

# The Nature Conservancy

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## Introduction

In March 2022, The Nature Conservancy (“TNC”) issued green bonds (“The Nature Conservancy 3.957% Taxable Bonds”, or the “2022 Green Bonds”) aimed at financing and refinancing eligible projects that contribute toward environmental conservation. In the initial round of allocations, the 2022 Green Bonds financed projects from four categories listed in the TNC Green Bond Framework (“the Framework”), namely – Environmentally Sustainable Management of Living Natural Resources and Land Use, Sustainable Water and Wastewater Management, Climate Change Adaptation, and Renewable Energy. In February 2022, Sustainalytics provided a Second-Party Opinion on the Framework.<sup>1</sup> In 2023, TNC engaged Sustainalytics to review the projects funded with proceeds from the 2022 Green Bonds and provide an assessment as to whether the projects met the use of proceeds criteria and the reporting commitments outlined in the Framework.

## Evaluation Criteria

Sustainalytics evaluated the projects and assets funded with proceeds from the 2022 Green Bonds based on whether the projects:

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

**Table 1: Use of Proceeds Category and Eligibility Criteria**

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

<sup>1</sup> The Nature Conservancy Green Bond Framework Second Party Opinion 2022 is available at: [https://www.nature.org/content/dam/tnc/nature/en/documents/TNC\\_GreenBondFramework\\_SecondPartyOpinion.pdf](https://www.nature.org/content/dam/tnc/nature/en/documents/TNC_GreenBondFramework_SecondPartyOpinion.pdf)

	<p>research, evaluation, purchasing of sustainable fishery equipment and technologies, and project implementation as well as grants and loans.</p> <ul style="list-style-type: none"> <li>• <b>Sustainable Forestry:</b> Restore and enhance ecological integrity of forests while promoting and protecting local jobs and timber economy through sustainable forest management. This includes repairing watersheds, reconnecting waterways, and obtaining third party certification through development of certified markets. Expenditures include costs for research, evaluation, land acquisition, and project implementation as well as grants and loans.</li> </ul>
<b>Sustainable Water and Wastewater Management</b>	<ul style="list-style-type: none"> <li>• <b>Sustainable Rivers:</b> Utilize science and monitoring equipment to determine flow requirements for rivers to support wildlife and then creating operating plans for dams, structures or water usage in order to achieve flows that support the environment (for example, scientific prescriptions for the timing, quantity and quality of water flow that must occur downstream and upstream of dams in order to revive and sustain critical ecological functions and habitat for species). Expenditures include costs for research, evaluation, education, and project implementation including water flow and quality monitoring equipment, as well as grants.</li> <li>• <b>Water Management:</b> Engage in science modeling, provide technical capacity to local partners, and negotiate partnerships related to water usage and engage in watershed restoration in order to improve water quality and availability for consumption. Expenditures include costs for research, evaluation, project implementation, technology such as software for modeling and grants.</li> </ul>
<b>Climate Change Adaptation</b>	<ul style="list-style-type: none"> <li>• <b>Natural Climate Solutions (NCS):</b> A TNC led study found that NCS can provide one third of the emissions reductions needed to address the climate crisis. We are working to establish projects and influence policy in some of the highest emitting countries in the world to implement practices to promote conservation such as peatland restoration, landscape restoration, and Indigenous communities stewardship programs. Expenditures include costs for research, outreach and education, evaluation, trainings, equipment required for restoration activities, project implementation, and grants.</li> <li>• <b>Restoring Habitats to Reduce Impacts of Climate Change:</b> TNC works with NGO partners to protect and restore natural habitats, such as mangroves and coral reefs, that help reduce the impact of severe storms and floods. Projects include ecosystem-based disaster risk reduction measures that harness natural systems to prevent and reduce natural hazards and climate change impacts. For example, protecting and supporting the growth of coral reefs that provide cost-effective natural barriers from waves, storms and floods, or planting more mangrove trees, which grow roots that mitigate coastal erosion, provide food and other services, and store carbon. Expenditures include costs for research, evaluation and project implementation including purchasing materials for artificial reef structures and diving equipment, as well as grants.</li> </ul>
<b>Renewable Energy</b>	<p><b>Renewable Energy Transition:</b> Support a faster and better energy transition that protects wildlife and habitat, supports communities, and increases emission reductions. We will advance solar and wind development in ways that reduce demand for new hydropower projects, with the goal of preserving critical ecosystems and free-flowing rivers. Projects include siting research to help identify ideal locations for renewable energy projects that do not contribute to additional carbon release (for example, targeting already degraded lands), and education of stakeholders including local governments and businesses to advance these projects on specific sites. We also intend to expand large-scale solar array systems on TNC facilities – both offices and preserves that can support electricity needs on-site. Expenditures include costs for research, evaluation, education, project implementation, including direct purchase of solar arrays and other materials, and grants.</p>

