

# Task Force on Climate-Related Financial Disclosures

## Introduction

AGCO has a history of providing smart farming solutions to sustainably feed a growing global population. Alongside our commitment to investments in technology and innovation, AGCO is working in partnership with our dealers to deliver the high-quality, smart solutions farmers need to sustain their operations and the environment while increasing yields.

AGCO recognizes the TCFD recommendations as a useful framework for assessing and reporting on climate-related risks and opportunities. This is the first TCFD report issued by AGCO, and we intend to build upon this initial disclosure in future years as we grow our understanding of and response to climate change. We are incorporating the TCFD framework into our sustainability program, and by addressing its recommendations, we are increasing our preparedness for the potential physical and transition impacts associated with climate change.

## Our Approach

### Overview

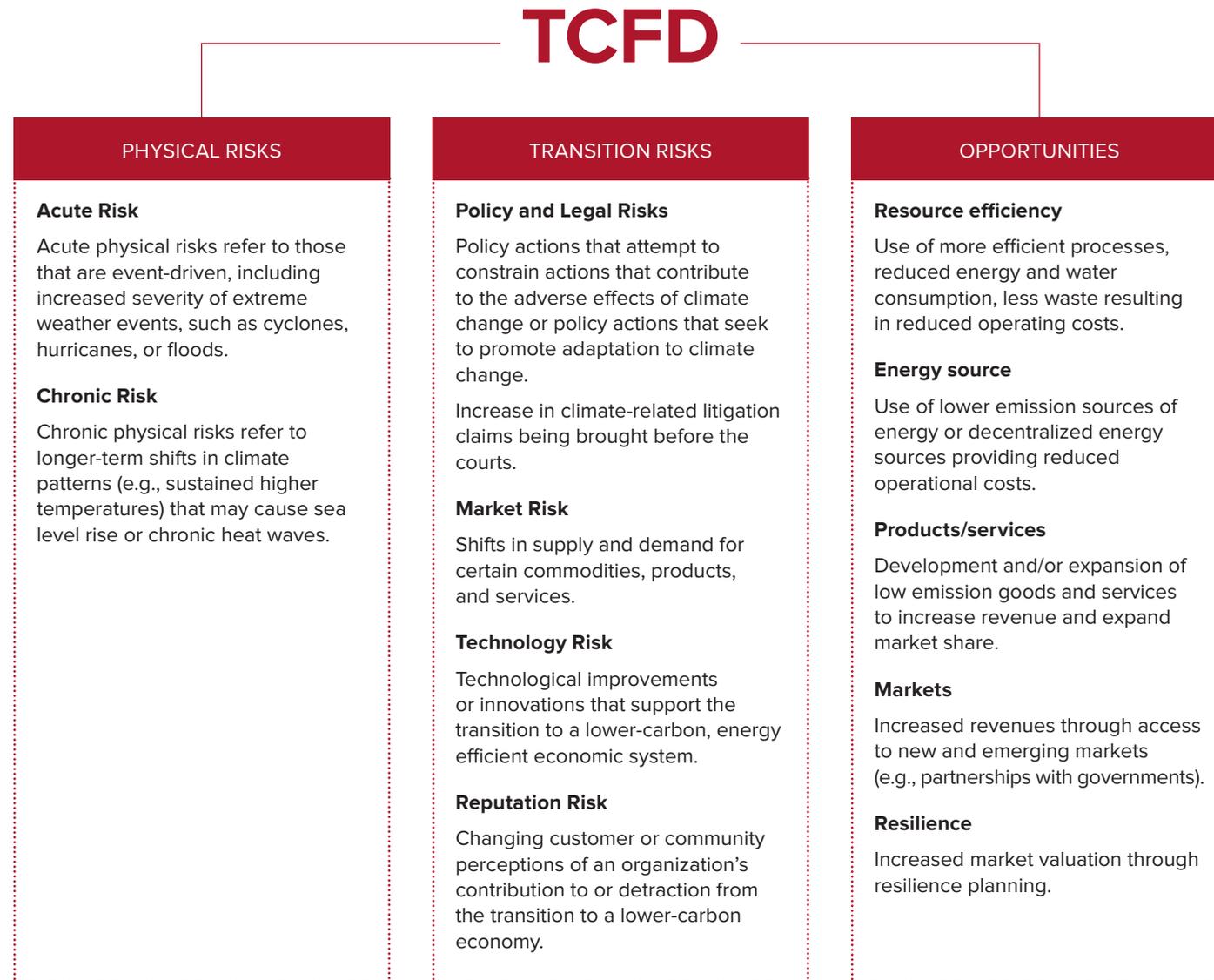
The TCFD framework allows us to enhance our mitigation and resilience approach to potential climate-related risks. It also enhances our ability to drive new opportunities as we shift toward a low-carbon economy. Our approach included the following steps:

- 1. Benchmarking:** We benchmarked our current disclosures against a selection of industry peers. We then gathered a group of internal stakeholders from key functions across our company, including Finance, Sales and Marketing, Risk Management, Accounting, Legal, Innovation, Supply Chain, and Sustainability (collectively, the “TCFD Working Group”). We facilitated a discussion with these subject matter experts to compile a list of potential climate-related risks and opportunities in a workshop setting (workshop 1).
- 2. Climate scenario analysis:** Following workshop 1, we conducted scenario analysis using two scenarios to qualitatively assess the strategic and financial impacts of physical risks, transition risks and opportunities on AGCO’s business. The two scenarios used to perform scenario analysis were a “Well-Below 2°” scenario (WB2D) and an “Inaction” scenario. Using the results of the scenario analysis, we then facilitated another workshop with the TCFD Working Group to further prioritize potential impacts and likelihood of the climate-related risks and opportunities identified in step one under the two scenarios.
- 3. Resilience and management preparedness:** After all risks and opportunities were ranked on risk exposure, we held interviews with internal subject matter experts from the TCFD Working Group to determine how well-prepared we are to mitigate the identified risks, to determine where there are gaps to close, and to discover ways to capitalize on the identified opportunities.

