

Please check the examination details below before entering your candidate information

Candidate surname <i>StemUp Model Solution</i>		Other names
Centre Number	Candidate Number	

Pearson Edexcel Level 3 GCE

Thursday 5 June 2025

Morning (Time: 2 hours)

Paper reference **9EB0/03**

Economics B

Advanced

PAPER 3: The economic environment and business

You must have:
Source booklet (enclosed), Insert (enclosed)

Total Marks

Instructions

- Use **black** ink or ball-point pen.
- **Fill in the boxes** at the top of this page with your name, centre number and candidate number.
- Answer **all** questions.
- Answer the questions in the spaces provided
– *there may be more space than you need.*

Information

- The total mark for this paper is 100.
- The marks for **each** question are shown in brackets
– *use this as a guide as to how much time to spend on each question.*
- Calculators may be used.

Advice

- Read each question carefully before you start to answer it.
- Try to answer every question.
- Check your answers if you have time at the end.

Turn over ►

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Answer ALL questions.

SECTION A

Read Extracts A–D in the Source Booklet before answering Question 1.

Write your answers in the spaces provided.

- 1 (a) Discuss whether the growth of a firm will always lead to diseconomies of scale.

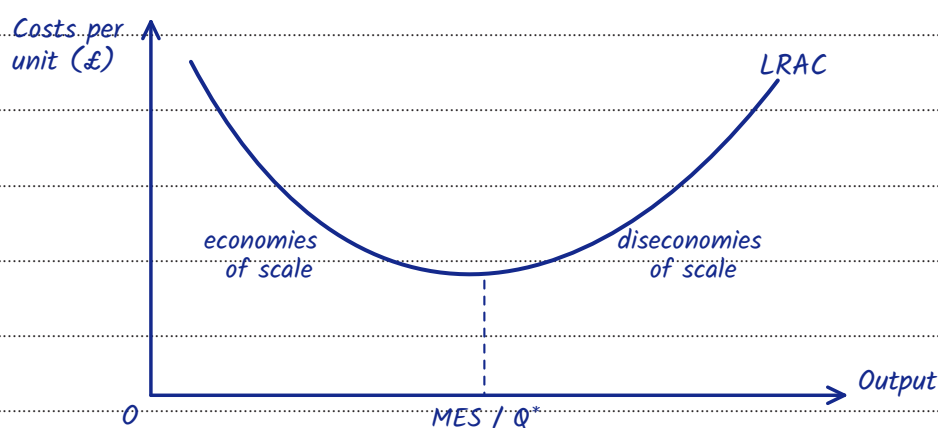
(8)

Diseconomies of scale occur when long run average costs (LRAC) rise as a firm increases its scale of production. As a firm grows, LRAC first falls because of economies of scale, such as bulk buying, until the minimum efficient scale (MES) is reached. Beyond this, as on my diagram, LRAC rises, so in theory every firm will eventually suffer diseconomies if it keeps growing.

Extract A explains why: operations become more complex, causing coordination problems and bureaucracy, communication is harder in a larger organisation, and overheads rise as more administrative staff are needed. Growth also raises demand for scarce skilled labour and raw materials, pushing up input costs.

However, growth will not always lead to diseconomies. Markets are dynamic and the MES can be extended as technology improves: computers and now AI let large firms coordinate efficiently as scale increases. LRAC is also very difficult to measure for complex firms, so it is hard to say when economies end and diseconomies begin.

Amazon keeps expanding in ever more diversified ways, yet it is impossible to say where on its LRAC curve it operates. So diseconomies are a risk, not an inevitability.



(b) Assess the extent to which the objectives of a firm and a consumer might conflict.

(10)

A firm's objectives are the goals it aims to achieve. All firms want to survive, and for most this means making a profit in the long run. Many firms aim to maximise profits or sales, and may want to grow and become more powerful than rivals, which means cutting costs and getting the highest revenue possible. Consumers, by contrast, want good quality goods and services at the lowest possible price, with plenty of choice.

These objectives may conflict, because the higher prices and lower costs that raise profit mean consumers pay more and may receive lower quality or service. Extract B shows this with Tesco, the UK's biggest retailer, which made profits of £2.6bn in the 12 months to the end of February 2023 while households struggled with high living costs. Unite called this 'excessive profiteering' and Which? said supermarkets 'could be working harder' to keep grocery bills manageable, suggesting a clear conflict between Tesco's profit and consumers' wish for low prices.

The degree of conflict depends on the power each group has, which depends on the market structure. A monopoly, or a firm with significant market power, can restrict output and choice and raise prices, transferring consumer surplus to itself as supernormal profit. In a very competitive market firms cannot do this, so prices are lower, choice is wider and service is likely to be better, and the conflict is much smaller.

