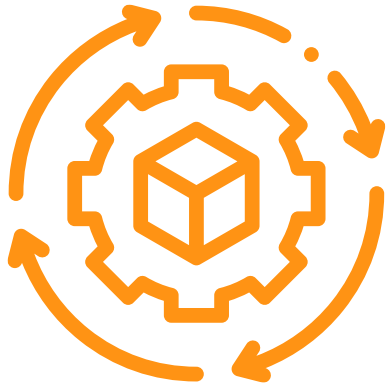


ESG Investing: Impacts on the Agricultural Supply Chain



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Bunge



ESG Investing:

Impact on the Agricultural-Protein Supply Chain

RUTH ANN WISENER

The Plan for Today

Discuss Wall Street – the players and their roles

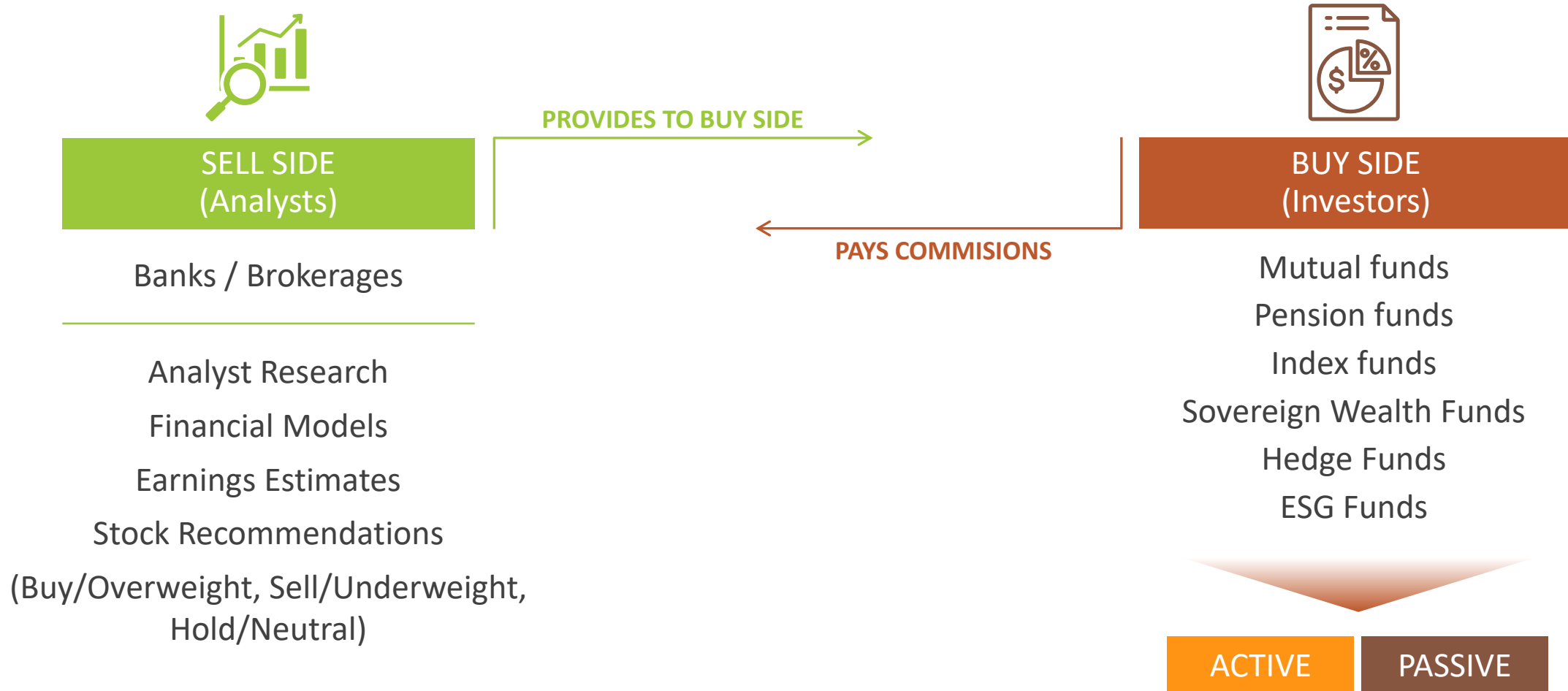
ESG Overview – brace yourself, it's broad and deep

Intersection of ESG and Investing – impacts throughout the supply chain

Key Takeaways – a few things we can count on

Going Forward – no silver bullets but some ideas for consideration

Who is Wall Street?