### Baseline review

The TCFD framework identifies climate-related risks and opportunities in two major categories: physical and transition. Physical risks are defined as the direct impacts of shifts in climate change patterns and related events. Transition risks and opportunities, on the other hand, result from society’s response to climate change. The categories for physical risks, transition risks, and opportunities are outlined in Table 1.

**Table 1:**  
**TCFD CATEGORIES OF PHYSICAL AND TRANSITION RISKS AND OPPORTUNITIES**



During the climate-related risk and opportunity identification workshop (workshop 1), the TCFD Working Group developed a comprehensive list of potential climate risks and opportunities relevant to AGCO. The initial list of risks and opportunities consisted of twelve physical risks, thirteen transition risks, and ten opportunities drawn from industry research, benchmarked peers, and the EY Global Climate Risk Disclosure Barometer. The TCFD Working Group then ranked the risks and opportunities and agreed upon a prioritized list to include in the scenario analysis.

**Table 2:**  
**PRIORITIZED LIST OF AGCO CLIMATE-RELATED RISKS AND OPPORTUNITIES FOR SCENARIO ANALYSIS**

	CATEGORY	AGCO'S KEY CLIMATE-RELATED RISKS AND OPPORTUNITIES
TRANSITION	Policy and Legal	<p>+ Risk of <b>increased operational costs due to carbon pricing/taxes/cap or increased logistics/supply costs</b></p> <p>+ Risk of <b>increased regulation of water use and/or fertilizer use requiring farmers to modify water/fertilizer use or incur additional costs</b></p>
	Technology	<p>+ Risk of <b>costs to adopt/deploy new technology and processes to reduce AGCO's greenhouse gas (GHG) emissions</b></p> <p>+ Opportunity to <b>develop products that support the sequestration of carbon</b> (trapping more carbon in soil)</p> <p>+ Opportunity to <b>improve energy efficiency and switch to renewable energy</b> via on-site generation or virtual power purchase agreements (vPPAs), reducing energy costs and emissions, and potentially leveraging an internal carbon price to fund investments</p>
PHYSICAL	Acute	<p>+ Risk of <b>disruptions to critical suppliers/supply infrastructure</b> due to climate-related extreme weather events</p> <p>+ Risk that <b>increased extreme weather (e.g., flood, fire, and drought) reduces crop yields</b> and quality.</p>
	Chronic	<p>+ Risk of <b>increased temperatures leading to reduced crop yields</b> from heat stress to crops and increases in pests and diseases.</p>

## Climate scenario analysis

Climate scenario analysis serves as a tool for investigating possible futures associated with a variety of potential physical and transition impacts of climate change. The TCFD recommends that companies evaluate at least one scenario that aligns with the Paris Agreement goal of keeping the global temperature rise by 2100 to less than 2°C above pre-industrial levels, and a second scenario in which that goal is not attained.

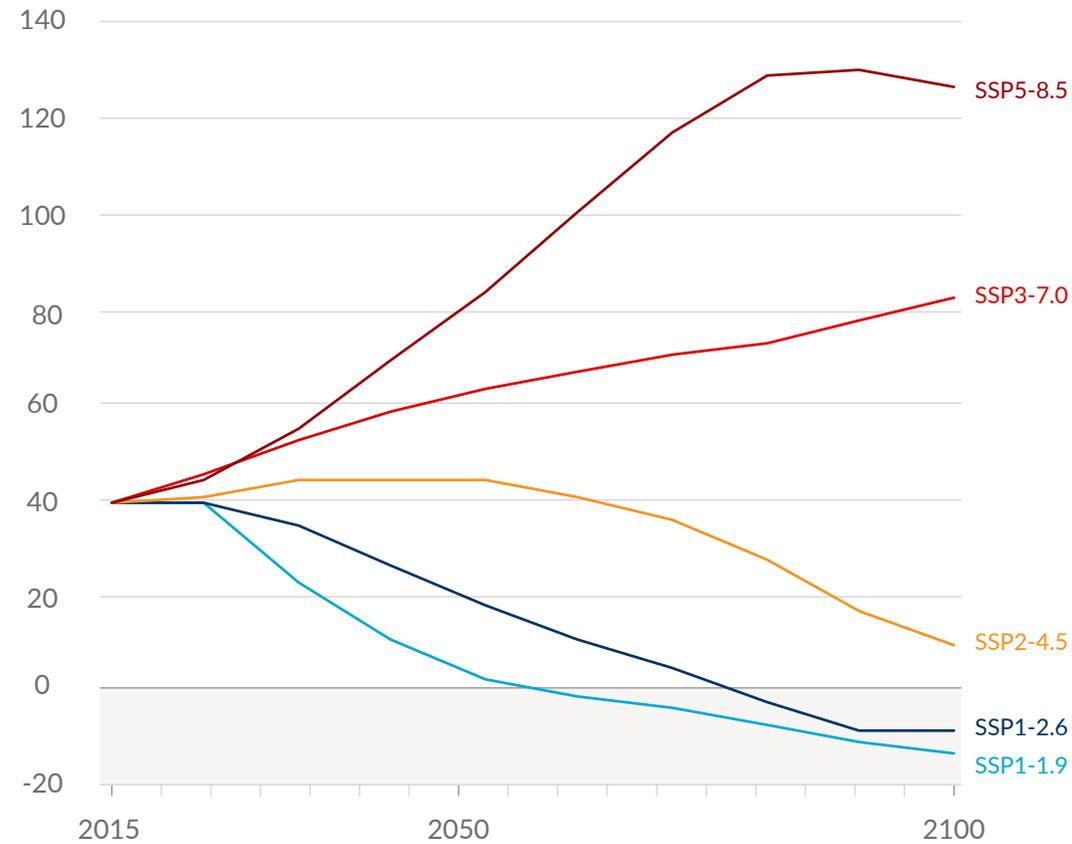
Each climate scenario outlined by the Intergovernmental Panel on Climate Change (IPCC) incorporates different assumptions and catalysts associated with climate change. To understand the possible future for our business, we evaluated two scenarios based on the IPCC's Representative Concentration Pathways (RCPs) and the associated Shared Socioeconomic Pathways (SSPs). RCPs model physical impacts while SSPs model societal impacts of climate change. We selected two scenarios for analysis: a "well-below 2°C" (WB2D) scenario where the global average temperature increases less than 2°C; and an "Inaction" scenario, where temperatures increase 4.4°C by the end of the century.