However, the objectives often overlap. Firms need customers to return and buy more to make long-run profit, so they have an incentive to offer quality, reasonable prices and good customer service, and the degree of conflict may be minimal. Tesco's Chief Executive argued that it had shielded customers from the full force of 'unprecedented' cost pressures, and relative to Tesco's very large turnover, £2.6bn may be a small profit margin per item. The grocery market is also competitive, with Aldi and Lidl gaining

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market share, which limits Tesco's ability to exploit consumers. UK consumers are protected by a range of laws and regulations, and some businesses, such as social enterprises, do not profit maximise for ethical or ideological reasons, so conflict may not even exist.

In conclusion, there is always some potential conflict, since a higher price is a gain for the firm and a loss for the consumer. However, the extent depends on the market, the nature of the firms involved and the attitude of consumers. It is greatest where firms have market power and consumers have few alternatives, as with essential goods during a cost of living crisis, and smallest in competitive markets where satisfying customers is the route to long-run profit.



(c) Assess whether an ethical stance by a business will lead to stakeholder conflict.

(12)

An ethical stance refers to the moral principles and acceptable behaviours that govern the way a business operates, doing what is considered to be 'the right thing to do' even when it is not required by law. Stakeholder conflict occurs when the objectives of different groups with an interest in the business, such as shareholders, employees, customers, suppliers and the local community, are incompatible.

Extract C shows that six firms, including PepsiCo, have been recognised as one of the World's Most Ethical Companies every year since 2007, 17 times in a row. Such policies are likely to include a commitment to fair treatment of the workforce and suppliers, for example fair prices for farmers, a commitment to minimise waste, energy consumption and pollution, and to use sustainable resources as much as possible.

Creating and maintaining such policies takes time and investment, which has an opportunity cost. Sustainable inputs and fair prices for suppliers raise average costs, and if prices cannot rise this reduces profit, so less profit is paid to shareholders as dividends. This may cause stakeholder conflict if shareholders want to maximise the return on their investment, especially short-term investors. Managers may also face a conflict between ethical targets and cost targets, and customers may face higher prices.

However, many consumers are seeking out more sustainable and ethical options.

Businesses that actively pursue and promote an ethical policy are likely to attract these consumers and build brand loyalty, making demand more price inelastic. By doing so they increase sales and market share, which may lead to increasing profits and so reduce the potential conflict with shareholders. PepsiCo's Chief Executive is clearly proud of the award, which suggests the stance is seen as good for the brand. Failure to follow an ethical stance may also lead to a loss of sales as ethical consumers buy elsewhere to show their displeasure, for example Starbucks was forced to become more

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ethical after consumer protest about its alleged underpayment of tax.

Stakeholders such as employees and suppliers also benefit from an ethical stance, so they are likely to be more content, motivated and loyal in their roles, raising productivity and reducing labour turnover and recruitment costs. Some firms, such as Patagonia and TOMS shoes, exist primarily for ethical reasons, so all stakeholders, including shareholders, know this and support it when they invest in, work for or buy from them.

In conclusion, an ethical stance may create some conflict in the short run, mainly between shareholders seeking maximum dividends and the costs of ethical policies. However, in many cases it does not necessarily create stakeholder conflict, because long-run profits, staff loyalty and reputation all benefit. The extent depends on whether the stance is genuine and well communicated, how much consumers in that market value ethics, and whether shareholders take a long-term view.



- (d) Evaluate the extent to which globalisation has benefitted national and local economies.

(20)

Globalisation is the increasing integration of the world's economies through greater flows of goods, services, capital, people and ideas across international boundaries. It means an increase in trade between countries, which in theory benefits all countries, because each can specialise according to its economic strengths, or comparative advantage, knowing it can trade its products for other resources, so world output and living standards increase.

For developed national economies such as the UK, globalisation has given firms the chance to expand their sales into new markets and to base themselves in new production locations, taking advantage of lower costs and proximity to markets and gaining economies of scale. Consumers have greater choice and access to many previously unobtainable goods and services. As free trade has increased and protectionism has reduced, prices for consumers and costs for firms have fallen, raising real incomes.

For developing and emerging economies, globalisation creates employment and boosts economic growth. Extract D states that 75 years of globalisation has been a catalyst for rapid growth, lifting millions of people out of poverty, particularly in developing countries, for example China and Vietnam grew rapidly by exporting manufactured goods.

Improvements in technology and communications have made it easier for ideas to be shared and trade to take place, and Extract D notes that this has led to a more interconnected world.

Local economies can benefit from foreign direct investment (FDI). When a multinational such as Nissan builds a factory in Sunderland, jobs are created, infrastructure is improved and technology and skills are shared with local suppliers. The rise in employment and income increases demand for local businesses, creating a multiplier effect on regional income. Globalisation has also opened up labour markets, and

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migration reduces skills shortages.

