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Advocates & Legal Consultants



Legal Risk Management in Conflict and Crisis Environments

A Guide for Companies and Entrepreneurs



Introduction

The international landscape—particularly in the Middle East—continues to experience persistent geopolitical and economic volatility that directly and indirectly affects business and investment activities. These developments do not merely generate operational challenges; they also give rise to fundamental legal questions concerning the performance of contractual obligations and the allocation of risk among contracting parties. Accordingly, there emerges a pressing need for a structured legal framework capable of enabling companies to adapt to unforeseen disruptions, mitigate potential losses, and safeguard the continuity of commercial operations despite complex and unexpected circumstances.

These challenges manifest across several dimensions, most notably in the impact of regional conflicts on supply chains and shipping ports, fluctuations in financial markets and in the prices of currencies and precious metals, as well as operational risks associated with cross-border investments. Recent developments—including the conflict between Russia and Ukraine, tensions in the Red Sea, and earlier the COVID-19 pandemic—have clearly demonstrated the necessity of adopting preventive planning and well-defined legal strategies to ensure business continuity while minimizing legal and financial risks.

Accordingly, this guide seeks to provide practical guidance grounded in established legal principles and recognized practices, directed toward companies and entrepreneurs. It encompasses the review of commercial contracts, supply chain management, responses to financial market and currency fluctuations, protection of cross-border investments, development of business continuity plans, and the effective use of proactive legal counsel, thereby offering an integrated framework for addressing risks in an efficient and effective manner.



First: Review of Commercial Contracts and Management of Contractual Obligations

Commercial contracts constitute the fundamental cornerstone of relationships between contracting parties. Consequently, reviewing contractual provisions before and after the conclusion of an agreement represents a crucial step in safeguarding rights and minimizing potential risks. In light of the volatile nature of the economic and geopolitical environment, particular attention must be given to provisions governing the treatment of exceptional and unforeseen circumstances, ensuring clarity as to the obligations and responsibilities of each party should unexpected events arise that may affect contract performance.

1. Force Majeure Clause

A force majeure clause refers to circumstances in which the performance of contractual obligations becomes impossible due to events beyond the control of the parties, which neither party could reasonably prevent or control. Such events may include natural or coercive occurrences, such as natural disasters in all forms—earthquakes, floods, severe storms, unforeseen fires, and explosions—as well as armed conflicts, wars, uprisings, or riots that impede contractual performance.

Accordingly, this clause should clearly define the scope of events covered, the procedures for notifying the other party, the extent to which obligations may be temporarily suspended, and the process for reassessing contractual performance once the force majeure event has ceased. Such clarity helps preserve the rights of the parties and minimizes potential legal disputes arising from non-performance.



2. Hardship Clause

A hardship clause addresses situations in which performance of contractual obligations remains technically possible, yet the fundamental circumstances upon which the contract was based have changed in a manner that renders performance excessively burdensome for one of the parties.

For instance, during the COVID-19 pandemic, the sharp increase in maritime and air transportation costs, coupled with the rising prices of raw materials, rendered the performance of many international contracts significantly more expensive, prompting companies to renegotiate prices and delivery schedules pursuant to hardship provisions.

Similarly, the surge in natural gas prices following the Russia–Ukraine conflict compelled certain companies to amend energy procurement contracts and renegotiate pricing structures in order to avoid substantial financial losses.

Accordingly, hardship clauses should establish mechanisms for renegotiation or adjustment of prices and timelines, enabling the contractual balance between the parties to be restored without the immediate need to resort to arbitration or litigation. The purpose of such clauses is to maintain economic fairness between the parties while preserving contractual stability in the face of changing or unforeseen circumstances.



3. Jurisdiction and Arbitration Clauses

Determining the competent forum for resolving contractual disputes is a fundamental element that helps prevent procedural complications and delays in dispute resolution. Contracts should therefore contain clear provisions specifying whether disputes are to be referred to the competent local courts or to international arbitration, while also identifying the applicable law and mechanisms for enforcement.

Such clarity facilitates the efficient resolution of disputes and reduces procedural disagreements that may otherwise hinder the continuation of business operations.

Taken together, these three contractual mechanisms form an integrated legal safeguard that enables parties to navigate uncertainty and provides a solid legal framework for addressing unforeseen events that may affect contractual performance, thereby ensuring contractual stability while reducing legal and financial risks for companies and entrepreneurs.



Second: Supply Chain Management and Operational Risk

Supply chains represent the backbone of all commercial and industrial activities. Consequently, disruption in a single contractual link or the interruption of a key supplier may produce a cascading effect across the entire cycle of production and distribution, resulting in delivery delays, increased operating costs, supply complications, and a weakening of a company's competitive position in both the short and long term.

For this reason, companies should adopt comprehensive strategies to manage operational risks associated with supply chains, while ensuring that these strategies remain integrated with the company's contractual and legal structures so that they may be activated promptly without breaching existing contractual obligations.

