



Second-Party Opinion The Nature Conservancy Green Bond Framework

Evaluation Summary

Sustainalytics is of the opinion that the TNC Green Bond Framework is credible and impactful and aligns to the four core components of the Green Bond Principles 2021. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds – Environmentally Sustainable Management of Living Natural Resources and Land Use, Terrestrial & Aquatic Biodiversity Conservation, Sustainable Water and Wastewater Management, Climate Change Adaptation, Energy Efficiency and Renewable Energy – are aligned with those recognized by the Green Bond Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDG 6, 7, 13, 14 and 15.



PROJECT EVALUATION / SELECTION The Nature Conservancy’s local project review committee is responsible for the selection of projects, which will then be approved by the Oversight Committee. The Oversight Committee is comprised of the Chief Conservation Officer, Chief Finance Officer, General Counsel and Global Head, Impact Finance and Markets. TNC’s Global Board of Directors may also provide additional oversight in certain cases. TNC’s organizational policies and processes to identify and mitigate environmental and social risks are applicable to all allocations under the Framework. Sustainalytics considers these risk management systems to be adequate and the project selection process in line with market practice.



MANAGEMENT OF PROCEEDS The Nature Conservancy’s processes for management of proceeds is overseen by the Finance department, who is responsible for tracking the allocations to eligible projects. TNC intends to achieve full allocation within three years of the issuance. Pending allocation, the proceeds will be held in cash or cash equivalents or highly liquid debt securities. Sustainalytics views this to be aligned with market practice.



REPORTING The Nature Conservancy intends to report on allocation of proceeds on its website on an annual basis until full allocation. In addition, TNC is committed to reporting on relevant impact metrics. This is aligned with market practice.

Evaluation Date February 18, 2022

Issuer Location Arlington, USA

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Introduction

The Nature Conservancy (“TNC”, or the “Issuer”) is a non-profit conservation organization headquartered in Arlington, United States that works on a diversity of environmental issues surrounding the protection of land, water and ecosystems. Founded in 1951 and operating in 76 countries and territories, TNC has protected more than 125 million acres of land as of 2021.

TNC has developed the TNC Green Bond Framework (the “Framework”) under which it intends to issue green bond(s) and use the proceeds to finance and/or refinance, in whole or in part, existing and/or future projects that contribute toward environmental conservation. The Framework defines eligibility criteria in six areas:

1. Environmentally Sustainable Management of Living Natural Resources and Land
2. Terrestrial & Aquatic Biodiversity Conservation
3. Sustainable Water and Wastewater Management
4. Climate Change Adaptation
5. Energy Efficiency
6. Renewable Energy

TNC engaged Sustainalytics to review the TNC Green Bond Framework, dated February 2022, and provide a Second-Party Opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2021 (GBP).¹ This Framework will be published in a separate document.²

Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent³ opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Green Bond Principles 2021, as administered by ICMA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.11, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of TNC’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. TNC representatives have confirmed (1) they understand it is the sole responsibility of TNC to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and TNC.

Sustainalytics’ Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics’ Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the

¹ The Green Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>.

² The TNC Green Bond Framework will be available on The Nature Conservancy’s website at: <https://www.nature.org/>

³ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

responsibility of the Framework owner. The Second-Party Opinion is valid for issuances aligned with the respective Framework for which the Second-Party Opinion was written for a period of twenty-four (24) months from the evaluation date stated herein.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that TNC has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the TNC Green Bond Framework

Sustainalytics is of the opinion that the TNC Green Bond Framework is credible and impactful, and aligns to the four core components of the GBP. Sustainalytics highlights the following elements of the Framework:

- Use of Proceeds:
 - The eligible categories – Environmentally Sustainable Management of Living Natural Resources and Land Use, Terrestrial and Aquatic Biodiversity Conservation, Sustainable Water and Wastewater Management, Climate Change Adaptation, Energy Efficiency and Renewable Energy – are aligned with those recognized by the GBP.
 - Expenditures under the Framework may be used by TNC to finance or refinance direct expenditures related to the eligible green projects or provide loans or grants specifically related to the eligible green projects.
 - TNC has communicated to Sustainalytics that while the direct expenditures may include both CAPEX as well as OPEX, any OPEX financed will be directly attributable to the eligible green projects and will be tracked as such through TNC's internal processes. The Issuer has further established a look-back period of two years for all refinancing. Sustainalytics views this to be in alignment with market practice.
 - In addition to direct expenditures, TNC indicates in the Framework that it may provide conservation loans or grants to third-party organizations. TNC has communicated to Sustainalytics that such loans or grants will be provided to undertake specific activities associated with the eligible green projects mentioned in the Framework. TNC has further confirmed to Sustainalytics that it has internal tracking systems in place to ensure that the loans and grants are specifically related to eligible green projects. Sustainalytics considers this as aligned with market practice.
 - Under the Environmentally Sustainable Management of Living Natural Resources and Land Use category, TNC intends to finance projects that promote farming practices to improve soil health, sustainable fisheries and aquaculture projects and sustainable forestry projects.
 - Projects related to improving soil health may include the financing of research projects as well as training, loans or grants to local stakeholders such as community groups or individual small-holder farmers⁴ to promote practices such as no-till farming, crop rotation and the use of cover crops to reduce soil erosion, improve water availability and biodiversity. TNC has confirmed that it does not intend to target commercial-scale farms under this category. Sustainalytics notes positively that the activities contemplated by the Issuer support conservation agricultural practices⁵ and therefore views them to be environmental impactful.

