



Environmental Legacy Insurance eases real estate transactions

**Opportunities.
Unlocked.**

About MX Underwriting Europe

MX Underwriting Europe (“MX”) is a European agent and part of the Specialist Risk Group (SRG), a leading UK insurance intermediary, specialising in complex insurance placement for clients across the globe.

MX and their team of underwriters in the UK and Ireland support clients in Germany, France, the UK and Ireland, providing insurance cover utilising its carrier’s insurance capacity for financial and legal risk in real estate, infrastructure, renewable energy development projects and transactions. Our vision and mission are to help deliver exciting sustainable real estate powered by renewable energy whilst making developments and transactions easier.

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Research

The impact of ESG on the real estate sector

Strategies for Real Estate Managers:

Real estate managers are employing a variety of strategies to deal with ESG. One such strategy is to invest in retrofitting and setting net zero carbon targets in buildings and on premises. TCFD is another resource real estate managers are turning towards. The TCFD recommendations report explores strategies for real estate managers to cope with climate change and ESG. The recommendations are structured around four areas that represent core elements of how organisations operate: governance, strategy, risk management, and metrics and targets.^{30/31}

³⁰ TCFD. TCFD Recommendations

³¹ Kumar, Rakhi., Dayaramani, Natasha., Rocha, James D. UNDERSTANDING & COMPARING ESG TERMINOLOGY

³² Interlaken Group. Land Legacy Issues Guidance on Corporate Responsibility

Land Legacy issues

Land legacy issues can partially be defined as: “an enduring grievance with affected communities or historic land occupants or their descendants related to the terms and processes by which land was previously acquired and subsequently used by a company or other entity and which has been left unresolved, in part or in full, by the predecessor or existing project developer.”³² Land legacy issues encompass pollution, a common example being soil contamination from previous use of the land. In this regard, there are two key considerations:

1. How pollution and contamination can impact public health.
2. How pollution and contamination can impact the environment.

In this sense, land legacy issues are unique for a variety of reasons:

- The issue or impact is pre-existing. The UK, France and Germany follow the principle of “the polluter pays” for damages caused to water, land, biodiversity or – as a result – human health.
- The liability may be contractually transferred to the “operator” of the property, although that contract may only bind the contractual parties.
- The characteristics of the issue are not fixed and can change over time.
- In many circumstances, the issue is connected to existing and developed assets, meaning the producer has a higher risk of substantial loss if the issue is not remedied.
- Land legacy issues are not clear-cut, which poses unique challenges “due to the interplay of past and present, which can involve ingrained distrust and

polarised positions, issues of justice, and unclear roles and responsibilities.”²⁵

Pollution as a land legacy issues

Pollution can be a major land legacy issue and can have a negative impact on both public health and the environment. The most notorious pollutant, asbestos, is still found in many buildings although the UK, France, and Germany banned it already in 1999, 1995, and 1993, respectively.^{33/34/35} Today, asbestos has to be properly removed and disposed whenever it has been released as part of a renovation or demolition.

Other types of pollutants may harm soil, water – on- and offshore, as well as biodiversity and human health. Causes can include slurry leakages, fertilizers, and animal waste, all of which can result in nitrate pollution which is common throughout Europe.³⁶ Other common soil pollutants include pesticides, petroleum products, radon, lead, chrome-plated copper, arsenate and creosote.

³² Interlaken Group. Land Legacy Issues Guidance on Corporate Responsibility

³³ Public Health England. Asbestos: general information

³⁴ Anses. Asbestos

³⁵ Baua. Asbestos Information Platform

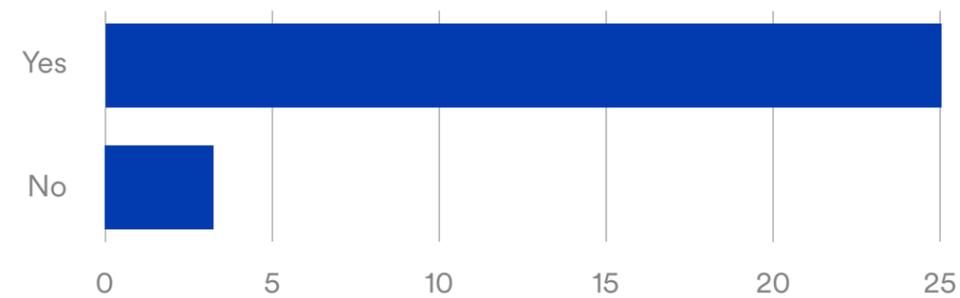
³⁶ Geological Survey Ireland. Groundwater pollution



Market survey

Market survey

Do you have a strategy in place to improve your ESG rating in your real estate portfolio?



Many institutional investors have started to report on ESG. In some markets they have entered contractual obligations to provide information on the ESG performance of their property. As a result, the most sophisticated funds or investors have defined a strategy to manage and improve their ESG rating which is overseen by a dedicated ESG director. Often enough, their assessment has become a crucial voice in the investment committee. These companies are thought to refrain from investing in assets with a low ESG rating, unless it is obvious how to improve it. The situation is different for the smaller players which have just started to define their attitude towards ESG.

Works Cited

