Financing the agri-food value chains, the transition towards sustainable agriculture and regenerative farming

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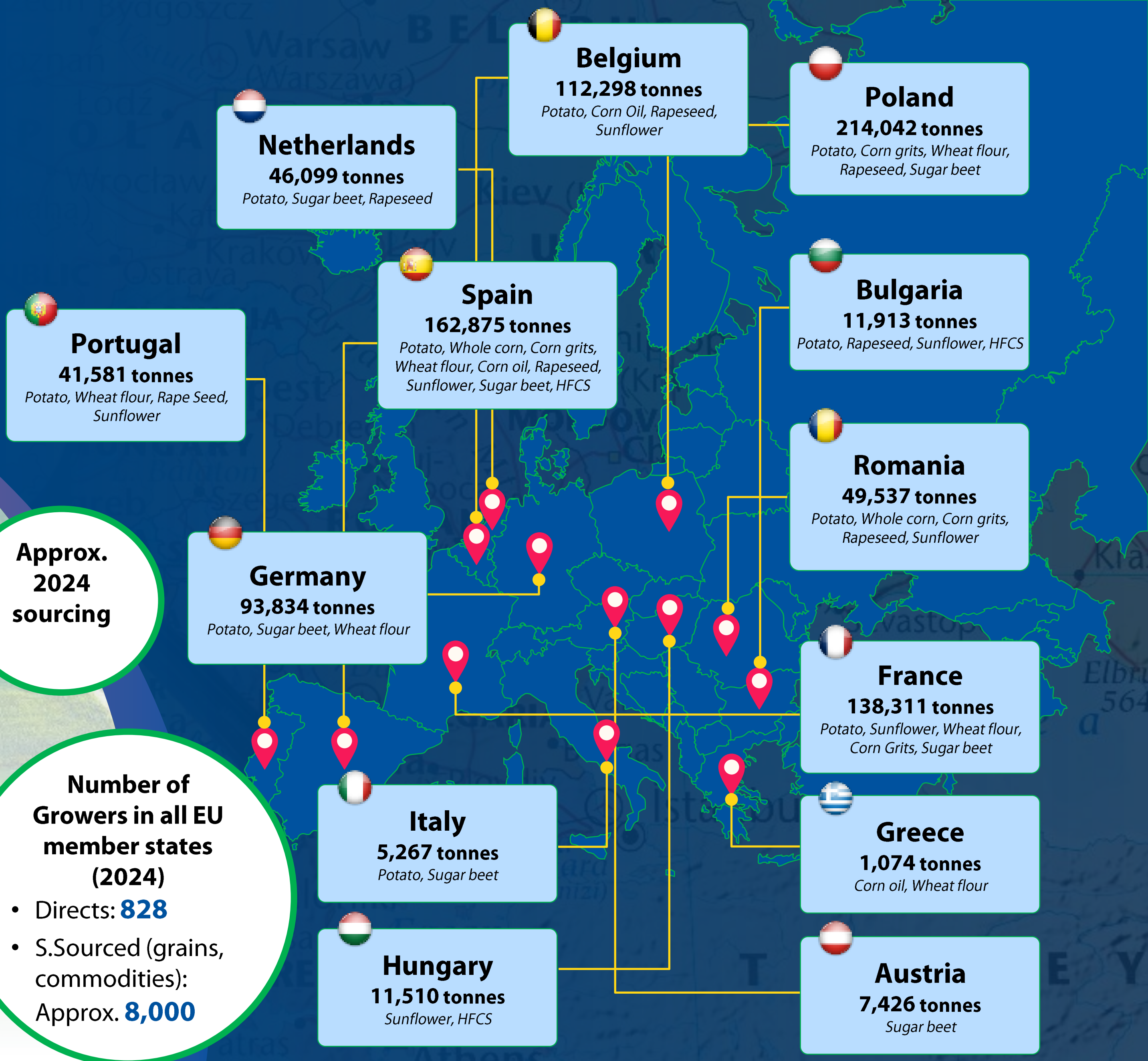
Supporting the transition to regenerative agriculture in Europe

- PepsiCo plays a significant role in the European Union's agricultural system. We source over a million tonnes of crops each year from around **8,000 EU farms.**
- We have a direct sourcing relationship with over **800 farms.** These uniquely close partnerships with European farming families often last multiple decades and over generations of farmers. PepsiCo's agronomists work directly with them to grow the potatoes and whole corn that are the key ingredient of many of our foods products.
- These uniquely close partnerships combine PepsiCo and farmer expertise to ensure that the crops we source meet the highest standards of quality and sustainability.

