The Nature Conservancy

Type of Engagement: Annual Review
Date: 10 March 2025
Engagement Team:
Bhakti Chikhalikar, bhakti.chikhalikar@morningstar.com
Tomya Sardana, tomya.sardana@morningstar.com

Introduction

In March 2022, The Nature Conservancy ("TNC") issued a green bond ("The Nature Conservancy 3.957% Taxable Bonds" or the "2022 Green Bonds") and raised USD 350 million to finance or refinance projects related to environmentally sustainable management of living natural resources and land use, sustainable water and wastewater management, terrestrial and aquatic biodiversity conservation, climate change adaptation, energy efficiency and renewable energy. In February 2025, TNC engaged Sustainalytics to review the projects financed with proceeds from the 2022 Green Bonds (the "Nominated Expenditures") and provide an assessment as to whether they meet the use of proceeds criteria and whether TNC complied with the reporting commitments in the TNC Green Bond Framework (the "Framework").[1] Sustainalytics provided a Second-Party Opinion on the Framework in February 2022.[2] This is Sustainalytics' third annual review of allocation and reporting of the instruments issued under the Framework, following previous reviews in 2023 and 2024.[3,4]

Evaluation Criteria

Sustainalytics evaluated the Nominated Expenditures and TNC's reporting based on whether they:

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

Table 1: Use of Proceeds Categories, Eligibility Criteria

Use of Proceeds Category	Eligibility Criteria
Environmentally Sustainable Management of Living Natural Resources and Land Use	• **Soil Health Practices:** Promote the widespread adoption of farming practices that capture and store carbon in the ground and those that improve soil's ability to store and recycle water and nutrients. This includes using cover crops that can be planted after harvest of a primary crop to help slow soil erosion, enhance water availability, and increase biodiversity; reducing or eliminating tillage, the stirring and turning over of soil; and rotating crops between fields each season to help keep soils fertile, biologically active, and intact. Expenditures include costs for research, evaluation, trainings, and project implementation as well as grants and loans. • **Sustainable Fisheries:** Support fishery and aquaculture projects that reduce negative impacts and create benefits for biodiversity, reduce carbon emissions and generate livelihood improvements for fishers and farmers. This includes deploying on-board cameras and other technology on commercial fishing vessels to

[1] TNC, "The Nature Conservancy Green Bond Framework", (2022), at: https://www.nature.org/content/dam/tnc/nature/en/documents/TNC_GreenBondFrameworkOverview_0218.pdf
[2] Sustainalytics, "Second-Party Opinion: The Nature Conservancy Green Bond Framework", (2022), at: https://www.nature.org/content/dam/tnc/nature/en/documents/TNC_GreenBondFramework_SecondPartyOpinion.pdf
[3] Sustainalytics, "Annual Review: TNC", (2023), at: https://www.nature.org/content/dam/tnc/nature/en/documents/TNC_Green_Bond_Annual_Review_2023.pdf
[4] Sustainalytics, "Annual Review: TNC", (2024), at: https://www.nature.org/content/dam/tnc/nature/en/documents/TNC-Green-Bond-Annual-Review-2024.pdf

	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 research, evaluation, purchasing of sustainable fishery equipment and technologies, and project implementation as well as grants and loans. • **Sustainable Forestry:** Restore and enhance ecological integrity of forests while promoting and protecting local jobs and timber economy through sustainable forest management. This includes repairing watersheds, reconnecting waterways, and obtaining third party certification through development of certified markets. Expenditures include costs for research, evaluation, land acquisition, and project implementation as well as grants and loans.
Sustainable Water and Wastewater Management	• **Sustainable Rivers:** Utilize science and monitoring equipment to determine flow requirements for rivers to support wildlife and then creating operating plans for dams, structures or water usage in order to achieve flows that support the environment (for example, scientific prescriptions for the timing, quantity and quality of water flow that must occur downstream and upstream of dams in order to revive and sustain critical ecological functions and habitat for species). Expenditures include costs for research, evaluation, education, and project implementation including water flow and quality monitoring equipment, as well as grants. • **Water Management:** Engage in science modeling, provide technical capacity to local partners, and negotiate partnerships related to water usage and engage in watershed restoration in order to improve water quality and availability for consumption. Expenditures include costs for research, evaluation, project implementation, technology such as software for modeling and grants.
Terrestrial and Aquatic Biodiversity Conservation	• **Protecting Coastal Areas:** Working with non-governmental organization (NGO) partners, TNC uses science and technology to understand vulnerabilities in the coastal environment and develop targeted protection plans used to influence policy or engage in projects to address identified vulnerabilities. This includes projects like development of artificial reef structures to protect coastlines, mangrove protection, and other green infrastructure projects. Expenditures include costs for research, evaluation, community outreach and education, project implementation and grants.
Climate Change Adaptation	• **Natural Climate Solutions (NCS):** A TNC led study that found NCS can provide one third of the emissions reductions needed to address the climate crisis. TNC is 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. • **Restoring Habitats to Reduce Impacts of Climate Change:** TNC works with NGO partners to protect and restore natural habitats, such as mangroves and coral reefs, that help reduce the impact of severe storms and floods. Projects include ecosystem-based disaster risk reduction measures that harness natural systems to prevent and reduce natural hazards and climate change impacts. For example, protecting and supporting the growth of coral reefs that provide cost-effective natural barriers from waves, storms and floods, or planting more mangrove trees, which grow roots that mitigate coastal erosion, provide food and other services, and store carbon. Expenditures include costs for research, evaluation and project implementation including purchasing materials for artificial reef structures and diving equipment, as well as grants.
Energy Efficiency	• **Transitioning TNC's Buildings:** Convert fossil-fuel heating sources in TNC's offices and facilities to high-efficiency air-source, ground-source or water-source heat pumps. Expenditures include costs for evaluation and project implementation, including direct purchase of materials.
Renewable Energy	• **Renewable Energy Transition:** Support a faster and better energy transition that protects wildlife and habitat, supports communities, and increases emission reductions. TNC 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. TNC also intends to expand large-scale solar array systems on its 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.

