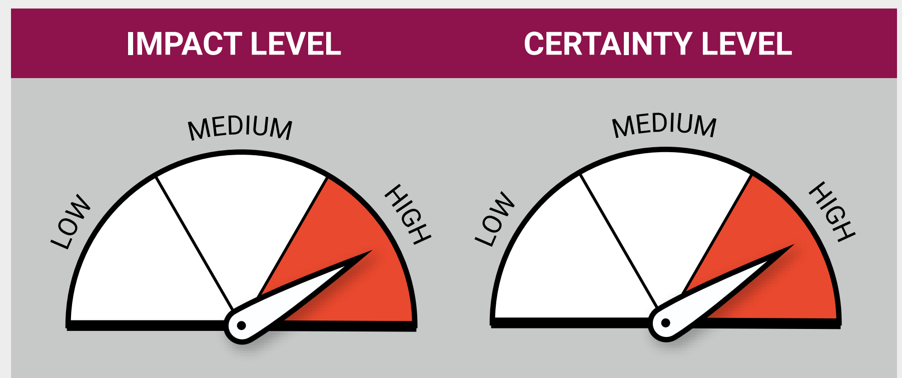
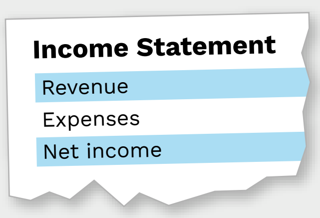
CLIMATE TRANSITION TYPE	LOCATION	SECTOR
Reputation	U.S.	Palm Oil, Soy, Beef

EXPECTED SEC CLIMATE DISCLOSURES RULE

The SEC has proposed a rule that will require businesses to disclose to investors how their operations affect climate change, specifically Scope 1, 2 and 3 emissions. This will expose short-, medium-, and long-term climate-related risks and standardize ESG reporting and data collection. As a consequence, it will expose high-emitting companies as high-risk investment.





Income Statement Impacts

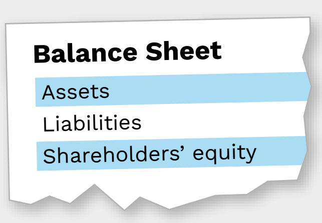
Climate-related risks that affect income, expenses and revenue

Sales Revenue

With more information, customers can make choices based on sustainablility.

RISK → Producers with high emissions could see **lower demand, falling prices, and fewer units sold** resulting in decreased revenue.

OPPORTUNITY → Producers taking steps to mitigate their emissions could see **increased demand and higher revenue**.



Balance Sheet Impacts

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

Goodwil

Mandatory compliance makes information on emissions public.

RISK → Those not adequately mitigating their emissions could suffer reputational damage and **loss of customer loyalty**.

OPPORTUNITY → First-mover companies can highlight their sustainable practices and **build reputational bonuses**.

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 have more information on climate-related risks and total emissions at a company level.

RISK → Risky companies may face **higher financing costs** and increased liabilities.

OPPORTUNITY → Lower-risk companies may find **fewer barriers to capital** as a result of responsible actions.

Source: SEC