WHAT'S IN STORE FOR THE PLANET 2025 – BANKING SECTOR NOTE

DECEMBER 2025

The environmental impacts of the food sector are driving food price volatility and supply chain disruptions, increasing systemic and wholesale credit risks for lenders. Banks can mitigate these risks by helping UK food businesses transition to sustainable, resilient models that protect long-term financial and operational stability.

Retailers representing 90% of the UK grocery market (Aldi, Asda, Co-op, Lidl, M&S, Morrisons, Ocado, Sainsbury's, Tesco and Waitrose) submit unique data each year to WWF across a series of outcomes and measures related to greenhouse gas emissions, deforestation and land conversion, sustainable agriculture and aquaculture, diets, food waste and packaging (the "Basket Targets"). By signing the pledge in 2021 to halve the environmental impact of UK Baskets by 2030, the CEOs of the largest UK food retailers acknowledge that tackling the environmental impact of the UK shopping basket in a strategic priority for their business models.

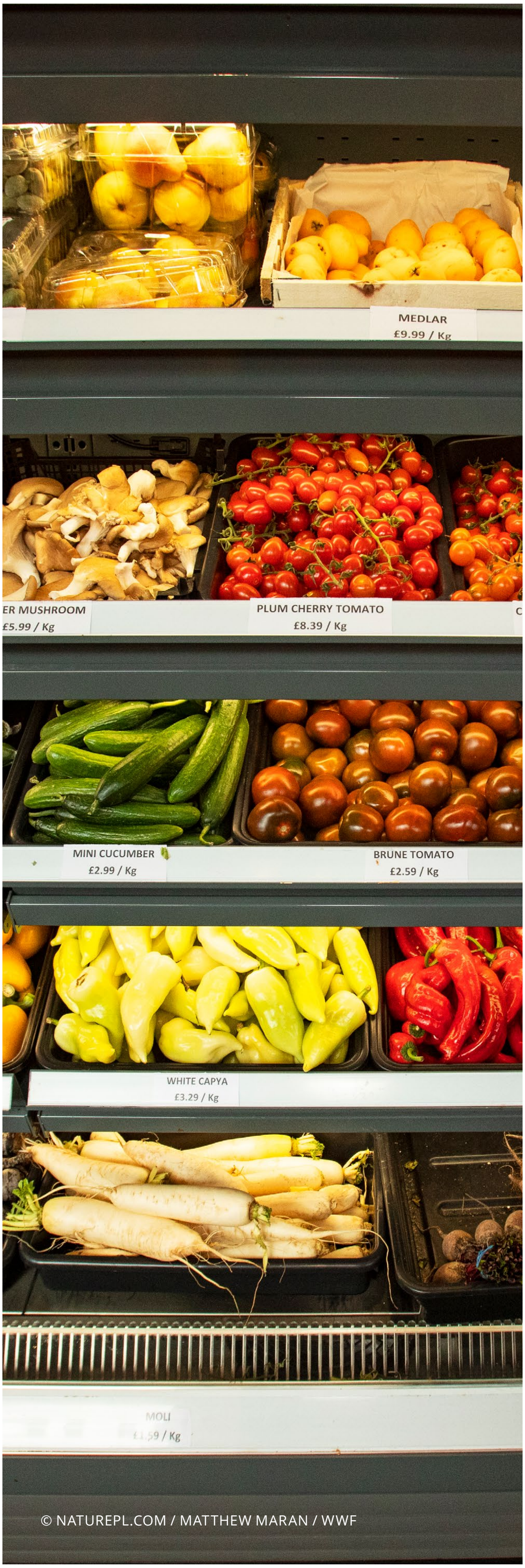
This year's What's in Store for the Planet report shows that while the food sector has made attempts to tackle its impact on the planet, we are not yet seeing an effort on a scale that will address rising structural shocks as climate volatility, geopolitical instability, and supply disruptions intensify.

