I. PURPOSE

The Nature Conservancy (“TNC” or “the Conservancy”), through its Global Board of Directors (“Board”), has separately established a policy entitled “Centralized Banking, Borrowing and Investment” which requires the central management of all Conservancy financial assets and broadly outlines the Conservancy’s investment management framework. Among other things, that policy states:

“The Investment Committee of the Board of Directors is responsible for overseeing the Conservancy’s investment portfolio. The Chief Finance and Administrative Officer and the Chief Investment Officer are authorized to take any and all actions necessary to manage the investment portfolio in accord with the broad policy direction established by the Investment Committee. The intent of the Investment Committee shall be reflected in a separate and more detailed Investment Policy Statement, which shall be maintained and updated by the Chief Investment Officer and approved by the Investment Committee.”

Therefore, the purpose of this Investment Policy Statement (“IPS”) is to describe the intentions of The Nature Conservancy’s Investment Committee in its oversight of the Conservancy’s long-term investment portfolios, pursuant to the Centralized Banking, Borrowing and Investment Policy. This IPS provides a structure consistent with a standard of care necessary for the Board to exercise its fiduciary responsibility in managing the funds of the organization. This document should also assist The Nature Conservancy’s Investment Committee, Chief Investment Officer (“CIO”), and the Office of Investments (“internal investment team”) in exercising their fiduciary obligation to manage the assets prudently, and in accordance with TNC’s long-term investment objectives.

This policy statement is designed to allow for sufficient flexibility in the management oversight process to capture investment opportunities as they may occur, while setting forth reasonable and prudent parameters to ensure discipline and care in the execution of the investment program.

This IPS applies to The Nature Conservancy’s investible assets deemed to be long-term assets, including the organization’s endowment and certain long-term working capital funds. For accounting purposes, the Conservancy’s investments are grouped into three major pools: Endowment, Capital, and Donor-Advised Funds (“DAF”). For purposes of this IPS, however, the pools are managed as one Long-Term Portfolio (“LTP”) with a single set of risk-return objectives and liquidity constraints. This reflects the Board’s belief that these pools share broadly similar long-term risk and return objectives as well as liquidity requirements. Please see Appendix A for a detailed description of each pool.

II. INVESTMENT OBJECTIVES

In general, the purpose of the portfolio is to support the Conservancy’s global operations and activities by implementing both a total return investment strategy consistent with the goal of maintaining, or, ideally, increasing the purchasing power of the portfolio without imprudently risking the principal value of these funds.

For the investable assets within the LTP, the Conservancy will target the following objectives:

<table>
<thead>
<tr>
<th>Time Horizon:</th>
<th>Perpetuity</th>
</tr>
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</table>
**Return Objective:** To exceed TNC’s Spending Rate + Inflation (referencing CPI(U)), annualized, over a market cycle. Additionally, to exceed the annualized return of a relevant peer group and/or policy benchmark over a market cycle.

**Risk Objective:** To generate its investment returns consistent with the annualized volatility of a relevant policy benchmark comprised of equity and bond indices, while protecting capital in adverse market conditions.

### III. ROLES & RESPONSIBILITIES

The Nature Conservancy exercises great care in the management, monitoring, and governance of the portfolio’s funds. The Board, Investment Committee, CIO, Investment Advisor(s), Investment Custodian and Investment Managers, all play various critical roles in the research, vetting, weighting, execution, and monitoring of these individual investments, and, therefore, the composition and performance of the overall portfolio. TNC’s Board has delegated authority over the management of the LTP to the Investment Committee, which in-turn delegates authority to the CIO and other investment managers to invest on TNC’s behalf. All parties responsible for investing TNC’s portfolio are expected to maintain a high standard of diligence and care when making investment decisions and are expected to always act in good faith with the care that an ordinarily prudent person in a like position would exercise under similar circumstances.

These important constituents and their functions are outlined in more detail below, though responsibilities are not limited to those listed and are subject to more comprehensive policies or agreements with TNC.