The figure above shows the modeled paths of net CO<sub>2</sub> emissions under all RCP scenarios, each of which integrates an average of 100+ scientific models. This figure was extracted from the IPCC Sixth Assessment Report (AR6). The AR6 concludes that "it is indisputable that human activities are causing climate change, making extreme climate events more frequent and severe." For the first time in a report produced by the IPCC, SSPs have been linked with RCPs, thereby strengthening the connection between human activities and increasing extreme weather events. The AR6 highlights that while there is no going back from some changes in the climate system, it is possible to slow some changes and halt others by limiting the impacts of global warming. We selected RCP2.6 and RCP8.5 and paired them with appropriate SSPs as shown in Table 3.

## FUTURE EMISSIONS CAUSE FUTURE ADDITIONAL WARMING, WITH TOTAL WARMING DOMINATED BY PAST AND FUTURE CO<sub>2</sub> EMISSIONS

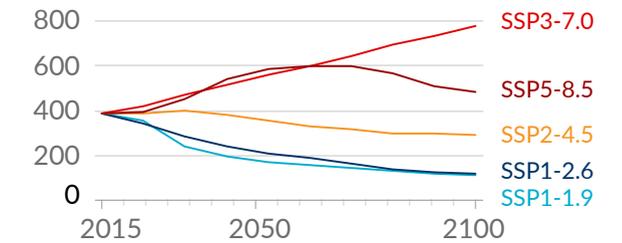
Future annual emissions of CO<sub>2</sub> (left) and of a subset of key non-CO<sub>2</sub> drivers (right), across five illustrative scenarios

Carbon dioxide (GtCO<sub>2</sub>/yr)

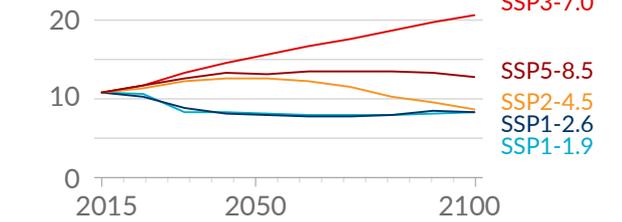


Selected contributors to non-CO<sub>2</sub> GHGs

Methane (MtCH<sub>4</sub>/yr)

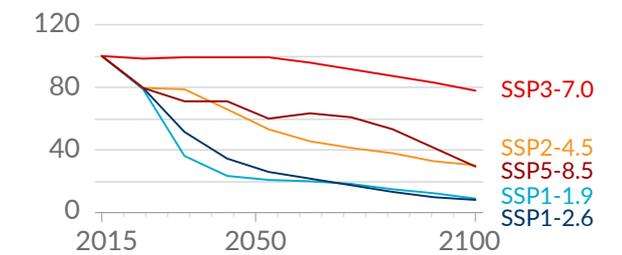


Nitrous oxide (MtN<sub>2</sub>O/yr)



One air pollutant and contributor to aerosols

Sulfur dioxide (MtSO<sub>2</sub>/yr)



**Table 3:**  
**CLIMATE SCENARIOS USED DURING RISK ANALYSIS**

AGCO SCENARIO NAME	TEMP. RISE	RCP	SSP
<b>WB2D scenario</b>	< 2°C	RCP2.6	SSP1 (“Taking the green road”)
<b>Inaction scenario</b>	4.4°C	RCP8.5	SSP5 (“Taking the highway”)

For the scenario descriptions below, we reference the relevant RCP and SSP scientific publications.

