



## **Climate Risk Reporting in Agriculture: Extended Edition**

*Written by Mark Lumsdon-Taylor*

*Founder and President, Rural Policy Group*

*Head of Sustainability ESG, MHA | Baker Tilley International*

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Significant UK businesses are required by law to include a non-financial information statement in their strategic report (The Companies Act 2006, updated January 2019). This is overlaid by higher level regulations for main market and large entities in the United Kingdom. Those with European operations face further rules. Even where there is no regulated mandate to report, a sustainability statement can add credibility to agriculture, food and farming businesses, and showcase the good work being carried out to reduce emissions, deliver public goods and otherwise reduce the planetary impact of the food system.

Businesses not mandated to include such a statement are at liberty to include one, and yet many do not. According to research from global accountancy practises a few years ago, of all global non-financial sectors, agriculture, food and forest products is recognised as having significant scope for improvement in terms of the coverage and quality of climate-related disclosures. This is somewhat surprising since its existence is so closely aligned to climate and nature.

Given the importance of the contribution made by the agriculture and food sector both to climate change and to its potential mitigation, sustainability reporting is best practice for all businesses: only through robust data collection and transparent non-financial reporting, can businesses truly understand their role within climate change, its mitigation and nature preservation, and consequently be able to take the right type and degree of action.

Non-financial reporting should be high on the agenda of company boards as it directly impacts trust, governance and stakeholder accountability, as well as the way in which investors might view an organisation's investment viability. It can also help businesses of all sizes access the green finance market and unlock better rates on borrowing. The political 'roll back' in 2025 may well be short lived – driven by business need and transparency.

Whilst there is evidence that non-financial statements are improving, a top-level review of filings registered with Companies House clearly demonstrates that many businesses are either not including non-financial statements or only providing the bare minimum data. The agriculture and food industry (excluding the main market listed multibillion pound businesses who are mandated to report at a higher level) are particularly noticeable; it undermines the very investment and engagement the sector needs to fulfil its true potential with regard not only to climate change mitigation but also to more profitable business practice.

The consumer expectation of low-cost food, acceptance of farmers receiving less than the cost of production, a recent period of significant food price inflation and structural challenges to margin shares inhibit the potential for better profitability coming from anywhere other than productivity and efficiency gains.

After all, the non-financial reporting regulations clearly state the contents should include 5 key components: consequences of decisions; employee interests; business relationships; community and environment; and member fairness.

The EU Directive that gave rise to the regulation allows greater flexibility in how non-financial information is reported compared to UK requirements - for example, the non-financial statement

can be outside the annual report - but the purpose of both is clear: greater transparency, greater accountability, greater impact. Research suggests the industry demonstrated significant discrepancies across global regions with companies in the US, France and Japan amongst top performers, and the UK and Brazil ranked as good performers. Those global companies often attempt to resource their ESG Team to deal with the global exposure of their operations and supply chains to transitional and physical risks.

At a higher reporting level, a FTSE 100 listing rule mandates that commercial listed companies (with equity shares) must include a statement in their annual financial reports regarding their climate-related disclosures, in line with the TCFD recommendations on governance, strategy, risk management and metrics & targeting. In addition, following a 2022 update to the Companies Act 2006, businesses in scope of the TCFD-aligned UK CFD (Climate-related Financial Disclosures) are required to disclose how climate risks and opportunities are identified, assessed, and managed, as well as the resilience of the business model and strategy to climate scenarios. We take a deep dive.

**Governance:** research finds some level of information regarding boards' overall responsibility for climate-related issues and the governance of climate-related topics. However, the details are often not present (perhaps due to commercial sensitivities). The expectation of strong disclosure is robust oversight of climate-related topics as well as the interactions between governance structures and management.

**Strategy and Risk:** there is a willingness to disclosures such as detailed descriptions of risks and climate opportunities, and indicative time horizons for each. These should be integrated into a business, not just reported because it's required. Some companies still don't provide any description of the climate-related risks they are exposed to, their climate-related opportunities or their materiality process. Common themes among lower performing organisations are a failure to integrate and resource appropriately.