**Board**
- Approves the “Centralized Banking, Borrowing and Investment” policy
- Periodically reviews the asset allocation targets and ranges set by the Investment Committee
- Approves changes to the Investment Objectives
- Approves Allowable Ranges for Growth and Liquidity/Protection assets
- Approves the annual endowment spending rate and spending rate base

**Investment Committee**
- Oversees the implementation of this Investment Policy Statement and the Co-Investment Policy Statement
- Sets investment objectives (changes must be approved by the Board)
- Approves Asset Allocation Targets (e.g., equity), Asset-Class Targets (e.g., long-only equity), and Rebalancing Ranges within Board-approved Allowable Ranges by majority of quorum
- Approves hiring of new investment managers by majority of quorum
- Establishes performance benchmarks by majority of quorum
- Regularly reviews performance results
- Approves investment restrictions by majority of quorum, as necessary
- Reviews Investment Policy Statement and Co-Investment Policy Statement annually

**Chief Investment Officer**
- Provides vision and oversight to the management and strategic growth of the Conservancy’s assets
- Partners with the Investment Committee of the Board of Directors and provides the investment expertise and counsel to achieve the organization’s long-term investment objectives
- Leads an internal team of investment and operations professionals who assist in providing day-to-day oversight and monitoring of the LTP and other long-term pools of capital
- As required, employs the services of third-party consultants, advisors, data providers, systems, and tools to aid in the day-to-day monitoring and management of the LTP and other long-term pools of capital
• Ensures overall compliance with the IPS and updates the IPS as needed
• Oversees the internal investment team’s activities regarding initial due diligence, selection, ongoing monitoring and termination of individual investment managers and makes new manager recommendations to the Investment Committee
• Approves new commitments with existing private investments managers provided written notification is sent to the Investment Committee at least two weeks prior to commitment. The maximum new commitment to a single existing private investment manager that the CIO can approve is $25M. The aggregate new commitments to existing private investment managers that the CIO can approve within a calendar year is $150M.
• Approves co-investments, in accordance with the Co-Investment Policy Statement, provided written notification is sent to the Investment Committee at least two weeks prior to commitment
• Terminates investment managers provided written notification of termination is sent to the Investment Committee at least two weeks prior to execution
• Ensures investment processes and associated documentation are sufficient to meet audit requirements
• Works with accounting and treasury to ensure proper recordation and reconciliation of investments (e.g., commitments, capital calls, etc.) and assist with related preparations for audit
• Prepares and presents investment results to senior Conservancy management and the Investment Committee
• Periodically evaluates investment custodian/advisor/manager relationships to ensure favorable service/cost paradigm
• Works closely with the Investment Committee and investment advisors in developing investment strategy and overall asset allocation
• Interprets sustainable investing restrictions and implements restrictions, including determining compliance of securities and investment managers. Reports compliance at least annually to Investment Committee

**Investment Advisor(s)**
• Understands the Conservancy’s investment and risk objectives and tolerances
• As needed, advises the CIO and internal investment team on investment strategy and benchmarks
• Maintains proprietary asset allocation model and capital market expectations. Apprises CIO and internal investment team of any material changes to either
• Where relevant, conducts initial and ongoing operational, financial, personnel, and strategy due diligence of current and prospective investment managers
• Where relevant, makes recommendations to the CIO and internal investment team regarding potential changes in investment managers
• As needed, assists in the preparation of subscription documents to prospective investment managers
• As needed, performs analysis of entire portfolio and/or individual investment managers and is available to discuss with the Investment Committee, CIO, and the internal investment team
• Produces official performance reports for use by the Investment Committee, CIO, and internal investment team

**Investment Custodian**
• The custodian provides custody services for the securities in the portfolio. The custodian should provide safekeeping for these assets and timely settlement of securities transactions. The custodian also provides security pricing, electronic access to accounts, and regular reporting
• Retains custody of underlying assets, where practicable
• Provides accounting for all investment transactions
**Investment Managers**
- Manage the underlying assets for the Conservancy in accordance with respective investment manager agreements, this IPS, and all applicable fiduciary requirements/laws/regulations
- Provides performance and holdings information at least quarterly

**IV. INVESTMENT PHILOSOPHY**

In seeking to attain the investment objectives set forth, the Conservancy shall exercise prudence and appropriate care to manage investments in the context of the portfolio, as a whole, with a focus on long-term strategy, and the best interest of the organization. While each asset class, strategy, and manager will be carefully selected, the focus of the portfolio’s investment process should be on achieving the overall portfolio objectives, as a whole.

