



THE RESPONSIBLE EXIT

Contract management during conflict and economic hardship

A brief for businesses operating in the Middle East



Economic shock and commercial pressure

The economic impact of the current conflict is being felt acutely across the Middle East and reverberating globally, disrupting supply chains, driving up costs, and constraining liquidity in already volatile markets. In response, many businesses are reassessing their commercial exposure, with contract suspensions, operational scale-backs, and workforce reductions actively under consideration. While these pressures are real, decisions taken now will define longer-term resilience and reputation. **The critical question is not whether cost action is required, but whether termination is the only option.** Have all alternatives been exhausted? Deferrals, phased delivery, renegotiation, or temporary adjustments? Is there a clear process for a responsible exit that minimises harm? Termination should be treated as a last resort, not a default response to uncertainty.

Current market response

Against this backdrop, several companies operating in the region are already taking action. Reported responses include:

- **Activating force majeure clauses in contracts**
- **Renegotiating timelines with clients**
- **Reassessing procurement strategies and logistics models**

While no mass evacuations of platforms or operational sites have been reported to date, companies emphasize that all extreme scenarios are being considered. This level of contingency preparation is welcome, but it should not be confused with responsible decision-making on contracts. **The speed at which contracts are being suspended or terminated, in particular, warrants closer scrutiny from a human rights perspective.**

Supply chain disruption

Companies across the region are reporting material disruption to supply chains and commercial operations:

- **Force majeure notices** are being issued to avoid penalties linked to project delays
- **Pricing new offers is increasingly difficult** due to extreme volatility in logistics costs
- **Visibility on future business development is reduced**, as clients delay decisions
- **Projects located outside the region** (for example, in Asia) are less impacted operationally but still affected indirectly through slower commercial activity and shifting priorities of regional clients



Why is this a human rights concern?

The approach companies take to amending or terminating contracts is not without compounding human rights impacts.

In the Middle East, structural features of the regional labour market, sponsorship-based visa systems, layered subcontracting, heavy dependence on low-wage migrant labour, and uneven enforcement of wage protection, convert routine commercial decisions into severe and often irremediable harm.

Salient risks include:

- unpaid wages and wage theft when contractors lose contracts mid-cycle and cannot settle obligations to workers.
- passport confiscation by employers seeking to retain workers or prevent complaints as conditions deteriorate.
- debt bondage among migrants who paid recruitment fees of thousands of dollars and cannot afford to return home unpaid.
- loss of legal status when residency tied to employment is suddenly revoked, exposing workers to detention or deportation.
- deteriorating accommodation, food provision, and safety standards as contractors cut costs to preserve margin.
- excessive working hours and unpaid overtime imposed on the remaining workforce to absorb compressed timelines.
- and the collapse of grievance mechanisms when contractors' close operations or exit the market entirely.

Decisions taken for commercial reasons during conflict and economic strain can have compounding effects on people throughout the value chain, a single decision taken in a corporate boardroom can translate, within days, into a worker stranded in a labour camp without wages, documents, or recourse. This is why the UN Guiding Principles require companies operating in conflict-affected contexts to conduct **heightened human rights due diligence, covering not only actual impacts that have already occurred, but also potential impacts that are reasonably foreseeable**. The obligation is anticipatory by design: to identify, prevent, and mitigate risks before they translate into harm, not to respond after those impacted have already paid the price.



Recommended Actions*

to be tailored in light of the context, country and type of business operations

Exhaust commercial leverage *before* termination

Before proceeding to termination, companies should be able to demonstrate that they have fully utilised their available leverage.

This includes **commercial leverage**:

- **Renegotiating timelines, volumes, or pricing structures:** Before invoking termination, companies should test the full range of commercial adjustments available to them. This can include extending delivery deadlines to relieve production pressure on contractors who are themselves managing disrupted logistics, staff shortages, or damaged infrastructure; phasing volumes down gradually rather than cutting orders abruptly, allowing suppliers to adjust their workforce without sudden mass layoffs; temporarily adjusting pricing structures to reflect higher input or logistics costs, so that contractors are not forced to recoup margin by squeezing wages or cutting corners on safety; offering shorter payment terms or partial advance payments to ease cash flow pressure on suppliers whose own clients are delaying decisions; and agreeing to split the cost of unforeseen disruptions, such as rerouted shipments, alternative sourcing, or temporary worker accommodation, rather than passing the full burden down the chain. Each of these is a concrete tool that preserves the relationship, protects workers, and keeps commercial leverage intact for when conditions stabilise.
- **Global cost absorption before regional impact:** Have multinationals explored whether the financial pressure can be absorbed globally, across other markets, business lines, or at the group level, before the cost is passed down to MENA operations and, ultimately, to the workers in their value chain? Companies with diversified portfolios are better positioned than their local contractors to carry short-term losses, and the question of where in the corporate structure a hit is taken is itself a human rights decision.
- **Industry alliances and collective action:** Where multiple companies in the same sector rely on the same pool of suppliers, contractors, or labour providers in the region, have they explored coordinated action, sharing information, aligning on minimum labour standards during the crisis, jointly engaging with suppliers, or pooling resources to support workers? A single buyer asking a contractor to maintain wages may be ignored; several major buyers making the same ask, in concert, becomes a commercial reality the contractor cannot dismiss.

The objective should be **continuity and risk-sharing, not risk transfer**. This requires active engagement with suppliers, transparency on constraints, and a willingness to pursue joint solutions under pressure.



Where termination is unavoidable

Force majeure, in particular, should not be treated as a reflex. Its invocation depends on foreseeability and on the event being genuinely beyond the parties' control, the is growing debate standards that are not automatically met in regions with known geopolitical risk.

There is growing legal debate that force majeure clauses cannot be systematically triggered in response to the current conflict, **on the grounds that the conflict was not "exceptionally unforeseen"**: the parties to it had been openly threatening escalation for an extended period before hostilities erupted, and the broader regional instability has been widely documented and analysed by governments, insurers, and risk advisors for years.

Using the clause to sidestep commercial difficulty, rather than to respond to genuine impossibility, therefore carries both **legal exposure**, including the risk of successful challenge by counterparties and serious consequences for workers whose livelihoods depend on the contract continuing.

Where termination is ultimately unavoidable, it must be executed responsibly.

A responsible exit is an extended process, not a single transaction.

The minimum standard includes:

- **Early stakeholder engagement:** initiating conversations with the supplier, affected workers, worker representatives, and where relevant, governments and trade unions, *before* the decision is finalised, not after.
- **Adequate notice:** giving the supplier sufficient lead time to manage its own workforce, settle obligations, and seek alternative business.
- **Full wage and benefit settlement:** ensuring all wages, overtime, bonuses, and end-of-service entitlements owed to workers across the value chain, including subcontracted and migrant workers, are paid before wind-down.
- **Documentation and legal status support:** for migrant workers whose residency or work permits are tied to the contract, returning passports, supporting repatriation where requested, and ensuring no worker is left undocumented or at risk of detention.
- **Coordination with other buyers:** where multiple companies are exiting the same supplier base, aligning on severance, reskilling, or redeployment so that workers are not absorbing the cost of every individual exit decision separately.
- **Transparency:** being clear about the decision, the reasons for it, and the mitigation steps taken, so that the company can be held accountable for the *quality* of its exit, not just the fact of it.

Companies should also **consider what mitigation measures** are feasible to reduce harm to affected workers across the value chain, including coordination with suppliers on severance, repatriation support for migrant workers, and continued payment of outstanding wages.



The responsible choice

Business resilience, economic performance, company culture, and above all governance are being tested in real time.

Periods of instability reveal far more about a company than any policy, pledge, or ESG disclosure ever can. A business's real human rights record is defined by how it behaves when people are exposed to fear, disruption, and uncertainty.

Across the region, workers, suppliers, communities, regulators, embassies, investors, and clients are watching closely. They will remember which companies took practical steps to protect people, communicate clearly, and act responsibly across their operations and value chains and which chose to take easy shortcuts.

About BHRMENA

BHRMENA is *the only organization solely* dedicated to advancing business and human rights practices across the Arab States.

Regional legal experience BHRMENA is an independent regional firm with strong legal and regulatory expertise across the Arab States. Its neutral positioning allows it to convene businesses, suppliers, and stakeholders in a trusted setting for open and practical dialogue.

Extensive experience with international standards BHRMENA has extensive experience working with global frameworks such as the UN Guiding Principles, OECD Guidelines, and ILO standards, and is well positioned to translate these expectations into practical approaches suited to the Arab States' regulatory and business environment.

Operational understanding of supply chains BHRMENA's work is grounded in the operational realities companies face in the region, including procurement pressures, subcontracting models, labour supply dynamics, and day-to-day implementation challenges.

