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GRC INSIGHTS | BOARD & AUDIT COMMITTEE SERIES

## Strengthening Governance, Risk & Compliance in an Era of Global Economic Uncertainty

A Baker Tilly UAE Perspective for Boards and Audit Committees Operating in the UAE | April 2026



**By Saeed Almadani**

Independent Board Member | Baker Tilly UAE

**FROM THE DESK OF BAKER TILLY UAE**

The global economic environment in 2026 has entered a period of heightened complexity. Volatile energy markets, disrupted supply chains, rising inflation, and shifting investor sentiment are reshaping the operating context for businesses across every sector. In the UAE, a country whose open economy, global connectivity, and strategic location make it both a beneficiary and an absorber of global shifts, the pressure on governance structures has never been more acute. At Baker Tilly UAE, we believe this moment calls for boards and audit committees to elevate the quality and rigor of their GRC oversight. This article sets out the key risk dimensions and the governance actions we believe every UAE board and audit committee should be taking right now.

**1. Understanding the Operating Environment**

The global economic backdrop facing businesses in 2026 is significantly more challenging than was anticipated twelve months ago. Several interconnected forces are shaping the environment that UAE-based boards must navigate:

50%+	Rise in global crude oil prices in early 2026, creating significant energy cost pressure across all business sectors
2.9%	Revised global GDP growth forecast for 2026 (OECD, March 2026) down from earlier projections, reflecting supply chain and energy disruption
4.0%	Projected G20 headline inflation in 2026 (OECD), approximately 1.2 percentage points above previous forecasts
70%+	Decline in shipping volumes through the Strait of Hormuz, the world's most critical energy corridor affecting energy, fertiliser, and commodity supply chains

These are not abstract macro indicators. They translate directly into cost pressures, credit conditions, supply chain vulnerabilities, workforce economics, and investment sentiment that every UAE business is already experiencing or will experience in the months ahead.

The UAE's position as a global trade hub, regional business gateway, and leading humanitarian logistics centre means its businesses have both unique exposure and unique resilience relative to global peers. Dubai's Jebel Ali Port one of the world's ten busiest and its aviation corridors are central to regional commerce. When global systems are disrupted, the UAE economy feels those effects directly. And when the UAE's own infrastructure comes under pressure, the impact radiates across the region.

#### WHY THIS MATTERS FOR BOARDS

Global economic volatility is no longer a background risk to be noted in a risk register. It is a foreground governance challenge requiring boards to elevate oversight, sharpen financial scrutiny, and ensure management is equipped with the frameworks to respond. The question is not whether your business is affected; it is whether your governance is keeping pace.

## 2. The Five Risk Dimensions Boards Must Own

At Baker Tilly UAE, we work with boards and audit committees across a wide range of sectors. In the current environment, we consistently see five risk dimensions that demand board-level ownership; not delegation to management alone. Each one is interconnected, and weakness in any one amplifies vulnerability across the others.

### 2.1 Energy and Operational Cost Risk

The single most immediate financial impact of the current environment is energy-driven cost inflation. Oil and gas price increases flow rapidly through supply chains into transport, logistics, manufacturing inputs, aviation, and utility costs. For businesses operating on tight margins or with fixed-price contracts, this represents a direct threat to profitability.

Boards must ensure that management has modelled energy cost sensitivity across multiple price scenarios, not simply the current elevated price, but a range of outcomes including a sustained high-price environment. The OECD's analysis suggests Brent crude prices are approximately 40% higher in 2026 than previously assumed, with natural gas prices around 60% higher. These are not short-lived spikes; they represent a structural repricing of global energy markets that may persist into 2027.

### 2.2 Supply Chain Integrity and Concentration Risk

The disruption to maritime trade routes has exposed a structural vulnerability that many boards had not adequately assessed: the concentration of global supply chains through single geographic corridors. Approximately 20-30% of globally traded fertilisers, 50% of global sulphur supply, 30% of global LPG, and substantial volumes of industrial materials normally transit through the Gulf's key maritime chokepoints.

For UAE businesses that source inputs, components, or finished goods through global supply chains, the question is no longer theoretical: do you have adequate visibility of where your supply chain is exposed? Do you have alternative suppliers or routes? Do you have sufficient inventory buffers to absorb disruptions of 4-8 weeks? These are board-level questions, not just procurement questions.

