

UK nature legal opinion

SECTOR BRIEFING – FOOD, BEVERAGE AND AGRIBUSINESS

2 minute read

Good climate governance is all about asking the right questions within and beyond the boardroom. These Board Discussion Prompts, prepared by the Commonwealth Climate and Law Initiative and Chapter Zero, will equip non-executive directors to provide robust oversight and challenge. These questions will ignite discussions that inspire your fellow board members and executive teams to dig deeper into the issues, building climate resilience and enhancing value together.

Key takeaways

- **The UK food, beverage and agribusiness sector is economically vital but environmentally exposed.** The sector is the UK's largest manufacturing industry by turnover (GBP 104.4 billion) and employs over 4.1 million people, yet it faces volatility from extreme weather, rising costs, and declining ecosystem health.
- **Food security and supply chains are increasingly vulnerable to nature loss.** The UK produces about 58% of its food domestically but relies heavily on imports. Government assessments warn that without stronger ecosystem resilience the UK may struggle to maintain food security in the event of ecological collapse.
- **Agri-food systems are both dependent on and a major driver of nature loss.** Globally they account for roughly one-third of human-caused GHG emissions and around 70% of terrestrial biodiversity loss, while issues such as soil degradation already cost the UK about GBP 1.2 billion annually.
- **Nature-related risks are foreseeable and often financially material.** They fall into four categories:
 - Physical (e.g. degraded soils, ecosystem collapse affecting supply chains)
 - Transition (e.g. new regulation such as deforestation-free supply chain laws)
 - Legal (e.g. liability for greenwashing or environmental harm)
 - Systemic (e.g. supply disruptions, price volatility, and financial instability)
- **Addressing nature loss also presents major opportunities.** Practices such as regenerative agriculture, sustainable farming incentives, and technologies like vertical farming can improve resilience and profitability, with studies showing sustainability strategies often increase revenue growth and reduce costs.

Implications for board directors

A legal opinion, commissioned by the Commonwealth Climate and Law Initiative, clarifies that under the *UK Companies Act 2006* directors must consider material nature-related risks when fulfilling their legal duties of loyalty (section 172) and care (section 174). For the food, beverage and agribusiness sectors – whose operations and supply chains rely heavily on healthy ecosystems – this means nature-related risks must be treated as core strategic and financial issues rather than peripheral sustainability concerns. Declining ecosystem services,

tightening regulation, and rising scrutiny from investors and consumers are already influencing margins, market access, and long-term asset value. These risks are foreseeable and often financially material.

Boards need sufficient oversight of nature-related risks across their operations and value chains. Failing to consider or manage these risks could expose directors and their companies to financial, legal and reputational consequences.

Board discussion prompts

Food, beverage and agribusiness businesses that understand and respond to nature-related risks are better positioned to **anticipate regulatory shifts, secure investor confidence, protect supply continuity, and identify emerging commercial opportunities** in a market that is rapidly moving toward nature-positive expectations. Effective stewardship of nature-related risks is now integral to promoting the long-term success of food and agriculture businesses.

Directors might reflect on, and ask a selection of these questions at their board meetings:

- 1. Material risks and dependencies:** Has the company identified its material nature-related dependencies and impacts across its operations and value chain, and have we assessed how their deterioration could affect the company's short- and long-term strategy and financial performance?
- 2. Scenario analysis and strategic planning:** What forward-looking scenarios or stress tests are we using for nature-related risks and opportunities (e.g., access to new markets, cost efficiencies, product differentiation, investor confidence), and how are these informing capital allocation, supply planning, and resilience measures?
- 3. Enterprise risk integration:** What evidence can the executive provide that nature-related risks are integrated into our enterprise risk management framework, rather than treated as a sustainability issue separate from core financial and operational risks?
- 4. Board level competence:** Do we have sufficient board-level expertise to challenge the executive on nature-related risks, or should we consider additional training, external advisers, or board refreshment to strengthen oversight?
- 5. Regulatory preparedness:** How are we monitoring and preparing for emerging regulatory requirements – including deforestation-free supply chain rules and evolving transition plan expectations – across the jurisdictions in which we operate?
- 6. Legal exposure management:** How is the company assessing and managing legal exposure arising from nature-related harms, including pollution incidents, habitat impacts, and the risk of misleading or inaccurate sustainability claims?
- 7. Supply chain visibility:** Do we have adequate visibility over nature-related risks in our supply chain – particularly for high-risk commodities and operations intersecting with Indigenous Peoples and Local Communities – and how are we verifying supplier compliance with rights of free-prior and informed consent, environmental, land-use, and traceability requirements?
- 8. Financial reporting and disclosure alignment:** Are we disclosing material nature-related risks in line with our narrative reporting obligations, and have we assessed whether any of these risks need to be reflected in our financial statements – ensuring that our sustainability-related disclosures are properly connected to and consistent with the financial accounts?