

The Nature Conservancy

Type of Engagement: Annual Review

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Introduction

In March 2022, The Nature Conservancy (“TNC”) issued green bonds (“The Nature Conservancy 3.957% Taxable Bonds”, or the “2022 Green Bonds”) to finance or refinance projects related to environmentally sustainable management of living natural resources and land use, sustainable water and wastewater management, climate change adaptation, terrestrial and aquatic biodiversity conservation, energy efficiency, and renewable energy. In 2024, TNC engaged Sustainalytics to review the projects financed with proceeds from the 2022 Green Bonds (the “Nominated Projects”) and provide an assessment as to whether the Nominated Projects met the use of proceeds criteria and the reporting commitments outlined in the Nature Conservancy Green Bond Framework (the “Framework”).¹ Sustainalytics provided a Second-Party Opinion on the Framework in February 2022.² This is Sustainalytics’ second annual review of allocation and reporting of the instruments issued under the Framework, following a previous review in April 2023.³

Evaluation Criteria

Sustainalytics evaluated the Nominated Projects based on whether they:

1. Met the use of proceeds and eligibility criteria defined in the Framework; and
2. Reported on at least one key performance indicator (KPI) for each use of proceeds category defined in the Framework.

Table 1: Use of Proceeds Categories, Eligibility Criteria and Associated KPIs

Use of Proceeds Category	Eligibility Criteria
<p>Environmentally Sustainable Management of Living Natural Resources and Land Use</p>	<ol style="list-style-type: none"> <li data-bbox="753 1192 1516 1507">i. Soil Health Practices: Promote the widespread adoption of farming practices that capture and store carbon in the ground and those that improve soil’s ability to store and recycle water and nutrients. This includes using cover crops that can be planted after harvest of a primary crop to help slow soil erosion, enhance water availability, and increase biodiversity; reducing or eliminating tillage, the stirring and turning over of soil; and rotating crops between fields each season to help keep soils fertile, biologically active, and intact. Expenditures include costs for research, evaluation, trainings, and project implementation as well as grants and loans. <li data-bbox="753 1520 1516 1766">ii. Sustainable Fisheries: Support fishery and aquaculture projects that reduce negative impacts and create benefits for biodiversity, reduce carbon emissions and generate livelihood improvements for fishers and farmers. This includes deploying on-board cameras and other technology on commercial fishing vessels to capture fishing activity to improve regulatory compliance and help managers set sustainable annual catch limits, as well as working with government partners to evaluate and recommend sustainable fishery practices and design sustainable fishery

¹ TNC, “The Nature Conservancy Green Bond Framework”, at: https://www.nature.org/content/dam/tnc/nature/en/documents/TNC_GreenBondFrameworkOverview_0218.pdf

² Sustainalytics, “Second-Party Opinion, TNC”, (2022), at: https://www.nature.org/content/dam/tnc/nature/en/documents/TNC_GreenBondFramework_SecondPartyOpinion.pdf

³ Sustainalytics, “Annual Review, TNC”, (2023), at: https://www.nature.org/content/dam/tnc/nature/en/documents/TNC_Green_Bond_Annual_Review_2023.pdf

