

Report: Biodiversity risk: Legal implications for companies and directors

Key takeaways for Investors



GLOBAL DEPENDENCIES

The global economy and companies within it are highly dependent on the services provided by ecosystems.

VALUE CHAIN RELATIONSHIPS

Biodiversity loss constitutes a systemic risk for the whole financial system.

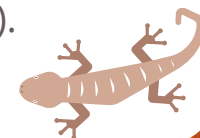


Companies' dependencies and impacts on biodiversity, often hidden in value chains, can create both business risks and opportunities.



Investors will be keen to understand how investee companies could **manage and mitigate biodiversity risk**.

- **Regulatory risk:** incoming **due diligence regulations** on responsible supply chains.
- **Compliance risk:** incoming **disclosure recommendations** of nature-related risks.
- **Litigation risk: incoming biodiversity litigation** (including an action threatened against a bank for not disclosing biodiversity risk).



DIRECTORS' DUTIES

Directors' duties to act with loyalty and care, requiring oversight of foreseeable and material risks and opportunities, are interpreted with reference to rapidly evolving market, social and regulatory context on biodiversity loss.



BREACHES OF LEGAL OBLIGATIONS

In some circumstances **a failure to consider biodiversity risks and opportunities in governance and disclosure may constitute a breach of directors' duties of loyalty or care.**

