

2022 IMPACT REPORT

INVESTING IN NATURE

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Cover: Barrier Reef of Belize © Carla Santana Torres/TNC Photo Contest 2019; This page, from top: Acadia National Park, Maine © Nick Hall; ICUN Endangered Loggerhead Sea Turtle © Claire Ryser/TNC Photo Contest 2019

MANAGING DIRECTOR'S LETTER

This is our third annual Impact Report, and when I look at what we've shared in this letter before, and where we are today, it's clear to me that both NatureVest and the broader market are making significant progress towards a future where all investing will be impact investing. NatureVest continues to grow in approach and size; identifying opportunities to scale and replicate our existing products while continuously pushing existing market boundaries by developing new catalytic solutions. And, as we grow, the impact investing market is also expanding alongside us, enabling us to all celebrate an increasing number of deals creating real impact.



A handwritten signature in black ink, appearing to read 'Lauren Ferstandig'.

Lauren Ferstandig
MANAGING DIRECTOR,
NATUREVEST

For the NatureVest team, tasked with directing private capital investment towards nature-based solutions and practices, we have had exciting news, such as adding more than 1 million acres of U.S. forestland to TNC's impact investing footprint (page 13). Or scaling up our Blue Bonds for Ocean Conservation model with a \$364 million award-winning transaction in Belize (page 9), the largest of its kind to date and the first in Latin America. Or, for me personally, the recent privilege of taking on the role as NatureVest's Managing Director.

But there's also bad news. Really bad news. Across our planet, there are new developments that are deeply concerning: shocking wars, political instabilities, the threat of global recession, and alarming shifts in individual rights. This year even the "old" things get new versions, with endless coronavirus variants, acts of horrific violence, devastating weather events, and government and corporate seesawing on the most fundamental crises of our time.

These grim lists have become too common, and somehow, we have to process all of it. Acknowledging and owning these issues helps keep us clear about

what's at stake. Partners and stakeholders need to hear from one another that these issues are real and have a significant impact—and that these issues must shape our decisions and next steps.

Our most serious problems should set the agenda, but we can't let them set the tone. Not when we can instead focus on solutions.

This brings me back to the NatureVest team.

I have never been more excited about the work we are doing and the opportunities that we have to create real change in this world. And it simply comes down to people. This team, TNC as an organization, and the partners we work with represent the smartest, most creative and most dedicated professionals on earth.

NatureVest has added new roles and market-leading talent in the past year. We've significantly expanded our Impact Management Team, which supports our deals by applying conservation science to deliver real impact outcomes alongside financial returns. Our Origination Team is growing both in headcount and

geographic scope, with new staff members sitting in Africa and Asia Pacific to develop a more robust transaction pipeline in those critically important conservation geographies. Our Sustainable Debt team has added capacity as TNC accelerates conversations with more and more governments seeking to finance—and realize—their conservation ambitions. And we have launched a new Sustainable Financial Advisory team focused on developing a broader suite of market solutions beyond traditional impact investment to support TNC's conservation priorities.

This might sound strange, but alongside this growth, I see it as a good sign (though bittersweet) that we're beginning to see more turnover. To me this means two things: first, the financial and corporate sectors are doubling down on ESG and investing heavily in experienced talent, directing more resources and support to this critically important space. Second, it means that TNC is succeeding in developing that talent and propagating a disciplined, outcome-driven, action-oriented approach in the market.

I can't overemphasize how important that last point is. With the boom in ESG, there are enormous risks of ineffective approaches, decisions that are made based on uninformed metrics, or outcomes that aren't measured or attributed correctly. We see how well-intentioned capital is flowing into efforts that merely check a box or satisfy a desk analysis—instead, we need capital to flow into transactions that generate real, tangible impact.

To do that is extremely challenging and exactly why it is so exciting. Whether you track the science closely, or just know it in your bones, this work is compelling and rewarding. If you're with me here, then you're with the entire NatureVest team and everyone at TNC. And we look forward to working with you.



Above: The Skagit River basin of northeastern Washington. © Bridget Besaw



INTRODUCTION AND PORTFOLIO SUMMARY

About NatureVest

NatureVest is the in-house impact investing team at The Nature Conservancy (TNC), part of the organization's Impact Finance and Markets division, which engages with the private sector to develop nature-positive and climate-smart operations, planning, investments and decisions. The NatureVest team collaborates with TNC's science and conservation colleagues across the world to develop and support a portfolio of investments that deliver conservation at scale. Since 2014, NatureVest has helped TNC colleagues and external partners originate, structure, fund, and close a portfolio of 14 investment vehicles, representing some \$2.4 billion of committed capital. This report details the full portfolio that NatureVest either manages or supports, with an update on each investment's progress toward its respective impact goals.

