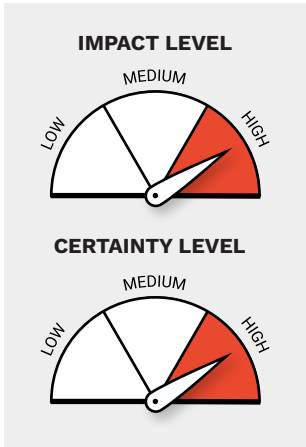


# CASE STUDY: EU DEFORESTATION REGULATION (EUDR)

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

**LOCATION**  
European Union

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 IMPACTS

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 <b>decreased sales and revenue</b> .
	OPPORTUNITY	Firms without deforestation in their supply chains can <b>increase sales revenue</b> 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 <b>increased SG&amp;A expenses</b> .

## BALANCE SHEET IMPACTS

Goodwil		
Attention on compliance is increasing.	RISK	Laggards can suffer reputational damage and <b>loss of customer loyalty</b> .
	OPPORTUNITY	First-movers can build a reputation as an environmental good actor and <b>improve customer opinion and retention</b> .

Write-downs and Impairment		
Business practices and trade policy are changing in response to a warming climate.	RISK	At-risk assets can <b>lose their value</b> 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 <b>higher financing costs</b> and increased liabilities.
	OPPORTUNITY	Leaders may find <b>fewer barriers to capital</b> as a result of responsible actions.

Source: European Commission — EU Green Deal