**Table 2: Key Performance Indicators**

Use of Proceeds	Key Performance Indicators
<b>Environmentally Sustainable Management of Living Natural Resources and Land Use</b>	<ul style="list-style-type: none"> <li>• Land, freshwater and marine ecosystem protected (hectares);</li> <li>• Land, freshwater and marine ecosystem protected with improved management (hectares);</li> <li>• River protected (km)</li> </ul>
<b>Sustainable Water and Wastewater Management</b>	<ul style="list-style-type: none"> <li>• River protected (km);</li> <li>• People benefiting from nature to adapt to climate change (number of people);</li> <li>• People with improved security of rights over natural resources, sustainable economic opportunity, or ability to participate in decision making about natural resources (number of people)</li> </ul>
<b>Climate Change Adaptation</b>	<ul style="list-style-type: none"> <li>• GHG emissions sequestered or avoided through emission reduction (metric tonne CO<sub>2</sub> equivalent)</li> </ul>
<b>Renewable Energy</b>	<ul style="list-style-type: none"> <li>• Land, freshwater and marine ecosystem protected (hectares);</li> <li>• River protected (km);</li> <li>• GHG emissions sequestered or avoided through emission reduction (metric tonne CO<sub>2</sub> equivalent)</li> </ul>

## Issuer’s Responsibility

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

## Independence and Quality Control

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

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

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

## Conclusion

Based on the limited assurance procedures conducted,<sup>2</sup> nothing has come to Sustainalytics’ attention that causes us to believe that, in all material respects, the reviewed projects do not conform with the use of proceeds criteria and reporting commitments in the Framework. TNC has disclosed to Sustainalytics that 41.4% of the proceeds from the 2022 Green Bonds were identified or allocated as of March 2022.

<sup>2</sup> Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the funded projects, including description of projects, estimated and realized costs of projects, and project impact, as provided by the Issuer, which is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

## Detailed Findings

**Table 3: Detailed Findings**

<b>Eligibility Criteria</b>	<b>Procedure Performed</b>	<b>Factual Findings</b>	<b>Error or Exceptions Identified</b>
<b>Use of Proceeds Criteria</b>	Verification of the projects funded with proceeds from the 2022 Green Bonds to determine if projects aligned with the use of proceeds criteria outlined in the Framework and above in Table 1.	All projects reviewed complied with the use of proceeds criteria.	None
<b>Reporting Criteria</b>	Verification of the projects funded with proceeds from the 2022 Green Bonds to determine if impact of projects was reported in line with the KPIs outlined in the Framework and above in Table 2. For a list of KPIs reported, please refer to Appendix 1.	All projects reviewed reported on at least one KPI for applicable use of proceeds categories, contingent on the availability of impact data.	None <sup>3</sup>

<sup>3</sup> Sustainalytics notes that TNC has reported impacts of just the refinanced projects and certain new projects for which the impact data was available. TNC has communicated to Sustainalytics that it will report on the environmental impacts for the remaining projects upon the availability of primary data.

## Appendices

### Appendix 1: Allocation Reporting by Eligibility Criteria

As of March 2022, TNC financed and refinanced financial assets with a total allocation of approximately USD 145 million. See below a summary of the reported allocated amount at a project level:

Use of Proceeds Category	Project Description	Eligibility Criteria per the Framework	Environmental Impact Reported <sup>4</sup>	Allocated Amount (USD) <sup>5,6</sup>
Environmentally Sustainable Management of Living Natural Resources and Land Use <sup>7</sup>	Lake Tanganyika Forever	<b>Sustainable Fisheries:</b> Support fishery and aquaculture projects that reduce negative impacts and create benefits for biodiversity, reduce carbon emissions and generate livelihood improvements for fishers and farmers.	Not yet available	1,000,000
	FishPath Implementation		Not yet available	1,600,000
	South Africa Oceans		Not yet available	825,000
	Equitable Protection Across Asia Pacific	<b>Sustainable Forestry:</b> Restore and enhance ecological integrity of forests while promoting and protecting local jobs and timber economy through sustainable forest management.	Not yet available	5,100,000
	Maya Forest & MesoAmerican Reef		Not yet available	3,500,000
	Keweenaw North Shore and Bluffs – Michigan, US		Land protected: 12,438 ha; River protected: 61.16 km	27,200,000
	Shenandoah Mountain – West Virginia, US		Land protected: 835 ha; River protected: 6.69 km	3,900,000
	Michigamme Highlands – Michigan, US	Land protected: 4,246 ha; River protected: 43.29 km	16,650,000	
	Belize Maya Forest	Land protected: 95,471 ha River protected: 334 km	50,000,000	

<sup>4</sup> Sustainalytics notes that TNC has reported impacts of just the refinanced projects and certain new projects for which the impact data was available. TNC has communicated to Sustainalytics that it will report on the environmental impacts for the remaining projects upon the availability of primary data.