	<p>management plans. Where projects involve certification, the products will be certified under Marine Stewardship Council (MSC), Best Aquaculture Practices (BAP) or Aquaculture Stewardship Council (ASC) standards. Expenditures include costs for research, evaluation, purchasing of sustainable fishery equipment and technologies, and project implementation as well as grants and loans.</p> <p>iii. Sustainable Forestry: Restore and enhance ecological integrity of forests while promoting and protecting local jobs and timber economy through sustainable forest management. This includes repairing watersheds, reconnecting waterways, and obtaining third party certification through development of certified markets. Expenditures include costs for research, evaluation, land acquisition, and project implementation as well as grants and loans.</p>
<p>Sustainable Water and Wastewater Management</p>	<p>i. Sustainable Rivers: Utilize science and monitoring equipment to determine flow requirements for rivers to support wildlife and then creating operating plans for dams, structures or water usage in order to achieve flows that support the environment (for example, scientific prescriptions for the timing, quantity and quality of water flow that must occur downstream and upstream of dams in order to revive and sustain critical ecological functions and habitat for species). Expenditures include costs for research, evaluation, education, and project implementation including water flow and quality monitoring equipment, as well as grants.</p> <p>ii. Water Management: Engage in science modeling, provide technical capacity to local partners, and negotiate partnerships related to water usage and engage in watershed restoration in order to improve water quality and availability for consumption. Expenditures include costs for research, evaluation, project implementation, technology such as software for modeling and grants.</p>
<p>Climate Change Adaptation</p>	<p>i. Natural Climate Solutions (NCS): A TNC led study found that NCS can provide one third of the emissions reductions needed to address the climate crisis. We are working to establish projects and influence policy in some of the highest emitting countries in the world to implement practices to promote conservation such as peatland restoration, landscape restoration, and Indigenous communities' stewardship programs. Expenditures include costs for research, outreach and education, evaluation, trainings, equipment required for restoration activities, project implementation, and grants.</p> <p>ii. Restoring Habitats to Reduce Impacts of Climate Change: TNC works with NGO partners to protect and restore natural habitats, such as mangroves and coral reefs, that help reduce the impact of severe storms and floods. Projects include ecosystem-based disaster risk reduction measures that harness natural systems to prevent and reduce natural hazards and climate change impacts. For example, protecting and supporting the growth of coral reefs that provide cost-effective natural barriers from waves, storms and floods, or planting more mangrove trees, which grow roots that mitigate coastal erosion, provide food and other services, and store carbon. Expenditures include costs for research, evaluation and project implementation including purchasing materials for artificial reef structures and diving equipment, as well as grants</p>

Table 2: Key Performance Indicators

Use of Proceeds	Key Performance Indicators
Environmentally Sustainable Management of Living Natural Resources and Land Use	<ul style="list-style-type: none"> i. Land, freshwater and marine ecosystem protected (hectares) ii. Land, freshwater and marine ecosystem protected with improved management (hectares) iii. River protected (km)
Sustainable Water and Wastewater Management	<ul style="list-style-type: none"> i. River protected (km) ii. People benefiting from nature to adapt to climate change (number of people) iii. People with improved security of rights over natural resources, sustainable economic opportunity, or ability to participate in decision making about natural resources (number of people)
Climate Change Adaptation	<ul style="list-style-type: none"> i. GHG emissions sequestered or avoided through emission reduction (metric tonne CO₂ equivalent)

Issuer’s Responsibility

TNC is responsible for providing accurate information and documentation relating to the details of the funded projects, including description of projects, amounts allocated and project impact.

Independence and Quality Control

Sustainalytics, a leading provider of ESG research and ratings, conducted the verification of the use of proceeds from TNC’s 2022 Green Bonds. The work undertaken as part of this engagement included collection of documentation from TNC and review of said documentation to assess conformance with the Framework.

Sustainalytics relied on the information and the facts presented by TNC. Sustainalytics is not responsible nor shall it be held liable for any inaccuracies in the opinions, findings or conclusions herein due to incorrect or incomplete data provided by TNC.

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight of the review.

Conclusion

Based on the limited assurance procedures conducted,⁴ nothing has come to Sustainalytics’ attention that causes us to believe that, in all material respects, the Nominated Projects do not conform with the use of proceeds criteria and reporting commitments in the Framework. TNC has disclosed to Sustainalytics that 65.6% of the proceeds from the 2022 Green Bonds were fully allocated as of February 2024. The remaining 34.4% of the proceeds are expected to be allocated by March 2025.

⁴ Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the funded projects, including description of projects, their estimated and realized costs and impact, as provided by the issuing entity, which is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

Detailed Findings

Table 3: Detailed Findings

Framework Requirements	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the Nominated Projects funded with proceeds from the 2022 Green Bonds to determine if projects aligned with the use of proceeds criteria outlined in the Framework.	All projects reviewed complied with the use of proceeds criteria.	None
Reporting Criteria	Verification of the Nominated Projects funded with proceeds from the 2022 Green Bonds to determine if impact of projects was reported in line with the KPIs outlined in the Framework.	All projects reviewed reported on at least one KPI for applicable use of proceeds categories, contingent upon the availability of impact data.	None

Appendix

In 2022, TNC issued a green bond and raised USD 350 million. As of February 2024, 26.3% of the proceeds were used to finance new projects, 39.3% to refinance existing projects, and 34.4% remain to be allocated by March 2025.

