

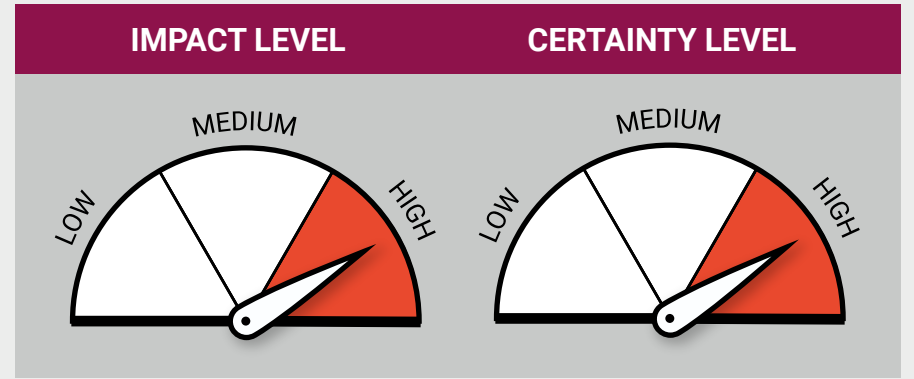
**CLIMATE TRANSITION TYPE**  
Legal and Policy, Reputation

**LOCATION**  
European Union

**SECTOR**  
Beef, Palm Oil, Soy, Cocoa

## EU DEFORESTATION REGULATION (EUDR)

Under this regulation, operators and traders importing to or exporting from the EU market will have to prove that their products are free of both legal and illegal deforestation. If upstream suppliers refuse to adhere to policies implemented by their buyers, they risk suspension of trade, exposing firms to market access risks and more.



**Income Statement**  
Revenue  
Expenses  
Net income

### Income Statement Impacts

Climate-related risks that affect income, expenses and revenue

#### Sales Revenue

Soft commodity producers with deforestation in their supply chains will lose access to the EU market.

— RISK —>

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

— OPPORTUNITY —>

Firms without deforestation in their supply chains can **increase sales revenue** due to increased market access and demand.

#### 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

#### Goodwil

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 and laws.

— RISK —>

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

— OPPORTUNITY —>

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