Approx. 2024 sourcing



Number of Growers in all EU member states (2024)

- Directs: **828**
- S.Sourced (grains, commodities): Approx. **8,000**

- *SuSo Volumes and Total Volumes are based on Global 2024 SuSo Reporting data.*
- *ReGenAg Acres and Total Acres are based on LE Glidepath (not 2024 actuals) as report that Bie shared does not provide data on Sourcing Country level.*

Positive Agriculture at PepsiCo

2030 Goals

90%
sustainably sourced key ingredients[1]

10 million
of land regenerative, restored or protected

250,000+
people's livelihoods improved in our agricultural supply chain

30%
Reduction in Forest, Land & Agriculture (FLAG) GHG emissions

No deforestation by 2025, no deforestation or conversion by 2030

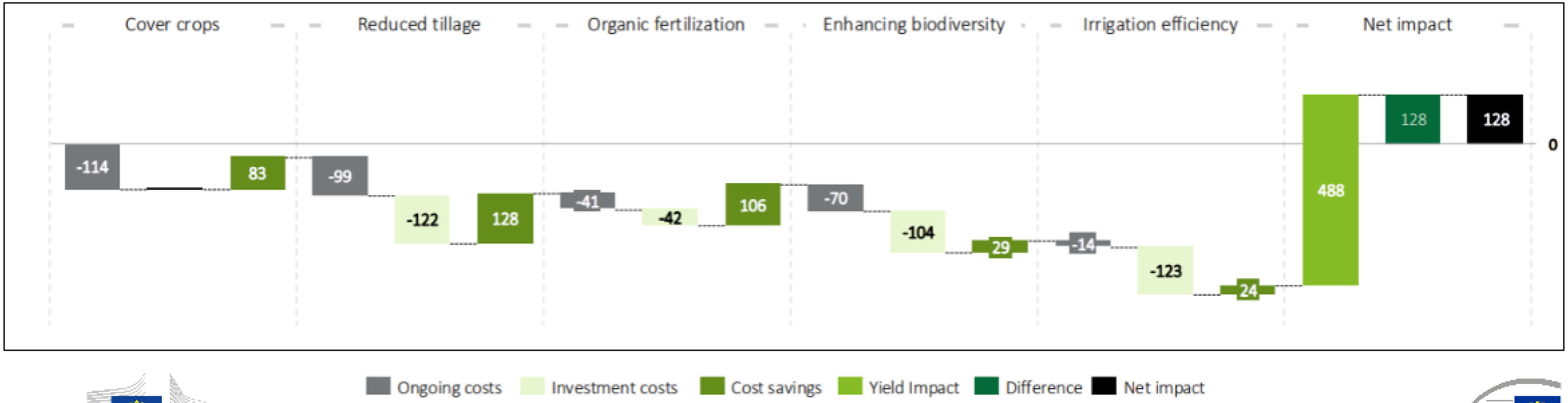
(1) "Sustainably sourced" refers to meeting the independently verified environmental, social and economic principles of PepsiCo's Sustainable Farming Program, enabling continuous improvement for farmers, communities and the planet.

We must understand the economic implications alongside the agronomic for a farmer-first approach