Crushing it: Increasing EPS & Target Price

Bottom Line:

- Exceeded consensus of \$2.67
- Raised 2023 EPS guidance to \$11.75+
- Increase 2023/2024 estimates
- Strong 1H performance

Key Changes

Target	Estimates	Q3 / 23E	2023E	2024E
\$	Revenue	\$15,182	\$61,986	\$61,163
\$120.00	<i>Previous</i>	\$16,086	\$66,525	\$65,661
	EBITDA	\$679	\$3,103	\$2,874
	<i>Previous</i>	\$761	\$3,026	\$2,901
	Adj. EPS	\$2.62	\$12.34	\$11.80
	<i>Previous</i>	\$3.02	\$12.10	\$11.60

August 3, 2023 | 05:00 ET-

Bunge

BG-NYSE | Rating | Price: Aug-2 \$112.89 | Target ↑ | Total Rtn 26%

Crushing It; Increasing EPS and Target to \$

Bottom Line:

BG's 2023 EPS of \$3.72 exceeded consensus of \$2.67 as better results across Agribusiness, Refined & Specialty Oils, and Sugar more than offset lower Milling and higher Corporate expenses. BG raised 2023 EPS guidance to \$11.75+, though we believe that remains conservative. We increase 2023/2024 estimates (to \$12.34/\$11.80) and raise our target to \$120.00. We gain confidence in our favorable thesis around durability of elevated EPS generation given strong 1H performance and improving fundamental outlook, and believe the long-awaited re-rating could begin with better visibility to sustained EPS above baseline.

Key Points

BG's strong 1H performance and improved 2H fundamentals suggest the upwardly revised EPS guidance of \$11.75+ remains conservative. ~60% of the EPS generation already has been realized (vs 30%-40% in 1H typically) and the 2H23 outlook remains constructive with a healthy US crop the next milestone. Our upwardly revised 2023

commence near term (we expect \$500+ million in 2023). BG noted Vitegro EBITDA assumptions from its proxy (~\$1.8-\$1.9 billion) are baselines it would hope to exceed, while we would not be surprised if synergies assumptions are conservative given Agribusiness precedence, albeit dated (1-2% of sales).

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For disclosure statements, including the Analyst Certification, please refer to page(s) 9 to 12.

BMO Estimates

(FY-Dec.)

	2021A	2022A	2023E	2024E
Revenue	\$59,147	\$67,232	\$61,986↓	\$61,163↓
EBITDA	\$2,954	\$3,263	\$3,103↑	\$2,874↓
Adj. EPS	\$12.93	\$13.91	\$12.34↑	\$11.80↑
CFPS	\$(24.47)	\$(39.35)	\$5.01↑	\$3.46↑
EBIT Margin	4.3%	4.2%	4.3%↑	4.0%↑

Dividend	\$2.65	Shares O/S (mm)	150.6
Distribution	\$0.00	Market Cap (mm)	\$17,006
Yield	2.3%	Wkly \$Vol (000s)	1,574,437

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EBIT Margin	4.3%	4.2%	4.3%↑	4.0%↑

2021A	2022A	2023E	2024E
EPS		\$11.67	\$11.41

2021A	2022A	2023E	2024E	
P/E	8.3x	10.7x	8.3x	9.6x
EV/EBITDA				
P/CFPS				
QTR. Adj. EPS				
2021A				
2022A				
2023E				

Consensus Estimates

	2021A	2022A	2023E	2024E
EPS			\$11.67	\$11.41

Our Thesis

We believe BG is on track to generate EPS of \$11+ for the foreseeable future reflecting strong fundamentals, returns on capital projects, incremental cash deployment, and operational improvements. Recognizing some of BG's valuation discount to history reflects concerns it is over-earning, we believe BG's higher EPS is more durable and a multiple more similar to history is reasonable.

