Saffery

Q3 2026

Boardroom briefing: sustainability risks, regulations and nature-related business impacts for UK boards

A briefing for UK-based senior leaders on the latest sustainability developments that are most likely to affect your risk profile, compliance obligations and decision making. We set out what needs UK-based board attention now, the questions to ask, and the actions you should take in the next 90 days.

Q3 2026 sustainability developments: what UK boards need to know

> Climate and sustainability risks affecting UK businesses this quarter

- Businesses across the UK have faced significant operational and commercial disruption because of the extreme heat experienced over recent months. Five separate heatwaves, 12 consecutive days of temperatures exceeding 30C and drought conditions across seven regions have contributed to transport disruption, power supply constraints and reduced grid capacity, as well as pressures on food supply chains. These impacts have increased operational risks for businesses, highlighting the growing financial and business consequences of climate-related extreme weather events.
- Recent flooding in the Nepal-Tibet border region serves as a reminder of the business impacts associated with physical climate risks. In late August the region was struck by severe, quick flowing floodwaters following a glacial collapse. While the immediate cause and full impacts are still being assessed, the UNDP's July 2025 project initiation on glacial lake outburst flood risk in Nepal highlights the country's vulnerability to climate-related glacial instability. For organisations with international supply chains, operations, relationships or investments in climate-vulnerable regions, extreme weather events can disrupt logistics, damage infrastructure and increase operational costs. As climate-related hazards become more frequent and severe, boards are increasingly expected to understand their exposure to physical risks and incorporate climate adaptation into resilience planning and adaptation.

> Sustainability regulation and reporting horizon scan (UK, EU and global)

- The UK government has launched a consultation on modernising and simplifying corporate reporting, with responses due by 30 November 2026. It includes proposals to remove certain sustainability and governance disclosures from the strategic report where they are not financially material. Which disclosures would change depends on the company's size and the specific strategic-report requirements that apply to it.
- Climate-related financial disclosures would remain unchanged, while the future role of UK Sustainability Reporting Standards (UK SRS) remains unclear. The government is also reviewing the effectiveness of the existing climate-related financial disclosure requirements and how the information is being used by investors and other stakeholders.
- No mandatory assurance requirement is proposed at this stage, although companies may be required to state whether their disclosures have received third-party assurance. Boards should monitor developments closely, as robust materiality assessments will become increasingly important. We will discuss these proposals and wider UK sustainability reporting developments at our November 2026 roundtable.
- The FCA has confirmed that certain listed companies will be required to report against the UK SRS on a comply-or-explain basis for accounting periods beginning on or after 1 January 2027. UK SRS broadens the focus beyond climate to include other material environmental and social matters, signalling increasing expectations for board oversight of sustainability-related risks and opportunities. While private companies are not currently in scope, boards should be aware that investor, lender and supply chain expectations are likely to drive wider adoption over time.

- Businesses will need better visibility of nature-related dependencies and risks across their operations and supply chains. In June 2026 the International Sustainability Standards Board (ISSB) confirmed they will begin to develop nature-related disclosure requirements, signalling a move towards corporate reporting of nature risks and opportunities. The ISSB's new guidance, targeting to be published as a draft Practice Statement in October 2026, will make expectations clearer and likely increase scrutiny from investors, auditors and regulators.
- The final simplified European Sustainability Reporting Standards (ESRS) were adopted by the European Commission on 3 July 2026. Mandatory data points were reduced by 61% and there is an expected reduction of about 34% in compliance costs for companies which is a scale back from the initial proposed standards. The standards will apply to financial years beginning on or after 1 January 2027 for EU companies meeting the thresholds of 1,000 employees and net turnover of €450 million. However, UK companies may still be asked for sustainability data where they have EU customers who report under the standards. Therefore, it's key to have data collection processes in place to prepare for such requests.
- The EU is strengthening sustainability-related requirements for both products and marketing claims. New packaging rules introduce stricter requirements on recyclability, recycled content, labelling and waste reduction, while new anti-greenwashing measures require environmental claims to be evidence-based and prohibit vague terms such as 'green' or 'eco-friendly'. These requirements may apply to UK businesses selling into the EU. Boards should assess EU market exposure and ensure appropriate compliance and data collection processes are in place to manage regulatory, commercial and reputational risks.
- The UK government has published a new Social Value Model, placing greater emphasis on creating good jobs, developing skills and supporting local communities through public procurement. From January 2027, organisations that bid for public sector contracts may need to provide clearer evidence of how they create jobs, develop skills and support local communities. Boards should consider whether existing workforce, training and community initiatives are sufficient to meet evolving customer expectations and support future contract opportunities.