1. Diversification of Suppliers and Geographic Sources

One of the most effective measures for reducing operational risk is to avoid dependence on a single supplier or on a specific geographic region that may be exposed to conflicts or natural disasters. Companies should therefore evaluate alternative suppliers at both regional and international levels in order to ensure continuity of supply.

2. Inclusion of Flexible Contractual Provisions

Commercial contracts should incorporate flexible provisions allowing shipments to be redirected to alternative suppliers or logistical routes when extraordinary circumstances arise. These provisions should also establish notification procedures and the steps required for adjusting delivery schedules or prices.



3. Maintenance of Strategic Emergency Inventories

Companies should maintain additional inventories of essential materials sufficient to cover short-term demand during temporary disruptions or emergency situations, thereby ensuring the continuation of production cycles without a complete halt.

4. Alignment of Operational Measures with Contractual and Legal Frameworks

It is not sufficient merely to develop operational contingency plans; such plans must be directly linked to existing contractual frameworks to ensure compliance with legal and contractual obligations. This alignment allows companies to activate contingency plans immediately upon the occurrence of disruptions while preserving the legal rights and obligations of all parties.

5. Integration of Operational and Legal Planning

Supply chain management strategies should be closely integrated with the company's legal and regulatory procedures so that each challenge is addressed not only from an operational perspective but also from the standpoint of protecting contractual obligations and minimizing exposure to potential disputes.



Third: Financial Markets, Currency and Gold Prices, and Investment Risk Management

International conflicts and crises exert a direct impact on exchange rates and capital markets, which in turn affect the financial obligations of companies, particularly those denominated in foreign currencies or linked to commodity prices. Accordingly, corporate strategies must incorporate mechanisms to address such fluctuations at both the contractual and financial levels in order to maintain operational stability and mitigate potential risks.

1. Management of Exchange Rate Fluctuations

This may include incorporating price adjustment clauses or multi-currency payment provisions in commercial contracts, thereby allowing adaptation to market changes without compromising legal obligations.

It may also involve the use of financial hedging instruments, such as futures and options contracts, to secure costs and protect the rights of the contracting parties.

2. Engagement with Capital Markets and Stock Exchanges

Companies listed on stock exchanges must closely monitor fluctuations in their share prices and ensure compliance with financial disclosure regulations whenever significant market volatility occurs.

3. Management of Gold and Safe-Haven Assets

During periods of crisis, demand for gold and other safe-haven assets often increases, affecting corporate liquidity and investment portfolios. Companies should therefore assess the impact on their financial portfolios and adopt flexible mechanisms for reallocating investment ratios toward safe assets in order to mitigate potential financial and legal risks.



4. Integration of Contractual Policy with Financial Hedging Measures

Linking contractual arrangements with financial hedging strategies provides a solid framework for avoiding disputes relating to price adjustments or payment delays and reduces the likelihood of costly compensation claims. Establishing financial strategies aligned with contractual provisions therefore protects companies from losses arising from unforeseen events and enhances their ability to respond swiftly to economic crises.



Fourth: Protection of Cross-Border Investments and Assets

Companies and investors holding assets or investments across multiple jurisdictions face legal and operational risks that necessitate carefully designed strategies to protect their assets and ensure the continuity of their investments. To achieve this objective, attention should be directed to the following core elements:

1. Review of Legal Structures Governing Foreign Investments

This involves analyzing the contractual and legal structures regulating investments within the host state, including ownership structures, rights of asset disposition, and the nature of local partnerships. It is equally important to ensure that such structures provide adequate asset protection while taking into account potential changes in local laws and regulatory frameworks

2. Protection through International Agreements

Companies should benefit from bilateral and multilateral investment protection and promotion agreements, which provide mechanisms for safeguarding investor rights and securing compensation in the event of changes in host state policies or unforeseen governmental measures. These agreements constitute an additional legal framework that strengthens the protection of investments and mitigates risks arising from legal or regulatory changes.



3. Dispute Resolution through International Arbitration

Investment contracts should include international arbitration clauses designating an independent forum for the resolution of disputes, while specifying the applicable law and procedural rules. Such clauses enable disputes to be resolved efficiently and reduce legal complexities that may arise from reliance solely on domestic judicial systems.

4. Documentation of Rights and Compliance with Legal Frameworks

Investors should ensure the proper documentation of all contractual and investment rights and obligations, thereby strengthening their ability to protect their assets legally. Full compliance with applicable local laws and international agreements is also essential in minimizing potential legal and operational risks.



Fifth: Business Continuity Planning

Business continuity planning extends beyond the mere identification of alternative suppliers or backup shipping routes; it represents an integrated framework designed to ensure the continuation of a company's economic activity in the face of sudden disruptions. Geopolitical and economic crises may result in the disruption of ports, the closure of key trade corridors, or the interruption of international payment systems, all of which directly affect companies' ability to fulfill their operational and contractual obligations. Accordingly, advance planning for such scenarios is not merely an administrative exercise but a legal and organizational tool for safeguarding business stability.

