



COVID-19 Support Contract Management & Commercial Exposure

Savvy organizations prepare for the unexpected, putting measures in place to maintain business continuity come what may. Arcadis offers a full range of rapid response and recovery services, along with decades of experience working with both public and private sector clients.

CHALLENGES

COVID 19 presents unprecedented challenges to the construction industry affecting all parts of the sector from investors to asset owners and supply chain members of all scales. With an industry so reliant on movement of cash for services and works delivered, any delays or threats to delivery places strain on fragile financial operating models and risk business continuity.

Already we have seen the impact of COVID 19 with Construction work being delayed or stopped due to a number of factors including:

- Availability of materials, labour and plant
- Increased H&S control measures
- Changing to working practices and Reduced Productivity
- Site Closures

Major delays, increased costs and restriction of activity as construction sites remain closed can lead to restrictions in flow of cash from clients to its suppliers for works and services rendered.

These disruptions can lead to new stresses and strains being placed on relationships between clients and supply chains, as well as project teams. In these circumstances we see focus turn towards some of the following areas:

- Time and cost impact and resulting exposure
- Commercial claims and sharp changes in behaviour
- Increased risk of supply chain impacts and failures
- Interpretation of contract clauses and increased risk of disputes
- Increased risk and uncertainty
- Greater assurances on exposure sought by leadership

OUR GLOBALLY LEADING COMMERCIAL ADVISORY BUSINESS

- c4,000 CCM Practitioners Globally
- Leaders in Conflict Avoidance and Dispute resolution
- Expert Witness and Quantum Experts
- Large Forensic Cost Assurance and Verification Services
- c1,000 UK CCM practitioners

OUR EXPERTISE

Project Status and Baseline

- Baseline Definition
- Document & Data Management
- Best Practice Risk Management
- Site Security and Welfare

Contract Administration

- Contract Conditions
- Force Majeure Exposure
- Risk of contract Frustration
- Scope and Working Conditions
- Risk Reduction Requirements
- Site Progress & Productivity
- Materials on/off Site Monitoring

Commercial Scenarios

- Supply Chain Exposure
- Mitigation Techniques
- Accurate Assurance Reporting

Time & Cost Effect Assessment

- Planning & Delivery Analysis
- Cost Effects Analysis

Negotiation

- Contractual Provisions Solutions
- Contractual Claim Management

Response

- Optimal Accelerated Delivery Approach

(Conflict) Resolution

- Dispute Crystallization and Resolution

OUR EXPERTS

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Risk registers should be up to date with risks related and unrelated to COVID 19 identified, evaluated with best practice risk management and mitigation in place.

Site security and welfare processes should be reviewed and adapted to meet the health and safety requirements and measures needed around COVID 19 reflecting the changing environment for workers.

Contract Administration

A pandemic is not your normal business disruption and understanding the contractual risk held is key. Thorough review of the wording of contracts is needed to assess risks. Understanding commercial conditions will help to inform the best approach to take with supply chains, creating clear expectations and understanding in all parties.

Commercial Scenarios

For optimal decision making, it is all about being prepared for the changing environment of COVID 19. Undertaking commercial scenarios testing including potential mitigation techniques and activities are essential. Significant value expected in analyzing and seeking assurance on the exposure of a business' supply chain given the increased likelihood of failures, insolvency and administration.

It is vitally important for leaders to be providing accurate information to boards and senior leaders upon which to base decisions. Additional assurance activities can demonstrate the best options are being assessed and taken forward.

SOLUTIONS

In this environment we see the need for solutions that bring project continuity to keep construction sites productive for as long as possible. It is vital that time and risk exposure is understood and minimized.

Other project fundamentals such as health and safety and well-being for all workers also needs to be safeguarded while regulations adapt and evolve.

Collaboration and supply chain resiliency will also be key to continuity and to minimize opportunistic and survivalist behaviors.

For shareholders and boards the need to demonstrate control and confidence of the situation will take clients, consultants and contractors working together to achieve this

ADDING VALUE

Arcadis can add value to your organization with the following services and solutions.

Short-Term

- 1. Construction Project Continuity** – to ensure you have a resilient construction site. Strategies to maintain operations and progress on construction sites in a safe manner
- 2. Understanding Contractual positions** – Establishing awareness and common understanding of contract conditions and interpretation of entitlement and obligations

3. Assessing and Mitigating Commercial Exposure –

Assurance to boardrooms on the likely scenario's, options and decisions available for success leading to more predictable outcomes. Associated quantum from contract position