However, Extract D also states that the benefits have not been equally distributed.

Globalisation can create inequalities, with some economies prospering while others see either a decline or slower growth. Increased specialisation can mean that richer countries develop high-tech and more profitable businesses, while developing nations are often reliant on the primary sector, where individual businesses have little opportunity to add value and are at the mercy of fluctuating global commodity prices, so their growth is volatile.

FDI does not always benefit poorer local economies. Labour may be exploited with low pay and poor working conditions, tax revenues can be avoided through transfer pricing, and natural resources can be stripped away, with profits sent back to the multinational's home country. Developed economies can also lose out as jobs disappear to low-wage economies: former manufacturing towns in the UK and the US 'rust belt' suffered factory closures and long-term structural unemployment. This creates greater inequality and political disillusionment at home and, as Extract D notes, has caused trade wars between major economies, such as the recent tariffs between the US and China, as some countries increase protectionist policies.

Increased globalisation is also linked to environmental damage, such as deforestation, loss of biodiversity and greenhouse gas emissions from the increased transportation of goods, and Extract D says much of global trade contributes negatively to the United Nations' Sustainable Development Goals. The erosion of local cultures and industries, as global brands replace independent local firms, is a further cost that GDP figures do not measure.

In conclusion, globalisation has undoubtedly benefited national economies overall, raising world growth and reducing absolute poverty, and it is unlikely to disappear. However, the benefits have been unevenly distributed: at a local level some regions and workers have



lost out, and the environmental costs are significant. The extent of the benefit depends on whether a country or region can adapt, for example by retraining workers and moving into higher value industries, and on the political will to share the gains through taxation, regulation and fair trade. Many of the problems can be overcome, but whether this will happen is uncertain, so globalisation has benefited most national economies, but not every local economy.

(Total for Question 1 = 50 marks)

TOTAL FOR SECTION A = 50 MARKS



SECTION B

Read Extracts E–I in the Source Booklet before answering Question 2.

Write your answers in the spaces provided.

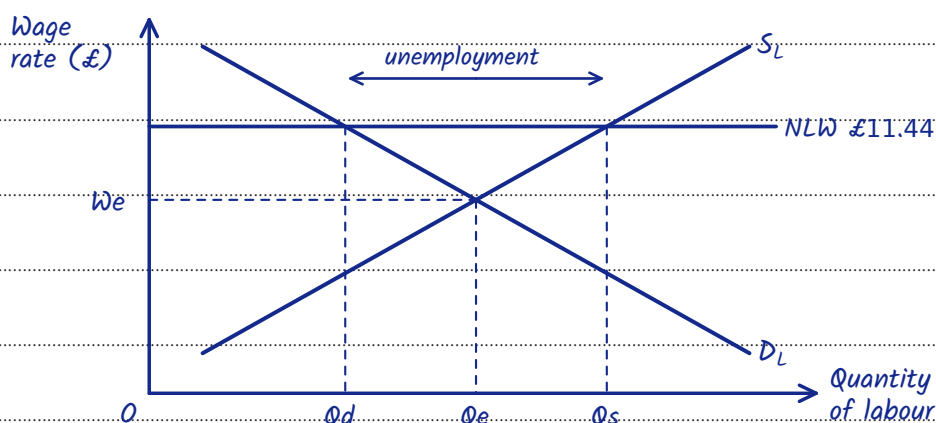
- 2 (a) Discuss the effects of an increase in the national living wage on employment.

(8)

The national living wage (NLW) is the minimum hourly wage employers must pay by law. In April 2024 it rose by almost 10% to £11.44 an hour for almost three million low-paid workers (Extract E). If it is set above the equilibrium wage, theory predicts that the higher cost of labour reduces the demand for labour, as on my diagram, where employment falls from Q_e to Q_d and Q_d to Q_s is unemployment.

Extract E supports this: Pets at Home said the increase would cost an extra £16m, double the £8m it had planned for, and the Chief Executive of Currys claimed it would lead to fewer jobs. Firms may cut hours, slow recruitment or replace workers with technology.

However, the trade-off is not straightforward. Firms may absorb the extra costs or pass them on as higher prices, depending on the PED for their products. Low-paid workers have a high marginal propensity to consume, so their extra income increases AD and the sales of some firms, offsetting higher costs. Much research shows minimum wage rises have had little impact on employment, so the effect depends on the size of the rise and the state of the economy.



- (b) Assess the extent to which supply-side policies for reducing skills shortages may involve policy conflicts or trade-offs.