Table 2: Key Performance Indicators

Use of Proceeds	Key Performance Indicators
Environmentally Sustainable Management of Living Natural Resources and Land Use	• Land, freshwater and marine ecosystem protected (hectares) • Land, freshwater and marine ecosystem protected with improved management (hectares) • River protected (km)
Sustainable Water and Wastewater Management	• Land, freshwater and marine ecosystem protected (hectares) • Land, freshwater and marine ecosystem protected with improved management (hectares) • River protected (km) • People benefiting from nature to adapt to climate change (number of people) • 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)
Terrestrial and Aquatic Biodiversity Conservation	• Land, freshwater and marine ecosystems protected (hectares)
Climate Change Adaptation	• Land, freshwater and marine ecosystem protected (hectares) • Land, freshwater and marine ecosystem protected with improved management (hectares) • River protected (km) • GHG emissions sequestered or avoided through emission reduction (metric tonne CO_2 equivalent) • People benefiting from nature to adapt to climate change (number of people) • 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)
Energy Efficiency	• GHG emissions sequestered or avoided through emission reduction (metric tonne CO_2 equivalent)
Renewable Energy	• Land, freshwater and marine ecosystem protected (hectares) • Land, freshwater and marine ecosystem protected with improved management (hectares) • GHG emissions sequestered or avoided through emission reduction (metric tonne CO_2 equivalent) • People benefiting from nature to adapt to climate change (number of people)

Issuer's Responsibility

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

Independence and Quality Control

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

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

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

Conclusion

Based on the limited assurance procedures conducted,[5] nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the Nominated Expenditures do not conform with the use of proceeds criteria and reporting commitments in the Framework. TNC has disclosed to Sustainalytics that 83% of the proceeds from the 2022 Green Bonds were allocated as of February 2025.

Detailed Findings

Table 3: Detailed Findings

Framework Requirements	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the Nominated Expenditures to determine alignment with the use of proceeds criteria outlined in the Framework.	The Nominated Expenditures comply with the use of proceeds criteria.	None
Reporting Criteria	Verification of Nominated Expenditures to determine if impact was reported in line with the KPIs outlined in the Framework.	TNC reported on at least one KPI per use of proceeds category.	None

[5] Sustainalytics' limited assurance process includes reviewing documentation relating to details of projects, as provided by the issuing entity, which is responsible for providing accurate information. These may include descriptions of projects, estimated and realized costs, and reported impact. Sustainalytics has not conducted on-site visits to projects.