The Conservancy recognizes that risk must be assumed to achieve long-term investment objectives. In establishing its investment objectives, the Conservancy has considered its ability to withstand short and intermediate term variability and concluded that the portfolio can tolerate interim fluctuations in market values and rates of return in order to achieve its long-term objectives. In addition, the Conservancy acknowledges that all investing involves risk and that achieving the risk and return objectives cannot be guaranteed.

The investment strategies to achieve the Investment Objectives, generally, include the following:
- Position the portfolio for growth through investing a large portion of the portfolio in equities and other risk assets;
- To protect the portfolio in market drawdowns and provide liquidity to support spending needs, allocate a portion of the portfolio to high-quality, liquid fixed income investments;
- In order to reduce volatility of returns and long-term risk to the portfolio, diversify across risk factors, asset-classes, and investment managers;
- Intentionally integrate environmental, social, and governance (“ESG”) criteria in investment deliberations and consider the mission alignment implications of a given investment opportunity or strategy;
- Intentionally hire investment managers with diverse ownership and invest in strategies that seek to empower underrepresented minorities, without sacrificing financial returns;
- Seek outperformance of relevant benchmarks through active management;
- Be willing to emphasize less-efficient asset classes where there is greater opportunity for outperformance;
- Consider possible effects of inflation

It is anticipated that the Conservancy will not typically select individual securities directly, but that the security selection will be managed by independent investment managers. It is expected that the Conservancy will employ an internal CIO and team of investment and operations professionals. There may be opportunities for the Conservancy to invest directly in a private enterprise alongside one of its existing investment managers, commonly described as a co-investment. A separate Co-Investment Policy Statement outlines the conditions for making co-investments within the LTP.

To maintain prudent diversification and to avoid undue risk, the assets will be divided among multiple managers. The number of managers used will be determined by such factors as the total funds committed to an investment asset category, diversification, monitoring and cost considerations, and the investment style of the selected managers.
Emphasis will be placed on seeking high quality investment managers. A proven style of investment that offers the best opportunity for meeting the investment objectives of the Conservancy is a basic requirement. Characteristics of selected firms will include a clear investment strategy, proven investment record and a disciplined decision-making process. In all cases, careful analysis will be conducted to evaluate the likelihood that the manager’s prior track record can be maintained (or in the case of a newer organization, the prior track records of its principals).

V. ASSET ALLOCATION

The Conservancy recognizes that, over the long term, the allocation among various asset classes will be an important determinant of the portfolio’s investment performance. The Conservancy has evaluated the various investment asset classes available and considered both the historical and potential future rates of return and relative levels of risk associated with each.

The Conservancy’s Board of Directors establishes broad, risk-based Allowable Ranges guiding exposure to Growth and Liquidity/Protection. The Investment Committee then works with the CIO and the internal investment team to establish a more-detailed Asset Allocation Target within these Board-approved Allowable Ranges.

It is anticipated that changes to this allocation may be made over time and that new targets and ranges may be deemed necessary when there is a significant change in cash requirements, capital market expectations, risk and return objectives, or other relevant factors. Please see Appendix C for detailed policy targets and ranges.

Due to fluctuation of market values across asset classes, allocations within the approved Rebalancing Range are acceptable and constitute compliance with these guidelines. Also, it is anticipated that a period of time may be required to fully implement changes in asset allocation and that periodic revisions may be required given market dislocations. The CIO has discretion with respect to implementation of asset allocation decisions within the Rebalancing Ranges and consistent with seeking to achieve the Asset Allocation Targets and underlying Asset Class Targets.

VI. PORTFOLIO CONSTRUCTION

Asset Classes
The following are some examples of asset classes which may be considered within the Conservancy’s portfolio:

1. **Domestic Equities** – United States equities including publicly-traded common, preferred, and convertible securities.
2. **Global Equities** – equities from developed and emerging markets anywhere in the world including publicly-traded common, preferred, and convertible securities, as well as American Depository Receipts.
3. **International Developed Equities and Emerging Markets Equities** – non-U.S. developed, and emerging market publicly-traded common, preferred, and convertible securities, as well as American Depository Receipts.
4. **Fixed Income** – domestic and international debt, including both public and privately traded, government, government agency, corporate debt, and structured credit.
5. **Cash and Cash Equivalents** – collective short-term investment funds such as money market funds, as well as money market instruments such as commercial paper, certificates of deposit, time deposits, bankers’ acceptances, repurchase agreements, and short-term fixed income securities.
6. **Hedged Strategies** – private investment vehicles that may contain assets that are not publicly or freely traded, as well as publicly-traded securities and derivatives.