**Targets:** companies set out quantitative indicators, such as total greenhouse gas (GHG) emissions or energy consumption. Standard Scope 1 and 2 emissions are there, while Scope 3 emissions with clear boundaries and methodology remain a key challenge for value chain reporting and reward.

There are numerous reporting standards (and acronyms: CSDDD, CSRD, EUDR, SFDR, FF55 to name a few) which reinforce the need for a single, comprehensive set of metrics which are actionable, measurable and appropriate for businesses of all sizes within the food value chain. The regulated reporting standards of the biggest businesses in the chain, the PLCs and the multinationals, need to be translatable and manageable for smaller businesses without dedicated sustainability professionals on the team to decode the science. And they need to be affordable. Or better yet, their value to the buyer in terms of public relations, share price, consumer loyalty and industry position as a 'first-mover' or innovator could be reflected in contract payments.

The benefit of robust and transparent disclosure aligns with the unprecedented range of challenges, not least because it lies on the fine line between climate change contribution and climate change mitigation. There are two critical issues to face.

Firstly, a medium-term program of investment and government policy is required to strengthen resilience to climate-change to secure a sustainable future. As an industry dependent on the natural environment, food and farming is exposed to the direct impacts of climate change and at high risk from shocks such as extreme or unseasonal weather.

Secondly, the industry holds a degree of responsibility for contributing to anthropogenic climate change. The global food system accounts for 21%-37% of the world's GHG emissions, although British farming outperforms many of its global peers and contributes only 12% of British GHG emissions. Despite this concern, we have seen little mention of the fact in the UNFCCC's (United

Nations Framework Convention on Climate Change) annual COP summit dedicated to bringing nations together to mitigate global warming and climate change.

The war in Ukraine has highlighted the interdependency of the global food supply chain, with many countries failing to plan for the impact of the war on their own food supplies, the UK included. Over many years seasonal food supply has moved towards food supply all year round from national specialists around the world. This has led to global dependence on a handful of agriculturally rich countries with a corresponding fragility brought on by armed conflicts or extreme weather events. This brings into question many issues such as nutrition, biodiversity, food security, food waste and food loss. It also brings into question national security and the vulnerability of food prices in the UK to economic fluctuations elsewhere in the world.

Take food waste alone, approximately 120 kilogrammes of consumer-level food are wasted each year on a global per capita basis whilst up to 800 million people around the world face hunger according to the United Nations Environment Programme (UNEP). Measures that address food waste can also impact environmental sustainability as well as, of course, food security. Reducing food waste throughout helps reduce land requirements and water usage, as well as the use of fertilisers and fossil fuels, delivering a broader environmental benefit in the process. We must have a plan and in June 2025 the Department for the Environment, Food and Rural Affairs announced a £15 million fund to redistribute surplus food from farms to those in need.

There is, perhaps unsurprisingly, a caveat: robust action comes from robust data. The inconsistency of non-financial reporting means that businesses are at a disadvantage when attempting to resolve the issues that face them. The development of a shared set of standardized metrics against which food and farming businesses can measure, monitor and manage environmental performance would help redress this disadvantage. As would a programme of education and training to help businesses wishing to adopt the standards.

Businesses must have a plan:

1. Gain a clear understanding of the ESG (environment social governance), climate change and sustainability risks facing the business.
2. Assess the potential impact of these risks on the business and create an impact hierarchy, recognising both positive and negative impacts.
3. Measure and manage. Data is your friend here. The broader and more granular the data, the better informed the business will be in terms of the impact on operations and the effective mitigating actions that might be taken.

Whether companies adopt regenerative supply-side practices such as biological sequestration or simply take circular economy principles, replacing 'replace' with re-use, repurpose and recycle, innovation is key. Developing products with lower greenhouse gas emissions, often leading to product innovation and new revenue streams must be integrated into resilient planning.

With greater collaboration through the supply chain and effective leadership, businesses can improve sustainability reporting to attract investment and tackle shared challenges such as food waste. There is a wealth of expertise and innovation in the industry which can be harnessed to improve the value chain's financial and environmental sustainability. We are at a planetary tipping point and the impacts of climate change will be with us for generations to come.

Now is the time to embrace change, take up voluntary non-financial reporting and grow the industry on the insights it can provide. In simple terms from a well-known food business, the industry must 'always deliver'.