(10)

Supply-side policies are designed to increase the productive capacity of the economy by improving the quantity and quality of the factors of production, including policies which aim to tackle skills shortages. A skills shortage occurs when not enough labour with the required skills is available to meet the demand. Extract F shows that UK construction firms are struggling to recruit electricians, roof specialists, bricklayers, plasterers and carpenters, and in November 2022 construction accounted for 21% of businesses experiencing a shortage of workers. This increases the cost of housing and reduces the number of houses built, while 1.8 million households live in unsuitable conditions.

To improve occupational mobility, the government could provide more education and training targeted at the areas most needed, such as construction apprenticeships, or give subsidies to producers to run their own training schemes. As workers' skills and productivity increase, the LRAS curve shifts to the right from LRAS to LRAS₁, as on my diagram below, raising potential output from Y₁ to Y₂ and reducing inflationary pressure. Benefits could be cut, or tax credits used, as an incentive to encourage more people to enter the labour market, and migration policy could be relaxed to give employers access to a wider pool of skilled labour.

However, these policies involve conflicts and trade-offs. Most supply-side policies involve a long time lag: training a qualified electrician takes several years, so the housing shortage continues in the short run. Training and education require investment, which has an opportunity cost: more government funding for this means less is available for spending elsewhere, such as healthcare, or higher taxes or borrowing, conflicting with fiscal targets. Cutting benefits is politically unpopular and may increase relative poverty, a conflict with equity, while tax credits and subsidies to employers involve more government expenditure. Immigration is a controversial issue: it may increase

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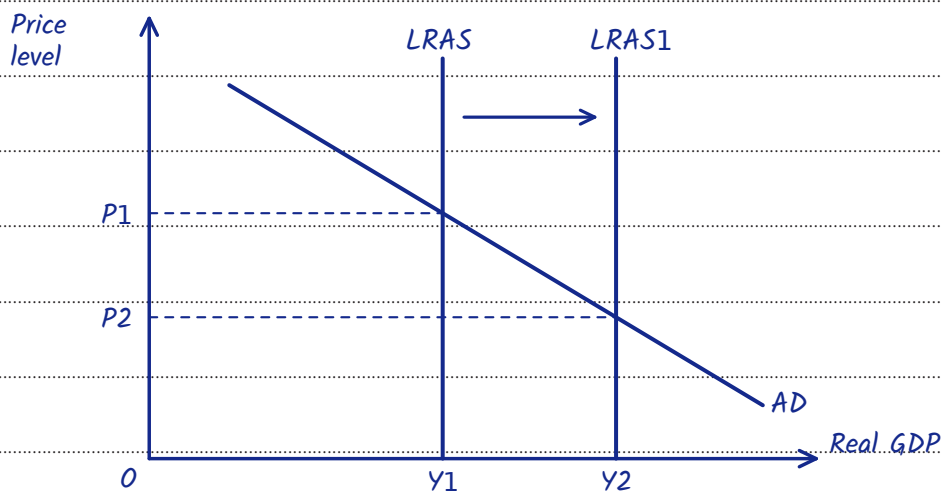
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unemployment in the host economy or depress wages for domestic workers, and it raises the demand for housing, worsening the very shortage in Extract F.

In conclusion, supply-side policies for reducing skills shortages almost always involve a trade-off, mainly an opportunity cost and a time lag. The extent depends on the policy: targeted training subsidies bring long-run gains in growth and tax revenue that may partly pay for themselves, whereas cutting benefits and relaxing migration involve greater political and equity conflicts.



(c) Assess the potential trade-off between inflation and unemployment.

(12)

Economic theory, shown by the short-run Phillips curve (SRPC) on my diagram below, suggests an inverse relationship between inflation and unemployment: as one increases the other falls, moving between points A and B. As AD increases there is more demand for labour to produce more goods and services, so unemployment falls. As the economy expands and spare capacity is used up, firms compete for workers and wages rise, so there is upward pressure on prices, leading to inflation. When the economy slows, less labour is needed, unemployment rises but inflation falls. Policymakers may therefore face a choice, for example raising interest rates to reduce inflation at the cost of higher unemployment.

To an extent this can be seen on the two graphs in Extract G, despite the distorting impact of the global health crisis. In 2020 inflation was below the Bank of England's 2% target rate, falling to under 1%, while unemployment rose from below 4% to a peak of about 5.2% at the end of 2020. Unemployment then dropped away to about 3.5% by mid 2022, while inflation rose sharply to a peak of about 11% in late 2022. Inflation then declined throughout 2023 to about 4%, whilst unemployment began to rise, to about 4.3%. All this suggests an inverse correlation, or trade-off, between inflation and unemployment.