The food system is increasingly exposed to systemic vulnerabilities, driven by highly competitive nature of UK food companies, fragmented industry coordination, a lack of collaboration across the sector, and a persistent bias toward short-term returns. Sustainability and costs are often pitted against each other, but the reality is that the financial burden of inaction is already being passed on to consumers through rising prices and supply volatility, and it increases lending and investment risks for finance providers.

THE FOOD SYSTEM IS INCREASINGLY EXPOSED TO SYSTEMIC VULNERABILITIES

It is not too late to act. There is a great deal to lose from inaction - and what was once a long-term threat has already arrived - but a great deal to gain by working to achieve these targets. Banks can help pave the way for a financially and environmentally sustainable UK food sector:

- **Consider the risks within lending portfolios.** As producing landscapes lose their capacity to provide essential services that support economic activity across all sectors, industries could face significant disruptions, which transmit up to financial providers through credit, market, underwriting, liquidity and operational risk. At the same time, businesses face transition risks such as higher costs driven by stricter regulations to mitigate deforestation and land conversion, denial of permits, reputational harm, and consumer, media and supply-chain scrutiny. Preventing and managing these risks is key for lending portfolios' resilience.
- **Support food business clients' transition to strengthen** the financial viability of their business and their networks, helping ensure secure supply and price stability for consumers, both of which are critical to inflation control and long-term portfolio performance. Transparency and risk assessment can unlock commercial opportunities including improved efficiency, increased supply chain resilience, and greater market access. Many UK food businesses are already taking targeted action, such as investing in regenerative agriculture, water efficiency and circular technologies. Engaging with these businesses allows banks to offer more bespoke products and solutions to help clients deliver on these actions.



BASKET ITEMS ON THE BRINK

Extreme weather events like droughts and floods are now systemic disruptors, driving up prices of everyday commodities such as coffee, cocoa, and wheat. The UK's hottest spring and summer in over a century has contributed to food price inflation exceeding 5%, yet the climate dimension of inflation remains underreported. While global systems have buffered disruptions in the past, recent price volatility shows those buffers are weakening. As climate events compound, even resilient supply networks can falter, posing risks to inflation, credit exposure, and portfolio stability.

Bread - Over one year's supply of bread has been lost in the last decade due to the effects of drought and heavy rainfall on wheat harvests.

Atlantic mackerel - Northeast Atlantic mackerel population is facing collapse, with fishing rates exceeding scientific advice by **an average of 39% since 2010.**

Milk - Climate change-induced heat stress and extreme weather reducing availability of forage can cause **milk production losses in dairy cows.**

Pork - With feed crop producing countries like Brazil facing increasing risk of droughts and water stress, costs could push UK pork **prices up by £59m by 2050.**

Bananas - Climate change is fuelling the spread of two devastating fungal diseases, **slashing banana yields and export volumes by almost a quarter** in countries like Costa Rica.

