution discipline, and subsidiaries should own exposure accuracy. When these roles are blurred, a financial instrument may be approved without anyone accepting responsibility for its consequences. The second factor is independent challenge. Risk, legal, accounting and internal audit functions must be able to question treasury proposals without being viewed as obstacles to business. The third factor is reliable data. Forecasts should identify committed, contracted and expected exposures separately, because hedge decisions based on optimistic sales or procurement assumptions can create avoidable mismatches.

The fourth factor is disclosure readiness. A conglomerate that raises sukuk, issues debt, uses derivatives or enters long-term funding arrangements must explain its risk profile in a way that is understandable to lenders and investors. Disclosure should not merely satisfy minimum accounting requirements; it should show how management thinks about risk, how exposures are measured and how instruments are monitored. The fifth factor is training. Directors and senior managers do not need to price every derivative, but they should understand why an instrument is being used, what could go wrong, what accounting impact may arise and how the position can be exited. Training turns risk reporting from a compliance pack into a real governance conversation.

## 12. Contribution of the Review

This review contributes to the literature and practice in three ways. Conceptually, it connects ERM with the governance of financial instruments in the Saudi conglomerate context. Prior research often addresses governance, disclosure, sukuk or hedge accounting separately. The present synthesis argues that these domains should be integrated because strategic growth, financing choices and market-risk controls are mutually dependent. Practically, the paper offers a life-cycle model that can be converted into policies, dashboards and internal audit programs. The model is particularly useful for groups with multiple subsidiaries, shared banking facilities and mixed conventional and Islamic financing arrangements.

The Saudi context is also important. Vision 2030 does not only call for more financing; it calls for more capable institutions. Conglomerates that adopt disciplined ERM can contribute to that goal by becoming more investable, transparent and resilient. The framework can support listed companies, large private family groups, government-related entities and conglomerates preparing for public offerings or debt-market access. It can also help lenders and investors evaluate whether a group's financial instruments are consistent with its stated risk appetite.

## 13. Limitations and Future Research

The study is limited by its review-based design. It develops a governance framework from literature, regulation and practice sources, but it does not test the framework statistically across Saudi conglomerates. Future research can address this gap by building an ERM maturity index for Saudi groups and testing its relationship with funding cost, volatility, credit ratings, disclosure quality or market valuation. Case studies can also examine how family ownership, board composition, subsidiary autonomy and Sharia governance affect financial-instrument decisions.

Further work is needed on dynamic risk management and digital treasury systems. As Saudi markets deepen, conglomerates may increase their use of derivatives, structured funding, supply-chain finance and sukuk programs. Researchers can investigate whether integrated treasury systems improve exposure accuracy, whether risk dashboards change board behavior, and whether stronger netting and collateral rules reduce counterparty risk for corporate users. These questions would help move the field from conceptual governance toward measurable evidence.

## 14. Policy Architecture for Conglomerate Groups

A robust policy architecture should operate at three levels. The group policy should define the purpose of financial instruments, permitted products, prohibited speculative positions, delegation thresholds, approval workflows, counterparty standards and reporting deadlines. Beneath it, subsidiary procedures should explain how business units identify exposures, validate forecasts, request hedges, record contracts and escalate exceptions. The third level should consist of technical manuals for valuation, accounting, collateral, netting, sukuk documentation and system reconciliation. This layered design prevents a common weakness in large groups: a high-level policy that sounds comprehensive but leaves operational teams unsure about daily execution.

Policy architecture must also address conflicts between commercial urgency and control discipline. Project teams may want quick approvals to protect bid margins or import prices, while treasury and legal teams may require documentation before execution. The framework should therefore include pre-approved templates for common exposures and an emergency approval route for exceptional market conditions. Emergency approval should never mean absence of control; it should mean faster documented challenge, shorter review cycles and immediate post-trade reporting to the CFO, CRO and audit function. Such procedures are important in fast-moving markets, where delays can increase exposure but shortcuts can create hidden losses.

For sukuk and Islamic financing, governance should include asset eligibility, use-of-proceeds monitoring, Sharia review, investor disclosure and ongoing compliance with transaction documents. Conglomerates should not treat Sharia approval as a single issuance event. If assets are substituted, proceeds are reallocated or cash flows change, the group should reassess whether the structure remains consistent with the approved terms. This is especially relevant for groups using mixed conventional and Islamic funding, because inconsistent treatment of collateral, guarantees or profit distributions can complicate reporting and stakeholder confidence.

A further policy issue is the boundary between hedging and speculation. The boundary should be defined by exposure evidence, not by management intention alone. A derivative should be linked to a documented exposure, a measurable risk reduction objective and a defined horizon. Profit seeking from standalone market views should be prohibited unless the board has expressly authorized a trading mandate, which would be unusual for non-financial conglomerates. This principle protects the group from reputational damage and prevents treasury performance from being judged on short-term gains rather than risk reduction.

## 15. Managerial Implications for Vision 2030 Execution

The managerial implication is that ERM should be embedded into growth execution. Vision 2030 projects often require large commitments before cash flows are fully visible. Managers should therefore evaluate financial instruments during bid design, procurement negotiation and funding selection, not after contracts are signed. Early involvement allows the group to price risk into margins, choose appropriate currencies, negotiate pass-through clauses, avoid excessive floating-rate exposure and align funding tenor with project milestones. This approach improves strategic discipline because risk mitigation becomes part of value creation rather than a corrective action after exposure has accumulated.

Another implication is that talent development matters. Saudi conglomerates need professionals who understand treasury markets, accounting, Sharia structures, data systems, risk modelling and board communication. These skills are rarely concentrated in one person, so the governance model should promote cross-functional committees, joint training and rotational exposure between finance, risk and business units. Building such capabilities supports national objectives by deepening institutional quality inside the private sector. It also gives Saudi groups a stronger platform for partnerships with banks, export credit agencies, rating agencies and international investors.

## 16. CONCLUSION

Enterprise risk management and financial instruments governance are becoming inseparable in Saudi conglomerates. Vision 2030 expands the scale of corporate opportunity, but it also increases exposure to market volatility, financing complexity and stakeholder scrutiny. This review shows that sukuk, derivatives, debt instruments, guarantees, deposits and intercompany funding should be governed as part of a coherent ERM architecture. The proposed framework places board risk appetite at the centre, connects treasury execution with legal, accounting, Sharia, audit and subsidiary inputs, and closes the loop through monitoring, disclosure and policy revision. For Saudi conglomerates, the governance of financial instruments is not merely a defensive control. It is a strategic capability that protects value, supports capital-market access and enables sustainable growth under Vision 2030.

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