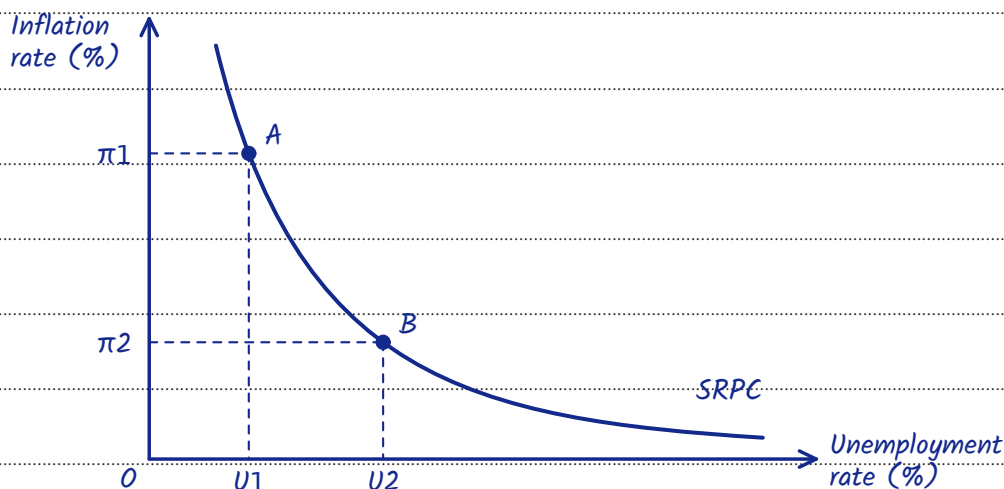
However, much of the recent spike in inflation was due to supply-side shocks caused by world events, such as soaring energy and food prices after the war in Ukraine and supply chain disruption, rather than falling unemployment. The same happened in the 1970s with a sudden increase in oil prices. The fall in unemployment could be a combination of the recovery following the global health crisis and an already tight labour market, so correlation does not prove causation.

There are also times when the correlation is simply not there, as in the stagflation of

the 1970s, when both inflation and unemployment rose at the same time. The opposite happened in the late 1990s, with a combination of low unemployment below 5% and low inflation below 2.5%. Monetarists argue that the long-run Phillips curve is vertical at the natural rate of unemployment, so any trade-off is only temporary as workers adjust their inflation expectations.

In conclusion, there is a potential short-run trade-off when inflation is caused by changes in AD, and Extract G broadly shows an inverse pattern from 2020 to 2023.

However, the trade-off is weak and unstable; it breaks down when inflation is caused by supply shocks and depends on inflation expectations. Supply-side policies that raise productivity can reduce both together, so the trade-off is not inevitable.



(d) Evaluate the benefits of regulation in a market.

(20)

Regulation refers to the laws, rules and controls imposed by government or regulatory bodies on the behaviour of firms and individuals. All legal markets have some degree of regulation, designed to safeguard and protect economic agents from harm or damage caused by unscrupulous firms or individuals. Without such protection firms may act against the public interest, and markets will be less efficient and show signs of market failure, such as monopoly power, negative externalities and information gaps.

A key benefit is that regulation encourages competition, driving innovation and creating economic growth. Markets may fail when powerful firms can restrict the contestability of a market, allowing them to raise prices, restrict output and reduce quality. Extract H shows that in January 2024 the Competition and Markets Authority (CMA) launched a formal investigation into the Vodafone and Three merger, which would bring together two of the major players in a market 'critical to millions of everyday customers'.

Reducing the number of major mobile networks from four to three would increase market concentration and the risk of higher prices. The CMA has the power to prevent the merger or impose conditions, and it can also investigate industries where it suspects anti-competitive behaviour exists and force a change.

Consumers are protected by legislation such as the Sale of Goods Act and the Consumer Rights Act, which protect them from unfair or misleading trading practices by ensuring that all products are of satisfactory quality, fit for purpose and as described.

This reduces asymmetric information and gives consumers the confidence to buy.

Employees are protected by laws such as the Health and Safety at Work Act, which make sure the workplace is a safe environment, and better working conditions can increase productivity. Regulatory bodies such as Ofgem for gas and electricity oversee an area of business activity, ensuring firms act in the public interest, for example through

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the energy price cap.

Regulation can also correct negative externalities. Extract 1 shows that since July 2023 the EU Deforestation Regulation requires EU firms trading in cattle, cocoa, coffee, oil palm, rubber, soya and wood to show that their products have not resulted from recent deforestation. Penalties of at least 4% of the firm's EU turnover and confiscation of products give a strong incentive to comply, internalising the external cost of deforestation, protecting biodiversity and reducing carbon emissions, so output moves closer to the socially optimal level.