**2.1 Well-below 2° scenario (WB2D)**

The WB2D scenario aligns with the Paris Agreement, which sets a goal to limit the increase in global average temperature to less than 2°C above pre-industrial levels by the year 2100. In this scenario, greenhouse gas emissions peak in the 2020s, then decline to be net negative by approximately 2060. This scenario is associated with SSP1, which represents inclusive development and a strong, immediate collective action on climate change. In SSP1, there are major efficiency gains and improvements in environmental conditions around the world. This scenario also incorporates a quick transition to global carbon prices and a switch to a majority use of renewable energy. Transition risks are more pronounced, and companies face reputational risks based on greater climate action expectations. The WB2D scenario focuses on an increasing commitment to the United Nations’ Sustainable Development Goals (SDGs), a commitment that drives enduring emphasis on reducing inequalities within society.

Despite the successful transition to societal equality and a low-carbon economy in the WB2D scenario, the lasting effects of current increased levels of greenhouse gases in the atmosphere will remain. The world will still experience impacts of temperature increase over pre-industrial levels, resulting in physical impacts to climate and weather, but those impacts will be less pronounced than in the Inaction scenario.

**2.2 Inaction scenario**

This scenario is aligned with IPCC’s RCP8.5, in which the earth’s average temperature will increase 4.4°C above pre-industrial levels by the end of the century. In this scenario, greenhouse gas emissions continue to rise and level off by 2100. The Inaction scenario is associated with SSP5, which portrays a strongly globalized, increasingly connected, and materialism-focused global economy. There is a high exploitation of fossil fuels for resources, and energy-intensive lifestyles continue to flourish. Historical patterns of social, economic, and technological trends continue

due to limited actions taken to mitigate climate change. Physical impacts are more pronounced in this scenario, as both acute and chronic events increase in frequency and intensity.

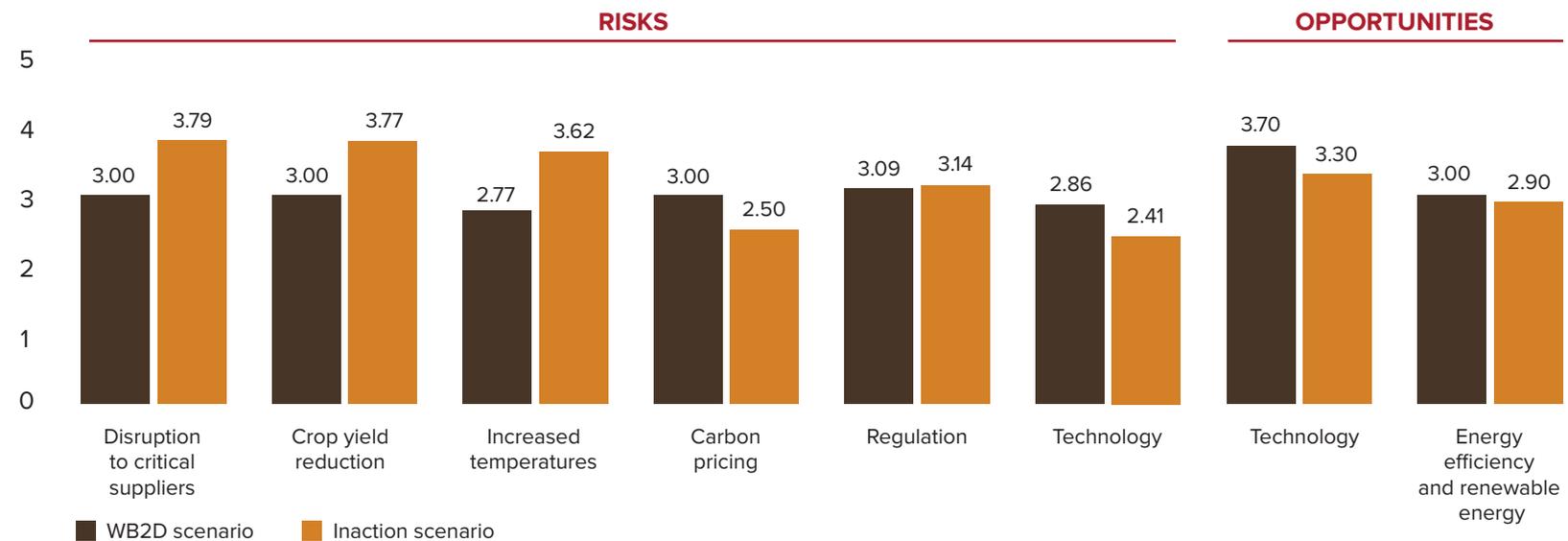
**2.3 Climate Scenario Analysis**

Following research on potential impacts of the WB2D and Inaction scenarios, AGCO’s TCFD Working Group reconvened to conduct the climate scenario analysis (workshop 2). The physical and transition impacts to AGCO identified in the baseline review workshop were

qualitatively modeled and discussed in detail. The TCFD Working Group was asked to evaluate each risk and opportunity pertaining to potential impact on operations, financials, compliance, legal considerations and strategy, as well as to assess likelihood. Participants were asked to rely on the expertise of their specific business units to prioritize the identified risks and opportunities.