Business continuity plans should therefore be built upon a clear assessment of potential scenarios that may affect production, supply, or distribution cycles. Practical experience in recent years has demonstrated that disruption in a single segment of international trade can quickly cascade across a wide range of contractual and financial obligations. This reality underscores the necessity of establishing alternative mechanisms that may be activated immediately upon the occurrence of disruptions without resorting to improvised decisions that could undermine a company's legal position.

Key elements that should form part of such plans include:

1. **Developing alternative operational and financial scenarios**, including potential disruptions to ports, transport routes, supply delays, or changing market conditions, together with procedures to maintain operational continuity.
2. **Establishing rapid notification and response mechanisms**, enabling companies to promptly inform business partners, suppliers, and clients upon the occurrence of disruptive events in order to coordinate responses and mitigate potential adverse consequences.



3. Identifying alternative logistical routes for shipping and supply, ensuring the availability of practical alternatives should conventional trade routes or corridors become unavailable, while considering the financial and contractual implications of such alternatives.

4. Integrating continuity plans with contractual frameworks, ensuring that alternative measures remain consistent with existing contractual provisions—particularly those relating to delivery terms, timelines, and mechanisms for modifying obligations—so as to avoid legal disputes arising from operational solutions that conflict with contractual commitments.

Business continuity planning should therefore be regarded as a core component of institutional risk management, enabling companies to address sudden disruptions with greater organization and flexibility while reducing the likelihood of breaching contractual obligations or incurring significant operational losses.



Sixth: Proactive Legal Counsel

In light of the legal and economic complexities surrounding commercial activities during periods of crisis, legal counsel should not be viewed merely as a remedial measure invoked once disputes arise. Rather, it should constitute an integral component of decision-making from the earliest stages of contract negotiation and the structuring of commercial relationships. Early legal involvement contributes to the development of more balanced contractual arrangements and enables the identification of potential risks before they evolve into actual disputes.

The proactive role of legal counsel lies in enabling companies to understand the legal implications of their commercial decisions, assess the risks associated with them, and implement appropriate safeguards to protect their interests. Practical experience has shown that many commercial disputes could have been avoided—or at least mitigated—had legal issues been addressed at earlier stages of negotiation or contract drafting.

Key areas in which proactive legal counsel proves particularly valuable include:

1. Assessment of contractual and regulatory risks, through the review of proposed agreements and the analysis of obligations contained therein, as well as their compliance with applicable laws and regulations in the relevant jurisdictions.
2. Drafting more flexible contractual provisions, enabling agreements to accommodate unforeseen circumstances such as economic fluctuations, supply chain disruptions, or market volatility.
3. Efficient management of commercial disputes, by establishing clear dispute resolution mechanisms from the outset, including the selection of appropriate methods of settlement and the procedures to be followed in the event of a dispute.

Integrating legal counsel into the broader framework of institutional risk management therefore provides companies with greater certainty and stability in their commercial dealings while reducing the likelihood of costly disputes or sudden decisions that may adversely affect the continuity of their economic activities.



Conclusion

The foregoing analysis demonstrates that managing legal risks in environments characterized by conflict and crisis is no longer confined to narrow contractual considerations. Rather, it has evolved into an integrated framework encompassing legal, commercial, financial, and operational dimensions. Contracts, supply chains, financial market fluctuations, and the protection of investments represent interconnected elements that directly influence a company's ability to maintain the stability of its legal and economic position and ensure the continuity of its operations during periods of disruption.

Within this context, several practical considerations emerge as particularly important when managing such risks:

1. Ensuring precise contractual drafting, through the inclusion of detailed provisions governing force majeure and hardship, clearly defining the scope of events covered, notification mechanisms, and the legal consequences of suspending or modifying obligations, as well as procedures for renegotiation or termination where performance becomes impossible.
2. Diversifying supply sources, avoiding reliance on a single supplier or transport route, establishing strategic reserves, and implementing alternative arrangements that enable operations to continue in the event of disruptions to supply chains or international trade routes.
3. Taking into account financial market and currency fluctuations, by incorporating mechanisms for price adjustment and payment structuring within contractual relationships, while utilizing financial hedging instruments to mitigate the effects of volatility in currencies or commodity prices.
4. Structuring investment frameworks effectively, particularly where investments extend across multiple jurisdictions, by taking advantage of international investment protection agreements and utilizing international arbitration as an effective mechanism for dispute resolution.



4. Developing comprehensive business continuity plans covering operational, financial, and legal aspects, thereby enabling companies to maintain a minimum level of economic activity during disruptions or emergencies and to respond effectively to supply interruptions or sudden market changes.
5. Engaging proactive legal counsel when drafting or reviewing contracts or when entering into new partnerships or investments, thereby facilitating early risk assessment and the development of more balanced and adaptable legal frameworks.

Observance of these considerations significantly enhances the ability of companies and institutions to adapt to crises and conflicts, while providing greater legal and financial protection. In doing so, it contributes to maintaining the stability of their legal positions and ensuring the continuity of their business activities within environments characterized by a high degree of uncertainty.



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