Key challenges

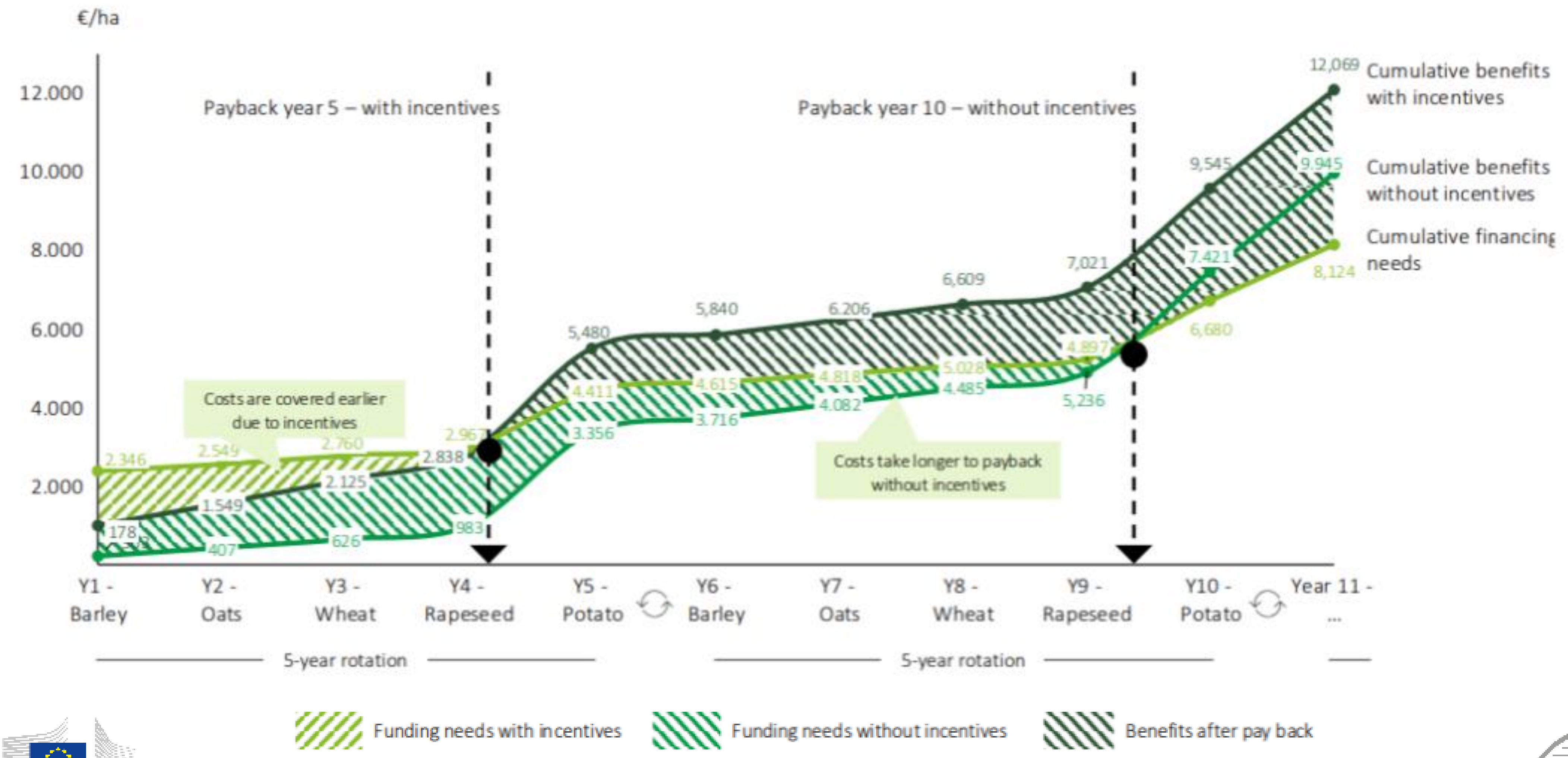
- Funding gap: **€1,400-4,100/ha** still needed after applying available incentives
- Macro funding shortfall: Only **2-6%** of total European transition costs currently covered
- High upfront costs: **€2,000-5,000/ha** investment required before profitability
- Long payback period: **9 years** without incentives, **5 years** with current support

Estimated average Net Profit Impact based on five regenerative agriculture practices (versus conventional) in €/ha/year.