To provide context of the potential severity of physical risks, we examined predicted increases in temperature and extreme weather events (e.g., flood, fire, and drought) in the regions around the world where AGCO

**Table 4:**  
**FINAL RISK EXPOSURE UNDER THE INACTION AND WB2D SCENARIOS**



<b>Impact scale:</b>	<b>1: Insignificant</b>	<b>2: Minor</b>	<b>3: Moderate</b>	<b>4: Major</b>	<b>5: Extreme</b>
<b>Likelihood scale:</b>	<b>1: Rare (less than 5% probability)</b>	<b>2: Unlikely (5% &lt; 25% probability)</b>	<b>3: Possible (25% &lt; 50% probability)</b>	<b>4: Likely (50% &lt; 90% probability)</b>	<b>5: Almost Certain (&gt; 90% probability)</b>

has a majority of its operations and customers. We used two publicly available science-based geomodelling tools to model extreme weather events and temperature rise: the WRI Aqueduct Water Risk Atlas tool and the IPCC WGI Interactive Atlas tool.

## Results

The results of the climate scenario analysis indicated that we generally anticipate higher risk exposure in the Inaction scenario (RCP8.5) than in a WB2D scenario (RCP2.6), specifically pertaining to the identified physical risks. We anticipate climate-related physical risks affecting our customers to drive the highest impacts to our future business. With our Farmer-First focused strategy, we aim to drive success for our farmers, even as they experience some of the greatest impacts of climate change. Climate-related impacts to our customers can ultimately impact our revenue growth and business operations overall.

The agriculture industry is currently responsible for approximately 23%<sup>1</sup> of global greenhouse gas emissions. Farmers play a pivotal role in reducing agriculture greenhouse gas emissions through carbon sequestration. In pursuit of that and other identified opportunities, AGCO's existing investments in precision agriculture, on-site renewable energy, and energy efficiency projects, as well as research and development activities focused on automation, robotics, electrification of products and future fuels, provide significant prospects for capitalizing on the identified climate-related opportunities.

Table 4 summarizes the top climate-related risks to and opportunities for AGCO, and the expected differences between the WB2D scenario (RCP2.6) and the Inaction scenario (RCP8.5) identified by the TCFD Working Group. These results were based on discussion and analysis of the two scenarios presented above. The risks were evaluated using risk exposure, which is the average of the impact rating and likelihood rating, while opportunities were evaluated solely using the impact scale of the AGCO enterprise risk management framework. Based on the above results, AGCO is likely to be more impacted by the physical risks and impacts of an "Inaction" scenario than from the transition risks and impacts of a "WB2D" scenario. In addition, AGCO's opportunities in a WB2D scenario are slightly more impactful than in an Inaction scenario. As a leader in the agriculture industry, AGCO can be pivotal to working toward a WB2D scenario.

There are some data limitations we are striving to solve as we further refine our analysis. For the physical risks pertaining to farmers, we used AGCO's independent dealerships and distribution partners as a proxy for our farmer locations. Dealerships are in general proximity to our farmers, but specific farmer locations are unknown. Also, while we do have estimates for

some financial impacts from individual weather events, we do not currently have a comprehensive assessment of financial impacts of weather-related events on our facilities, leaving us to use a conservative estimate in our predictive modeling. We are working to create a process that will better capture the true financial impacts that climate-related events have on our supply chain and business.

## Resilience and management preparedness

Based on our analysis of climate-related risks, we are considering additional options for mitigation of climate risks and for increasing the resilience of our business. Existing initiatives already contribute to a level of preparedness. Improvements to our internal processes, as a result of accounting for climate risks and opportunities, will allow us to significantly increase our overall resilience posture. We will continue to foster conversations with our TCFD Working Group to identify additional and changed climate-related risks and opportunities as society progresses toward either the WB2D or Inaction scenario. As the intensity of the effects of climate change are still uncertain, we will look to our TCFD Working Group for advice in propelling our future business forward through identified opportunities.

## Conclusion

Through the TCFD process, AGCO has taken a significant step toward understanding our potential climate risks and how best to position ourselves not only to survive changing conditions but to emerge even stronger. The performed baseline review and associated scenario analysis created a broader understanding of climate-related risks and opportunities across the organization. The next step of our climate journey is using the risk information from the scenario analysis to further improve our knowledge of the financial and strategic impacts on AGCO. We will continue to use these scenarios to improve our resilience to climate-related risks, track market opportunities, and create future value for the world and our business.

1. IPCC Special Report: Land-Climate interactions

# TCFD Index

## Governance

### 1. Describe the board's oversight of climate-related risks and opportunities.

The Board of Directors is accountable for overall corporate governance at AGCO and for protecting the long-term value of AGCO for its stakeholders. The Board has delegated oversight of the management of Environmental, Social and Governance ("ESG") to the Governance Committee. In addition, the Audit Committee reviews the Company's policies with respect to risk assessment and risk management, including major financial, compliance, political and operational risk exposures.

### 2. Describe management's role in assessing and managing climate-related risks and opportunities.

Day-to-day accountability for sustainability rests with AGCO's Executive Leadership and our Chief Executive Officer. AGCO's ESG strategy and initiatives are led by the Senior Vice President, General Counsel, Chief ESG Officer, and Corporate Secretary, who reports directly to our Chief Executive Officer. The Director, Global Corporate Sustainability, reports to the Senior Vice President, General Counsel, Chief ESG Officer, and Corporate Secretary, and makes presentations to the Governance Committee twice per year and directly to the Board annually.