### BAKER TILLY UAE OBSERVATION

A striking example of supply chain resilience governance comes from the UAE Ministry of Economy and Tourism. Rather than reacting to disruption after it occurs, the Ministry monitors supply chain stability in real time across 627 major retail outlets, has conducted over 12,284 supply chain inspection campaigns since the onset of global uncertainty, and maintains strategic commodity reserves sufficient to sustain market needs for four to six months; ensuring continuity regardless of external shocks. As H.E. Abdulla bin Touq Al Marri stated: "We possess a broad network of trading partners worldwide, alongside proactive plans to diversify import sources and continuously open new markets; ensuring uninterrupted flows of goods." For boards, the lesson is clear: supply chain resilience is not a procurement function; it is a governance priority that requires real-time visibility, diversified sourcing, and strategic buffer planning built long before a disruption arrives.

## 2.3 Financial Risk: Inflation, Liquidity, and Credit

Rising inflation globally has created a more complex financial environment. Several major central banks including in the eurozone, Australia, and India are expected to raise rates in 2026 in response to energy-driven price pressures. For UAE businesses with international financing arrangements or cross-border operations, this creates direct exposure to higher borrowing costs.

Audit committees should be particularly focused on three financial risk areas in the current environment:

- **Liquidity adequacy:** Are working capital facilities sufficient to absorb higher input costs and potential receivables delays from customers facing their own financial pressures?
- **Covenant compliance:** Have financial covenants been tested against a stressed scenario where revenue is under pressure and costs are elevated simultaneously?
- **Asset valuations and impairment:** Are there assets particularly in sectors with high sensitivity to investor sentiment such as real estate, hospitality, or regional investments that may require impairment assessment in light of changed market conditions?

## 2.4 Workforce and Talent Risk

The UAE's workforce is predominantly expatriate, and workforce stability is deeply connected to business confidence and individual sentiment. In an environment of regional uncertainty, businesses may face increased attrition from senior talent, difficulty attracting new international hires, and a more cautious approach from candidates considering relocation to the region.

At the same time, sectors with large operational workforces' logistics, retail, hospitality, construction face indirect exposure through the impact of economic conditions on the migrant workforce, remittance flows, and labour market dynamics across the broader region. UNDP modelling indicates unemployment in the GCC could increase between 3.6% and 9.4% under different economic scenarios with lower-skilled workers most exposed.

Boards should be asking management not just about headcount retention, but about the organisational resilience of the workforce: cross-training, knowledge redundancy, succession readiness, and the adequacy of employee wellbeing and support programmes in a more stressful operating environment.

## 2.5 Reputational and Stakeholder Risk

How a business behaves in a period of economic stress says a great deal about its values and long-term culture. Boards have a responsibility to ensure that the pressure to protect short-term financial performance does not compromise commitments to customers, employees, suppliers, or the community.

The UAE's government has responded to the current environment with speed, transparency, and decisive action reinforcing the trust that businesses, residents, and investors have placed in the UAE's institutional framework over decades. UAE-based businesses benefit directly from that trust capital, and boards should ensure their own conduct reflects and reinforces it.

Stakeholder communications during periods of uncertainty should be proactive, factual, and consistent. Boards should have clarity on who speaks, what is said, and through what channels before the pressure to communicate becomes urgent.

## 3. Strengthening Your GRC Framework: Baker Tilly UAE's Guidance

Strong Governance, Risk, and Compliance (GRC) is not a response to crisis it is the foundation that determines how well an organisation manages through one. In our work with UAE boards and audit committees, we consistently observe that organisations with mature GRC frameworks navigate volatility with significantly greater confidence and less disruption than those with fragmented or compliance-only oversight structures.

The following section outlines the GRC strengthening actions we recommend for boards and audit committees operating in the current environment.

### 3.1 Governance: Elevating Board Oversight Quality

In normal operating conditions, boards can reasonably rely on standard quarterly reporting cycles and management assurance frameworks. In the current environment, that reliance needs to be actively challenged. Baker Tilly UAE recommends the following governance actions:

- **Convene a dedicated board risk session:** Schedule a focused session outside the normal board calendar if needed to receive a comprehensive management briefing on the organisation's exposure across each of the five risk dimensions above. This should not be a routine agenda item; it should be a structured, evidence-based review.
- **Stress test strategic assumptions:** The business plan and budget underlying current board approvals were almost certainly prepared in a different economic environment. Boards should formally request that management present a stress-tested view of the plan under two or three alternative economic scenarios, with clear articulation of the triggers and decision points associated with each.
- **Clarify decision-making authority:** In fast-moving environments, boards need clarity about which decisions can be made by management under existing delegations and which require board or audit committee sign-off. A brief review of the delegations of authority matrix with particular attention to treasury, procurement, and business continuity decisions is valuable at this time.
- **Document board deliberations:** Board minutes and audit committee records should accurately capture the risk questions asked, the responses provided, and the follow-up actions agreed. This documentation is important for regulatory purposes and for demonstrating that fiduciary duties were exercised appropriately.

