

# UK nature legal opinion

## SECTOR BRIEFING – FOOD, BEVERAGE AND AGRIBUSINESS

12 minute read

This sector briefing aims to support **board directors in the food and beverage and agribusiness sectors** with understanding their directors' duties and legal responsibilities regarding nature-related risks and impacts.

### 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.
- Agrifood 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.
- The UK Nature Opinion clarifies that directors must consider nature-related risks under UK law. Failure to do so could lead to legal, financial, and reputational consequences.

“In the boardroom, our responsibility is not only to drive growth, but to ensure it is enduring. That means that nature and biodiversity are not optional considerations, but critical assets, ignoring them exposes our supply chains to risk.”

Zoe Howorth, Chapter Zero Fellow;  
Non-Executive Director, AG Barr  
PLC and Paragon Banking  
Group PLC



## Sector overview

The food, beverage and agribusiness sectors are critical to UK economic and national security. The UK's food and drink industry is the country's biggest manufacturing sector by turnover, valued at GBP 104.4 billion. This makes it larger than the automotive and aerospace industries combined. The food, beverage and agriculture sector employed over 4.1 million people in 2025, a 2.1% decrease from 2024.

UK agricultural output has seen marginal volume growth recently (0.2% in 2024), but faces significant volatility due to extreme weather, rising costs, and shifting crop volumes. While 2024 saw increased livestock output (3.5%), crop production dropped 5.1%. Despite annual variability, the long-term trend is slow but overall improvement in total factor productivity – a measure of how well agriculture turns inputs into outputs. While UK agriculture produces 58% of the country's food needs, the UK is heavily reliant on imports to meet the varied demands of the UK consumer. The UK

Government's National Security Assessment on biodiversity loss, published in January 2026, highlighted that without significant increases in UK food system and supply chain resilience, it is unlikely the UK would be able to maintain food security following critical ecosystem collapse.

Despite its economic importance, agrifood systems account for around one-third of global anthropogenic GHG emissions – a key driver of biodiversity loss. Agriculture has historically driven 70% of losses in terrestrial biodiversity and been the single biggest contributor to the deforestation of natural habitats – systems on which the sector itself depend on to be productive and financially viable. In the UK, the Department for Environment, Food and Rural Affairs (DEFRA) estimates that “*soil degradation, erosion, and compaction result in losses of about £1.2 billion each year and reduce the capacity of UK soils to produce food.*”

## Nature-related risks facing the food, beverage and agribusiness sectors

Nature-related risks are the potential threats posed to an organisation that arise from its dependencies and impacts on nature. They do not constitute a new category of risk but fall within established financial risk classifications. Nature-related risks are broken down into physical, transition, legal and systemic risks.

- **Physical risks** result from the degradation of nature and a decline in ecosystems that underpin economic activity. For example food producers, manufacturers, retailers and financiers depend on soil health which can be degraded by unsustainable practices. As food, beverage and agribusiness supply chains are often complex and global, a collapse in ecosystem productivity in one country can result in real and growing risks to supply continuity, leading to uncertain pricing.
- **Transition risks** result when businesses are not aligned with regulation and policy, legal precedent, technology, or investor sentiment and consumer preferences aimed at restoring and/or reducing negative impacts on nature. For example, the EU Deforestation Regulation aims to ensure that commodities such as cattle, cocoa, coffee, oil palm, rubber, soya and wood – and their derived products – have not caused deforestation or forest degradation. The UK is expected to implement similar legislation for “forest risk commodities” – aligning to this legislation will be key for businesses to keep in lock-step with transition policies across their value chains.
- **Legal risks** arise from mismanagement of physical or transition risks that may lead to legal cases related to nature loss. For example, there is increasing risks of liability for misleading sustainability claims (greenwashing). The Advertising Standards Agency has conducted research and issued rulings against misleading environmental claims in the sector.
- **Systemic risks** can affect the whole financial system by way of supply chain disruption, price volatility, collateral and asset depreciation, increases in defaults, and greater insured losses. Systemic risks are already materialising for food, beverage and agribusiness sectors.

A table outlining each of these risks with further in-depth examples is included in Annex 1.<sup>1</sup>

<sup>1</sup> Directors might find it useful to consult the diagrams on page 14 and 17 of the TNFD Food and Agriculture Sector Guidance which display the materiality of ecosystem services that the food and agriculture sector typically depends and impacts on.



## Key findings of UK Nature Opinion

In March 2024, the Commonwealth Climate and Law Initiative commissioned and published a legal opinion authored by leading commercial barristers: *Nature-related risks and directors' duties under the law of England and Wales* (UK Nature Opinion). The UK Nature Opinion does not create new law or advocate for change but clarifies existing legal duties under the UK Companies Act 2006 (CA 2006).

