The supply chain you cannot see

Why investors should care

The food system depends on nature in ways that rarely show up on a balance sheet. This hidden exposure can become visible – and manageable- by engagement.

If you hold a fund with exposure to European food retailers or consumer goods companies, you are likely exposed to nature-related risk without a clear picture of how much. As biodiversity is under pressure, companies reliant on nature-based inputs face rising sourcing costs, supply disruptions, tightening regulation and reputational exposure.

Where supermarkets come in

Supermarkets sit at a powerful crossroad. They control what gets listed, at what price, and to what standard. Most source through layers of traders and processors, which means a head-office policy does not automatically change what happens on a farm. But sustained commercial standards, over time, do reshape how suppliers operate – and that signal eventually reaches the field.

Some retailers are beginning this work. Carrefour has mapped its biodiversity footprint across its entire value chain, identifying the raw materials – beef, soy, cocoa, fishery products – that carry its highest environmental exposure.[1] That transparency is the prerequisite for change: you cannot manage what you have not measured. The dominant retail model, though – built

[1] EOS at Federated Hermes, Annual Review 2024 – Carrefour biodiversity footprint engagement

> "There is a tension between protecting biodiversity and making investments."

on volume, convenience and low prices – creates commercial constraints. This makes external pressure on the sector all the more important.

The investment case for engagement

The honest version of this argument acknowledges a timing tension. Ecosystem degradation plays out over decades; portfolios are managed over shorter horizons. But this is precisely why engagement matters now. Companies that begin mapping their dependencies on natural systems today will be structurally better positioned when those pressures intensify. Engagement is not a prediction that biodiversity collapse will hit earnings next quarter. It is a bet that the companies building resilient supply chains now will outperform those that wait.

This kind of sustained dialogue has already produced concrete results. Following years of engagement by EOS at Federated Hermes, Danone restructured its long-term executive incentive plan so that part of management pay now depends on sustainability performance alongside financial targets. The sustainability component is split across three categories – Health, Nature, and Social – each tied to specific, measurable goals. Within the Nature category sit the company's verified climate targets, including reductions in emissions from forests, land and agriculture – the part of the footprint most directly linked to deforestation in the supply chain.[2] One example does not prove engagement always works. But it shows that patient pressure on governance and incentives can move large companies in a direction they might not otherwise have chosen.

The question is not whether the food sector faces nature-related risk. The question is whether it is being managed.

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[2] 2. Danone Executive Remuneration 2025: remunerationdanone2025eng.pdf