⁴ TNC has communicated to Sustainalytics that small-holder farmers will be identified based on relevant local definitions as applicable in various jurisdictions.

⁵ Conservation Agriculture is a set of management practices that helps maintaining the soil health, enhance biodiversity and natural biological processes above and below the ground surface, such as through conservation tillage; sowing of diverse cover crops; multiple crop rotation; soil restoration and management; nutrient and waste management; and no or minimal pesticides or synthetic fertilizers. FAO promotes the adoption of CA principles "that are

- Under sustainable fisheries and aquaculture, TNC intends to finance equipment and training related to the use of monitoring equipment such as on-board cameras on commercial fishing vessels to track catch limits and improve regulatory compliance. Expenditures may include the purchase of the above-mentioned equipment directly by TNC, the provision of loans and grants to fishing vessels for the purchase of such monitoring equipment and training costs to promote their uptake and use. In addition, TNC may also finance research and evaluation projects with government partners to promote sustainable fishery management practices. Sustainalytics views this to be aligned with market practice.
- Sustainable forestry projects include investments aimed at promoting the restoration of forests and sustainable forest management practices and may include land acquisition costs, the financing of research studies as well as providing conservation loans or grants to local stakeholders such as community groups or small-holder forest owners. TNC has communicated to Sustainalytics that any project related to commercial forestry or timber operations will be certified under the Forest Stewardship Council (FSC)⁶ or Programme for the Endorsement of Forest Certification (PEFC).⁷ TNC has further confirmed that all other small-scale sustainable forestry projects financed will be accompanied by a sustainable forest management plan, enabling small-holders to comply with requirements that would have otherwise been met through FSC or PEFC certifications.⁸ Sustainalytics finds this category to be aligned with market practice.
- The Terrestrial and Aquatic Biodiversity Conservation category includes projects that use green infrastructure such as artificial coral reef structures and mangroves for the conservation of coastal areas. Expenditures under this category may include research studies to identify vulnerabilities and develop protection plans, costs related to community outreach and education as well as grants for NGO partners such as women's groups to promote local stewardship. Sustainalytics considers conservation projects aimed at protecting coastal ecosystems as aligned with market practice.
- The Sustainable Water and Wastewater Management category includes the financing of research and training aimed at protecting biodiversity, improving water quality and availability for consumption. This may be through research studies to monitor and model river flow to support wildlife habitats as well as grants to local partners to build technical capacity for watershed restoration. Sustainalytics considers these expenses to be aligned with market practice.
- Under the Climate Change Adaptation category, TNC contemplates financing projects related to the use of natural climate solutions for the preservation of biodiversity and mitigating climate-related disaster risk. Projects may include peatland restoration, landscape restoration, stewardship programs by indigenous communities as well as the use of artificial coral reefs and mangroves to protect from the effects of storms and floods. Expenditures under this category include financing research studies to identify climate adaptation strategies, cost of research equipment, training and outreach, as well as grants to community groups and other local stakeholders.
 - TNC has confirmed to Sustainalytics that all expenses under this category will be based on adaptation plans prepared in response to specific climate risks identified through science-based studies. Sustainalytics views this to be aligned with market practice.
- Under the Energy Efficiency category, TNC intends to finance high-efficiency air-source, ground-source or water-source heat pumps to replace fossil fuel heating sources within buildings. Sustainalytics views these expenditures as aligned with market practice.
- The Renewable Energy category is aimed at the identification of sites for solar and wind energy projects that do not lead to additional carbon release or adversely impact biodiversity. Under this category, TNC may finance siting research studies or provide training for local stakeholders

universally applicable in all agricultural landscapes and cropping systems." Food and Agriculture Organization of the United Nations (FAO), Conservation Agriculture: <http://www.fao.org/conservation-agriculture/en/>

⁶ Forest Stewardship Council, "Forest Management Certification", at: [Forest Management Certification | Forest Stewardship Council \(fsc.org\)](http://www.fsc.org)

⁷ Programme for Endorsement of Forest Certification, "What is PEFC?", at: [What is PEFC? - PEFC - Programme for the Endorsement of Forest Certification](http://www.pefc.org)

⁸ Sustainalytics highlights that forestry related assets or projects certified with either FSC or PEFC integrate appropriate management plan related to soil health, water and fire management, riparian area protection, biodiversity management, species selection, as well as chemical use.