ESG is a comprehensive approach to a variety of topics

Environment

GHG emissions

Lowering GHG emissions contributing to climate change

Water Management

Protection of water quality and responsible water use

Use of Materials

Responsible sourcing and reuse/recycling; reduction in non-sustainable inputs

Waste & toxic products

Extreme care in handling potential pollutants of land, water or air

Biodiversity & land use

Promote sustainable land use, non-deforestation policies and natural ecosystems

Social

Human rights

Respect for universal rights such as life, liberty, no forced or child labor, and freedom of expression

Labor Practices & DEI

Safe work conditions with equitable pay and benefits; promotion of diversity, equity and inclusion practices

Community engagement

Sensitivity to surrounding communities and company's economic and social impact

Customer & consumer care

Clear labeling and safe ingredients; accurate and non-deceptive marketing; fairness in pricing and access

Cyber security & digital privacy

Secure technology platforms and processes; safeguard employee and customer privacy

Governance

Corporate Governance

Practices related to optimal processes regarding executive pay, board diversity, and accountability

Risk management

Compliant accounting practices; proper risk management and disclosure; appropriate ESG reporting

Governmental policy

Manage compliance with applicable regulatory frameworks, both domestic and international; appropriate lobbying activities

Vendors & commercial relationships

Utilize sound practices in sourcing activities; implement clear guidelines for investment decisions

Tax policies

Appropriate tax practices and payments

Criteria for ESG Investing

Varies across Firms and Funds



Negative screening

Avoidance approach

- Can cause exclusion of industries or companies based on certain ESG criteria; total avoidance or divestment of sectors such as military weapons, fossil fuels, gambling, tobacco, etc.
- Can be used to avoid worst-in-class investments using quantitative ESG metrics and peer comparisons



Positive screening

Inclusion approach

- Can cause sector or company to be included in ESG funds due to positive performance relative to peers or due to perceived environmental or societal benefits of products or services



Framework application

International standards or third-party ratings approach

- Comparisons to UN treaties, UN Global Compact, UN Human Rights Declaration, etc.
- Utilizing assessments from MSCI, Sustainalytics, ISS, Vigeo Eiris, CDP, etc.

Approaches are often used in combination with investor's internal research

State Activity on ESG – approximately ½ dozen in each camp



Anti-ESG policies

Restrict state entities from using ESG considerations in investment decisions

Prohibit relationships with investment firms that divested of fossil fuels or other sectors



Pro-ESG policies

Promote consideration of ESG factors in by public pension funds

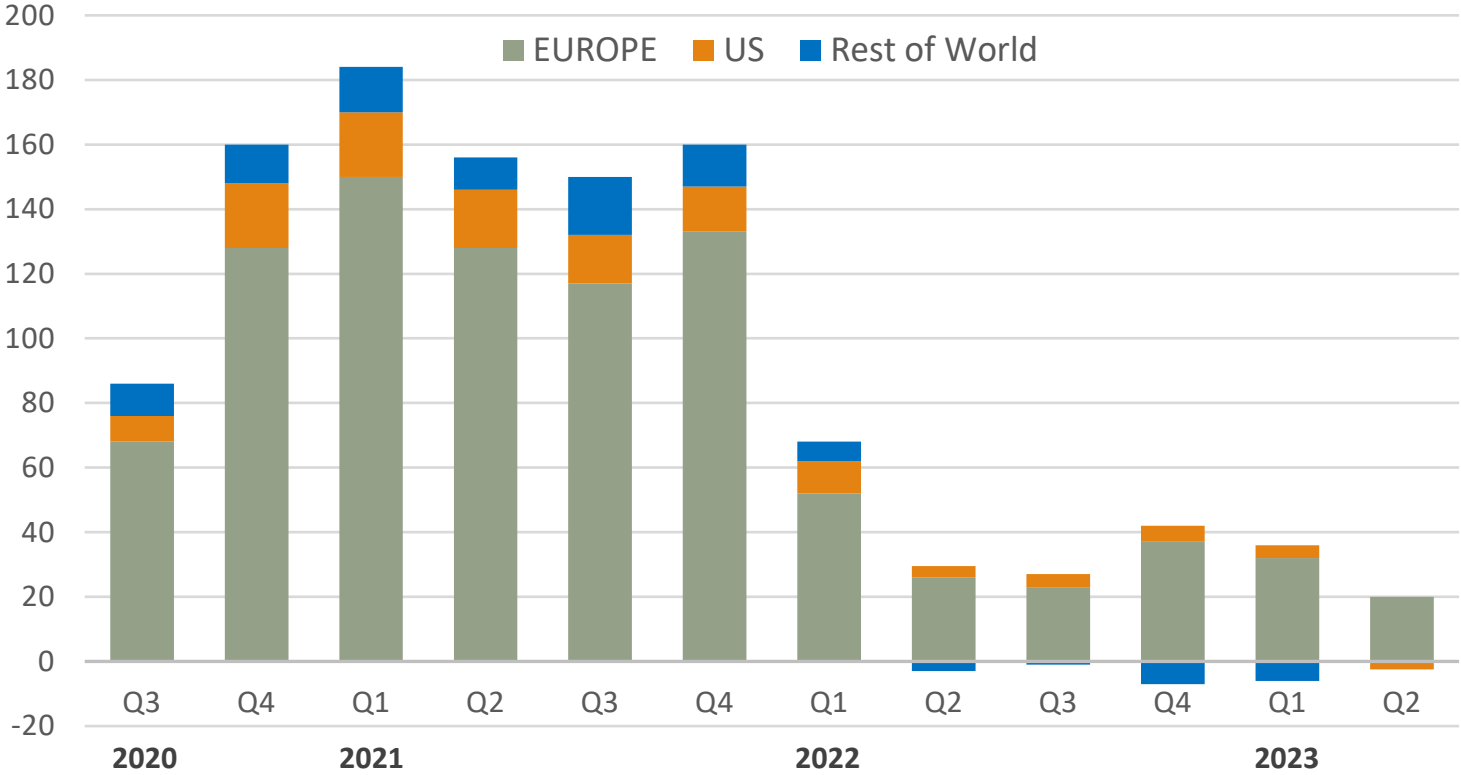
Proposed requirements for disclosures of emissions and climate risks