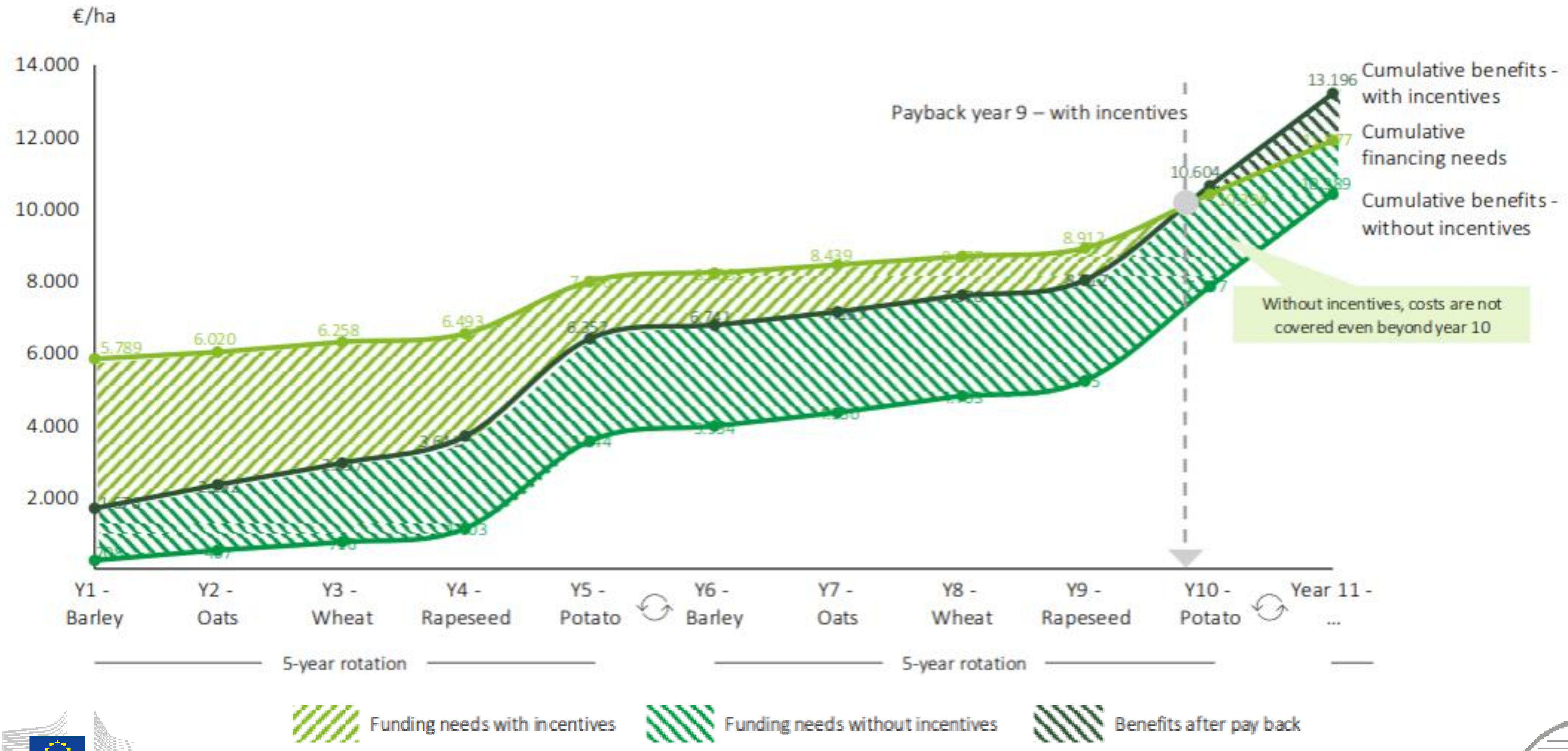
Source: Closing the gap: An analysis of the costs and incentives for regenerative agriculture in Europe, March 2025

Incentive Sufficiency from an Individual Farmer Perspective - Limited Investment Scenario



Source: Closing the gap: An analysis of the costs and incentives for regenerative agriculture in Europe, March 2025

Incentive Sufficiency from an Individual Farmer Perspective - Full Investment Scenario



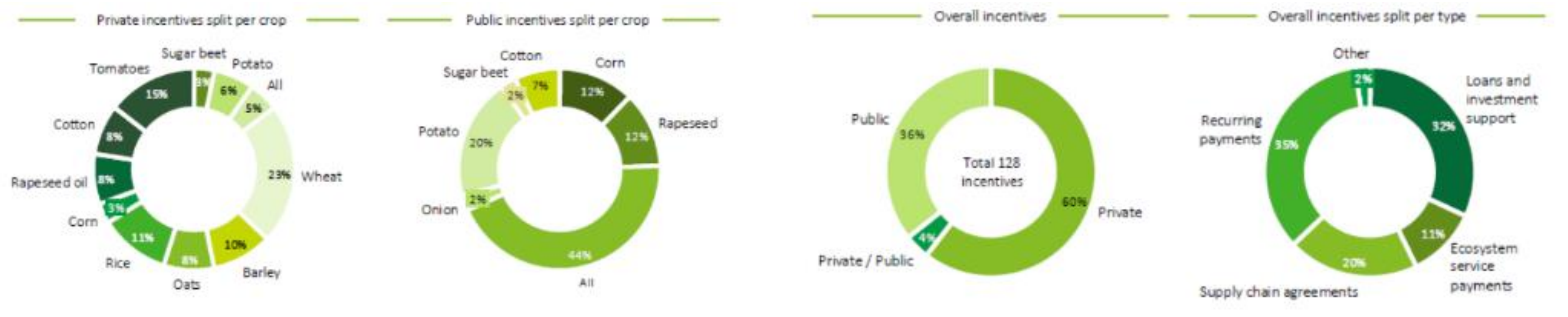
Source: Closing the gap: An analysis of the costs and incentives for regenerative agriculture in Europe, March 2025