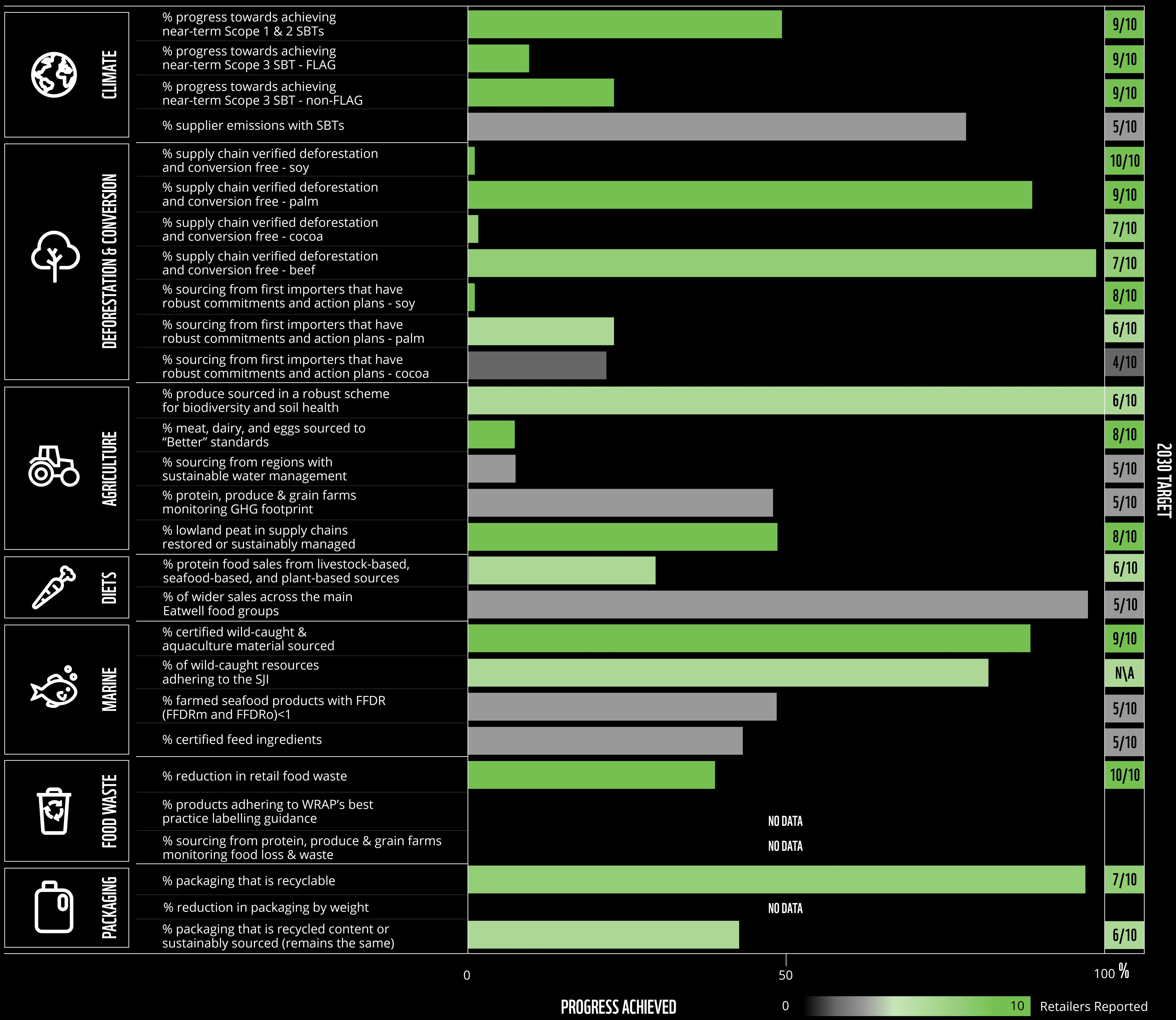
Coffee - World coffee prices increased by ~40% in 2024 due to extreme weather. Rising temperatures projected to reduce the area suitable for coffee growing by 50% by 2050.

Chocolate - Excessive heat and shifting rainfall patterns caused cocoa prices to **surge 136% between 2022-2024**. Key cocoa growing regions are set to become unsuitable for production.

Cauliflower - As one of the vegetables hit hardest by the 2025 UK drought, **prices increased from 89p/kg to £2.14/kg in August 2025** alone.

RETAILER PROGRESS

This figure gives a snapshot of the progress made towards each Outcome within the WWF Basket. It shows the aggregate figures across each Measure, showing the level of progress and distance to go for the retailers who have provided data.



RECOMMENDATIONS TO THE BANKING SECTOR

While the WWF Basket Blueprint for Action outlines actions the retail sector should take to meet 2030 commitments, banks have a significant role in supporting retailers and supply chain actors to collectively reach the Basket Targets.

