



Carolyn Jackson Quoted in *PPI* Article on the Obligation for Corporate Directors to Hedge

Published in *Pulp & Paper International*

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Financial Services partner Carolyn Jackson was quoted in the first in a series of *Pulp & Paper International* (*PPI*) articles on the legal basis for why pulp and paper industry participants should consider hedging. The article outlines the corporate duty of directors and executives to manage and appropriately hedge the market and business risks of their operations, and examines the challenges posed by the US Dodd-Frank Wall Street Reform and Consumer Protection Act and its European counterpart, the European Market Infrastructure Regulation.

Carolyn told *PPI* that for too long hedging has erroneously been confused with "taking a view" on market variables, whereas being passive and not hedging has been regarded as the safer option. "In the past, if market variables moved against a company that was not hedged, any loss that occurred was viewed as inevitable 'market risk' arising from ordinary business operations, and was therefore an ordinary cost of business," she explained. Carolyn added that corporate directors and executives have not been held appropriately accountable for not hedging, and that they are, in fact, taking a speculative view on the direction of those underlying market variables.

"Hedging market risk enables a company to focus on its core operations rather than implicitly taking a position on the movement of market prices," Carolyn said. "Although a hedged company will not benefit from the occasional windfall gains of a favorable market move, no longer will it be exposed to major losses from market swings, which could ultimately lead the company into bankruptcy."

Carolyn concluded by noting that corporate directors and executives have an obligation to their shareholders to protect the core business operations rather than implicitly exposing them to the directors and executives' own personal directional market views. ("[Risk Management and the Duty to Hedge](#)," August 2015)

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