Key Finding: Increased coordination and innovative design are necessary for the next phase of incentive development

Incentive System Issues

- **Misaligned focus:** Not always de-risking the most optimal elements
- **Inconsistent:** Year over year changes make it difficult to "stack"
- **Limited access:** Lack of transparency in pricing across Europe
- **Geographic disparity:** More optionality in UK, Germany, France vs. Serbia, Greece, Turkey, Poland

Summary of public and private incentives split per crop collected through desk research and inputs from private organisations



Source: Closing the gap: An analysis of the costs and incentives for regenerative agriculture in Europe, March 2025

Key Finding: A portfolio of incentives may be needed to support the full transition

Recurring payment	Ecosystem service payments	Loans and investment support	Insurance schemes	Supply chain agreements
Recurring payments or financial support to cover ongoing costs of regenerative agriculture practices, often paid per practice on a recurring basis	Payments based on results or outcomes achieved through regenerative agriculture practices (i.e., CO2 sequestered, soil health improvement)	Grants, concessional and dedicated long-term loans, tax credits to support with CAPEX investments or with day-to-day costs	Insurance schemes to insure and reduce financial risks associated with transitioning to regenerative agriculture such as yield loss	Upfront volume and price agreements between buyers and growers, often initiated from buyer to achieve supply security
€/ha SFI, FMCG Incentive programs	**€/KPI target or €/ha** €40/tonne of CO_2e sequestered	**€/investments €/project or farm** Farmer (green) loans, IR discounts	**€/volume** Crop insurance	**€/volume** Price premiums

Prevalence of schemes, and their applicability and need across the different regenerative agriculture stages

Incentive Provider	Schemes	Year 0	Year 1–5	Year 5+
Value chain players	Price premium and/or annual pay	Not Applicable	Most Suitable	Partially Suitable
	Volume guarantees	Partially Suitable	Most Suitable	Partially Suitable
Offtakers	Ecosystem service pay	Not Applicable	Partially Suitable	Most Suitable
Impact investors	Concessional lending	Most Suitable	Partially Suitable	Not Applicable
Financial services	(Yield) insurance	Most Suitable	Most Suitable	Partially Suitable
	Commercial loans and asset investing	Partially Suitable	Not Applicable	Not Applicable
Government	Grants	Most Suitable	Not Applicable	Not Applicable
	Sustainable loans	Most Suitable	Partially Suitable	Not Applicable
	Subsidies	Not Applicable	Most Suitable	Partially Suitable
Farmer associations	Cost / Investment sharing	Most Suitable	Partially Suitable	Partially Suitable

Not Applicable Partially Suitable Most Suitable

Source: Closing the gap: An analysis of the costs and incentives for regenerative agriculture in Europe, March 2025

Policy Recommendations

Direct Support

A. **All-farmers access:** CAP open to all producers; extra incentives for small and mid-sized farms to ensure supply-chain resilience.
B. **Risk-based conditionality:** Support targets sustainability risks tailored to local landscapes.
C. **Archetype-based options:** Farmers choose solutions by archetype (pedo-climatic conditions) matched to region and crops.
D. **Harmonized KPIs:** Common KPIs to track progress across member states despite varied practices.
E. **Support beyond payments:** Invest in advisory services, climate information systems, and knowledge-sharing networks.

Outcomes over Compliance

A. **Measurable**: CAP should reward tangible environmental outcomes, not just practice adoption.
B. **Beyond carbon**: Policy must support soil, water, biodiversity, and climate resilience.
C. **Reward pioneers**: Recognize farmers already making progress.
D. **Additionality:** Private investment should be additive and tied to measurable on-farm improvements.
E. **Productivity**: Link environmental outcomes to profitability through gains in total factor productivity.

Public-Private Investments

A. **Co-investment**: Reimagine CAP to support blended public-private finance that accelerates impact.
B. **Time-bound:** Private investment should be results-driven and not forever to help farmers transition to regenerative agriculture.
C. **Matching:** Design programs that co-create value from the start, with governments setting clear goals and enabling flexible, outcome-based matching—like the U.S. Climate-Smart Commodities model.