The table below outlines the key recommendations for banks and how these would contribute to halving the environmental impact of UK baskets by 2030:

1	**Strengthen portfolio resilience** Exposure to environmental-related risks in the food sector is increasingly hard to avoid through diversification. Banks can tackle these risks in their portfolios by assessing exposure, embedding environmental criteria into risk models, and setting transition targets to protect long-term value.	+ Understand and assess exposure to environment risks both quantitatively and qualitatively, through frameworks such as the TNFD. Learn from peers: Several banks, such as Barclays, have published approach and practical steps to assess nature-related financial risks of large financial portfolios + Embed environmental risks into credit scoring and risk models for food sector clients. + Set time-bound, measurable targets in relation to food and agriculture portfolio, aligned with national climate and nature goals.
2	**Engage with food sector CFOs on progress highlighted in WWF 2025 Basket Report** By engaging with companies in the food sector on the Basket Targets, banks will show a better understanding of these companies' shifting business and uncover the needs of their customers. This is also an opportunity for banks to unlock more environmental data for their own assessment of risks.	Strategic engagement opportunities include the following areas: + Ask food retailers how the Basket Targets and other sustainability targets are embedded within commercial and category performance metrics, and how these teams are integrating assessment of environmental risk into sourcing strategies – strategies must embed mitigation strategies. + Encourage food retailers' production of data related to the Basket Targets, to improve your understanding of their risk profile. + Engage with agrifood commodity traders to improve the traceability of key forest-risk commodities, with robust Monitoring, Verification and Reporting systems. Greater transparency will enable the identification of environmental and legal risks and investment opportunities to eradicate deforestation and conversion from supply chains.

3

Provide innovative financial instruments to support corporate transition, in line with the WWF Targets

Banks can accompany their clients with financial products and services that support making their business more resilient while delivering on sustainability goals, thereby building stronger, long-term relationships with clients, and reducing financial risks linked to environment degradation. Financial opportunities are expanding across asset classes, including regenerative farmland, sustainable forestry, nature-linked bonds, and ag-tech equities. These options often qualify for green financing, attract climate-focused investors, and benefit from rising land value, carbon credits, and productivity gains. Overall, they offer a commercially viable path for banks to align financial returns with environmental resilience.

Examples of activities that improve food business' reliance and need capital to be scaled up include regenerative agriculture, deforestation and land conversion-free production or responsible seafood sourcing.

- Set targets that promote activities benefitting nature and discourage negative impacts like deforestation, to help strengthen food supply chains. For instance, BNP Paribas pledged to provide €4 billion by 2025 to businesses safeguarding terrestrial and marine biodiversity.
- Engage with food retailers' CFOs to scale up their pilot programs to increase supply chain resilience, such as nature friendly and climate resilient farming. For instance, the Responsible Commodities Facility is an innovative green bond-backed lending structure that channels credit to deforestation-free soy production in Brazil. It finances working capital loans for farmers who meet strict environmental criteria. Funded by institutional investors like banks Santander and Rabobank and UK retailers Tesco, Sainsburys and Waitrose, repayments align with crop cycles. Facilities like this can support progress against the Deforestation and Land Conversion pillar of the WWF Basket.
- Scale up financing to nature-friendly farming. Whilst many UK banks currently provide some lending to nature friendly farming practices, these loans are typically perceived by banks as higher risk. Including climate and nature related risk into internal risk models would improve the risk perception of nature friendly practices compared to conventional practices, given the benefits in terms of business resilience. Blended finance can also be used to scale up these practices (as shown by Dutch bank Rabobank)
- Support innovative instruments that can drive progress against the marine pillar of the WWF Basket, such as the Fisheries Improvement Fund, a supply chain financing model to fund fishery improvements (e.g. gear improvements or tech adoption).

For questions or further information please contact:

Sophie Bauer, Head of Food System Transformation, WWF-UK
SBauer@wwf.org.uk
WWF-UK, The Living Planet Centre,
Rufford House, Brewery Road,
Woking, Surrey GU21 4LL
wwf.org.uk


© TROY ENEKVIST / WWF-SWEDEN

For a future where people and nature thrive | wwf.org.uk