Table 4: Allocation and Reported Impact of completed projects from the 2022 Green Bonds

Use of Proceeds Category	Projects	Eligibility Criteria per the Framework	Environmental Impact Reported ⁵	Allocated Amount (USD) ⁶
Environmentally Sustainable Management of Living Natural Resources and Land Use	Lake Tanganyika Forever	Sustainable Fisheries	Not yet available	500,000
	Palau Marine Sanctuary		Not yet available	2,600,000
	Zambia's Wild Heart		Not yet available	800,000
	FishKit		Not yet available	1,743,890
	Electronic Fisheries Monitoring in Latin America		Not yet available	2,349,006
	Keystone Woodlands - Oklahoma, USA		i. Land protected: 4,996 hectares	4,375,000
	Sandhills - North Carolina, USA		i. Land protected: 115 hectares	1,996,568
	Coosawhatchie River- South Carolina, USA		i. Land protected: 161 hectares ii. River protected: 1.4 km	2,490,608
	Onslow Bight - North Carolina, USA		i. Land protected: 108 hectares	482,000
	Onslow Bight/Holly Shelter - North Carolina, USA		i. Land protected: 654 hectares	2,422,500
	Patoka River NWR - Indiana, USA		i. Land protected: 692 hectares	2,250,000
	Loess Hills aka Broken Kettle Grasslands - Iowa, USA		i. Land protected: 144 hectares	1,352,022

⁵ Sustainalytics notes that TNC has reported impacts of just the refinanced projects and certain new projects for which the impact data was available. TNC has communicated to Sustainalytics that it will report on the environmental impacts for the remaining projects upon the availability of primary data.

⁶ TNC has communicated to Sustainalytics that the nature of expenditures includes project implementation costs, grants, loans or other applicable expenditures per the criteria defined in the Framework.

Sustainable Water and Wastewater Management	Little Blue River - Missouri, USA	Sustainable Rivers	i. Land protected: 110 hectares	1,768,000
			ii. River protected: 1.2 km	
	Gasconade River Hills - Missouri, USA		i. Land protected: 243 hectares	1,581,956
			ii. River protected: 3.2 km	
	Roanoke River North Carolina, USA		i. Land protected: 380 hectares	1,714,706
	Roanoke River North Carolina, USA	i. Land protected: 337 hectares	1,762,986	
Accelerating Asia-Pacific Freshwater Outcomes		Not yet available	1,008,000	
Resilient Watersheds: Providing Water, Food, and Climate Benefits at Scale in Kenya	Water Management	Not yet available	2,200,000	
Climate Change Adaptation	Africa's Congo Forest and River Basin	Natural Climate Solutions	Not yet available	250,000
	Natural Climate Solutions		Not yet available	1,392,000
	Piedmont - South Carolina, USA	Restoring Habitats to Reduce Impacts of Climate Change	i. Land protected: 925 hectares	6,465,107
			ii. River protected: 13 km	
	LaRue Trail of Tears - Illinois, USA		i. Land protected: 77 hectares	1,142,766
	Port Royal Sound - South Carolina, USA		i. Land protected: 1,295 hectares	30,000,000
			ii. Ocean protected: 466 hectares	
	iii. River protected: 87.5 km			
Southern Deltas - Alabama, USA	i. Land protected: 3,212 hectares	2,408,600		
Asia Pacific Reforestation		Not yet available	1,490,000	

	Delivering the 30x30 Target		Not yet available	3,640,000
	Reducing Climate Risks to Conservation Investments		Not yet available	1,655,211
	Establishing Launching Pads for Adaptation in Africa and the Amazon		Not yet available	2,908,500
Proceeds Allocated (USD)				84,749,426
Proceeds Previously Allocated_(USD)				144,895,000⁷
Proceeds Unallocated (USD)				120,355,574

⁷ The noted amount was previously allocated to other eligible expenditures as of March 2022.

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