

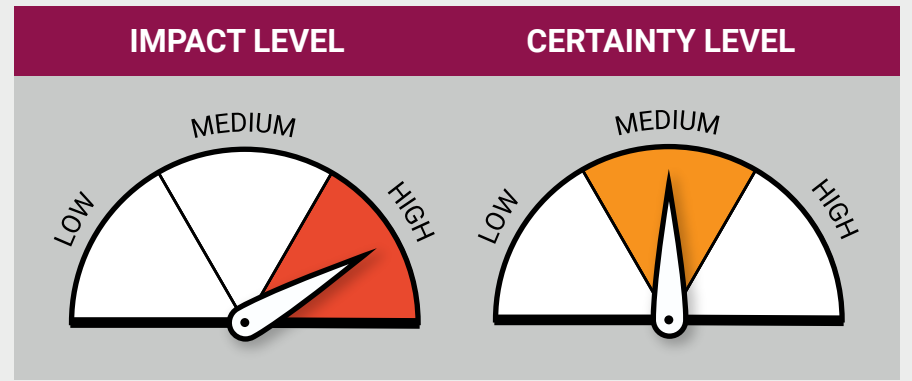
CLIMATE TRANSITION TYPE
Market Access, Legal and Policy

LOCATION
Global

SECTOR
Beef, Palm Oil, Soy, Cocoa

LAND-USE PACT SIGNED BY TOP COMPANIES AT COP 26

During COP 26, 10 commodity companies (including JBS, Cargill, Bunge, and Wilmar International) pledged to end deforestation in their supply chains by 2030. They join over 140 countries who have agreed to reinforce existing commitments to halt forest loss from agricultural commodity production and trade. If upstream soft commodity producers refuse to adhere to policies implemented by their buyers, they risk facing sanctions such as suspension of trade, exposing firms to market access risks.



Income Statement
Revenue
Expenses
Net income

Income Statement Impacts

Climate-related risks that affect income, expenses and revenue

Sales Revenue

Soft commodity producers could lose market access due to increased scrutiny and stricter regulations.

———— RISK ————>

Those who do will lose market access will see **decreased sales and revenue.**

SG&A

Soft commodity producers may face regulatory penalties, fines and/or legal action.

———— RISK ————>

These result in **increased SG&A expenses.**

Balance Sheet
Assets
Liabilities
Shareholders' equity

Balance Sheet Impacts

Climate-related risks that affect assets, liabilities and shareholder equity

Goodwill

Attention on compliance is increasing.

———— RISK ————>

Laggards can suffer reputational damage and **loss of customer loyalty.**

———— OPPORTUNITY ————>

First-movers can build a reputation as an environmental good actor and **improve customer opinion and retention.**

Write-downs and Impairment

Business practices and trade policy are changing in response to a warming climate.

———— RISK ————>

At-risk assets can **lose their value** as a result of changes in business practices and government policy.

Weighted Cost of Capital (WACC)

Lenders and investors increasingly require compliance with environmental and social standards.

———— RISK ————>

Laggards may face **higher financing costs and increased liabilities.**

———— OPPORTUNITY ————>

Leaders may find **fewer barriers to capital** as a result of responsible actions.