

Tariff policy is no longer noise that you might pretend you do not hear, it is deal risk. As trade schemes shift due to executive orders, litigation, or geopolitical retaliation, transaction parties now face unpredictable cost structure changes, revenue instability, and supply chain disruptions. In this environment, transaction documentation must serve as a precision tool for allocating tariff-driven volatility.

#### Purchase Price and Adjustment Frameworks

The volatile tariff landscape has prompted fundamental recalibration of pricing mechanisms and post-closing adjustment structures:

- Completion accounts with tariff-specific adjustments that are tied to input costs or margin swings during the interim period.
- Earn-outs as tariff-hedging mechanisms that allow delayed pricing when macro effects remain unclear.
- Clearly drafted accounting standards that ensure tariff impacts are measured consistently and are not recharacterized post-closing.

#### Enhanced Trade Due Diligence and Trade-related Representations & Warranties

Evolving due diligence practices have driven corresponding sophistication in warranty frameworks that address trade-related exposure:

- Full-chain analysis of sourcing, input concentration, and contract terms for tariff pass-through or adjustment.
- End-market stress-testing, mapping downstream impact of tariffs on demand and margin.
- Assessment of renegotiation, termination, or re-sourcing risk in key supplier and customer contracts.

Therefore, Buyers increasingly seek the following, and Sellers should expect to see an increased demand for them:

- Disclosure on supply chain geography, customs classifications, and known exposure to new or pending tariff schemes.
- Confirmation of pass-through mechanisms and counterparty risk linked to price shifts.
- Enhanced “no undisclosed liabilities” representations covering recent or forecasted tariff actions.

#### W&I Recalibration

The W&I insurance market has responded decisively to tariff-related uncertainties through increasingly restrictive coverage approaches. Buyers must demonstrate comprehensive tariff-related due diligence or seek targeted indemnities, if W&I exclusions remain, and where deal leverage allows.

#### MAC Clauses & Conditionality

MAC clauses have become the primary battleground for tariff-risk allocation, with sophisticated parties developing nuanced approaches to address trade-related uncertainties:

- From broad economic exclusions to quantified triggers: e.g., tariff-induced margin compression or volume loss.
- Inclusion of sector-specific carve-ins, especially in industrials and hardware.
- Pre-closing conduct covenants that allow necessary adaptations without breaching “ordinary course” obligations.



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