Appendix

Appendix 1: Allocation and Reported Impact

Table 4: Allocation of proceeds and reported impact from the 2022 Green Bonds

Use of Proceeds Category	Eligibility Criteria	Projects	Reported Impact[6]	Allocated Amount (USD million)
Environmentally Sustainable Management of Living Natural Resources and Land Use	Sustainable Fisheries	Aquaculture Siting and Management Task Force	Not yet available	1.58
		Caye Bokel, Belize	Not yet available	0.33
		Demonstrating the Conservation Value of Electronic Monitoring	Not yet available	1.51
		Lake Tanganyika Forever	Not yet available	2.01
		Scaling and Supporting Indonesia's Marine Protected Area Network	Not yet available	1.71
	Sustainable Forestry	Baraboo Hills, Wisconsin, US	Land protected: 16.19 ha	0.14
		Bladen Lakes (1), North Carolina, US	Land protected: 1,328.28 ha	6.05
		Bladen Lakes (2), North Carolina, US	Land protected: 69.92 ha	0.31
		Keweenaw Heartlands, Michigan, US	Land protected: 13,193 ha River protected: 61.16 km	2.00
		Markets for Mississippi River Floodplain Reforestation	Not yet available	2.00
		Onslow Bight/Horse Swamp, North Carolina, US	Land protected: 81.48 ha	0.18
		Onslow Bight (2), North Carolina, US	Land protected: 1,386.05 ha	1.82
		Sandhills (2), North Carolina, US	Land protected: 48.16 ha	0.86
		Sandhills (3), North Carolina, US	Land protected: 12.18 ha	0.09
		Sandhills (4), North Carolina, US	Land protected: 94.29 ha	0.58
		Weogufka-Flagg Mountain Preserve, Alabama, US	Land protected: 312.42 ha	0.89
Sustainable Water and Wastewater Management	Sustainable Rivers	Black River (1), North Carolina, US	Land protected: 47.62 ha	0.16
		Black River (2), North Carolina, US	Land protected: 110.07 ha	0.26

[6] 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.

		Little Red River Tributaries (1), Arkansas, US	Land protected: 362.14 ha River protected: 5.63 km	0.42
		Little Red River Tributaries (2), Arkansas, US	Land protected with improved management: 0.73 ha	0.09
		Middle Fork Forked Deer River, Tennessee, US	Land protected: 30.8 ha	0.28
		Nushiño-Curaray-Villano Fluvial Reserve, Ecuador	Not yet available	0.25
		Pinnacle, Virginia, US	Land protected: 56.66 ha River protected: 2.86 km	0.68
		United for Rivers, Mrežnica Watershed	Not yet available	0.64
	Water Management	Black River Preserve Mitigation Project, Ohio, US	Land protected: 22.26 ha	0.34
		Jicarilla Apache Nation Water Sharing Agreement, New Mexico, US	Not yet available	1.50
		Kitty Todd Preserve – Oak Openings, Ohio, US	Land protected: 2.02 ha	0.05
		Scaling Freshwater Protections Through Durable Financing Mechanisms	Not yet available	1.11
		Water Protection Areas, Ecuador	Not yet available	0.19
Climate Change Adaptation	Natural Climate Solutions	Africa's Congo Forest and River Basin	Not yet available	0.16
		Clayoquot Sound, British Columbia, Canada	Not yet available	2.51
	Restoring Habitats to Reduce Impacts of Climate Change	Accelerating Conservation of a Resilient Network of Coral Reefs in the Caribbean	Not yet available	1.51
		Advancing 30x30 in Iconic Places of Latin America	Not yet available	2.51
		Bluff Mountain, North Carolina, US	Land protected: 19.22 ha	0.29
		Chattahoochee National Forest (1), Georgia, US	Land protected: 62.60 ha	0.62
		Chattahoochee National Forest (2), Georgia, US	Land protected: 44.52 ha River protected: 0.8 km	0.24
		Cherokee National Forest (1), Tennessee, US	Land protected: 113.31	0.63
		Cherokee National Forest (2), Tennessee, US	Land protected: 48.16 ha	0.29
		Cherokee National Forest (3), Tennessee, US	Land protected: 27.52 ha	0.56
		Cherokee National Forest (4), Tennessee, US	Land protected: 277.05 ha River protected: 2.41 km	0.59

		Chiwaukee Prairie-Illinois Beach, Wisconsin, US	Land protected: 0.47 ha Land protected with improved management: 62.73 ha	0.38
		Dogtooth Bend (1), Illinois, US	Land protected: 35.59 ha	0.15
		Dogtooth Bend (2), Illinois, US	Land protected: 16.19 ha	0.07
		Dogtooth Bend (3), Illinois, US	Land protected: 48.49 ha	0.20
		Equitable Conservation for Climate, Biodiversity and Livelihoods in Northeast India	Not yet available	0.89
		Goose Pond Bay, North Carolina, US	Land protected: 11.33 ha	0.08
		Land of the Swamp White Oak, Iowa, US	Land protected: 57.03 ha	0.63
		LaRue Trail of Tears (2), Illinois, US	Land protected: 56.66 ha	0.14
		LaRue Trail of Tears (3), Illinois, US	Land protected: 48.89 ha	0.20
		Lunga Luswishi Game Management Area, Zambia	Not yet available	0.50
		Middle Cumberlands, Tennessee, US	Land protected: 336.8 ha	0.25
		Muleshoe NWR, Texas, US	Land protected: 776.53 ha	1.45
		North River, North Carolina, US	Land protected: 952.63 ha	1.22
		Northern Cumberlands (1), Tennessee, US	Land protected: 344.7 ha	0.54
		Northern Cumberlands (2), Tennessee, US	Land protected: 286.9 ha	0.41
		Obed Wild and Scenic River, Tennessee, US	Land protected: 7.56 ha	0.08
		Pigeon Mountains, Georgia, US	Land protected: 272.76 ha River protected: 3.7 km	2.16
		Scaling Nature Bonds	Not yet available	3.01
		Scaling Up Community-Led Protected Areas	Not yet available	1.47
		Siuslaw Estuary, Oregon, US	Land protected: 99.96 ha	0.92
		Southern Cumberlands (1), Tennessee, US	Land protected: 35.36 ha	0.35
		Southern Cumberlands (2), Tennessee, US	Land protected: 193.86 ha	0.35
		Walker Branch State Natural Area, Tennessee, US	Land protected: 46.09 ha	0.11
Energy Efficiency	Transitioning TNC's Buildings	Sustainably Powering TNC Facilities	Not yet available	0.75
Renewable Energy	Renewable Energy Transition	Accelerating Renewables on Degraded Lands and Brownfields of Europe	Not yet available	1.51