- to promote solar and wind energy projects in such sites. In addition, TNC may also finance on-site solar photovoltaic systems at its offices and preserves. This is in alignment with market practice.
- Project Evaluation and Selection:
 - TNC’s local project review committee is responsible for the selection of projects, which will then be approved by the Oversight Committee, comprised of the Chief Conservation Officer, Chief Finance Officer, General Counsel and Global Head, Impact Finance and Markets. TNC’s Global Board of Directors may also provide additional oversight in certain cases.
 - TNC’s organizational policies and processes to identify and mitigate environmental and social risks associated with the use of proceeds are applicable to all allocations under the Framework. Sustainalytics considers this to be adequate. For additional detail, see Section 2.
 - Based on the allocation of responsibilities and the presence of risk management systems, Sustainalytics considers this process to be in line with market practice.
 - Management of Proceeds:
 - TNC’s Finance department is responsible for tracking the allocations to eligible projects. TNC has confirmed to Sustainalytics that it has internal tracking systems in place to monitor net bond proceeds.
 - TNC intends to achieve full allocation within three years of the issuance.
 - Pending allocation, the proceeds will be held in cash or cash equivalents or highly liquid debt securities.
 - Based on the presence of tracking systems, timeframe for allocation and the temporary use of proceeds, Sustainalytics views this process to be aligned with market practice.
 - Reporting:
 - TNC intends to make available allocation and impact reporting on its website within the first year of issuance and annually thereafter until full allocation.
 - Allocation reporting will include information such as amount allocated per project, date of initial funding, project descriptions and the share of financing to refinancing, subject to confidentiality considerations.
 - Impact reporting may include reporting on metrics such as the area of land, freshwater and marine ecosystems protected and managed, GHG emissions sequestered or avoided and the number of beneficiaries.
 - Based on the commitment to both allocation and impact reporting, Sustainalytics considers this process to be aligned with market practice.

Alignment with Green Bond Principles 2021

Sustainalytics has determined that the TNC Green Bond Framework aligns to the four core components of the GBP. For detailed information please refer to Appendix 1: Green Bond/Green Bond Programme External Review Form.

Section 2: Sustainability Strategy of TNC

Contribution of framework to The Nature Conservancy’s sustainability strategy

Sustainalytics is of the opinion that TNC demonstrates a commitment to sustainability with a focus on four key environmental priorities: (i) tackling climate change, (ii) protecting land and water, and (iii) providing food and water sustainably.⁹ The following commitments towards these priorities, as outlined within TNC’s 2020 Annual Report, align with the eligible use of proceeds categories in the Framework.^{10,11}

- TNC’s natural climate solutions include conservation activities, restoration, and improved land management practices that increase carbon storage or avoid greenhouse gas emissions in landscapes and wetlands.^{12,13} TNC has established climate related goals to avoid or sequester 3

⁹ The Nature Conservancy, “What we do”, at: <https://www.nature.org/en-us/what-we-do/our-priorities/>

¹⁰ “TNC 2020 Annual report” available on TNC’s website at: https://www.nature.org/content/dam/tnc/nature/en/documents/TNC_2020AnnualReport_Eng.pdf

¹¹ The Nature Conservancy’s website, at: <https://www.nature.org/en-us/>

¹² The Nature Conservancy, “Tackle Climate Change”, at: <https://www.nature.org/en-us/what-we-do/our-priorities/tackle-climate-change/>

¹³ The Nature Conservancy, “Climate Change FAQs”, at: <https://www.nature.org/en-us/what-we-do/our-priorities/tackle-climate-change/climate-change-stories/climate-change-frequently-asked-questions/#tnc>

billion tCO₂ each year until 2030 and to help 100 million people at severe risk of climate-related emergencies by protecting and restoring the health of natural habitats.¹⁴ Under the Mantiqueira Forest Restoration project which started in 2005, TNC has restored over 2,000 hectares of forest together with farmers, ranchers, and other stakeholders while bringing nature and jobs back to the mountains.¹⁵