### 3.2 Risk Management: Moving Beyond the Risk Register

Too many organisations treat risk management as a register-maintenance exercise rather than a genuine decision-support function. In the current environment, boards should be demanding more:

- **Dynamic risk assessment:** The risk register should be a living document, updated at least monthly in the current environment. Boards should receive a refreshed risk heat map at every meeting, with clear articulation of which risks have changed and why.
- **Scenario planning:** Rather than assessing risks in isolation, boards should request scenario-based analysis, what does our organisation look like if energy costs remain elevated for 18 months? What if a key supplier is disrupted for 60 days? What if investor confidence in the region softens for two quarters? Scenario planning connects risk to strategic decision-making in a way that risk registers alone cannot.
- **Supply chain risk mapping:** As noted above, many organisations do not have adequate visibility of their supply chain beyond tier-one suppliers. Baker Tilly UAE recommends commissioning a supply chain risk mapping exercise that traces key inputs back to geographic origin and transit routes, with a particular focus on single-source dependencies and critical inventory buffers.
- **Emerging risk horizon:** Boards should ask management to identify and report on at least three emerging risks, threats not yet fully materialised but warranting monitoring. In the current environment, these might include commodity price volatility, currency movements in regional markets, or shifts in regional aviation connectivity.

### 3.3 Compliance: Ensuring Regulatory Fitness in a Changing Environment

The UAE's regulatory environment continues to evolve, and periods of economic stress often accelerate regulatory activity. Audit committees should ensure that compliance monitoring is keeping pace:

- **Financial reporting standards:** Ensure that the implications of the current economic environment are adequately reflected in financial statements particularly with respect to going concern disclosures, impairment assessments, and related-party transaction disclosures where counterparty financial health may be affected.
- **AML and financial crime risk:** Economic stress environments are historically associated with increased financial crime risk, including fraud, misappropriation, and money laundering activity. Audit committees should confirm that AML frameworks are operating effectively and that any unusual transaction patterns are being escalated and investigated appropriately.
- **ESG and sustainability reporting:** UAE-listed and larger private companies are increasingly expected to report on environmental, social, and governance performance. The current environment creates both risks and opportunities for ESG disclosure particularly around energy use, supply chain ethics, and workforce welfare.
- **Insurance coverage review:** War-risk, business interruption, and supply chain insurance coverage should be reviewed against current risk exposures. Many standard commercial insurance policies contain exclusions that may be relevant in the current environment, and audit committees should confirm that management has obtained updated coverage advice from brokers.

## 4. GRC Oversight Matrix: Questions for Board and Audit Committee

The following matrix summarises the key governance questions that Baker Tilly UAE recommends boards and audit committees put to management at their next meeting. This can be used directly as a board agenda supplement or as a self-assessment tool.

GRC Area	Board Question	Audit Committee Focus
Strategic Risk	Has management stress-tested our strategy and business plan against a sustained high-energy-cost, lower-growth scenario?	Are the financial assumptions in current board approvals still valid? Has a formal scenario sensitivity analysis been presented?
Supply Chain	Do we have full visibility of our supply chain concentration and geographic dependencies beyond tier-one suppliers?	Has an updated supply chain risk map been commissioned? Are inventory buffer policies adequate for 4-8 week disruption scenarios?
Financial Resilience	Are our liquidity, covenant headroom, and working capital facilities adequate under a stressed cost and revenue environment?	Have impairment indicators been assessed for all material assets? Has the going-concern assessment been updated?
Workforce & HR	What is the current state of talent retention, succession readiness, and employee wellbeing across the organisation?	Are HR cost assumptions in the budget still valid? Has a workforce continuity risk assessment been conducted?
Insurance & Coverage	Has management confirmed that insurance coverage including war-risk, business interruption, and supply chain reflects current exposures?	Has legal counsel confirmed there are no material coverage gaps or policy exclusions relevant to the current environment?
Compliance & AML	Are there any regulatory developments or reporting obligations that have been triggered or accelerated by the current environment?	Has the internal audit plan been updated to reflect current risks? Is AML transaction monitoring functioning effectively?
Stakeholder Comms	Does the organisation have a clear, approved crisis communication protocol including triggers, spokespersons, and stakeholder hierarchy?	Are disclosures in financial statements, regulatory filings, and investor communications appropriately reflecting material risk factors?
BCP & Continuity	Has the business continuity plan been reviewed, updated, and tested against current risk scenarios not just pandemic-era protocols?	Are there documented alternative logistics, procurement, and operational routes if primary channels are disrupted?