Benchmarking based on strong MRV

A. **Smart:** Let farmers measure once, use often—for CAP, PepsiCo, and financing.
B. **Practical:** Align with familiar tools like SAI FSA and adapt to local realities.
C. **Evolving:** Start with accessible MRV systems and scale to track carbon, water, and biodiversity.
D. **Aligned:** Carbon frameworks should follow global standards, avoiding EU-specific complexity.
E. **Insetting-first:** Keep environmental benefits within the food system to support regen supply chains.
F. **Nature credits:** Must be validated, impactful, and clearly understood by farmers.

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Next Steps: Beyond Incentives, broader systemic issues must be tackled to ease farmers' transition to Regen Ag

9 Key Recommendations

Financing needs: Optimise farmer Return on Investment

- Ensure farmer support on agronomics and financial advice on regenerative agriculture roll-out
- Foster equipment sharing
- Align on conditions for monetisation of ecosystem services as additional revenue stream

Sufficiency: Increase returns and reduce risk for investors

- Attract new investors (incl. institutional investors) through combining risk-reward expectations, e.g. in blended finance constructions and PPP
- Close the information gap on farmer business cases for investors to increase confidence in investments

Transparency & accountability: Report, track and adjust funding

- Develop an incentive repository for farmers and value chain players
- Monitor, track, identify gaps and adjust incentives

Suitability: Develop fit-for-purpose funding models

- Grow funding for capital expenditures and initial costs
- Collaborate across stakeholders to share expertise to develop fit-for-purpose funding and respective E2E farmer support model

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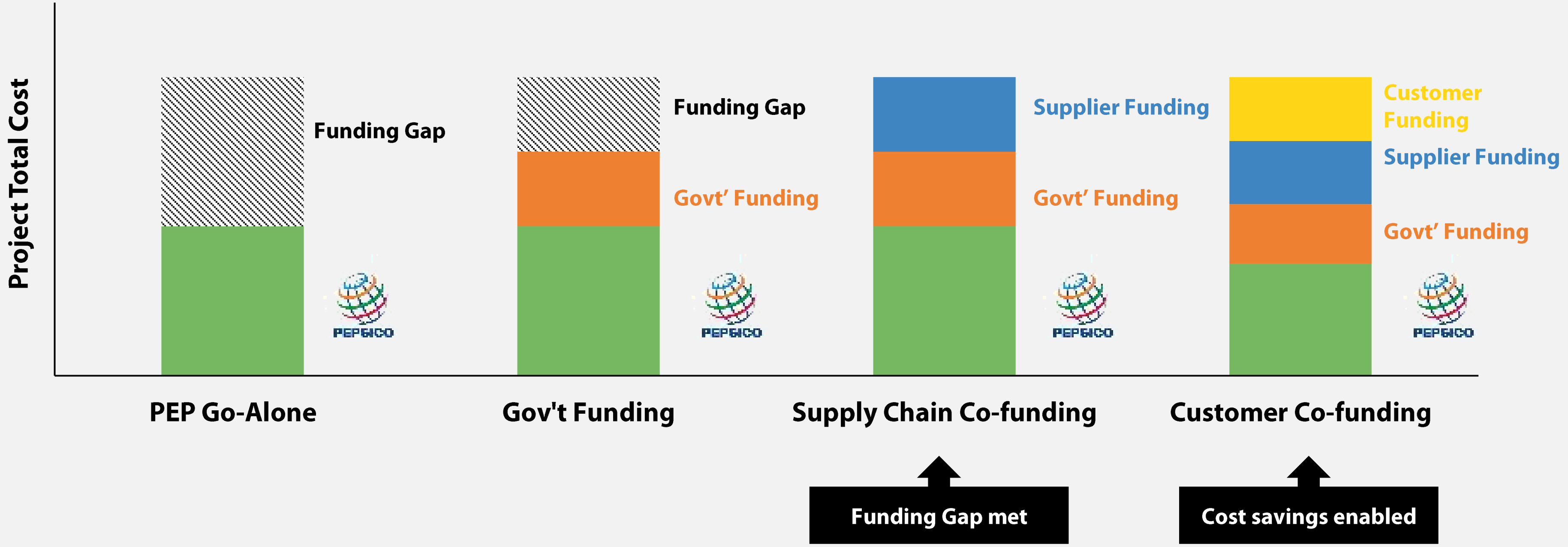
Partnerships Enable Value Creation and Unlock Project Creation