However, some would argue that there is too much regulation, and that far from encouraging competition and growth it actually stifles it. There is a considerable cost in enforcing regulation, which has an opportunity cost for government expenditure and the taxpayer. Compliance adds to firms' costs, reducing profitability and potentially reducing investment, which in turn can adversely affect economic growth. It also increases bureaucracy: a firm dealing in timber, coffee or chocolate in the EU will now have to produce paperwork tracing its supply chain to show it is following the EUDR, which may be especially hard for small farmers in developing countries, who could be excluded from EU markets. Some of these costs may be passed on to consumers in the form of increased prices.

Regulation can also lead to government failure. A merger blocked by the CMA may prevent benefits if the new venture could have gained economies of scale, for example by combining networks to invest in 5G, leading to lower prices and better deals for consumers, which is what Vodafone and Three argued. Some regulatory bodies have been accused of being ineffective due to regulatory capture, where they come to serve the interests of the firms they regulate, and of wasting taxpayers' money, for example Ofwat has been criticised over sewage discharges by water companies.

In conclusion, regulation brings significant benefits by protecting consumers and workers,



correcting market failures such as monopoly power and deforestation, and promoting competition. Few would disagree with the need for some regulation; the controversial issue is the form it takes and how much there should be. The benefits are greatest where market failure is serious and the regulator is well informed and independent, as with the CMA investigating a merger in a concentrated market. Ideally, regulation should be proportionate, so that its benefits exceed the costs of compliance and enforcement; where it is excessive or captured, the costs may outweigh the benefits.

(Total for Question 2 = 50 marks)

TOTAL FOR SECTION B = 50 MARKS
TOTAL FOR PAPER = 100 MARKS



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Paper
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9EB0/03

Economics B

Advanced

PAPER 3: The economic environment and business

Source Booklet

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Sources for use with SECTION A

Read the following extracts (A–D) before answering Question 1.

Extract A

Diseconomies of Scale

Diseconomies of scale refer to a situation in business and economics where a firm's costs per unit of production increase as the scale of production or operation grows. Causes can include:

- **Complexity:** Business operations can become more complex, leading to coordination challenges and increased bureaucracy 5
- **Communication:** Larger organisations may struggle with effective internal communication
- **Overhead Costs:** Expanding often requires a larger number of administrative staff and infrastructure, increasing overhead costs 10
- **Specialisation Loss:** Too much specialisation can hinder flexibility and responsiveness to changes
- **Resource Scarcity:** As production scales up, demand for resources such as skilled labour or raw materials can outstrip supply, raising costs.

(Source: adapted from <https://fourweekmba.com/diseconomies-of-scale/>)

Extract B

Tesco boss hits back over claims grocer has made 'excessive' profits while households struggle

Tesco has denied claims that the UK's biggest retailer has made high profits while households struggle with high living costs. The supermarket giant came under fire from consumer group Which? and trade union Unite after it made profits of £2.6bn in the 12 months to the end of February 2023. 5

Unite's General Secretary Sharon Graham said that the results were an example of 'excessive profiteering fired up by astonishing corporate greed'. Sue Davies, head of food policy at consumer group Which?, said Tesco and its supermarket rivals 'could be working harder' to keep grocery bills 'manageable'. 10

Tesco Chief Executive Ken Murphy hit back, saying it had shielded customers from the full force of the 'unprecedented' cost pressures it was facing.

(Source: adapted from <https://www.thisismoney.co.uk/money/markets/article-11970161/Tesco-boss-hits-claims-grocer-excessive-profits.html>)



Extract C

Revealed: 2023's most ethical companies in the world

Ethisphere, a global company advancing the standards of ethical business practices, has revealed the World's Most Ethical Companies for 2023.

This year, the list once again includes six companies that have been recognised as one of the World's Most Ethical Companies every year since the creation of the awards 17 years ago in 2007. They are *Aflac*, *Ecolab*, *International Paper*, *Kao*, *Milliken & Company* and *PepsiCo*. 5

Ramon Laguarta, Chairman of the Board of Directors and Chief Executive Officer of *PepsiCo* said "*PepsiCo* is proud to be a 17-time World's Most Ethical Companies honouree. This recognition highlights our commitment to act with integrity and do business the right way." 10

(Source: adapted from <https://ethisphere.com/ethisphere-announces-the-2023-worlds-most-ethical-companies/>)

Extract D

Globalisation's winners and losers

The impact of 75 years of globalisation has been profound. Economically, it has been a catalyst for rapid growth, lifting millions of people out of poverty, particularly in developing countries. For society, it has facilitated the exchange of ideas and values, leading to a more interconnected world. 5

However, it has not been without its drawbacks. From environmental degradation to the erosion of local cultures and industries, much of global trade contributes negatively to the United Nations' Sustainable Development Goals.