Avoid investment in industries with disfavored ESG profiles such as fossil fuels

Growth in ESG Investing led by Europe

ESG strategies still seeing capital inflows

Exhibit 2 Quarterly Global Sustainable Fund Flows (USD Billion)



ESG fund inflows peaked in 2021 but still show growth

Shareholder Advocacy of ESG Positions

Can take on many forms:



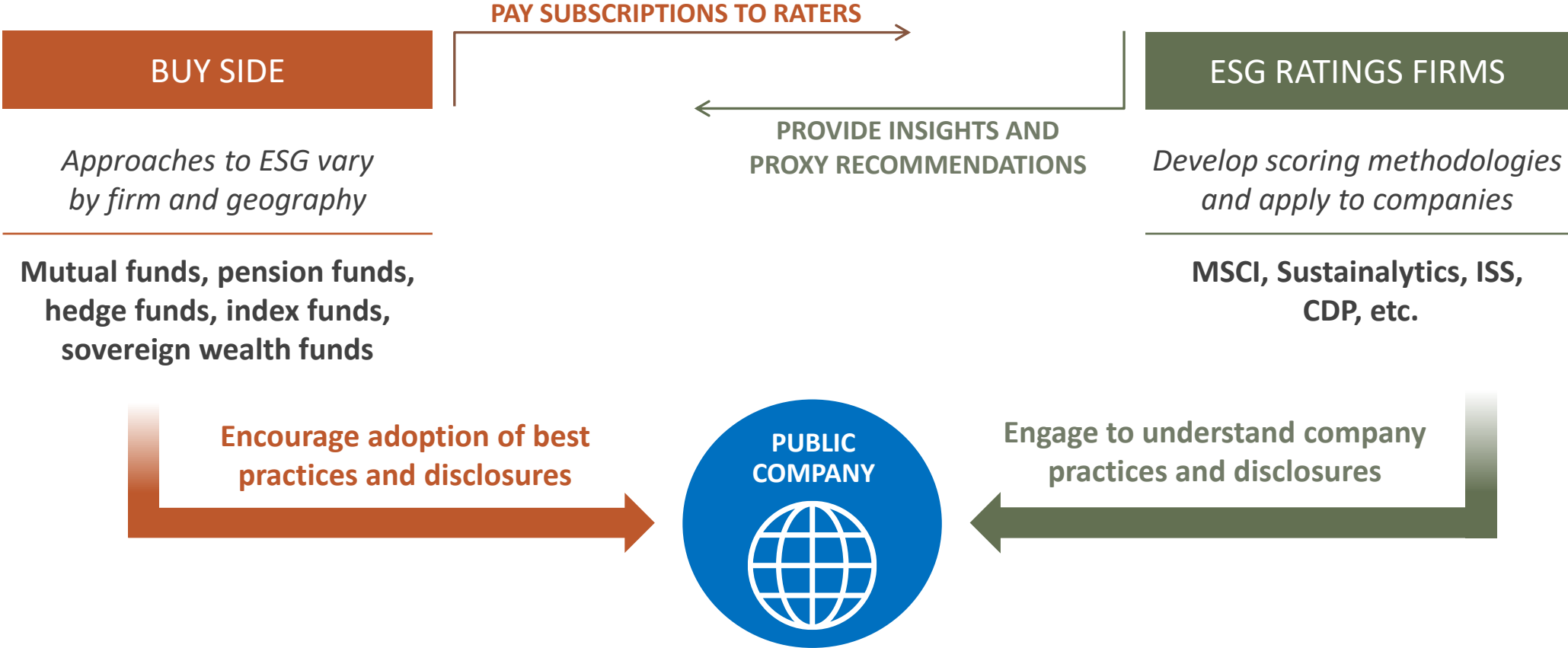
Ad-hoc and intermittent

- Meetings
- Phone Calls