Under CA 2006, directors have a:<sup>2</sup>

- **Duty of loyalty (section 172):** A duty to act in a way they consider, in good faith, would be most likely to promote the success of the company. Success is not defined in CA 2006 and does not necessarily equate to profits. Directors are required to have regard to several factors – including the environment (which includes nature) – when fulfilling this duty.
- **Duty of care (section 174):** A duty to exercise care, skill and diligence of a reasonably diligent person with the **general** knowledge, skill and experience expected of a director, and the **actual** knowledge, skill and experience of the particular director. This duty informs how directors act in the best interests of the company.

Directors' duties are constantly evolving, as they are affected by the factual context in which a company operates, changes in scientific understanding of global nature decline, financial understanding of risks, and shifts in market and societal attitudes.

The UK Nature Opinion confirms that nature-related risks form part of the risks that directors must consider when discharging their duties under sections 172 and 174.

Directors could be in breach of their duties by failing to consider or act on relevant nature-related risks, potentially resulting in claims for damages.<sup>3</sup>

Other consequences could include termination of their position, adverse reputational impacts, and challenges to executive remuneration and “bad leaver” provisions. In addition, inadequate consideration of nature-related issues could expose the company to:

- Latent financial risks arising from unaddressed nature-related impacts and dependencies.
- The risk of shareholder and investor claims (including for deceit).
- Reputational risk.

“Our analysis demonstrates that nature-related risks are no different to any other risks faced by company directors. Directors are required to give consideration to all relevant risks facing their businesses.”

Rebecca Stubbs KC, Maitland Chambers (co-author of the UK Nature Opinion)

<sup>2</sup> For a more detailed legal analysis of the duties outlined above, we refer you to the UK Nature Opinion, CCLI's board briefing for Chapter Zero UK on the UK Nature Opinion and the UK section of the *Directors' Duties Navigator: Climate Risk and Sustainability Disclosures*.

<sup>3</sup> It is worth noting that courts will generally avoid intervening in directors' decisions unless there is clear evidence of bad faith, misconduct, or a breach of directors' duties.



## What does the UK Nature Opinion mean for the food, beverage and agribusiness sectors?

For directors in the food, beverage and agribusiness sectors, the UK Nature Opinion crystallises the position that **nature-related risks are no longer peripheral sustainability issues but core strategic considerations that fall squarely within the remit of directors' duties**. The food, beverage and agribusiness sectors are uniquely exposed to nature loss, making these duties especially salient. 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**.

In practice, this means boards must ensure they have sufficient visibility over the company's dependencies and impacts on nature and the potential risks these may pose. For example, the increasing frequency of extreme weather events in the UK, or the rapid expansion of deforestation-free supply chain laws internationally, will **shape procurement strategies, capital allocation, insurance costs, and operational resilience**. Similarly, the risk of enforcement activity – from greenwashing rulings to substantial penalties for pollution incidents – demonstrates that food and agriculture companies can be held to account for nature-related harms.

**Supply chains in the food, beverage and agribusiness sectors add a further level of complexity**. As noted by the [TNFD's Food and Agriculture Sector guidance](#), many organisations operate through complex webs of supplier networks where business models and practices vary significantly across regions. For UK companies, this means that material nature-related risks may arise far beyond their domestic operations, particularly in jurisdictions with weaker environmental governance, higher deforestation pressures, or greater vulnerability to ecosystem decline. These upstream risks have the potential to disrupt production, trigger regulatory scrutiny, and create reputational harm across the value chain. The UK Nature Opinion underscores this point, noting that *"nature-related risks can be relevant to a **company's operations, supply chain and financial success** over the short, medium and long term and by extension the role of directors in governing the company"* (our emphasis).

"Nature-related risks can be relevant to a company's operations, supply chain and financial success over the short, medium and long term and by extension the role of directors in governing the company."

The UK Nature Opinion



## But it's not all about risk... there are also ripe opportunities

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**The food, beverage and agribusiness sectors play a critical role in the transition to nature-positive outcomes.** For example, farmers are key managers of the world's soils, which contain 2.3 times more carbon than the atmosphere and 3.5 times more carbon than all living terrestrial plants.

Against this context, there are a range of food and beverage production and agricultural practices that provide opportunities for the sector, such as regenerative agriculture, agroecology, and utilising technologies like soil sensors and autonomous equipment. DEFRA has introduced a number of schemes to encourage more sustainable farming practices, such as the Sustainable Farming Incentives and Landscape Recovery schemes.