In 2021, a Sustainability Council was established to drive sustainability integration across the business and to set operational targets to achieve our corporate ESG objectives. The Sustainability Council consists of senior leaders from across key business units. Supporting the Sustainability Council is the Director, Global Sustainability, together with the following:

- AGCO's Sustainability Core Team, which drives the implementation of Sustainability Council decisions and reports on sustainability initiatives and programs.
- Sustainability workstreams, which lead the implementation of actions within the various businesses to meet AGCO's stated sustainability goals and commitments.
- Empowered business units implementing actions to meet sustainability targets and metrics.

## Strategy

### 1. Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.

AGCO performed an initial baseline analysis workshop in which the TCFD Working Group discussed the TCFD Recommendation process and

identified a prioritized list of climate-related risks and opportunities. The TCFD Working Group began with an initial list of risks and opportunities consisting of twelve physical risks, thirteen transition risks, and ten opportunities drawn from industry research, benchmarked peers, and the EY Global Climate Risk Barometer. The TCFD Working Group then ranked the impact and likelihood of the risks and opportunities to develop the prioritized list of eight risks and opportunities for scenario analysis.

The eight prioritized risks and opportunities were considered over a short- (1–5 years), medium- (6–10 years) and long-term (11–30 years) time horizon. The risks and opportunities are described below along with their TCFD classification, area of impact within AGCO's operations and value chain, and primary time horizon.

#### PHYSICAL RISKS:

- A. Disruptions to critical suppliers/supply infrastructure due to climate-related extreme weather events.

**Classification:** Acute

**Impact area:** Supply chain

**Time horizon:** Medium-term

**Approach:** We have increased our resilience to the risk of disruptions to critical suppliers/supply infrastructure due to climate-related extreme weather events by localizing more suppliers, dual-sourcing for critical components, decreasing instances of just-in-time delivery, and investing in verticalization for insourcing. Dual-sourcing allows AGCO to increase resilience in the case of one supplier being affected by climate-related weather events, reducing the probability of manufacturing delays. We are also revising our approach to inventory to maximize flexibility, efficiency, and cost-effectiveness. Lastly, investments in verticalization such as 3-D printing allow us to reduce transportation and sourcing costs as we produce parts in-house.

- B. Increased extreme weather (e.g., flood, fire, and drought) reduces crop yields and quality.

**Classification:** Acute

**Impact Area:** Farmers

**Time horizon:** Medium-term

**Approach:** As climate-related weather events can be detrimental to the production of crops, we strive to prepare our farmers through

education and the development of products and services to adapt to climate-related physical impacts around the world. Soil erosion is increasing, and severe rainfall and droughts are globally becoming more prevalent. We will continue to track and monitor these trends and stay close to evolving regulatory developments. We continue to invest in the development of technologies that can build resilience for farmers, including smart machines that enable farmers to respond to changing environmental and agronomic conditions, and that can provide a clear return on investment and improve operational performance. We aim to be the industry leader in digital and precision agriculture. Growing and maturing our Precision Planting business is a priority in our farmer-focused strategy, and will allow us to rapidly deploy innovative technologies to the market as a retrofit solution. Looking ahead, we will continue to proactively seek alignment with strategic partners in order to provide innovative products and services that meet farmers' evolving and complex needs.

- C. Increased temperatures lead to reduced crop yields from heat stress to crops and from increased pests and diseases.

**Classification:** Chronic

**Impact Area:** Farmers

**Time horizon:** Long-term

**Approach:** To increase resilience and reduce potential impacts to our revenue streams, we have analyzed regions where temperature increase may significantly affect crop production of our farmers. We will continue to track and monitor these trends and stay close to evolving regulatory developments. We continue to invest in the development of technologies that can build resilience for farmers, including smart machines that enable farmers to respond to changing environmental and agronomic conditions, and that can provide a clear return on investment and improve operational performance. We aim to be the industry leader in digital and precision agriculture. Growing and maturing our Precision Planting business is a priority focus in our farmer focused strategy and will allow us to rapidly deploy innovative technologies to the market as a retrofit solution. Looking ahead, we will continue to proactively seek alignment with strategic partners in order to provide innovative products and services that meet farmers' evolving and complex needs.

## TRANSITION RISKS:

- D. Increased operational costs due to carbon pricing/taxes/cap or increased logistics/supply costs.

**Classification:** Policy

**Impact Area:** Operations/Supply chain

**Time horizon:** Medium-term

**Approach:** As more countries begin to consider implementing a price on carbon, we are focusing efforts on incorporating the effects of new regulations into our core business. We are assessing potential impacts of an internal carbon price to better prepare AGCO for future regulations and better position AGCO for investment decisions as we propel our business forward. Competition will face similar requirements, so we see regulations as an industry challenge, rather than a risk that is specific to AGCO. We are already experiencing higher costs for key commodities such as steel, and we anticipate that these increased costs will become more prevalent in the future.

- E. Increased regulation of water use and/or fertilizer use requiring farmers to modify water/fertilizer use or incur additional costs.

• **Classification:** Policy

• **Impact Area:** Farmers

• **Time horizon:** Long-term

• **Approach:** We are actively engaged with leading industry trade associations, and monitoring developments relating to how and where farming will be affected by regulations on water and fertilizer use. As part of our smart solutions and precision agriculture roadmap, we continue to invest in product and service innovation, with the goal of enabling a 20% improvement in net farm income by reducing waste and improving yield. New regulations pose a potentially significant risk to our farmers, so by partnering with our customers to mitigate these risks to their businesses, we can capitalize on new product opportunities and drive revenue growth.