- Regarding the protection of land and water, TNC has set a target to conserve 650 million hectares of healthy land, 30 million hectares of freshwater, and 4 billion hectares of oceans by 2030.¹⁶ Initiatives toward this target include the conservation of coral reefs and other ocean habitats in countries such as Mexico and Australia among others, large-scale investment in land conservation such as protecting half a million acres in Montana and restoring habitat along the Gulf of Mexico; and the conservation of Great Bear Rainforest in British Columbia, representing 19 million acres of Pacific coast between Vancouver Island and southeast Alaska.^{17,18} As of 2021, The Nature Conservancy has protected approximately 125 million acres of land.¹⁹
- With regard to providing food and water sustainably, TNC focuses on the use of technology to help communities use resources more efficiently and promoting policies that enable sustainability. Initiatives under this priority include providing fishers with electronic monitoring equipment and promoting fishing practices that reduce bycatch to help species recover.²⁰ In 2019, in collaboration with the Alaska Sustainable Fisheries Trust, TNC launched the Local Fish Fund.^{21,22} This Fund aims to incentivize ocean conservation practices and support Alaska's commercial fishers by providing loans that help them purchase fishing quotas, providing a dedicated portion of allowable harvest and a financial stake in the fishery. As of 2020, TNC had issued eight loans representing USD 1.5 million in funding.²³

In addition, TNC has signed the following initiatives to support sustainable operational activities: Center for Sustainability Science, NatureNet Science Fellowship, and Science for Nature & People Partnership.²⁴ The Center for Sustainability Science works with businesses and policymakers to develop solutions to benefit the environment and the economy.²⁵ The NatureNet Science Fellowship is a program for scientists and engineers to expand research on climate change and loss of biodiversity.²⁶ The Science for Nature & People Partnership was launched in 2013 as a scientific joint venture between the Conservancy, The Wildlife Conservation Society, and the University of California at Santa Barbara, to provide science-based evidence for project financing. In order to encourage businesses and governments to make investments in nature, the partnership was launched to provide evidence on return on investments.²⁷

Based on the above context, Sustainalytics is of the opinion that the Framework is aligned with TNC's overall sustainability strategy and will contribute toward accelerating TNC's ability to carry out its key sustainability priorities.

Approach to managing environmental and social risks associated with the projects

While Sustainalytics recognizes that the net proceeds from the bonds issued under the Framework will be directed towards eligible projects that are expected to have positive environmental impact, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks associated with the eligible projects, could include occupational health and

¹⁴ The Nature Conservancy, "What we do", at: <https://www.nature.org/en-us/what-we-do/our-priorities/>

¹⁵ The Nature Conservancy, "Mantiqueira Forest Restoration", at:

https://www.nature.org/content/dam/tnc/nature/en/documents/TNC_Natural_Climate_Solutions_BRAZIL.pdf

¹⁶ The Nature Conservancy, "What we do", at: <https://www.nature.org/en-us/what-we-do/our-priorities/>

¹⁷ The Nature Conservancy, "Protect water and land", at: <https://www.nature.org/en-us/what-we-do/our-priorities/protect-water-and-land/>

¹⁸ The Nature Conservancy, "Great Bear Rainforest", at: <https://www.nature.org/en-us/get-involved/how-to-help/places-we-protect/great-bear-rainforest/>

¹⁹ The Nature Conservancy, "Who we are", at: <https://www.nature.org/en-us/about-us/who-we-are/>

²⁰ The Nature Conservancy, "Provide food and water sustainably", at: <https://www.nature.org/en-us/what-we-do/our-priorities/provide-food-and-water-sustainably/>

²¹ Local Fish Fund's website, at: <https://localfishfund.org/>

²² The Alaska Sustainable Fisheries Trust's website, at: <https://thealaskatrust.org/>

²³ The Nature Conservancy, "Local Fish Fund Celebrates Successes", (2020), at: <https://www.nature.org/en-us/newsroom/alaska-local-fish-fund-success/>

²⁴ The Nature Conservancy, "Our science", at: <https://www.nature.org/en-us/about-us/who-we-are/our-science/>

²⁵ The Nature Conservancy, "Center for Sustainability Science", at: <https://www.nature.org/en-us/about-us/who-we-are/our-science/center-for-sustainability-science/>

²⁶ The Nature Conservancy, "NaturNet Science Fellowships", at: <https://www.nature.org/en-us/about-us/who-we-are/our-science/naturenet-science-fellowships/>

²⁷ The Nature Conservancy, "Science for Nature & People Partnership", at: <https://www.nature.org/en-us/about-us/who-we-are/our-science/science-for-nature-and-people-partnership/>

safety, community participation and stakeholder relations, land use and biodiversity issues associated with large-scale infrastructure development, emissions, effluents, and waste generated in construction.