## 5. The UAE Advantage: Governance in a Position of Strength

It is important that this article be read not as a counsel of alarm, but as a call to governance excellence. The UAE's structural strengths, world-class infrastructure, a globally competitive business environment, a visionary and decisive government, and decades of built trust with the international business community provide a genuinely strong foundation.

Knight Frank's MENA research assessment of March 2026 captures this well: the underlying structural drivers of the UAE economy are unchanged. Population growth, capital inflows, economic diversification, business expansion, and inward migration continue to underpin demand across every major sector. The key question is not whether the UAE economy will recover from the current turbulence - it will. The question is whether individual organisations will have governed well enough during the difficult period to be well-positioned for the recovery.

Boards that ask the right questions, hold management to account with rigour and respect, invest in their own governance quality, and maintain the confidence of their stakeholders through transparent and proactive communication will emerge from this period stronger. Boards that treat governance as a compliance exercise will find that the cost of inadequate oversight is highest precisely when the environment is most challenging.

### BAKER TILLY UAE'S COMMITMENT

We are committed to supporting the boards and audit committees of our clients through this period with practical, evidence-based guidance. Our GRC advisory, internal audit, risk management, and financial advisory teams are available to assist with board briefings, risk assessments, stress-testing exercises, and compliance reviews tailored to your organisation's specific sector and circumstances. We believe that strong governance is the most durable competitive advantage available to any organisation.

## 6. Recommended Immediate Actions: A 30-Day Checklist

Baker Tilly UAE recommends that boards and audit committees take the following actions within the next 30 days:

- Schedule a dedicated board risk review session separate from the standard agenda to receive an updated management risk briefing covering energy, supply chain, financial, workforce, and compliance exposures
- Request a formal stress test of the current business plan and budget against at least two alternative economic scenarios, with clear identification of the decision triggers associated with each
- Commission a supply chain risk mapping exercise covering all material input categories, with a focus on geographic concentration and inventory buffer adequacy
- Confirm that insurance coverage including war-risk, business interruption, and supply chain policies has been reviewed by management and external brokers in light of the current environment
- Review the delegations of authority matrix to confirm that decision-making boundaries are clear and appropriate for a fast-moving risk environment
- Validate that the internal audit plan has been refreshed to prioritise risks most material in the current environment, and that audit frequency has been increased where warranted

- Confirm that the business continuity plan has been reviewed and updated moving beyond pandemic-era protocols to address logistics, procurement, and operational continuity in the current scenario
- Ensure that financial statement disclosures, going concern, impairment, related-party transactions, and material risk factors are being reviewed with heightened scrutiny in advance of the next reporting cycle
- Establish or reconfirm a crisis communication protocol, including approved spokespersons, stakeholder notification hierarchy, and regulatory disclosure triggers
- Schedule a follow-up review in 30 days to assess the adequacy of management's responses and the evolution of the risk landscape.

### How Baker Tilly UAE Can Help

Baker Tilly UAE's Board Advisory, Internal Audit, Risk Management, and GRC teams work with listed companies, family businesses, financial institutions, and government-related entities across the UAE. Our services in the current environment include:

- Board and Audit Committee GRC briefings and facilitated risk workshops
- Financial stress testing and scenario planning advisory
- Supply chain risk assessment and resilience mapping
- Internal audit plan refresh and co-sourcing arrangements
- Regulatory compliance and AML framework review

To discuss how Baker Tilly UAE can support your board or audit committee, please contact your Baker Tilly UAE relationship partner or reach out to our GRC Advisory team.

### Data Sources

This article draws on the following authoritative publications:

- OECD Economic Outlook Interim Report: Testing Resilience (March 2026);
- UNDP Regional Bureau for Arab States, Military Escalation in the Middle East: Economic and Social Implications (March 2026);
- WHO Global Situation Report No.3: Middle East Escalation of Conflict (April 2026);
- UAE Ministry of Industry and Advanced Technology public statements (March 2026);
- UAE Ministry of Economy and Tourism, official statement, February 2026 — [www.uaebarg.ae/en/2026/02/28/ministry-of-economy-urges-responsible-purchasing-avoidance-of-excessive-stockpiling](https://www.uaebarg.ae/en/2026/02/28/ministry-of-economy-urges-responsible-purchasing-avoidance-of-excessive-stockpiling)
- Knight Frank MENA Research Note: Regional Conflict Assessment (March 2026).

This article is intended as a general governance insights document and does not constitute legal, financial, or regulatory advice.