		Scaling SiteRight Adoption and Mining the Sun	Not yet available	2.01
		Site Renewables Right Plus (SRR+)	Not yet available	3.01
Total Amount Allocated				**60.90**[7]
Total Proceeds Previously Allocated				229.64
Total Proceeds Unallocated				59.46
Total Net Proceeds Raised				350.00

[7] Sustainalytics notes that TNC allocated a total of (USD 60.78 million) for refinancing and financing of projects. Subsequently, TNC has also allocated additional USD 0.12 million for management and support costs, totalling to USD 60.90 million.

Disclaimer

The information, methodologies, data and opinions contained or reflected herein (the "Information") are proprietary to Sustainalytics and/or its third-party content providers and may be made available to third parties only in the form and format disclosed by Sustainalytics. The Information is not directed to, nor intended for distribution to or use by India-based clients and/or users, and the distribution of Information to India resident individuals and entities is not permitted.

The Information is provided for informational purposes only and (1) does not constitute an endorsement of any product, project, investment strategy or consideration of any particular environmental, social or governance related issues as part of any investment strategy; (2) does not constitute investment advice nor recommends any particular investment, nor represents an expert opinion or negative assurance letter; (3) is not part of any offering and does not constitute an offer or indication to buy or sell securities, to select a project nor enter into any kind of business transaction; (4) is not an assessment of the economic performance, financial obligations nor creditworthiness of any entity; (5) is not a substitute for professional advice; (6) has not been submitted to, nor received approval from, any relevant regulatory or governmental authority. Past performance is no guarantee of future results.

The Information is based on information made available by third parties, is subject to continuous change and no warranty is made as to its completeness, accuracy, currency, nor the fitness of the Information for a particular purpose. The Information is provided "as is" and reflects Sustainalytics' opinion solely at the date of its publication.

Neither Sustainalytics nor its third-party content providers accept any liability in connection with the use of the Information or for actions of third parties with respect to the Information, in any manner whatsoever, to the extent permitted by applicable law.

Any reference to third party content providers' names is solely to acknowledge their ownership of information, methodologies, data and opinions contained or reflected within the Information and does not constitute a sponsorship or endorsement of the Information by such third-party content provider. For more information regarding third-party content providers visit http://www.sustainalytics.com/legal-disclaimers

Sustainalytics may receive compensation for its ratings, opinions and other services, from, among others, issuers, insurers, guarantors and/or underwriters of debt securities, or investors, via different business units. Sustainalytics maintains measures designed to safeguard the objectivity and independence of its opinions. For more information visit Governance Documents or contact compliance@sustainalytics.com.

This deliverable, in particular the images, text and graphics contained therein, and the layout and company logo of Sustainalytics are protected under copyright and trademark law. Any use thereof shall require express prior written consent. Use shall be deemed to refer in particular to the copying or duplication of the opinion wholly or in part, the distribution of the opinion, either free of charge or against payment, or the exploitation of this opinion in any other conceivable manner.

The issuer is fully responsible for certifying and ensuring the compliance with its commitments, for their implementation and monitoring.

About Morningstar Sustainalytics

Morningstar Sustainalytics is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. For more than 30 years, the firm has been at the forefront of developing high-quality, innovative solutions to meet the evolving needs of global investors. Today, Sustainalytics works with hundreds of the world's leading asset managers and pension funds, which incorporate ESG and corporate governance information and assessments into their investment processes. Sustainalytics also works with hundreds of companies and their financial intermediaries to help them consider sustainability in policies, practices and capital projects. For more information, visit www.sustainalytics.com.