- Emails

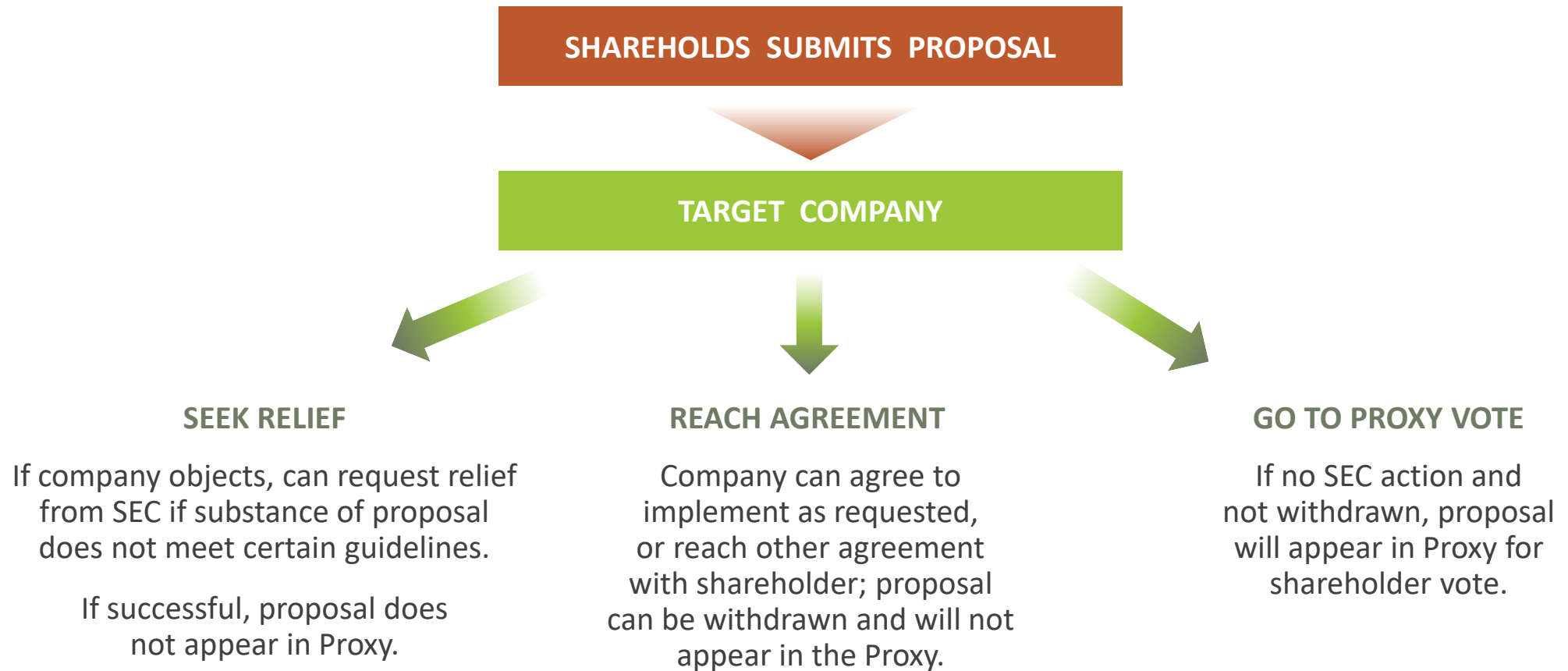


More formal approach
through the proxy process

Utilization of ESG Assessments



Shareholder Proposal Process



Focus on GHG Emissions Reduction is at the Forefront of ESG

Scope 3: a Game-Changer; Gained traction with Paris Climate Accords in 2015



Scope 1

Emissions that come directly from a company's owned facilities, such as processing plants, offices, or other related buildings