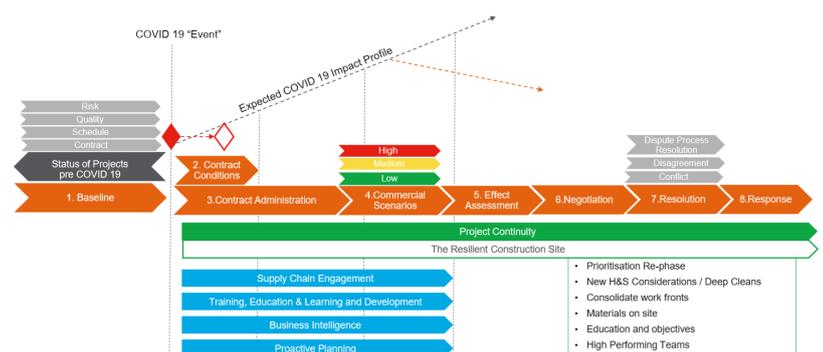
Medium Term & Future

- 1. Resolving Contractual issues** – closing out contractual issues via agreement or dispute resolution to create certainty
- 2. Responding post Crisis** – fast track recovery, exit, re-planning aligned to business objectives and business plan

HOW WE CAN HELP

Project Status Baseline

Understanding the pre- COVID 19 project status and baseline is essential for any impact assessment. This should be based on structured document management and record keeping.



Assessing Time & Cost Impact

Clearly understanding the true effects on time and cost affected of the disruption is key. It is essential to have this understanding to be able to enter negotiation with certainty and ensuing facts are truly represented.

It is likely that some entities will use this opportunity to improve their commercial positions, often exaggerating the true impact of issues or using this subject to cover other issues which may have or may still be affecting progress as planned.

Negotiations

Arcadis promotes open dialogue with supply chain partners to gain consensus around contractual provisions and work with them to assess and explore mitigating actions. The rise in uncertainty explains the projected rise in commercial claims and differences in opinions which could lead to disputes.

Quantum assessments and expert independent assessments may be needed along with practical initiatives to minimize business and project disruptions.

Supply Chain Engagement

As an industry with a precedent of commercial positioning and posturing in challenging times there is a need to ensure visibility of past and current performance and the affect of COVID 19 is clear.

Given the unique widespread nature of this pandemic we need to consider a different approach to maintaining order and confidence that many boards and program decisions makers need, through working collaboratively with our supply chain partners, understanding collective risk, the robustness of the supply chain, risk of involving and how to avoid conflict.

Business Intelligence & Assurance

Given the unique widespread nature of this pandemic we need to consider a different approach to maintaining order and confidence that many boards and program decisions require. Ensuring this information is presented regularly and focused on key metrics using up to date data will be important.

Response & Recovery Planning

Key to response and recovery planning is knowing the optimal delivery approach through scenario testing. This enables you to weigh the options of accelerate delivery with rescoping, descoping and value engineering. It is essential to do this exercise in collaboration with the supply chain partners to get buy in and improve the chances of success over the long-term.

It is likely that progress will need to be accelerated to recover time lost or key changes will be required to the scope to deliver the expected business case and/or to remain affordable.

Training, Education & Learning and Development

Business' also need to be cognizant that working with their supply chain partners through the COVID 19 pandemic will require training on how to manage commercial issues arising and the new principles and approaches. Business' may want to consider undergoing this training with their supply chain partners to mitigate chances of commercial gamesmanship.

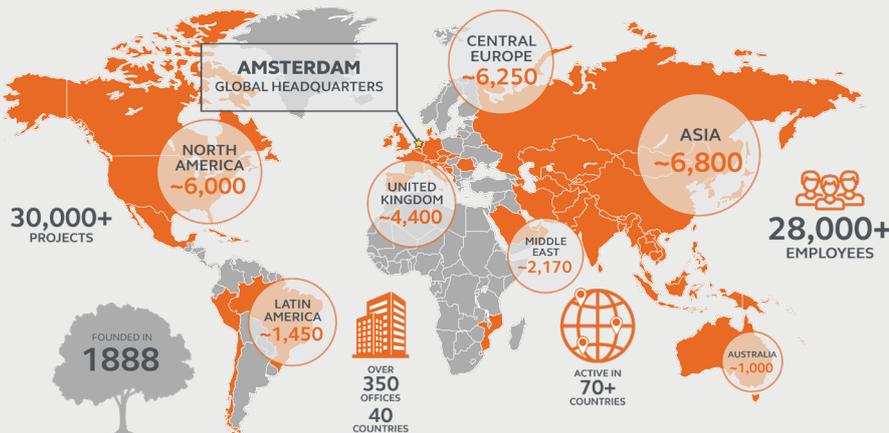
Dispute Resolution

It is recognized that the Covid-19 pandemic and its impact will be significant. We have a leading team of industry recognized experts to support clients in resolving disputes and achieving positive outcomes. Regardless of the form of dispute we seek to create certainty and predictable outcomes for our clients enabling issues to promptly closed out and left behind so that parties can move forwards at pace.

ARCADIS EMERGENCY
HOTLINE

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Resources Where and When You Need Them



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