> Spotlight of the quarter

Nature-related business risk:
the next strategic challenge for UK boards

What is nature risk and why does it matter to business?

- Nature loss is increasingly being recognised as a financial risk, with investors, standard setters and regulators beginning to incorporate nature-related considerations into risk management and reporting frameworks.

An assessment by the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES), endorsed by over 150 governments, concluded that nature loss is becoming a systemic risk for economies, supply chains and financial stability.

Additionally, the assessment identified that all businesses are dependent on biodiversity and, in turn, have impacts on it. For boards, the priority is to identify where these dependencies could translate into financial, operational or reputational risk before they become material. Understanding these dependencies is becoming more important because evidence of the financial consequences of nature loss continues to grow.

The financial impact of nature-related risks

The financial effects of nature-related risks are already material enough to matter to investors. The TNFD, University of Oxford and Global Canopy reviewed more than 600 pieces of evidence examining the financial effects of nature-related risks. The review concludes that evidence of financial impacts is already extensive and that information on nature-related risks is important to investors. It highlights impacts on cashflows, access to capital and cost of capital.

For example, water scarcity, as England is expected to face by 2055, can lead to increased operating costs and disruption. While nature loss presents clear risks, organisations that understand and manage their dependencies and impacts may benefit from improved resilience, stronger stakeholder relationships and access to new commercial opportunities. For boards, this shows that nature-related risks can have direct implications for financial performance, resilience and investor confidence.

Hidden dependencies across the value chain

Boards may not immediately recognise nature as a business risk because many dependencies on nature sit within supply chains rather than direct operations. However, disruptions to ecosystem services such as water availability, healthy soils and natural resources can create significant operational challenges. Businesses may face higher costs, supply chain disruption, increased insurance costs and reduced resilience. For example, food and beverage businesses rely on ecosystem services such as water, pollination and healthy soils, while construction and manufacturing sectors depend on natural resources and habitats that help protect infrastructure from physical risks.

This summer's disruptions show why nature risk matters

Recent UK heatwaves and drought conditions have highlighted how extreme weather can affect natural systems, resulting in water shortages, reduced availability of crops and raw materials, and associated supply chain disruption. These interconnected risks demonstrate why organisations are paying greater attention to nature-related dependencies within their operations and value chains. As a result, nature risk is becoming a strategic consideration for businesses across all sectors.

From sustainability topic to boardroom priority

Nature risk is emerging as a governance, risk management and reporting issue. As evidence of financial impacts grows, reporting expectations are beginning to follow the same direction of travel seen with climate-related disclosures. The ISSB's work in this area suggests nature-related risks are following a similar path to climate-related reporting, and now recognised as relevant to governance, risk management and investor communications.

For boards, this means nature-related risks may need to be considered not only in sustainability strategies, but also in financial reporting judgements, risk disclosures and wider assurance readiness. Boards may therefore need to strengthen nature-related risk assessment processes, engage suppliers on key dependencies and impacts, and ensure that actions are appropriately reflected in external reporting.

> How Saffery can help

As nature-related risks and opportunities become increasingly relevant to business performance, boards are being asked to better understand their organisation's dependencies, impacts and exposure to nature-related issues. Saffery supports clients with nature-related risk assessments, materiality assessments, sustainability reporting and assurance readiness, helping organisations to identify key dependencies and impacts, strengthen governance processes and respond to evolving stakeholder expectations.

> Questions for the board to ask:

- Which of our products, services or operations depend on nature-related resources?
- Where are we most exposed to biodiversity, water or land-use risks in our value chain?
- Could investors, customers or lenders increasingly expect evidence of nature-related risk management?

> One action in the next 90 days

conduct a high-level mapping exercise of the organisation's most significant nature-related dependencies and risks.

Get in touch:



Richard Collis
Partner, London
T: +44 (0)20 7841 4257
E: richard.collis@saffery.com

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