

COVID-19 BUSINESS RISK MANAGEMENT: ADDRESSING SUPPLY CHAIN RISKS

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As public companies continue to manage vulnerabilities attendant to the global pandemic and its widespread economic consequences, counter-party risk assessments and careful management of those risks can be critical. We previously blogged about a series of ongoing posts from our restructuring and special situations team relating to general and customer counter-party risk management during this time. Most recently, the team provided its assessment of [managing supply chain risks](#).

Our special situations team explores the need for vigilance with respect to the health and resilience of a company's supply chain, especially for critical suppliers and those for which replacements are limited or nonexistent. The team discusses some of the insolvency law issues attendant to suppliers and supply agreements; it also provides several risk mitigation strategies to help ensure continuity of supply and reasonableness of ongoing counter-party terms and conditions. The team recommends companies engage in a fulsome assessment of all suppliers; consider supply chain diversification; and establish contingency plans for any suppliers who seem at risk. The importance of knowing a company's leverage and using it appropriately is discussed, as are practical issues pertaining to supplier possession of a company's inventory or equipment.

While a company cannot control all of what is happening to its customers and suppliers, it can be fully cognizant of its counter-party risk assessments and implement strategies where appropriate to mitigate those risks. When it comes time to report results for the quarter and the year, companies who have taken the time to take these steps will be better positioned to provide meaningful disclosure of the company's proactive measures and how those measures helped to drive better results.

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