The benefits of the globalised economy have not been equally distributed – a complaint that has been at the heart of political debate in recent years and caused trade wars between major economies. 10

(Source: adapted from <https://www.gtreview.com/news/global/businesses-believe-globalisation-still-succeeding-but-new-model-needed/>)

Sources for use with SECTION B

Read the following extracts (E–I) before answering Question 2.

Extract E

UK national living wage increase: implications for employers

In April 2024, almost three million low-paid workers received a pay rise of almost 10%, as the minimum wage, now officially known as the national living wage, was increased to £11.44 an hour. For thousands of lower-paid workers struggling to pay for basic necessities this increase was welcome news.

5

However, many employers raised concerns that the implications for their wage bills could have knock-on effects. Mike Iddon, Chief Executive of the *Pets at Home* retail chain, said that the increase would cost an extra £16m, when it had originally planned for just an £8m rise. Alex Baldock, Chief Executive of *Currys*, claimed the increase would lead to fewer jobs.

10

(Source: adapted from <https://www.personneltoday.com/hr/national-living-wage-increase-implications/>)

Extract F

Tackling the skills shortage in the UK housebuilding sector

According to the charity Crisis, 1.8 million UK households are currently living in unsuitable conditions, facing issues such as damp, mould and overcrowding. One of the main reasons is that not enough affordable homes are being built.

A significant barrier to the supply of these additional homes is a severe skills shortage within the housebuilding industry. Government figures show that the construction industry has struggled to close the skills gap. Data from 2021 indicates that firms are struggling to recruit electricians, roof specialists, bricklayers, plasterers and carpenters. In November 2022, the construction industry accounted for 21% of businesses experiencing a shortage of workers – behind accommodation and food services.

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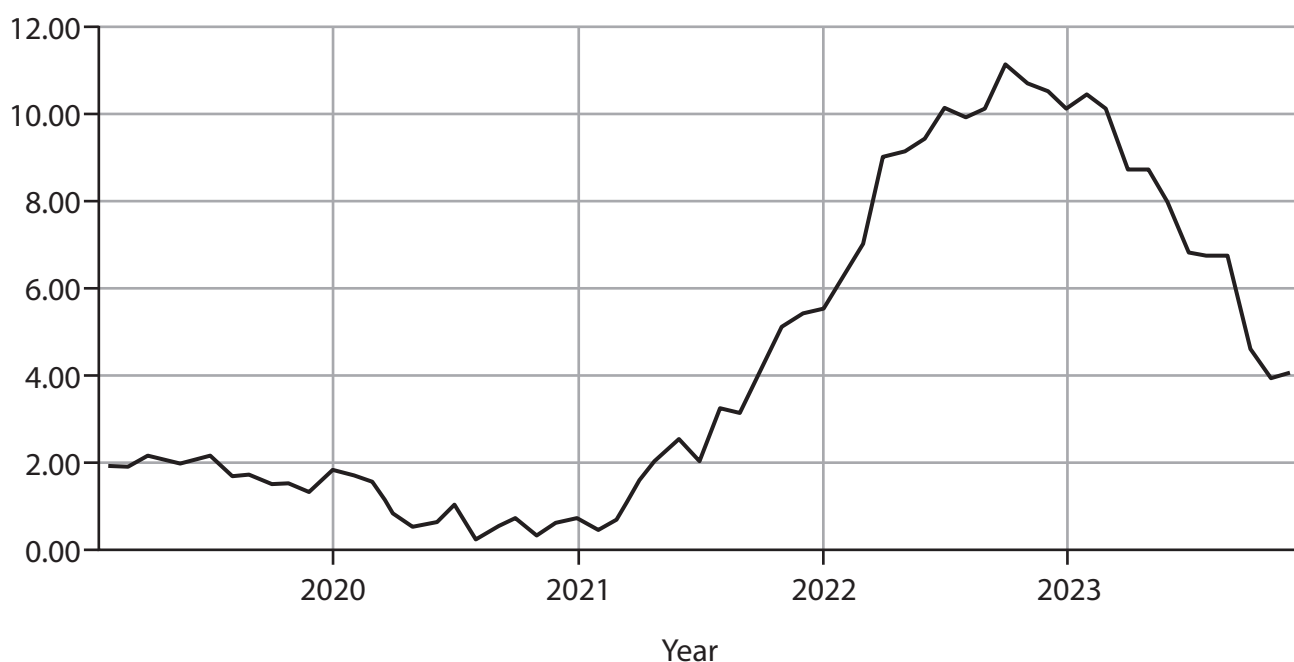
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(Source: adapted from <https://www.lloydsbankinggroup.com/insights/tackling-the-skills-shortage-in-the-uk-property-sector.html>)

