



Environmental Insurance in M&A Transactions

Icen Risk

Extensive environmental regulation, greater enforcement, growing public awareness and ESG pressures facing financial sponsors means that environmental risks have assumed a growing importance.

The protections afforded to buyers through warranties under the transaction documentation are limited by both matters falling within the buyer's knowledge and seller's knowledge qualifiers that are typically applied to the warranties themselves. Such limited buyer protection may be insufficient compared to the broader assumption of environmental risks by the buyer under a share acquisition structure (or any contamination risks assumed under an asset sale).

Icen Risk's Environmental Insurance Product bridges this gap in risk allocation and provides additional certainty for buyers whilst operating within the timetables imposed by M&A transactions.

Icen Risk is a leading insurance market for insuring M&A risks, including W&I, Tax and Intellectual Property. We combine decades of experience and expertise in our in-house M&A underwriting team and have partnered with Zurich Insurance to bring this enhanced environmental coverage to M&A transactions.

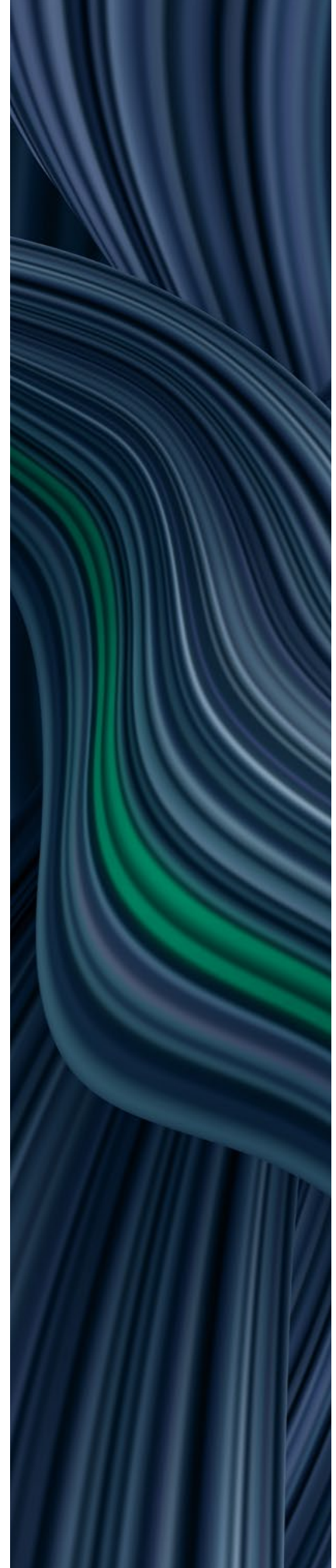
Coverage

Icen Risk's Environmental Insurance offering is designed to:

- 1** Allow for standard **pollution exclusions** to be **removed**.
- 2** Provide **affirmative cover** for specific matters that might otherwise fall to the buyer as a result of their knowledge or by virtue of disclosure.
- 3** Provide **synthetic coverage** in situations where a seller is unwilling or unable to offer adequate or any warranty protection.
- 4** Provide additional **standalone EIL protection** where higher risk contamination is identified by a buyer to avoid price reductions in the transaction and protect future IRR.

We are able to work with parties that have undertaken due diligence and we are also able to undertake desktop due diligence in house for those transactions where there is limited exposure and no buyer's due diligence.

To provide a non-binding indication of coverage all we need are the environmental due diligence reports prior to quoting to enable us to provide the most accurate terms possible. We will then work alongside your broker and other advisers, as part of the M&A insurance workstream to price and cover a combination of known and unknown environmental risks in the target business.



Environmental Exposures

- **Environmental damage costs:-** compensation and remediation to restore environmental damage.
- **Clean up costs, personal injury and property damage:-** can result from third party liability for both on-site and off-site pollution events. Discovery of unknown contamination on-site can lead to enforced remediation and significant business interruption.
- **Loss prevention costs:-** a pollution incident can lead to significant costs, including capital expenditure, to prevent further contamination.
- **Defence costs:-** can be significant and involve specialist advisers.
- **Diminution in value to the business and negative impact to the IRR of an acquiring fund:-** in addition to reputational damage, the combined legal costs, fines, penalties, remediation costs and third party liabilities can significantly damage the value of the business acquired and therefore impact the return to the acquiring shareholders.



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Icen Risk GmbH is a company registered in Austria with company number 615422h, whose registered address is Gonzagagasse 19/3, 1010 Vienna, Austria, and is authorised by the Austrian Financial Market Authority (FMA).

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