Benefits of co-creation

INCREASED SCALE	REPLICABILITY & SUSTAINABILITY	IMPROVED EFFECTIVENESS	SYSTEMIC CHANGE

Benefits of co-funding



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PepsiCo's Multipronged Approach to Partnerships and Supporting the Transition to Regen Ag

Commit to best- in class implementors	Explore New Commercial Models	Adopt a Landscape Approach	Engage Additional Stakeholders
Practical Farmers of Iowa; Illinois Corn Growers Association; Soil and Water Outcomes Fund	Target; ADM; Walmart	USDA; Field to Market; CFA Cool Farm Alliance	Farm Credit Services of America; Growers Edge; Oxbury The Agricultural Bank

PPP provides an opportunity to amplify the successful outcomes of all approaches

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Thank you!

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EIB Financial Instruments for Agri and Bioeconomy

Intermediated lending for Agri

- Financial envelope of EUR 3 billion;
- Sub-project: up to EUR 25m for SMEs and EUR 50m for Mid-Caps;
- Cover project cost between 50 - 100%;
- Maturity up to 15 years;
- Focus on Climate and Green projects;
- Support for Young, New and Female farmers;
- Farmland acquisition eligible in special cases;
- EIB funding and EIF’s guarantee products joinable.

Eligible project examples

- sustainable and regenerative agriculture (soil health and fertility, carbon sequestration);
- digital and precision agriculture tools;
- working capital for climate resilience and adaptation crops varieties;
- water management systems;
- renewable energy (solar, wind or biogas production);
- animal welfare and sustainable livestock practices;
- innovation and resource efficient measures in agri, food or fibre industries;
- education and training in sustainable practices;
- infrastructure improvements (modern storage and logistics facilities to reduce post-harvest losses).

EIB Green Gateway Programme – overview of the advice for FIs

EIB Green eligibility & reporting criteria

- Sectoral trainings on EIB green eligibility criteria
- Front office eligibility and reporting manuals
- EIB-FI green eligibility conversion tables

Green eligibility helpdesk

- Green eligibility check for operations in the pipeline
- Direct exchange with EIB technical experts for green eligibility review and approval

Green market analysis & product development support

- High level review of the national green finance market to identify green investment measures
- Screening of FI portfolio
- Product development workshops

Green Checker use & integration

- Green Checker trainings, manuals and complementary tools
- Technical meetings on Green Checker integration options
- Green Checker integration support

EIB Green & InvestEU EIF Sustainability Guarantee implementation

- EIB Green - EIF SG conversion tables
- Support in implementing EIF SG eligibility framework in coordination with EIB green eligibility framework
- Use of Green Checker with EIF Guarantee tool

Climate & env. disclosures & reporting

- Trainings and technical meetings on EU Taxonomy, climate risk incl. TCFD
- EIB PATH implementation support
- Support in defining internal env. and social standards and policies in line with EIB Standard 11

