Bunge Limited

US, Consumer Goods & Services

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<tr><td></td><td></td><td></td><td></td><td></td><td></td><td rowspan="2">CA 100+ company, so seen by investors as key to driving global net zero emissions</td></tr>
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<tr><td colspan="7">Summary view:
Bunge's stated aim is to be "best in class among peers" in an industry – agribusiness – that faces significant climate risks: both transition risks due to the sector's large carbon emissions and physical risks from the impact of climate change on agricultural production.
However, while the narrative reporting has extensive discussion of climate risks and issues, there is no reference to what extent, if any, these considerations have fed through to the accounting judgements or assumptions in the audited financial statements.</td></tr>
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Background

<u>The Business</u>

- Bunge is a leading global agribusiness and food company. The core business segments of the company are: Agribusiness, Edible Oil Products, Milling Products and Fertilizers. Bunge also has non-core operations in Sugar and Bioenergy, primarily through its 50% interest in the joint venture with BP, BP Bunge Bioenergia in Brazil, which is the second largest operator in the Brazilian sugarcane ethanol biofuel industry.
- Agribusiness is by far the largest segment, contributing approximately three quarters of net sales and operating profit. It involves purchasing, processing and selling agricultural commodities, split into oilseeds, primarily soybeans, as well as rapeseed, canola and sunflower seed, and grains, primarily wheat and corn. Their principal customers in this segment include animal feed manufacturers, livestock producers, wheat and corn millers and other oilseed processors. Bunge is geographically diversified with long-lived assets year end 2020 split 37% North America, 28% Europe and 17% South America.
- Bunge has significant exposure to both physical and transition climate change risks. The physical risks relate primarily to the impact of adverse weather or climatic changes on patterns of agricultural production. Transition risks as consumers and policy-makers seek to reduce carbon emissions (e.g. resulting in additional regulations or taxes) could impact Bunge through multiple channels ranging from the sourcing of agricultural commodities through the processing and transportation of these commodities and finally the end-consumer demand.
- As a processor and trader of agricultural commodities, most of Bunge's carbon emissions are Scope 3 from purchased goods. For 2019, Scope 3 emissions were 83.2m mt CO2 equivalent, while Scope 1 and 2 are relatively lower at a combined 3.8m mt CO2 equivalent. Globally, nearly 30% of greenhouse gas emissions are from agriculture.
- Bunge is incorporated in Bermuda, headquartered in St Louis, Missouri, and listed on NYSE.

<u>Approach to climate change</u>

- Bunge's stated aim is to be the best in class among peers, with numerous high-level commitments and more specific initiatives related to climate change ranging from commodity sourcing to energy usage in processing and transportation. There are also complementary programmes in other areas including non-deforestation and waste management.
- The narrative reporting in the annual report outlines both the physical and transition risks to the company, although the company asserts that the diversification of the global asset network, as we well as the company's participation in the global trade of agricultural commodities (inventories and other current assets significantly exceed property and other long-lived assets), should help to mitigate these risks.

- In December 2019 Bunge amended its unsecured $1.75bn Revolving Credit Facility, adding a 'sustainability-linked mechanism', whereby the interest rate is linked to sustainability performance targets including "reducing GHG emission by improving industrial efficiency".
- Bunge has a disclosed target of reducing emissions (scopes 1 and 2) by 10% between 2016 and 2026, although its scope 3 emissions are much larger.

Accounting: judgements and consistency with other reporting

Accounting judgements		Significant concerns

- Bunge files a 10-K annual report with financial statements using US GAAP.
- There is no reference in the notes to the financial statements that accounting judgements have been impacted by climate-related considerations despite the stated goals of the company and the climate risks identified in the narrative reporting.

Consistency with other reporting		Significant concerns

- The relatively extensive discussion of climate risks in the narrative reporting appears to be inconsistent with the lack of any mention of climate risks or assumptions or accounting judgements in the financial statements.
- Bunge produces a Sustainability Report, following GRI Standards, but this does not appear to be audited or assured in any way. In 2020 the company published a CDP report for Climate.

Climate assumptions in accounts: visibility and Paris alignment

Visibility of climate assumptions in accounts		Significant concerns

- There are no apparent climate-related assumptions. There is thus no sensitivity analysis.

Paris alignment		Significant concerns

- With no visibility, there can be no alignment with the goals of the Paris Agreement.
- Although there is no mention of Paris alignment specifically, the CDP report describes a 2018 investigation by Bunge of "the alignment of the company's GHG emissions goals with a 2 degrees Celsius pathway". However, this investigation only appears to have covered Scopes 1 and 2 emissions, rather than the much larger Scope 3 emissions, and the results of this assessment are not disclosed.

Audit: visibility in CAMs and consistency check

Audit firm: Deloitte & Touche	Responsible partner: Alfred Charles Popken
Audit standards: PCAOB standards	

Visibility in Critical Audit Matters		Significant concerns

- There is no reference to climate change in the auditor's report.
- The only CAM identified in the auditor's report concerns readily marketable inventories (i.e. agricultural commodity inventories) and related physically settled forward purchase and sales contracts. The estimated value of these inventories and forward contracts by the company requires significant judgement by management. This CAM does not appear to have any strong connection to climate change considerations.

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Consistency check		Significant concerns

- PCAOB audit standards require the auditor to read other information that is presented together with financial statements and the auditor's report thereon. The auditor's report is silent on the outcome of the review, which implies that no material inconsistency was identified in the other information within the 10-K.
- However, the apparent absence of any consideration given to climate change in the audited financial statements does not appear consistent with the extensive discussion of climate risks in the narrative reporting.

The Climate Accounting Project is an independent investor-led project to reinforce the statements of the IASB and IAASB that material climate change issues are incorporated within their standards. This analysis seeks to understand the extent to which companies and auditors are delivering against this aspect of these standards and similar local standards.

	Key
	Good practice
	Few concerns
	Some concerns
	Significant concerns

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