7. **Private Equity** – private investment vehicles that contain assets or strategies such as venture capital, growth equity, mezzanine financing, buy-outs, etc.

8. **Real Assets** – real estate, REITs (Real Estate Investment Trusts), commodities and natural resources.

The portfolio may utilize a variety of investment structures, including separate accounts, commingled accounts, partnerships, institutional mutual funds, ETFs, futures, co-investments, Special Purpose Vehicles, and others. Further, the Conservancy does exclude certain investment opportunities from the investment portfolio when deemed inconsistent with its mission.

**Liquidity**

Given TNC’s ongoing spending needs, the Investment Committee, CIO, and the internal investment team shall carefully consider the portfolio’s liquidity needs when allocating between investment managers or selecting new ones. The portfolio should, at all times, maintain sufficient liquidity to both meet its annual spending requirements and allow for prudent asset allocation shifts – even in adverse market conditions.

The LTP seeks to capture the incremental returns typically offered to investors as compensation for forfeiture of liquidity, while balancing potential short-term liquidity needs. The episodic nature of cash flows inherent in illiquid investments makes precise control of portfolio liquidity difficult at any given time. To ensure liquidity is available to meet spending requirements, capital calls, and to facilitate rebalancing, target amounts (and permissible ranges) of assets that could be converted to cash within various time periods are set as specified in Appendix B. The CIO will monitor the overall liquidity of the LTP on a monthly basis to ensure compliance with these ranges, and report to the Investment Committee.

**Public Equity Regional Allocation**

To ensure the LTP’s investments in public equity securities do not deviate significantly from the public equity benchmark’s geographical allocations, allowable ranges, as shown in Appendix C, have been introduced. The CIO will monitor the regional allocation of the LTP’s public equity securities on a monthly basis to ensure compliance with these ranges, and report to the Investment Committee.

**VII. MISSION INVESTMENT POLICY**

The mission of the Conservancy is to conserve the lands and waters on which all life depends. We pursue this mission through scientific exploration, policy engagement, positive collaboration with the private sector, and fostering innovation. Our work enables large scale conservation, catalytic science and impactful programs and investments across the enterprise, which are supported by the capital invested in the LTP. The strategic imperatives and cultural tenets which underlie our global work are the efforts of dedicated and diverse staff, the pursuit of effective partnerships with individuals, enterprise, and governments, and using a non-confrontational, collaborative approach.

Our mission and the collaborative ethos of the Conservancy also informs the strategy and implementation of the LTP. The Conservancy’s leadership actively encourages its professional staff, and investment advisers to integrate ESG criteria in their investment deliberations and to consider the mission alignment implications of a given investment opportunity or strategy.

As with our programmatic work, our mission investment policy considers many perspectives and enables the integration of a sustainability and mission lens along with the high standards for investment sourcing, diligence, and management. We believe this added layer of examination can enhance our understanding of
risks and opportunities within the portfolio, and that high-quality investments with strong mission alignment can reflect and enhance the aims and impacts of our global initiatives.

As stewards of the Conservancy’s LTP, the Investment Committee, the CIO and the internal investment team will proactively seek sustainable and mission-aligned opportunities. The opportunity set of investments that meet both financial and mission objectives is growing and evolving, and the internal investment team will actively explore and monitor these opportunities for suitability for the LTP. All LTP investments are held to the same high diligence standards for inclusion on both economic and mission criteria.

In addition, applying a Diversity, Equity, and Inclusion (“DEI”) lens within the LTP reinforces the Conservancy’s mission of “living our values,” while simultaneously promoting women, non-white males, and underrepresented communities, without sacrificing financial returns. Underrepresented communities are defined as Black, Hispanic and Indigenous Peoples. This effort will attempt to increase the prominence, relevance, and social stature of these minority groups through three main pathways:

1. Intentionally hiring investment managers with diverse ownership, defined as firms with 33% or more of the equity held by women, non-white males and/or underrepresented minorities.
2. Encouraging investment managers to hire, train and mentor women, non-white males and/or underrepresented minorities, especially on their investment teams. This effort will help increase the pipeline of diverse junior investment talent.
3. Investing in strategies that seek to empower underrepresented minorities with the tools, resources, and financial capital to “vote their wallets.”