<sup>5</sup> Sustainalytics notes that out of the USD 144.9 million allocation made as of March 2022, USD 85.3 million have been allocated to refinanced projects and USD 59.6 million have been allocated to new projects.

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

<sup>7</sup> TNC has confirmed to Sustainalytics that the financed projects do not include commercial forestry or timber operations.

	Kettle Moraine – Wisconsin, US		Land protected: 69 ha	2,300,000
	Coosawhatchie River – South Carolina, US		Land Protected: 1,479 ha;  River protected: 21.89 km	16,300,000
<b>Sustainable Water and Wastewater Management</b>	Resilient Watersheds Strategy	<b>Water Management:</b> Engage in science modeling, provide technical capacity to local partners, and negotiate partnerships related to water usage and engage in watershed restoration in order to improve water quality and availability for consumption.  <b>Sustainable Rivers:</b> Utilize science and monitoring equipment to determine flow requirements for rivers to support wildlife and then creating operating plans for dams, structures or water usage in order to achieve flows that support the environment.	Not yet available	1,670,000
	Waltz-Turner Ranch – California, US		Land protected: 4,193 ha  River protected: 28.97 km	3,800,000
	Amazon Basin Freshwater Initiative		Not yet available	3,500,000
<b>Climate Change Adaptation</b>	Blue Carbon in Asia-Pacific	<b>Restoring Habitats to Reduce Impacts of Climate Change:</b> TNC works with NGO partners to protect and restore natural habitats, such as mangroves and coral reefs, that help reduce the impact of severe storms and floods. Projects include ecosystem-based disaster risk reduction measures that harness natural systems to prevent and reduce natural hazards and climate change impacts.  <b>Natural Climate Solutions:</b> A TNC led study found that NCS can provide one third of the emissions reductions needed to address the climate crisis. Establish projects and influence policy in some of the highest emitting countries in the world to implement practices to promote conservation such as peatland restoration, landscape restoration, and Indigenous communities stewardship programs.	Not yet available	1,450,000
	Natural Climate Solutions <sup>8</sup>		Not yet available	1,500,000
	India Landscape Restoration		Not yet available	1,000,000

<sup>8</sup> Expenditures also include ramping up critical strategic communications and an initiative to increase learning and innovation across the full portfolio of Natural Climate Solutions work at TNC.

<b>Renewable Energy</b>	Renewable Energy Transition <sup>9</sup>	<b>Renewable Energy Transition:</b> Support a faster and better energy transition that protects wildlife and habitat, supports communities, and increases emission reductions. Advance solar and wind development in ways that reduce demand for new hydropower projects, with the goal of preserving critical ecosystems and free-flowing rivers. Projects include siting research to help identify ideal locations for renewable energy projects that do not contribute to additional carbon release (for example, targeting already degraded lands), and education of stakeholders including local governments and businesses to advance these projects on specific sites.	Not yet available	3,600,000
<b>Allocated Amount (USD)</b>				144,895,000

## Appendix 2: Impact Reporting of Refinanced Projects

<b>Use of Proceeds Category</b>	<b>Project Name</b>	<b>Environmental Impact Reported<sup>10</sup></b>	<b>Allocated Amount (USD)</b>
<b>Environmentally Sustainable Management of Living Natural Resources &amp; Land Use</b>	Michigamme Highlands – Michigan, US	Land protected: 4,246 ha River protected: 43.29 km	16,650,000
	Belize Maya Forest	Land protected: 95,471 ha River protected: 334 km	50,000,000
	Kettle Moraine – Wisconsin, US	Land protected: 69 ha	2,300,000
	Coosawhatchie River – South Carolina, US	Land Protected: 1,479 ha River protected: 21.89 km	16,300,000
<b>Allocated Amount (USD)</b>			85,250,000

<sup>9</sup> TNC has disclosed to Sustainalytics that TNC will support projects in Angola, Gabon, and Peru to advance solar and wind development in ways that reduce demand for new hydropower projects, with the goal of preserving the Okavango delta, Gabon’s free-flowing rivers, and the Peruvian Amazon.

<sup>10</sup> TNC has communicated to Sustainalytics that the relevant impact metrics of land acquisition projects include land protected in hectares (ha) and river protected in kilometres (km).

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