Scope 2

Emissions that emanate from the purchased electricity that powers a company's facilities

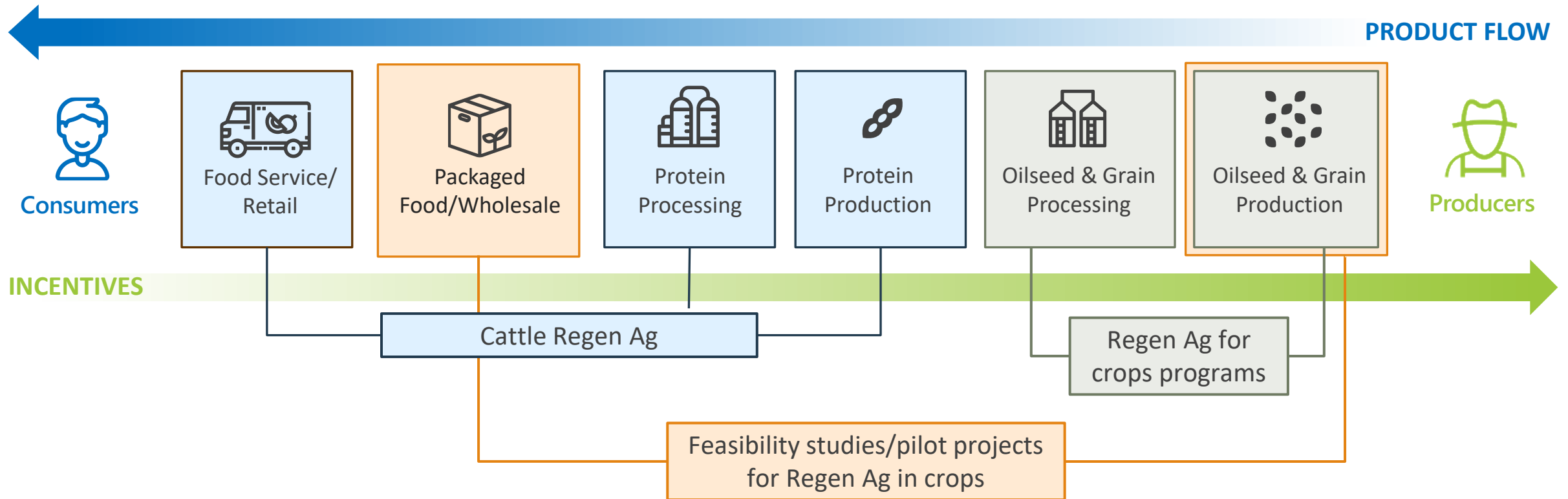


Scope 3

Emissions from the value chain, **considering both upstream and downstream sources**, that are not directly controlled by a company

Agriculture-Protein Supply Chain

Collaboration Across the Chain is Developing – a few examples



Broad Group of Other Stakeholders



Key Takeaways

- ✓ Despite some anti-ESG sentiment, overall **ESG interest and activity are growing**
 - ✓ **ESG is a broad and multi-faceted topic** with a number of diverse opinions throughout the stakeholder map
 - ✓ **Little alignment** in ESG disclosure requirements or rating frameworks
 - ✓ The consumer-to-producer **supply chain is complex** with challenges and opportunities at every link in the chain and it is **critical to incentivize those sectors from which we expect change**
-

Considerations for Navigating the Landscape



Take a deep breath

ESG-related moving parts
can seem overwhelming

Reflect on **materiality** of
stakeholder input

Likely **need to say “no”** – a lot



Identify and prioritize your biggest challenges

Ask:

Can they become **opportunities**?

Can you develop a **competitive
advantage** by addressing them?

Can **innovation** from ag/tech
start-ups or others assist?



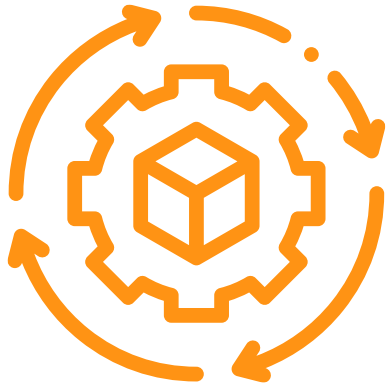
Assess potential sources of support:

Government policies

- Federal
- State

Corporate collaboration across the supply chain

- Commercial agreements
- Partnerships
- JVs



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Questions?