A recent study found that **sustainability strategies** in the food and agriculture sector are helping **nearly 80% of companies increase revenue growth** and more than **70% reduce costs**. For example, Diageo cites lowering operational expenditure through its water stewardship approaches and Premier Foods is investing in trials of lower-carbon wheat across 165 acres of arable land in southern England with the ambition of lowering emissions and reducing overall fertiliser usage.

**Key supermarket brands are investing directly in sustainable practices** to ensure supply chain resilience, align to policy and regulation, build brand equity, and support consumer preferences: Waitrose announced a GBP 1 million investment and partnerships with Soil Association Exchange and Regenified; Tesco has pledged GBP 1.5 million with a focus on supporting the capture of environmental data to enable farmers in its supply chains to obtain decision-useful information; Lidl has announced a GBP 30 billion investment in strengthening its British supply chains and committing to LEAF Marque certification across all its British fresh fruit and vegetable suppliers; Sainsbury's has partnered with The Woodland Trust on leading agroforestry initiatives and has committed to sourcing 50% of its UK fresh food from areas where water is managed sustainably; and Marks & Spencer has announced a GBP 14 million investment in sustainable farming and innovation.

A UK study with 165 farmers found that moving to a "maximum sustainable output" model resulted in an average **10-45% increase in commercial returns**. One

example of a market and consumer preference opportunity is organic products. The UK **organic market delivered positive growth for 12 consecutive years** reaching GBP 3.2 billion in 2023 despite economic turmoil and a cost-of-living crisis. Riverford – an employee owned, organic, online grocery service – reported in February 2026 that **sales rose by 6%** last year, and that it expects growth to continue, given the trajectory of European markets. Utilising technology through **vertical farming** also presents an opportunity. A company in Gloucestershire can **grow salad three times as fast** as traditional outdoor agriculture thanks to its controlled, consistent climate, powered by renewable energy. Vertical farms are protected from the weather, reducing physical risks such as floods, droughts and pests.

As noted in the UK Nature Opinion, "*a director might decide to substitute unsustainable agricultural practices for a more sustainable and regenerative approach, which could make the company more resilient and successful in the long run despite foregoing some short-term profits whilst the new practices are established.*" This would not fall foul of a director's legal duties where such actions are taken to promote the success of the company.

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## Annex 1

Risk type	Application to the food, beverage and agribusiness sector
<p><b>Physical</b></p> <p>Risks arising from the degradation of nature and consequential loss of ecosystem services on which an organisation depends.</p> <p>Physical risks can be acute (event-driven) and chronic (long-term).</p>	<ul style="list-style-type: none"> <li>• <b>Pollinator decline reducing yields.</b> Over <u>200,000 species</u> act as <u>pollinators</u>, on which 75% of global food crops depend. Pollinators can be impacted by climate change, pesticide use, and habitat loss.</li> <li>• <b>Decreasing land productivity.</b> Soil degradation is reducing returns; around <u>30% of the world's soils</u> are moderately to highly degraded, and if current trends continue, more than 90% of the Earth's land areas will be substantially degraded by 2050.</li> <li>• <b>Water scarcity disrupting irrigation.</b> Drought is the leading cause of agricultural production loss. In 2023, <u>nearly half (48%) of the global land area</u> experienced at least one month of extreme drought. Farms account for <u>70% of total global water consumption</u>, yet 40% is lost due to poor irrigation and water management, making them more prone to financial impacts during times of water shortage. <u>UK droughts in 2025 cost arable farmers over GBP 800 million</u>, and 61% of food and beverage manufacturers <u>do not have a water contingency plan in place</u> for their UK sites, despite 94% revealing that consistent supply is critical to day-to-day operations.</li> <li>• <b>Increased pests and diseases.</b> Around <u>40% of global crop production</u> is currently lost to pests and diseases, a number of which can be linked to climate change. <u>This costs the world approximately USD 220 billion annually</u> in global trade losses, with <u>damages reaching USD 423 billion</u> in 2019.</li> <li>• <b>Extreme weather damaging crops and livestock.</b> This can increase capital expenditure on infrastructure repair. For example, wheat yields in the UK dropped by <u>40% in 2020 due to heavy rainfall and drought</u>.</li> </ul>
<p><b>Transition</b></p> <p>Risks arising when economic actors are not aligned on actions aimed at protecting, restoring, and/or reducing negative impacts on nature e.g., regulatory changes, shifts in consumer preferences, and evolving market expectations.</p>	<ul style="list-style-type: none"> <li>• <b>Increasing compliance costs.</b> Biodiversity net gain and deforestation-free supply chain laws are tightening. For example, the <u>EU Deforestation Regulation</u> aims to ensure that commodities such as cattle, cocoa, coffee, oil palm, rubber, soya and wood – and their derived products – have not caused deforestation or forest degradation. The UK is <u>expected to implement</u> similar legislation for “forest risk commodities”.</li> <li>• <b>Rising investor expectations for nature-risk management and disclosures.</b> <u>98% of investors surveyed</u> by the Taskforce on Nature-related Financial Disclosures are concerned about the impact of nature loss on financial markets (56% very, 42% somewhat).</li> <li>• <b>Pressure to shift to more sustainable practices.</b> Target 10 of the Global Biodiversity Framework aims to ensure that areas under agriculture, aquaculture, fisheries and forestry are managed sustainably through the sustainable use of biodiversity. The UK will continue to introduce measures to meet this target, such as through its <u>Environmental Improvement Plan</u>.</li> </ul>