Regarding portfolio composition, the Conservancy utilizes a number of professional external investment managers to create and manage its investment portfolio, targeting a prudent balance between risk and return. The Conservancy selects highly capable and proven investment managers willing and able to manage a portfolio within a specific asset class and seeks to do so consistently with our mission. Specifically, we strive to employ managers who use ESG criteria to inform investment decisions, thereby helping to direct investment dollars toward companies positively integrating sustainability measures and who can generate acceptable financial and mission-aligned outcomes.

The Conservancy believes that the prudent management of environmental issues is a potential source of creating value for investors. In general, companies that are successful in avoiding environmental risks, and also at identifying and capitalizing on sustainability opportunities, should reap economic benefits over time.

Investing with the intention to increase mission alignment and impact is not a static pursuit, nor does it replace best practices and deep experience in investment management. This policy is designed to be both progressive with respect to integration of mission and sustainability factors and to allow for prudent implementation and best execution of an institutional investment portfolio. As such, we do exclude certain investment opportunities from the investment portfolio when deemed inconsistent with our mission.

Aligning investments with mission is consistent with this belief and can be additive to the portfolio and our process; however, it is a complement to, and not a substitute for, rigorous financial assessment of investment risk and reward. The Conservancy’s mission is one of several factors that inform investment decisions and serve the primary purpose of the LTP.

We believe that the prudent management of environmental and resource scarcity issues is a potential source of creating value for investors. Companies that are successful in avoiding environmental risks, and also at identifying and capitalizing on sustainability opportunities, should reap economic benefits over time. Therefore, we believe proactively pursuing high-quality investments with positive environmental benefits
is consistent with our fiduciary requirements to prudently manage risk and return, while also paralleling our conservation mission and our support of sustainability-minded corporations.

VIII. MONITORING & BENCHMARKING

1. To evaluate the performance of the entire Long-Term Portfolio, the portfolio shall be compared to the LTP Policy Benchmark, which incorporates the static weights of the policy Asset Allocation Targets and the returns of relevant benchmarks. This benchmark helps indicate the combined effects of manager selection and asset allocation versus the strategic policy targets.

2. Overall performance should be compared to an endowment fund peer group in an appropriate investment manager database periodically. Recognizing that peer group comparisons are imprecise, these comparisons will be used to give additional context for the market environment.

3. A benchmark index will be associated with each individual investment manager. Over full market cycles each manager’s performance, net of fees, is expected to be greater than its benchmark. It is expected that the excess return will be greater for higher risk asset classes than for lower risk asset classes. Furthermore, investment manager performance should be compared to peer groups in an appropriate investment manager database.

4. The CIO and the internal investment team shall review portfolio performance at least monthly and conduct ongoing due diligence of investment managers, including onsite visits. If appropriate, investment managers may be asked to meet with the Investment Committee.

5. The CIO will review the investment performance of the portfolio and the individual investment managers with the Investment Committee at its regularly scheduled meetings.

Please see Appendix C for the LTP Policy Benchmark, composite benchmarks, as well as peer group details.

IX. OTHER CONSIDERATIONS

Contract Authorization
The Investment Committee approves and authorizes the CIO to execute any documents in form and substance satisfactory to him or her to facilitate implementation of this IPS and the investment policy, including but not limited to, contracts with consultants, trustees, custodians, brokers, and investment managers for providing services.

Proxy Voting
It is recognized that the proxy vote attached to a security has a value and is therefore an asset of the invested funds. All proxies are to be voted solely in the interest of the Conservancy. Proxies should be voted for issues which enhance shareholder economic value, maintain, or improve shareholder rights, are not dilutive and provide reasonable accountability for management. To the extent the Conservancy invests in pooled or commingled funds, the Conservancy assents to the proxy voting guidelines adopted by the managers of these funds.
Appendix A

Detailed Investment Pool Descriptions

The LTP is comprised of three underlying pools. Though each of these pools is distinct, the Board has determined that they share similar risk tolerances and return goals that they can be managed as a single entity. These three pools are described below.