- F. Costs to develop new low-emission technologies and processes to reduce AGCO's greenhouse gas (GHG) emissions.

**Classification:** Technology

**Impact Area:** Operations

**Time horizon:** Medium-term

**Approach:** We currently invest approximately 4% of our total revenue into research and development. Current priorities include smart machines, which cover connectivity, automation, and robotics, all of which have an impact on machine use efficiency; and zero emissions innovations such as electrification of agricultural equipment and future fuels. We have recently announced our intention to bring to market the Fendt e100 Vario, AGCO's first practical battery-powered tractor. The biggest challenge to electrification of our fleet is the affordability of battery technology required for higher horsepower machines. We are currently partnering with battery manufacturers to adapt technologies for use in agricultural machinery and on enhancing internal capabilities. With respect to our operations, high energy prices could adversely impact our financial results. Higher energy costs increase our operating costs. We are taking steps to reduce our greenhouse gas emissions intensity 20% by 2026 through resource conservation initiatives, through smart manufacturing that uses data and technology to reduce waste and increase efficiency, and by shifting to 60% renewable energy across our manufacturing operations. We are also increasing verticalization to improve our resilience and therefore decrease greenhouse gas emissions from transportation and supplier manufacturing processes.

## OPPORTUNITIES:

- G. Develop products that support the sequestration of carbon (trapping more carbon in soil).

**Classification:** Products and services

**Impact Area:** Research and development

**Time horizon:** Short-term

**Approach:** We have committed to the development of new sensors, technologies, and machine features to support soil health and carbon sequestration as part of our 2020 sustainability strategy. Our product portfolio already includes various technologies that help better manage crop residues, enable cover crop seeding, reduce machine load, enable no-till planting, and prevent soil erosion and compaction. We see this approach as a significant opportunity for our business and are continuously innovating in this area.

- H. Improve energy efficiency and switch to renewable energy via on-site generation or virtual power purchase agreements (vPPAs), reducing energy costs and emissions, and potentially leveraging an internal carbon price to fund investments.

**Classification:** Resource efficiency and energy source

**Impact Area:** Operations

**Time horizon:** Short-term

**Approach:** We are committed to reducing greenhouse gas emissions across our manufacturing facilities and business operations worldwide to limit our impact on climate change. We have set goals to decrease operational greenhouse gas intensity 20% from a 2020 baseline, and to reach 60% renewable energy consumption across our manufacturing footprint by 2026.

Energy efficiency measures and the increased use of renewable energy sources will be leveraged to achieve these targets.

Centralized energy efficiency tools and internal targets ensure that across the portfolio we are consistently evaluating and implementing energy efficiency projects such as lighting, HVAC system improvement, reduction of baseload energy use, and replacement of inefficient equipment.

We work to increase the consumption of renewable electricity by using a combination of solutions across the portfolio, utilizing region- and market-specific opportunities such as green supply contracts, unbundled EAC purchase projects and the consideration of value-adding vPPA agreements that would also contribute to adding new renewable energy generation capacity to the grid.

In addition to purchasing solutions, on-site solar PV systems are operational at a number of AGCO sites, and the implementation of similar systems in other locations may contribute to reduced energy costs and lead to a reduction of our greenhouse gas footprint.

We are increasing the use of biodiesel instead of conventional diesel fuel in on-site vehicles and processes, applying energy- and heat-recovery technologies, and using biomass-based heating solutions, as well as exploring opportunities in electrification of natural gas and other fossil fuel usage for processes and on-site vehicles.

## 2. Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.

The TCFD Working Group, representing multiple facets of AGCO's business, supported the scenario analysis of each risk and opportunity. From the analyses, AGCO generally anticipates higher risk exposure in an Inaction scenario (RCP8.5) than in a WB2D scenario (RCP2.6), specifically pertaining to the identified physical risks.

From our scenario analysis, we recognize that climate-related physical risks that have the potential to affect crop production could impact our revenue growth and business operations. With our Farmer-First focused strategy, we aim to drive successful outcomes for our farmers and provide the right equipment, technology, data, and advice to solve farmers' most pressing challenges, including the impacts of climate change. Examples include investing in our precision agriculture capabilities and solutions, rapidly advancing smart machine capabilities that leverage data to drive yield improvements and reduce waste, and growing our retrofit technologies and distribution channels to rapidly deploy new technologies to the market.

We are also working to minimize the risk of disruption to our supply chain through mechanisms such as localization, dual-sourcing and vertical integration of our supply chain. These mechanisms will better position AGCO to mitigate disruptions from climate-related weather impacts.

AGCO's existing investments in on-site renewable energy, energy efficiency programs, electrification of operations and products, and precision agriculture and digitization provide significant prospects to capitalize on the identified climate-related opportunities. We anticipate that investments will not only reduce carbon emissions, but also drive revenue growth as society moves toward a lower-carbon economy.

3. ***Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.***

Society's response to climate change will drive the ultimate effects of climate change and climate-related opportunities. We have assessed the priority risks and opportunities identified by the TCFD Working group under two different climate scenarios: one aligned to RCP 2.6 that captures aggressive mitigation, and one aligned to RCP 8.5 that represents the worst-case scenario. As climate change continues to affect the means by which we do business, we will continue to monitor the landscape to determine which scenario unfolds. In a WB2D scenario, we predict transition risks to be the main factor in driving business opportunities, while in the Inaction scenario we predict physical impacts to be more prevalent.