## Annex 1 (continued)

Risk type	Application to the food, beverage and agribusiness sector
<p><b>Transition (continued)</b></p> <p>Risks arising when economic actors are not aligned on actions aimed at protecting, restoring, and/or reducing negative impacts on nature e.g., regulatory changes, shifts in consumer preferences, and evolving market expectations.</p>	<ul style="list-style-type: none"> <li>• <b>Changes in national food strategy.</b> The <a href="#">UK Food Strategy</a> will impact the future food system through measures linked to trade, health, poverty, business and tax, and energy, water and other environmental policies.</li> <li>• <b>Shifting consumer demand and preferences.</b> A balance needs to be struck between consumer demand for non-seasonal goods year-round and consumer considerations when buying food (16% of UK consumers cite the <a href="#">environment as the top priority</a> when choosing food). Major brands have dropped <a href="#">suppliers linked to deforestation</a>. Growing demand for regenerative food production and/or plant-based products can lead to market share loss or gain. Health is also a driver of consumer choices – 34% of UK consumers cite <a href="#">health factors as the top priority</a> when choosing food.</li> <li>• <b>Increased demand for sustainable packaging:</b> A 2019 YouGov report found that nearly half of consumers would be <a href="#">willing to pay extra for more sustainable packaging</a>, and 69% think all companies should be required by law to use eco-friendly packaging, even if it means prices going up. The UK’s packaging extended producer responsibility (pEPR) scheme requires packaging producers to cover the full cost of managing household packaging waste. The pEPR is <a href="#">expected to cost</a> the food and beverage sector over GBP 1.4 billion annually.</li> </ul>
<p><b>Legal</b></p> <p>Risks that arise from mismanagement of physical or transition risks that may lead to legal cases related to nature loss.</p>	<ul style="list-style-type: none"> <li>• <b>Claims for ecosystem damage (water pollution, habitat destruction).</b> A <a href="#">claim</a> has been launched against a UK poultry group relating to industrial-scale chicken production and associated pollution of rivers.</li> <li>• <b>Liability for misleading sustainability claims (greenwashing).</b> The Advertising Standards Agency has conducted <a href="#">research</a> and issued <a href="#">rulings</a> against misleading environmental claims in the sector. For example, a TV ad for a drinks product was <a href="#">banned</a> for falsely claiming the bottle was made from 100% recycled components and was “nature friendly”. In January 2026, the Competition and Markets Authority released <a href="#">guidance</a> for businesses regarding environmental claims across the supply chain. Food and agricultural companies with complex, multi-tier supply chains may face legal risks (e.g., enforcement action) if they cannot evidence nature-related claims (e.g., “sustainable”, “regenerative”, “deforestation free”).</li> <li>• <b>Risk of breaching legal directors’ duties for failing to consider foreseeable nature-related risks.</b> The UK Nature Opinion (see below) notes that the recent court decision in <a href="#">ClientEarth v Shell</a> (discussed further <a href="#">here</a> and <a href="#">here</a>) is not a bar to claims regarding directors’ management of nature-related risks.</li> <li>• <b>Penalties for breaching land-use, biodiversity, or water-use regulations.</b> The Environment Agency can <a href="#">impose</a> unlimited variable monetary penalties on companies who pollute the environment. In 2023, an <a href="#">agriculture firm was fined GBP 510,190</a> for leaking fertiliser into the River Witham, killing over 135,000 fish. Environmental liability in the UK can be both civil and criminal, and criminal liability can be attached to both companies and individual directors or officers.</li> </ul>