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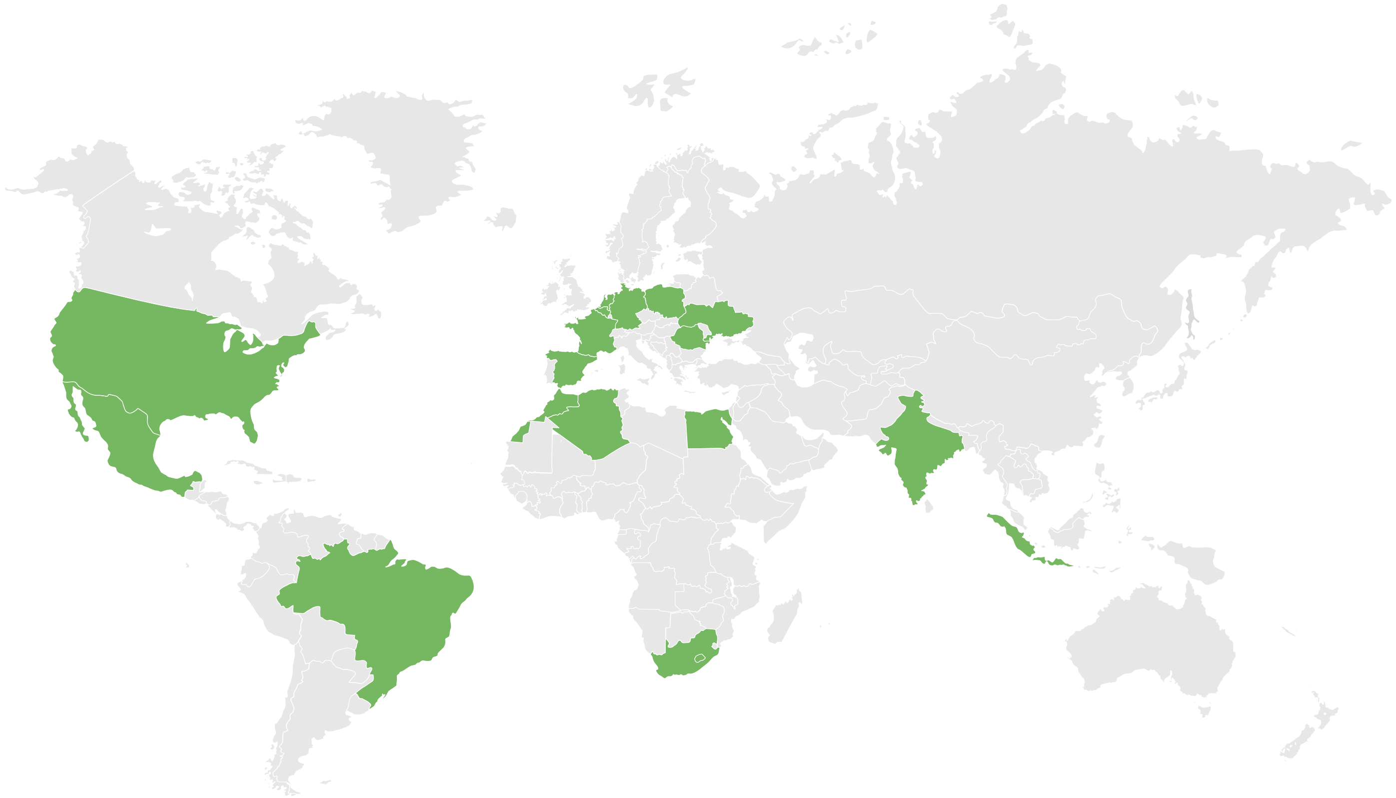
Danone's Reg Ag program

Regenerative Agriculture is central to our business and sustainability roadmap

Key facts & figures Danone

- Over half of Danone's CO_2 footprint comes from milk.
- 70% of our methane emissions from dairy.
- Over 60,000 in our dairy sourcing network.

We have +20 Reg Ag programs, **16 connected to dairy**, across 16 countries



Reg Ag can be part of the solution

We collaborate with farmers to drive the transition to decarbonize dairy and build resilience

CO2 emissions reduction by 2030 in line with 1.5C SBTi

-16.5% in 2024 (vs. 2020)

30% reduction in methane emissions from fresh milk by 2030

-25.3% in 2024 (vs. 2020)

30% key ingredients we source directly will come from farms that have begun to transition to RegAg by 2025

39% in 2024

DANONE ecosystem

Levers towards low-GHG dairy

1. Herd management
- Improve cows' productivity via improved nutrition and genetics
- Improve local feed availability

2. Manure management
- Improved management infrastructure
- Biogas development

3. Soil health for feed & crops
- Improve soil health
- Improved efficiency of agricultural inputs

4. Methane innovations
- Feed additives, wearables, etc.

Farmer technical service and support

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Considerations for financing farmers' transitions

Build the Business Case with Farmers

Build farmer relationships

- Transparent engagement and early wins to establish reliability and trust.

Build a data-backed business case

- Farm assessments and data behind specific practices needed to build plans.

Financing Tools

Farm assessments can guide what funding is applicable.

- **Grants**: Fund technical assistance, farmer training, and demonstration of new practices or technologies.
- **Blended finance**: Deploy guarantees or first-loss tranches to mobilize larger private capital.

Shift & Share Risk

Companies can help build improved support systems for farms in their supply chains.

- **Multi-year offtakes** help shift and reduce risks for farms (e.g. cost-plus model, etc.).
- **Pair finance with advisory & technical assistance**.
- **Build MRV systems** to strengthen execution and investment readiness where needed.
- **Develop a supply-chain or landscape approach** to share farmers transition costs and build opportunities to scale. (Value-chains partners from retail to farm input companies, Agence de l'eau, local banks).

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