We will continue to invest in new technologies not only to reduce our Scope 1 and Scope 2 emissions through renewable energy and energy efficiency measures, but also to develop products that will allow our farmers to capitalize on opportunities such as precision agriculture, connectivity, automation, robotics, electrification and future fuels, thus reducing our Scope 3 emissions as well. We will also continue to evaluate implementation of regulations that will affect both our business and our

farmers with the goal of driving consistent revenue growth for all parties. Lastly, our suppliers play a crucial role in our business, so we will continue working alongside suppliers and industry partners to co-develop new product solutions, minimize delays, and increase transparency for our customers. AGCO is a key participant in the agriculture industry, and we believe that our operational flexibility, as demonstrated by our response to COVID-19 and our continued emphasis on understanding our potential risks and opportunities, will allow us to have a resilient business strategy that will enable us to live up to our corporate purpose of providing 'farmer focused solutions to sustainably feed our world'.

## Risk Management

1. ***Describe the organization's processes for identifying and assessing climate-related risks.***

Our multi-disciplinary TCFD Working Group includes Risk Management, Legal, Purchasing, Materials and Logistics Management, Sales and Marketing, Finance, Manufacturing Operations and Supply Chain, among other functions, to identify and assess climate-related risks and opportunities. The TCFD Working Group worked alongside an external consultancy to understand climate-related risks and opportunities specific to the heavy manufacturing and agriculture industries. Through desk research, peer benchmarking and review of industry risk barometers, the TCFD Working Group consolidated and prioritized risks and opportunities specific to AGCO for further analysis and alignment with our ERM criteria.

Each identified risk and opportunity was prioritized by impact and likelihood. Our enterprise risk management impact ratings range from 1 (insignificant) to 5 (extreme). The likelihood ratings range from 1 (rare) to 5 (almost certain). As part of the scenario analysis, we compared the projected physical impacts of climate change to key markets in which AGCO operates. We also qualitatively assessed the impact on AGCO's supply chain, operations and customers.

2. ***Describe the organization's processes for managing climate-related risks.***

The new climate risks are being integrated into "AGCO STAR" (Sustainability Tracking and Reporting), an ESG information management tool built on the Enablon platform to support our long-term visibility and ongoing identification, assessment, and management of climate-related risks and opportunities. AGCO STAR captures both inherent probability and impact as well as residual probability and impact following implementation of controls to mitigate risk. Currently, risks can be updated and managed at the corporate level, but we are evaluating

the ability for site-specific risks to be added to the AGCO STAR climate risk management tracker in the future. AGCO leadership will conduct an annual review of all risks in AGCO STAR to ensure relevancy as climate-related impacts and mitigations progress, and risks will be integrated into AGCOs corporate risk assessment framework and process going forward.

3. ***Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.***

AGCO's corporate risk framework provides a structured and comprehensive approach to identify, prioritize and manage risks across the company. It is designed to drive consistency across risk type, and to monitor key risks, including climate change. While risk is monitored and discussed quarterly through our Management Risk Committee as part of standard business operations, the Board of Directors has responsibility for risk oversight, and regularly reviews top-level, strategic, operational, financial and compliance risks.

Climate risk had been previously identified during AGCO's risk management process, but without detailed definition. Based on TCFD guidance, AGCO is incorporating more detailed definitions of climate risk into our annual enterprise risk management framework.

## Metrics and Targets

1. ***Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.***

At AGCO we recognize the threats presented by climate change and climate-related events, and incorporate those threats into our risk mitigation strategies. To determine the consequences and likely timelines of these threats, we continue to monitor several metrics including global carbon prices, technology innovation, and climate-related weather events. Additionally, we monitor global greenhouse gas emission regulations and trends to determine whether the business-as-usual or the well-below 2-degree scenario is more likely to occur.

2. ***Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.***

AGCO's GHG emissions inventory covers our footprint from our direct operations within our manufacturing facilities. Our greenhouse gas emissions 2020 baseline is as follows:

- Scope 1: 49,507 tCO<sub>2</sub>e
- Scope 2: Location-based: 91,717 tCO<sub>2</sub>e
- Scope 2: Market-based: 49,838 tCO<sub>2</sub>e

We are using Scope 2 Market-based figures for reporting and target progress-tracking purposes. Scope 2 Location-based figures are tracked for information only.

We are working to include Scope 1 and 2 emissions from all our facilities, including our distribution centers and offices, in the future. We also plan to develop our Scope 3 inventory in 2022.

3. ***Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.***

AGCO is continuously increasing the level of ambition of our climate mitigation efforts. We have formally set the following goals:

- to decrease GHG emissions intensity at our manufacturing facilities 20% by 2026, compared to a 2020 baseline
- to reach 60% renewable energy at our manufacturing facilities by 2026
- to expand our Reman offering, targeting 150% of 2020 baseline revenue by 2025
- to deliver a 100% connected fleet by 2025
- to make the Fendt e100, a fully electric battery tractor, commercially available before 2025.

New products such as the Fendt e100 and our investment in precision agriculture technologies are examples of how AGCO is taking part in the transition to a low-carbon economy.

We disclose climate-related metrics to track progress toward our goals in our annual Sustainability Report. Our new AGCO STAR sustainability tracking and reporting system is being rolled out globally to support tracking of climate risk and performance against our corporate sustainability goals.