



## COVID-19 5x5 series: Insights and actions

# Contract analytics



COVID-19 has disrupted business transactions and relationships in virtually all industries. The specific obligations related to those transactions and relationships are typically detailed in contracts with customers, suppliers, service providers, supply chain partners, creditors, borrowers, and other parties. As a result, organizations are working to identify and address the operational, economic, and legal risks related to contractual obligations. This summary provides contract analytics insights and actions you can take today to help manage your high-risk contracts in the wake of COVID-19.

### 5 insights you should know

#### Supply chain disruptions may lead to risk of not meeting contractual obligations.

Whether it's your business, your supplier's business, or your customer's business, the disruption caused by COVID-19 may put a strain on commercial relationships and may increase the risk of failing to meet contractual obligations.

**Addressing** an organization's contractual risks may take considerable time given the current circumstances and could **prolong identifying additional risks that could arise.**

**Know what could trigger contractual requirements.** While they may ordinarily be considered boilerplate language, clauses such as notice provisions have suddenly become more important to understand, as they could trigger a requirement to provide notice to a counterparty.

**Litigation is not always the answer.** Even where legal counsel has determined that contractual language may provide a party with an opportunity to delay or avoid performance under a contract, that doesn't necessarily mean that litigation is the best means of resolving the issue.

As companies adjust things like discounts, payment terms, and delivery schedules, the **impact on other activities may not be realized throughout the process chain until it is too late.**



### 5 actions to take now

**Centralize your contract inventory.** Automated contract review can help organizations streamline their pool of contracts and prioritize specific contracts for risk mitigation. The goal, of course, isn't to avoid obligations, but to understand them and prepare to address them while positioning the organization for improved resilience going forward.

**Identify your most high-risk contracts.** Organizations should start by identifying which contracts contain clauses that could trigger an event that poses risks.

**Prioritize contracts and clauses based on impact.** Given the pandemic's current and potential impact on operations, workforces, supply chains, and finances, the chief legal officer and legal staff should identify relevant clauses and provisions and prioritize the most high-risk items to the organization.

**Determine appropriate mitigation strategies.** Identifying relevant clauses can help enable chief legal officers and the rest of the executive team to develop a risk mitigation plan. With the help of outside counsel, consider alternatives such as renegotiating or amending contracts or leveraging alternative strategies such as offset pricing or mediation.

**Consider upstream and downstream impacts** while developing a prioritization plan around mitigating and addressing contractual risks.

### Need assistance with your contract analytics?

#### Connect with us

##### Chris May

Principal  
Deloitte Transactions and Business Analytics LLP

##### Bryan Foster

Principal  
Deloitte Transactions and Business Analytics LLP

##### Joe Mendel

Senior Manager  
Deloitte Transactions and Business Analytics LLP

##### Nirav N. Parikh

Manager  
Deloitte Transactions and Business Analytics LLP

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