Sustainalytics is of the opinion that TNC is able to manage and/or mitigate potential risks through implementation of the following:

- Regarding occupational health and safety, TNC has established a Code of Conduct that applies globally to all TNC employees, board members, trustees, donors, volunteers, business units, and affiliates. It addresses management of occupational health and safety practices, carbon emissions reduction goals, community relations, stewardship of funding and donations and stakeholder conflict of interest.²⁸
- TNC's Human Rights Guide is a policy document identifying TNC's work to respect and promote human rights of indigenous people and local communities and improve the practice of conservation by integrating a human rights approach.²⁹ The Human Rights Guide is informed by principles and safeguards from TNC's commitments to international human rights laws and standards and includes a Human Rights Due Diligence process and Impact Assessment to ensure that no operations are negatively impacting human rights.
- Regarding stakeholder relations, TNC's Board of Directors established an Ethics & Compliance Program which is designed to promote and foster a culture of integrity and ethical decision making, compliance with TNC's policies and procedures, and appropriate risk assessments, to detect and prevent misconduct.³⁰ This program includes a regular assessment of risks through inputs from helpline reports, internal audits, legal and management, and conflicts of interest committee.³¹ The Ethics and Compliance Office is led by a Chief Ethics Compliance & Privacy Officer who reports to TNC's General Counsel and the Audit Committee of the Board of Directors. The Chief of Ethics Compliance & Privacy Officer provides a quarterly report to the Audit Committee and an Annual Report to the Board of Directors.³²
- TNC's Conservation Fee Land Management and Inspections Policy, identifies 'A Management Plan' which outlines land risk management activities and regular inspections of land to mitigate risks related to land use and biodiversity. The Plan may take the form of fire management plans, preservation plans, sustainable forestry plans, restoration plans, grazing plans and more. Additionally, TNC's 'Compatible Human or Economic Use' Policy has been established to clarify when compatible human use is an appropriate strategy for achieving biodiversity. This Policy was established to eliminate threats to conservation targets and upholding conservancy values.³³
- In addition, TNC mitigates risks associated with emissions, effluents and waste, through its Code of Conduct that addresses carbon footprint minimization, sustainable waste processes and composting at facilities.³⁴

Sustainalytics notes that TNC has been exposed to two controversies related to carbon offsetting and workplace culture. Regarding carbon offsetting, in 2020, TNC's determination of carbon credits for some of its previous land acquisitions was alleged to be illegitimate as the land in question was not threatened or was already a part of well-preserved forest land. In 2021, TNC appointed an external group of carbon experts to review the projects. As a result of these reviews, TNC has identified opportunities to improve its approach for establishing baseline scenarios for carbon offset projects. TNC has also committed to improving systems and guidance for future carbon projects, including a dedicated team to provide guidance, best practices and support for project development. In addition, TNC's Standard Operating Procedures address risks associated with the organization's relationships with the private sector. In 2019, TNC was exposed to allegations associated with workplace culture, specifically regarding the treatment of female employees in the organization. In response, the senior employees against whom the claims were made resigned from TNC. TNC also updated its Code of Conduct in 2020, which covers workplace respect and outlines how TNC does not tolerate unprofessional behaviour, harassment or mistreatment in the workplace. Based on the steps

²⁸ The Nature Conservancy, "TNC Code of Conduct", at: <https://www.nature.org/en-us/about-us/who-we-are/accountability/code-of-conduct/>

²⁹ The Nature Conservancy, "Human Rights Guide", at: [TNC-Full-Guide-01-01.pdf \(tnc-human-rights-guide.org\)](https://www.nature.org/en-us/about-us/who-we-are/accountability/code-of-conduct/tnc-human-rights-guide-01-01.pdf)

³⁰ The Nature Conservancy, "Ethics & Compliance", at: https://www.nature.org/en-us/about-us/who-we-are/accountability/?tab_q=tab_container-tab_element_103606965

³¹ The Nature Conservancy, "Ethics & Compliance", at: https://www.nature.org/en-us/about-us/who-we-are/accountability/?tab_q=tab_container-tab_element_103606965

³² The Nature Conservancy, "Ethics & Compliance", at: https://www.nature.org/en-us/about-us/who-we-are/accountability/?tab_q=tab_container-tab_element_103606965

³³ TNC's Standard Operating Procedures have been provided by TNC to Sustainalytics.

³⁴ The Nature Conservancy, "TNC Code of Conduct", at: <https://www.nature.org/en-us/about-us/who-we-are/accountability/code-of-conduct/>

taken to acknowledge and address the controversies and the presence of specific guidance and policies, Sustainalytics does not view the controversies to deter from the contribution of the Framework to potential positive environmental impacts.

Based on these policies, standards and assessments, Sustainalytics is of the opinion that TNC has implemented adequate measures and is well-positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

Section 3: Impact of Use of Proceeds

All six use of proceeds categories are aligned with those recognized by the GBP. Sustainalytics has focused on the two below where the impact is specifically relevant in the local context.

Importance of sustainable forest management in the US

Forestry plays a critical role in the global carbon cycle and in addressing climate change. Forests hold a third of all land biodiversity and provide essential resources for socio-economic development.³⁵ According to the World Bank Group,³⁶ the global forest area declined by approximately 3.1%, from 41.28 million km² to 39.99 million km² between 1990 and 2015. As per a 2018 IPCC report on Agriculture, Forestry and Other Land Use,³⁷ deforestation is one of the major contributors to anthropogenic GHG emissions within the sector.