Endowment Pool
The Endowment Pool is comprised of either donor-restricted (“true” endowment) or Board-designated (“quasi” endowment) funds, the principal of which is expected to be held for perpetuity while producing annual operating funds for the organization. The amount of funds provided each year for operations is established by Board resolution through its adoption of an annual endowment spending rate and spending rate base. The endowment spending rate, when applied to the approved spending rate base, determines the maximum amount which may be allocated from a given endowment annually in accordance with the restrictions, if any, which may have been specified by the donor. This maximum, per endowment, is communicated throughout the organization as a part of the annual budgeting process. For avoidance of doubt, the Finance Committee is charged with recommending the spending policy to the Board. The CIO, the internal investment team, and the Investment Committee shall provide assistance in determining an appropriate spending rate.

The Capital Pool and DAF are comprised of the following:
- Funds raised for capital projects which have yet to be expended;
- Savings for future use set aside by Conservancy operating units from prior year surpluses, bequests, or multi-year operating gifts;
- Conservation Impact Fund not currently in use for financing land transactions;
- Donor-advised funds; and
- Investments used to fund large-scale carbon sequestration projects.

Returns from the Capital Pool and DAF are used for the following purposes:
- To provide a return on the savings of operating units;
- To provide an additional source of unrestricted income to support organizational priorities.

The Capital Pool and DAF serve as a potential source of funds for large-scale projects such that, on occasion, the Conservancy will utilize capital funds for large acquisitions. Aside from these infrequent withdrawals, the aggregate balance of the Capital Pool and DAF remain fairly stable over time. Given the occasional, but limited, liquidity requirements, the relative stability of the invested corpus, and the return requirements expressed above, the investment objectives for the Capital Pool and DAF are: (1) primarily, to provide timely liquidity for potential large-scale projects and other spending, and (2) secondarily, to generate an annual return of the spending rate. As a result of these somewhat divergent goals, a portion of the Capital Pool is used to focus on liquidity needs. The organization’s Treasury function manages this shorter-term liquidity outside of the investments covered by this IPS. The portion of the Capital Pool managed under this IPS is therefore deemed longer-term in nature and is managed in-line with the Endowment Pool towards the targets and ranges described in Appendix C.
## Appendix B

### Liquidity Policy

<table>
<thead>
<tr>
<th>Liquidity Available Within</th>
<th>Target</th>
<th>Minimum</th>
</tr>
</thead>
<tbody>
<tr>
<td>One Day</td>
<td>15%</td>
<td>10%</td>
</tr>
<tr>
<td>One Week</td>
<td>25%</td>
<td>20%</td>
</tr>
<tr>
<td>One Month</td>
<td>35%</td>
<td>30%</td>
</tr>
<tr>
<td>One Quarter</td>
<td>60%</td>
<td>50%</td>
</tr>
<tr>
<td>One Year</td>
<td>75%</td>
<td>60%</td>
</tr>
</tbody>
</table>
### Appendix C

