

FINDEV CANADA TRANSACTION SUMMARY

Asociación de Cooperativas Argentinas ("ACA")

This document provides an overview of the FinDev Canada transaction, including a summary of the anticipated development impacts and of the environmental, social and governance (ESG) assessment performed, potential risks identified, and related mitigation measures to be implemented.



Transaction Description

The transaction consists of a US\$80 million syndicated senior secured loan, led by the Dutch development finance institution, FMO, to Asociación de Cooperativas Argentinas (ACA) which will be used towards maintenance and capital expenditures and for pre-export trade purposes. Established in 1922, ACA is an Argentinian second grade cooperative, owned by 139 cooperatives comprising more than 43,000 small and medium sized farm businesses throughout rural Argentina. It is the country's largest grain originator, the largest agricultural inputs supplier, and a provider of crucial logistics services needed to efficiently store and transport grains to market.

Transaction Details

COUNTERPARTY	Asociación de Cooperativas Argentinas ("ACA", the "Company")
DOMICILE OF INCORPORATION	Argentina
DOMICILE OF OPERATIONS	Argentina
SECTOR	Agribusiness
IFC PERFORMANCE STANDARDS TRANSACTION CATEGORY	Category B
FINANCING PRODUCT	Debt
FINDEV CANADA TRANSACTION AMOUNT	US\$ 20 million
DATE OF TRANSACTION DISCLOSURE	November 14, 2022
DATE OF TRANSACTION SIGNING	February 24, 2023
DATE OF TRANSACTION SUMMARY PUBLICATION	May 29, 2023
2X CHALLENGE QUALIFYING	No

Summary of Anticipated Development Impacts

The development impact value proposition of ACA is to facilitate agricultural processes and market opportunities for smallholder farmers in Argentina by offering products and services throughout the entire value chain, while providing climate adaptation services and guidance on sustainable agricultural practices. The impact theory of change below summarizes how ACA will contribute to FinDev Canada's long-term development impact goals and the Sustainable Development Goals (SDGs), in particular SDG 2 (Zero Hunger), SDG 5 (Gender Equality), SDG 8 (Decent Work and Economic Growth) and SDG 13 (Climate Action). All outputs and outcomes in this assessment are unattributed and represent the entire company impacts, not FinDev Canada's pro-rata component.

Barriers:

- Farmers in Argentina are faced with costly and unreliable access to quality inputs, insufficient storage capacity, complicated transportation and exportation logistics, and a lack of administrative support
- These challenges are often exacerbated for women farmers in Argentina, where there is a gender gap in access to services, education, and information
- Unsustainable farming practices can cause land degradation (already 39% of Argentinian land is degraded) and have impacts on food security (16% of households with children in Argentina face food insecurity)
- Climate change impacts can reduce agricultural production and cause economic losses to farmers and across the agriculture value chain





MARKET DEVELOPMENT

- **Strengthening agricultural supply chains:** With operations in 12 inner provinces and 600 towns, ACA has an important footprint throughout the agricultural supply chain of Argentina. Furthermore, it contributes to global food security, given Argentina is the fourth-largest grain producer and third-largest exporter in the world. Reaching some 43,000 smallholder farmers through 139 associated cooperatives ACA facilitates farmers' access to products, such as agricultural inputs, and services, including logistics (transportation, administration, storage, conditioning), origination and exportation of agriculture commodities. This is made accessible through ACA's extensive transportation and logistics network and the partial ownership of the national railway of Argentina. The streamlining and scaling of operations provided by ACA reduces overhead costs and time constraints for farmers, increasing their productivity and, ultimately, incomes. To further support its members, the Company offers advisory services to educate farmers on agricultural best practices and production optimization. In addition, the Company extends its offerings to non-member farmers in remote areas where there are no cooperatives.
- **Improving equality in access to products and services:** To improve access to vital sector-specific information for its members and other parties ACA developed tailored online platforms. The main platform (ACA Base) provides a management system for cooperatives, producers, clients, and suppliers, while the digital application (ACA Mi Campo) collects and aggregates users' economic, agronomic, and technological data, to identify successful crop management methodologies and facilitate the exchange of best practices. ACA also offers an agricultural market online shop (ACA Market) to simplify commercial exchanges between local producers and buyers.
- **Supporting quality local employment:** In 2022 the Company had 1,848 permanent employees, receiving benefits such as medical coverage, including for their families, parental leave, and pension fund contributions. The Company offers educational opportunities to its employees, and competitive starting salaries for new employees. Furthermore, in a strategic effort to expand working opportunities to people with disabilities, ACA designed the Port Terminal in Timbúes with accessibility features (e.g., elevators, ramps, touch-sensitive indicators) and hired 12 persons with disabilities, who now represent 20% of the Port's full-time workforce.