As of 2016, with 8% of the world's forests, the US had the fourth largest forest area in the world, covering 33.9% of the nation's land area.³⁸ Between 1990 and 2016, the total carbon sequestered in the US decreased by 9.1% because of a decrease in the rate of net carbon accumulation in forests and croplands. At the same time, CO₂ emissions from the land use, land-use change, and forestry sector increased by 250%, from 10.6 MMT CO₂ eq. to 38.1 MMT CO₂ eq., as a result of wildfires as well as land conversions for development.³⁹ Additionally, in the US, forested watersheds provide roughly two-thirds of the freshwater supply in the East and West, roughly half in the South, and approximately one-third in the Midwest and Plains. Threats to forests such as large wildfires can not only deter carbon sequestration, but also affect water quality, especially where water is scarce. Surface water flowing from large, burned areas can increase sediment loads and carry hazardous chemicals into streams, lakes, and reservoirs.⁴⁰

During the 2021 COP26 Climate Summit, the US and the EU led commitments to reduce methane emissions by 30% by 2030 compared to a the baseline year of 2020.⁴¹ To achieve this, forest preservation is crucial. The US has also committed to sustainable land use, and to the conservation, protection, sustainable management and restoration of forests, and other terrestrial ecosystems to halt and reverse forest loss and land degradation by 2030.⁴² TNC's approach to repairing watersheds and reconnecting waterways aims to leverage sustainable forest management practices to prevent water pollution and ecology. The Issuer's use of proceeds is likely to provide significant environmental benefits by preserving the ecological value of acquired forests in the US, which also aligns with the main mitigation strategies suggested by the 2018 IPCC report on Agriculture, Forestry and Other Land Use.³⁷

Based on the above context, Sustainalytics expects the sustainable forestry activities outlined in the Framework to enhance the ability of forest lands to continue serving as carbon sinks and support essential ecosystem services in the US.

Importance of sustainable fisheries and aquaculture

The growing demand for seafood has put continued pressure on global fish stocks, whereby 88% of fish stocks are considered to be fully exploited or overexploited.⁴³ It is estimated that three billion people depend

³⁵ FSC, "Certificate", at: <https://info.fsc.org/details.php?id=a024000000BSfq8AAD&type=certificate&return=certificate.php>

³⁶ The World Bank Group, Forest area (sq. km): https://data.worldbank.org/indicator/AG.LND.FRST.K2?year_high_desc=true

³⁷ IPCC, Agriculture, Forestry and Other Land Use (2018): https://www.ipcc.ch/site/assets/uploads/2018/02/ipcc_wg3_ar5_chapter11.pdf

³⁸ US Forest Service, State of Forests and Forestry in the United States: <https://www.fs.fed.us/speeches/state-forests-and-forestry-united-states-1>

³⁹ The State of America's Forest, "Carbon", accessed on 22 February 2022, at:

<https://usforests.maps.arcgis.com/apps/MapJournal/index.html?appid=b42294377a4b4d05bd10591b71b32b9a>

⁴⁰ The State of America's Forest, "What is the link between forests and water?", accessed on 11 February 2022, at:

<https://usforests.maps.arcgis.com/apps/MapJournal/index.html?appid=b136857ffe7349ffbef889b6b94f3eb9>

⁴¹ Future Net Zero, "US and EU Pledge 30% Reduction in Methane Emissions by 2030", (2021), at: <https://www.futurenetzero.com/2021/09/21/us-and-eu-pledge-30-reduction-in-methane-emissions-by-2030/>

⁴² UN Climate Change Conference, "Glasgow Leaders' Declaration on Forests and Land Use" (2021), at: <https://ukcop26.org/glasgow-leaders-declaration-on-forests-and-land-use/>

⁴³ IISD "State of Sustainability Initiatives Review: Standards and the Blue Economy", (2016), at: <https://www.iisd.org/system/files/publications/ssi-blue-economy-2016.pdf>

on seafood as their primary source of protein.⁴⁴ Between 1995 and 2021, global aquaculture production increased by 200%, fish trade by 300% and per capita consumption by almost 40%.⁴⁵ The total fish production globally is expected to expand from 179 million tonnes in 2018 to 204 million tonnes in 2030, with production from aquaculture alone projected to increase by 32%, reaching 109 million tonnes.⁴⁶ With illegal catch and trade leading to overfishing in many regions, the problem is exacerbated by opaque supply chains and inadequate fisheries management.⁴⁷ The IPCC considers that overfishing is one of the most important “non-climatic drivers affecting the sustainability of fisheries”.⁴⁸