Extract G

UK inflation rate 2019–2024

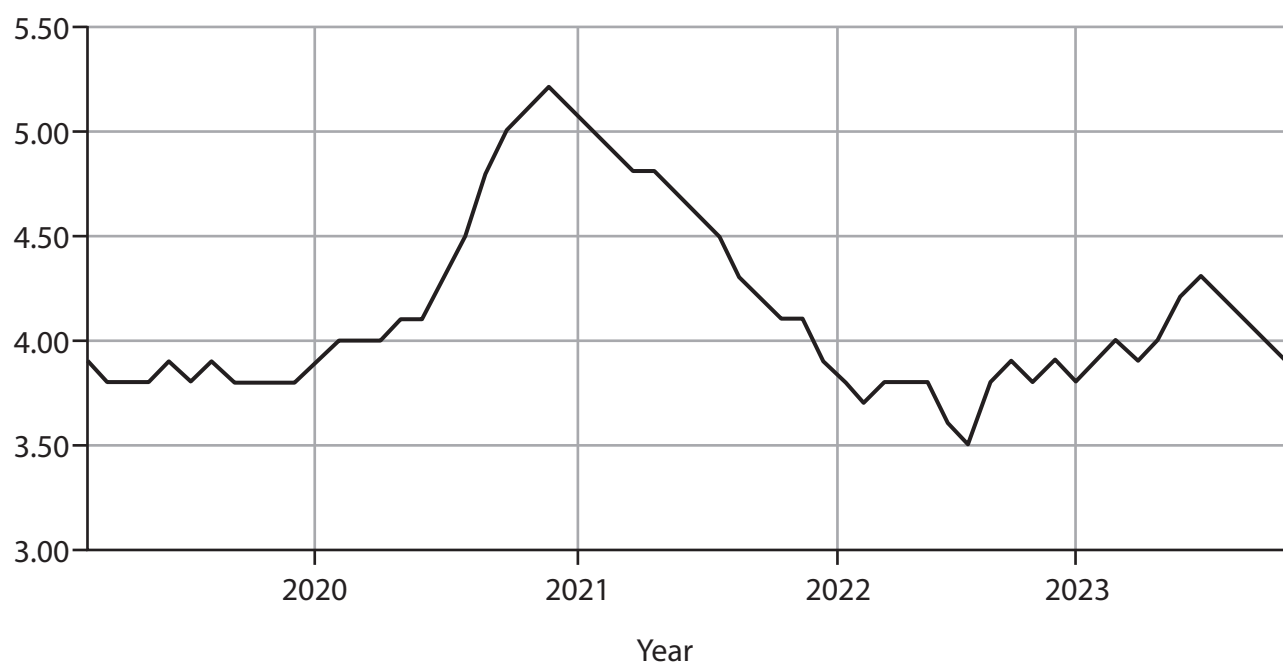
Inflation rate %



(Source: adapted from <https://tradingeconomics.com/united-kingdom/inflation-cpi>)

UK unemployment rate 2019–2024

Unemployment rate %



(Source: adapted from <https://tradingeconomics.com/united-kingdom/unemployment-rate>)

Extract H

The Competition and Markets Authority (CMA) launches formal investigation into Vodafone/Three merger

In January 2024, the CMA announced it was starting an investigation into *Vodafone UK's* joint venture agreement with *Three UK*. The proposed deal would merge the two companies' telecommunications operations under one single network provider.

5

The Chief Executive of the CMA, Sarah Cardell said, "This deal would bring together two of the major players in the UK telecommunications market, which is critical to millions of everyday customers, businesses and the wider economy. The CMA will assess how this merger between rival networks could affect competition before deciding next steps."

(Source: adapted from <https://www.gov.uk/government/news/cma-launches-formal-investigation-into-vodafone-three-merger>)

Extract I

The European Union's (EU) new Deforestation Regulation (EUDR)

The European Union's new Deforestation Regulation (EUDR) came into force in July 2023. EU firms trading in certain commodity products must be able to show that the products have not resulted from recent deforestation, forest degradation or any breaches of local environmental and social laws.

5

The EUDR covers seven commodities: cattle, cocoa, coffee, oil palm, rubber, soya and wood. It also covers many products derived from these commodities such as: meat products, leather, chocolate, coffee, palm nuts, palm oil derivatives, glycerol, natural rubber products, soybeans, soy-bean flour and oil, fuel wood, wood products, pulp, paper and printed books.

10

Penalties for non-compliance include fines of at least 4% of the firm's EU turnover and confiscation of the offending products.

(Source: adapted from <https://www.whitecase.com/insight-alert/10-key-things-know-about-new-eu-deforestation-regulation>)

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