WOMEN'S ECONOMIC EMPOWERMENT

- **Supporting women smallholder farmers:** ACA, through the Nodos Foundation, offers a variety of capacity-building and educational trainings on topics such as leadership, management, sustainability, and community engagement, specifically developed for women in the agriculture sector of Argentina. The program is meant to equip women farmers with tools and resources to successfully operate their farms, strengthen their role within cooperatives, and exchange on best practices. The Nodos Foundation regularly surveys the participants in order to improve their offerings in meeting specific needs of women farmers.
- **Ensuring gender-inclusive recruitment:** ACA enforces inclusive recruitment practices through, for instance, gender-neutral HR marketing and gender-sensitive recruitment processes.

- **Promoting sustainable agriculture practices:** ACA provides smallholder farmers and cooperative members with access to tools, resources, new technologies, and advisory services to promote sustainable agricultural practices and help them adapt to climate-related risks. Furthermore, the digital application ACA Mi Campo uses satellite images with information about the environment (e.g., soil moisture data, weather predictions) to help farmers improve their production. Through this application, data from farmers can be collected and shared for crop traceability and use of supplies, such as the amount of fertilizer and input used, and the yield of each plot of land. This is an especially useful feature for farmers in a country with large territories subject to extremely diverse weather and agricultural conditions.
- **Tracking greenhouse gas emissions:** ACA is a member of the Argentine Carbon Neutral Program, which promotes carbon footprint quantification, among other activities. Hence, the Company tracks and reports its Scope 1 and 2 GHG emissions, and undertakes periodic audits.

Summary of Environmental and Social Assessment and Related Risk Mitigation Measures

This review has been completed in accordance with FinDev Canada's Environmental and Social Policy. FinDev Canada considers the transaction to be Category B, given the nature and size of operations to be financed for maintenance capital expenditures from FY2022 to FY2024 and pre-export trade finance purposes. These are business activities where the potential environmental and social effects are usually few in number, generally site specific; largely reversible; and mitigated via measures that are readily available and feasible to implement in the context of the operation.

The primary E&S risks of ACA's overall operations are: adequate E&S risk assessment at the corporate and asset management levels, E&S organizational capacity, supply chain risk management, climate change risk assessment, stakeholder engagement, grievance mechanisms (internal and external), labour and working conditions, emissions and waste management, traffic management, vector management and biodiversity management.

The following International Finance Corporation (IFC) Performance Standards were applied in FinDev Canada assessment in addition to host country requirements:

- IFC Performance Standard 1: Assessment and Management of Environmental and Social Risks and Impacts
- IFC Performance Standard 2: Labor and Working Conditions
- IFC Performance Standard 3: Resource Efficiency and Pollution Prevention
- IFC Performance Standard 4: Community Health, Safety, and Security
- IFC Performance Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources

ACA has an Environmental and Social Management System (ESMS) or a MASSC (Spanish acronym for Environment, Safety, Health and Quality) that is structured at both the corporate and local/asset levels which includes the following aspects: (i) E&S policy; (ii) system to identify risks and impacts; (iii) management programs; (iv) organizational capacity and competency; (v) emergency preparedness and response procedures; and (vi) monitoring and review. The Company also has a Corporate Risk Identification Procedure for the Environmental and Social Evaluation of New Projects.

The FinDev Canada E&S Risk Management Team is of the opinion that adverse environmental, social or human rights risks associated with the Company's operations and facilities under this transaction will be mitigated in a manner that aligns with the FinDev Canada Environmental and Social Policy, the IFC Performance Standards and relevant International Standards.