**Asset Allocation Targets, Ranges and Benchmarks**

<table>
<thead>
<tr>
<th>Factor Allocation</th>
<th>Asset Class</th>
<th>Benchmark</th>
<th>Target</th>
<th>Range</th>
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</thead>
<tbody>
<tr>
<td>Equity</td>
<td>Public Equity</td>
<td>MSCI All Country World Index (Net)</td>
<td>35%</td>
<td>45% - 70%</td>
</tr>
<tr>
<td></td>
<td>Private Equity</td>
<td>50% Russell 3000 Index, 25% NAREIT Equity REITs Index, 25% BofA ML US High Yield Master II Index</td>
<td>20%</td>
<td></td>
</tr>
<tr>
<td>Diversifying Investments</td>
<td>Hedged Strategies</td>
<td>40% MSCI AC World Index (Net) 60% Barclays Intermediate Government/Credit Bond Index</td>
<td>30%</td>
<td>20% - 45%</td>
</tr>
<tr>
<td>Liquidity/Protection</td>
<td>Cash</td>
<td>FTSE Treasury Bill-3 Month</td>
<td>2%</td>
<td>5% - 35%</td>
</tr>
<tr>
<td></td>
<td>Fixed Income</td>
<td>Bloomberg Barclays Intermediate Government/Credit Index</td>
<td>13%</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Public Equity Regional Allocation</strong></th>
<th><strong>Target</strong></th>
<th><strong>Range</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic Equity</td>
<td>60%</td>
<td>50% - 70%</td>
</tr>
<tr>
<td>International Developed Equity</td>
<td>30%</td>
<td>20% - 40%</td>
</tr>
<tr>
<td>Emerging Markets Equity</td>
<td>10%</td>
<td>5% - 15%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Composite</th>
<th>Benchmark</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Equity</td>
<td>MSCI All Country World Index (Net)</td>
</tr>
<tr>
<td>Global Equity</td>
<td>MSCI World (Net)</td>
</tr>
<tr>
<td>Domestic Equity</td>
<td>Russell 3000 Index</td>
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<td>International Developed Equity</td>
<td>MSCI World ex. US Index (Net)</td>
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<tr>
<td>Emerging Markets Equity</td>
<td>MSCI Emerging Markets Index (Net)</td>
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<td>Fixed Income</td>
<td>Bloomberg Barclays Intermediate Government/Credit Index</td>
</tr>
<tr>
<td>Cash</td>
<td>FTSE Treasury Bill-3 Month</td>
</tr>
</tbody>
</table>

**LTP Peer Groups**

**Non-Taxable foundations greater than $1 billion** – Approximately 125 institutions similar in size to The Nature Conservancy and able to allocate capital in a similar manner.

**Cultural and Environmental Foundations Between $150 million and $1 billion** – Includes approximately 25 institutes that align more directly with The Nature Conservancy’s long-term programmatic goals.
Appendix D

Investment Guidelines and Restrictions

Guidelines
Conflicts with the guidelines below should be known prior to entering into an agreement with manager. Managers are required to inform The Nature Conservancy regarding any change in strategy that may affect one of these guidelines.

1. Except in the case of the alternative asset class allocation, each manager must be either an investment advisor registered as such under the Investment Advisers Act of 1940 and qualified to act as an investment manager for the fund under Section 3(38) or each manager must be a bank as defined in that Act. Furthermore, each investment manager and the Conservancy, with requisite in-house legal review, must execute an “Investment Manager Agreement” which will include fee structure, investment guidelines and restrictions contained in this policy, and any additional guidelines or restrictions specific to the manager. Appropriate legal agreements, with requisite in-house legal review, will be executed with respect to alternative asset class investments where an “Investment Management Agreement” does not apply.

2. Assets are to remain in the custody of the Investment Custodian insofar as possible. Assets may be invested in commingled funds maintained by third parties that invest in securities authorized by this policy. While investment guidelines for commingled funds should be consistent with the intent of this policy, they need not comply with this policy in its entirety so long as the commingled fund maintains prudent diversification and avoids undue risk.

3. Assets are to be managed in such a way that they are subject to the prudent standard of care and any other applicable governmental or legal requirements. If there is any doubt or concern as to the prudence of any investment or as to the interpretation of this paragraph, the investment manager must notify the Conservancy of such doubt or concern before making the investment.

4. Managers are to seek best execution on all trades as measured by price, market impact and commissions.

5. Investments should be made with consideration of TNC’s status as a tax-exempt organization, both in terms of the strategies used and also the potential UBTI consequences.

6. Alternative investments may include direct managers, Fund of Funds, limited partnerships, offshore funds, or other similar vehicles investing in domestic and international securities (either buying long or selling short), private equity-venture and buy-out, high yield, distressed securities, mezzanine debt, loans, real estate, timber, farmland, derivative instruments, and other assets. In each case, the manager (as with traditional managers) will be expected to operate within the guidelines agreed upon at the investment’s inception, unless amended according to procedures agreed to at investment’s inception.

7. Exchange Traded Funds (ETFs) may be used to help manage the asset allocation in response to endowment and organizational cash needs, manager changes, target asset allocation changes, tactical decisions, investment opportunities, and other reasons. Each individual ETF utilized must exhibit clear correlation to the strategy intended.

8. Futures may be used to help manage asset class exposure consistent with the Asset Allocation Targets and Ranges. The selection of appropriate futures contracts should be informed by an analysis of the correlation characteristics and basis risk between the futures contract and the underlying asset class for which the futures will serve as a proxy.