Although the ocean covers more than 70% of the Earth’s surface, capture fisheries and marine aquaculture produce only 2% of the global food supply. Sustainable aquaculture offers many environmental benefits, relative to other forms of livestock farming. Marine aquaculture operations typically have smaller carbon footprints and require less land and fresh water.⁴⁹ As one of the fastest growing methods of producing food in the world, it is estimated that by 2030 sustainable fisheries and aquaculture will be responsible for almost two-thirds of the fish we eat.⁵⁰ In 2021, to mark the 25th Anniversary of the Food and Agriculture Organization (FAO) Code of Conduct for Responsible Fisheries, the Declaration for Sustainable Fisheries and Aquaculture of the FAO Committee on Fisheries was developed with the objective to gather collective momentum in identifying and tackling the challenges and opportunities to secure the long-term sustainability of the sector.⁵¹ As part of this, the committee aims to strengthen the scientific basis in support of fisheries and aquaculture management decisions, including through the use of new technology, such as Electronic Monitoring (EM) and reporting. EM has emerged as an efficient approach for catch monitoring programs in fisheries. An EM system consists of various activity sensors and cameras positioned on vessels to remotely record fishing activity and catch⁵² and ensure that stock assessments and catch limits are sustainable in the long term.⁵³

Based on this context, Sustainalytics is of the opinion that the use of proceeds for deploying on-board cameras and other technology on commercial fishing vessels to capture fishing activity can help promote the sustainability of the fisheries sector globally and offer positive environmental impacts.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 by the United Nations General Assembly and form an agenda for achieving sustainable development by the year 2030. The bond(s) issued under the TNC Green Bond Framework advances the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Environmentally Sustainable Management of Living Natural Resources and Land Use	15. Life on Land	15.1 By 2020, ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services, in particular forests, wetlands, mountains and drylands, in line with obligations under international agreements
Terrestrial & Aquatic Biodiversity	14. Life below water	14.2 By 2020, sustainably manage and protect marine and coastal ecosystems to avoid significant adverse impacts, including by strengthening their resilience, and take action for their restoration in order to achieve healthy and productive oceans

⁴⁴ WWF, “Sustainable Seafood”, at: [Sustainable Seafood | Industries | WWF \(worldwildlife.org\)](https://www.worldwildlife.org/industries/sustainable-seafood)

⁴⁵ Food and Agriculture Organisation of UN, “2021 Cofi Declaration For Sustainable Fisheries And Aquaculture”, (2021), at: <https://www.fao.org/3/cb3767en/cb3767en.pdf>

⁴⁶ Ibid

⁴⁷ WWF, “The Future of Sustainable Fisheries”, at: <https://seafoodsustainability.org/fisheries/>

⁴⁸ IPCC, “Changing Ocean, Marine Ecosystems, and Dependent Communities”, (2019), at: <https://www.ipcc.ch/srocc/chapter/chapter-5/>

⁴⁹ NOAA, “Aquaculture Supports a Sustainable Earth”, (2020), at: <https://www.fisheries.noaa.gov/feature-story/aquaculture-supports-sustainable-earth>

⁵⁰ Science, “Reducing food’s environmental impacts through producers and consumers”, (June 1, 2018), at: <https://science.sciencemag.org/content/360/6392/987>.

⁵¹ Ibid

⁵² Willey Online Library, “Electronic monitoring in fisheries: Lessons from global experiences and future opportunities”, (2019), at: <https://onlinelibrary.wiley.com/doi/full/10.1111/faf.12425>

⁵³ NOAA, “Electronic Monitoring: Technology to Ensure Sustainable Fisheries”, accessed on 11 February 2022, at: <https://www.fisheries.noaa.gov/feature-story/electronic-monitoring-technology-ensure-sustainable-fisheries>

Sustainable Water and Wastewater Management	6. Clean Water and Sanitation	6.5 By 2030, implement integrated water resources management at all levels, including through transboundary cooperation as appropriate
Climate Change Adaptation	13. Climate Action	13.2 Integrate climate change measures into national policies, strategies and planning
	15. Life on Land	15.1 By 2020, ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services, in particular forests, wetlands, mountains and drylands, in line with obligations under international agreements
Energy Efficiency	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency.
Renewable energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix

Conclusion

TNC has developed the TNC Green Bond Framework under which it may issue green bonds and use the proceeds to finance Environmentally Sustainable Management of Living Natural Resources and Land Use, Terrestrial & Aquatic Biodiversity Conservation, Sustainable Water and Wastewater Management, Climate Change Adaptation, Energy Efficiency and Renewable Energy. Sustainalytics considers that the projects funded by the green bond proceeds are expected to provide positive environmental impacts.

The TNC Green Bond Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the TNC Green Bond Framework is aligned with the overall sustainability strategy of the company and that the green use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 6, 7, 13, 14, 15. Additionally, Sustainalytics is of the opinion that TNC has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the proceeds.