9. Investment Managers must provide enough transparency that the internal investment team and Investment Advisor(s) can reasonably ascertain performance, value, and strategy. This includes alternatives managers.
Restrictions
1. Excluding the cash and fixed income asset class, no greater than 10% of the Conservancy’s portfolio may be invested with any single investment management firm. Should market dislocations result in a breach of this restriction, a correction shall be made as soon as practicable.
2. The entire portfolio will have no more than 10% of its assets (at market value) invested in the securities of any one issuer, with the exception of the U.S. Government and Agencies.
3. The weighted average quality of the overall fixed income portfolio must be rated at least A as rated by Standard and Poor’s and A2 by Moody’s.
4. Initial purchases of fixed income securities within the fixed income asset class are restricted to obligations with a minimum rating of B- by Standard & Poor’s or B3 by Moody’s, unless otherwise agreed upon with the investment manager and reflected in the investment management agreement.
5. No more than 40% of the securities in the overall fixed income allocation may be rated below Investment Grade or otherwise unrated securities. Investment Grade securities are defined as those with a minimum rating of BBB- by Standard and Poor’s or Baa3 by Moody’s.
6. Initial purchases of money market securities are restricted to obligations with a minimum rating of A-2 by Standard and Poor’s, P-2 by Moody’s, or their equivalent.
7. If a rating is split between ratings agencies, then the lower of the ratings will apply.
8. The use of leverage is prohibited at the portfolio level. Futures used to manage the portfolio asset allocation are acceptable provided that the notional value of any futures positions, including the net position of any paired short and long positions, do not increase the total market exposure of the portfolio, excluding cash and securities posted as futures collateral. Individual investment managers may utilize both derivatives and leverage provided such use is appropriate for such strategy and is consistent with the agreed-upon investment strategy.
9. No leveraged ETFs may be utilized at the portfolio level.
10. No Exchange Traded Notes should be used at the portfolio level.
11. Investment Advisor(s) and Investment Managers may not be compensated other than on an assets-under-management or performance-fee basis and may not accept referral fees or other financial incentives based on recommendations to TNC or usage of a particular strategy, firm, or product by TNC.
Appendix E

Valuation Standards

Valuation
The Conservancy endeavors to report its investments at fair value. The Conservancy’s managers utilize valuation procedures which are fairly standard in the industry and, in general, the Conservancy believes the valuation policies and procedures of our managers are reasonable.

These policies typically include the following:

- Marketable securities listed on a national securities exchange are valued at the last sale price on the date of valuation unless the security is not freely trade-able due to a contractual restriction, in which case a discount to the market price is allowed.
- Private securities are generally valued according to the mark-to-market method, which attempts to apply a fair value standard by referring to meaningful third-party transactions, comparable public market valuations and/or the income approach. An investment can be carried at cost if little has changed since the initial investment in the company.

Due to the illiquid nature of venture capital and private equity investments, the Conservancy generally utilizes the fair value of our interest in each of our manager’s partnerships as reported by the manager and adjusted by the Conservancy as necessary. The Conservancy reports these valuations when received from its managers, typically in the quarter following the current quarter’s activity.
Appendix F

Securities Lending

Securities held by the Investment Custodian may be loaned to others, only if continuously secured by cash or government securities with a market value equal to the minimums prescribed by regulation, or at least 102% of the market value plus accrued interest for domestic securities or 105% of the market value plus accrued interest for international securities loaned if no regulations apply.

With regard to the investment of the underlying collateral from loaned securities, the dollar-weighted maturity will be maintained with the objective of preserving principal. Funds may be invested in individual securities subject to the following restrictions, or in overnight commingled funds with the same criteria. The maximum weighted average maturity of the portfolio is 90 days. Put features and floating and variable rate note reset dates will be used as the proxy for maturity date in calculating the weighted average maturity for the portfolio.

- No instrument will have a maturity date or expected weighted average life in excess of thirteen months from time of purchase, except:
  - Floating and variable rate securities which may have a three-year final maturity, and
  - Floating rate asset-backed securities which may have an expected weighted average life of no greater than three years. Amortizing floating rate asset-backed securities may have an expected final payment date not exceeding five years from date of purchase, and
- All normal settlement period practices are not considered in applying the maturity constraints or calculating the weighted average maturity of the fund.