Based on the above, Sustainalytics is confident that The Nature Conservancy is well-positioned to issue green bonds and that the TNC Green Bond Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles 2021.

Appendices

Appendix 1: Green Bond / Green Bond Programme - External Review Form

Section 1. Basic Information

Issuer name: The Nature Conservancy

Green Bond ISIN or Issuer Green Bond Framework Name, if applicable: TNC Green Bond Framework

Review provider's name: Sustainalytics

Completion date of this form: February 18, 2022

Publication date of review publication:
Original publication date *[please fill this out for updates]*.

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input checked="" type="checkbox"/> Rating |
| <input type="checkbox"/> Other <i>(please specify)</i> : | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW *(if applicable)*

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section (*if applicable*):

The eligible categories for the use of proceeds – Environmentally Sustainable Management of Living Natural Resources and Land Use, Terrestrial & Aquatic Biodiversity Conservation, Sustainable Water and Wastewater Management, Climate Change Adaptation, Energy Efficiency and Renewable Energy – are aligned with those recognized by the Green Bond Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDG 6, 7, 13, 14 and 15.

Use of proceeds categories as per GBP:

- | | |
|---|---|
| <input checked="" type="checkbox"/> Renewable energy | <input checked="" type="checkbox"/> Energy efficiency |
| <input type="checkbox"/> Pollution prevention and control | <input checked="" type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input checked="" type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input type="checkbox"/> Clean transportation |
| <input checked="" type="checkbox"/> Sustainable water and wastewater management | <input checked="" type="checkbox"/> Climate change adaptation |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBP | <input type="checkbox"/> Other (<i>please specify</i>): |

If applicable please specify the environmental taxonomy, if other than GBP:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

The Nature Conservancy's local project review committee is responsible for the selection of projects, which will then be approved by the Oversight Committee. The Oversight Committee is comprised of the Chief Conservation Officer, Chief Finance Officer, General Counsel and Global Head, Impact Finance and Markets. TNC's Global Board of Directors may also provide additional oversight in certain cases. TNC's organizational policies and processes to identify and mitigate environmental and social risks are applicable to all allocations under the Framework. Sustainalytics considers these risk management systems to be adequate and the project selection process in line with market practice.

Evaluation and selection

- | | |
|--|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's environmental sustainability objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (<i>please specify</i>): |

Information on Responsibilities and Accountability

- | | |
|--|--|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

The Nature Conservancy's processes for management of proceeds is overseen by the Finance department, who is responsible for tracking the allocations to eligible projects. TNC intends to achieve full allocation within three years of the issuance. Pending allocation, the proceeds will be held in cash or cash equivalents or highly liquid debt securities. Sustainalytics views this to be aligned with market practice.

Tracking of proceeds:

- | |
|--|
| <input checked="" type="checkbox"/> Green Bond proceeds segregated or tracked by the issuer in an appropriate manner |
| <input type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> Other (<i>please specify</i>): |

Additional disclosure:

- | | |
|--|---|
| <input type="checkbox"/> Allocations to future investments only | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements | <input type="checkbox"/> Allocation to a portfolio of disbursements |
| <input type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other (<i>please specify</i>): |

4. REPORTING

Overall comment on section (*if applicable*):

The Nature Conservancy intends to report on allocation of proceeds on its website on an annual basis until full allocation. In addition, TNC is committed to reporting on relevant impact metrics. This is aligned with market practice.

Use of proceeds reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (<i>please specify</i>): |

Information reported:

- | | |
|---|--|
| <input checked="" type="checkbox"/> Allocated amounts | <input type="checkbox"/> Green Bond financed share of total investment |
| <input checked="" type="checkbox"/> Other (<i>please specify</i>): project descriptions, date of funding. | |

Frequency:

- | | |
|---|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Impact reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (<i>please specify</i>): |

Information reported (expected or ex-post):

- | | |
|---|---|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input type="checkbox"/> Energy Savings |
| <input type="checkbox"/> Decrease in water use | <input checked="" type="checkbox"/> Other ESG indicators (<i>please specify</i>): land, freshwater and marine ecosystem protected, number of people benefitted from projects. |

Frequency

- | | |
|---|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Means of Disclosure

- | | |
|---|--|
| <input type="checkbox"/> Information published in financial report | <input type="checkbox"/> Information published in sustainability report |
| <input type="checkbox"/> Information published in ad hoc documents | <input checked="" type="checkbox"/> Other (<i>please specify</i>): website |
| <input type="checkbox"/> Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review): | |

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- | | |
|--|--|
| <input type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification / Audit | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Review provider(s):

Date of publication:

ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP

- i. **Second-Party Opinion:** An institution with environmental expertise, that is independent from the issuer may issue a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.
- ii. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
- iii. **Certification:** An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. **Green Bond Scoring/Rating:** An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.

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