IN THIS REPORT

Introduction and Portfolio Summary:

- » The context for NatureVest's investment focus and a brief orientation to the portfolio's conservation, geographic and financial attributes.

New Deals:

- » Overview of two new impact deals closed over the last year
 - Blue Bonds in Belize, closed in November 2021
 - BTG/TIG and TNC Collaboration

Conservation Updates:

- » Highlights from four of NatureVest's impact projects, which have demonstrated exciting results thus far.

Appendices:

- » Appendix I— detailed impact performance of each deal in the portfolio
- » Appendix II—the portfolio aggregated against the United Nations' Sustainable Development Goals and the Impact Reporting and Investment Standards (IRIS) set by the Global Impact Investing Network (GIIN).

TNC Mission and Priorities

The NatureVest impact portfolio is a collection of investments designed to deliver conservation outcomes, aligned with [TNC's 2030 Goals](#), alongside financial returns to investors through a variety of capital structures. By pursuing these transactions, NatureVest aims to attract significant additional capital for projects in service of TNC's mission to conserve the land and waters on which all life depends.

Urgent Action

The interconnected climate change and biodiversity crises make our mission more urgent than ever.

The threat is real—and the potential consequences are ruinous. Collective effort is needed now, to address these complex challenges and risks, and TNC is focused on specific, measurable, enduring outcomes for our planet. TNC's 2030 Goals are concentrated on the organization's science and operational capacity to apply global capabilities to strategies that can shift our course—from a bleak future defined by biodiversity loss, food and water scarcity, pollution and climate impacts—toward one in which nature and people thrive together.

Meeting Demand

Consumer and investor attitudes are driving demand for sustainable investing—and with good reason. Financials alone are no longer accepted as an investment's whole story; people know their investments have impact and many want to put their money to work for more than just returns. As investors align their investments with their values, NatureVest aligns with the market to develop deals that aim to offer measurable impact alongside positive returns.

Conservation First

Contributing toward this vision, in measurable and scalable ways, is NatureVest's mandate for investments. Conservation is our core focus when developing transactions.



NatureVest Focus and Outcomes

As a dedicated investment team, with functional expertise including origination, sustainable debt finance, deal structuring, capital raising, legal, and asset management, NatureVest has significant flexibility to design deals that maintain conservation's primacy. The resulting structures typically deploy one or more of the following strategies to benefit nature:

- » Manage natural assets sustainably
- » Generate revenue streams that pay for conservation, mitigation or restoration
- » Demonstrate the viability of new markets for nature-based solutions
- » Provide scientific input on the positive or negative environmental impacts of investment decisions

Form and Function

Deal development can take various forms, like forming an operating company, special purpose vehicle or investment partnership, or sourcing private equity, commercial debt or concessionary financing. Deals range from the familiar, in established asset classes like forestland, to the novel, where nature itself is a new and promising asset that has yet to be priced in the market.

This report categorizes the NatureVest portfolio according to investments' primary conservation outcomes, with the understanding that deals often provide multiple benefits to the environment and biodiversity. The portfolio currently focuses on the following five categories, with closed deals noted:

Healthy Forests	<ul style="list-style-type: none"> ▪ Great Western Checkerboards Project ▪ Olympic Peninsula Acquisition Project ▪ Cumberland Forest ▪ BTG Pactual Timberland Investment Group (TIG) and TNC Collaboration
Clean Water	<ul style="list-style-type: none"> ▪ District Stormwater ▪ Brightstorm Infrastructure Group
Habitat and Biodiversity	<ul style="list-style-type: none"> ▪ Murray-Darling Basin Balanced Water Fund ▪ Kipeto Vulture Conservation
Healthy Oceans	<ul style="list-style-type: none"> ▪ Seychelles Debt Conversion ▪ Blue Bonds in Belize
Sustainable Food Systems	<ul style="list-style-type: none"> ▪ Livestock to Markets ▪ Great Cumbung Swamp Acquisition ▪ Local Fish Fund ▪ Sustainable Water Impact Fund

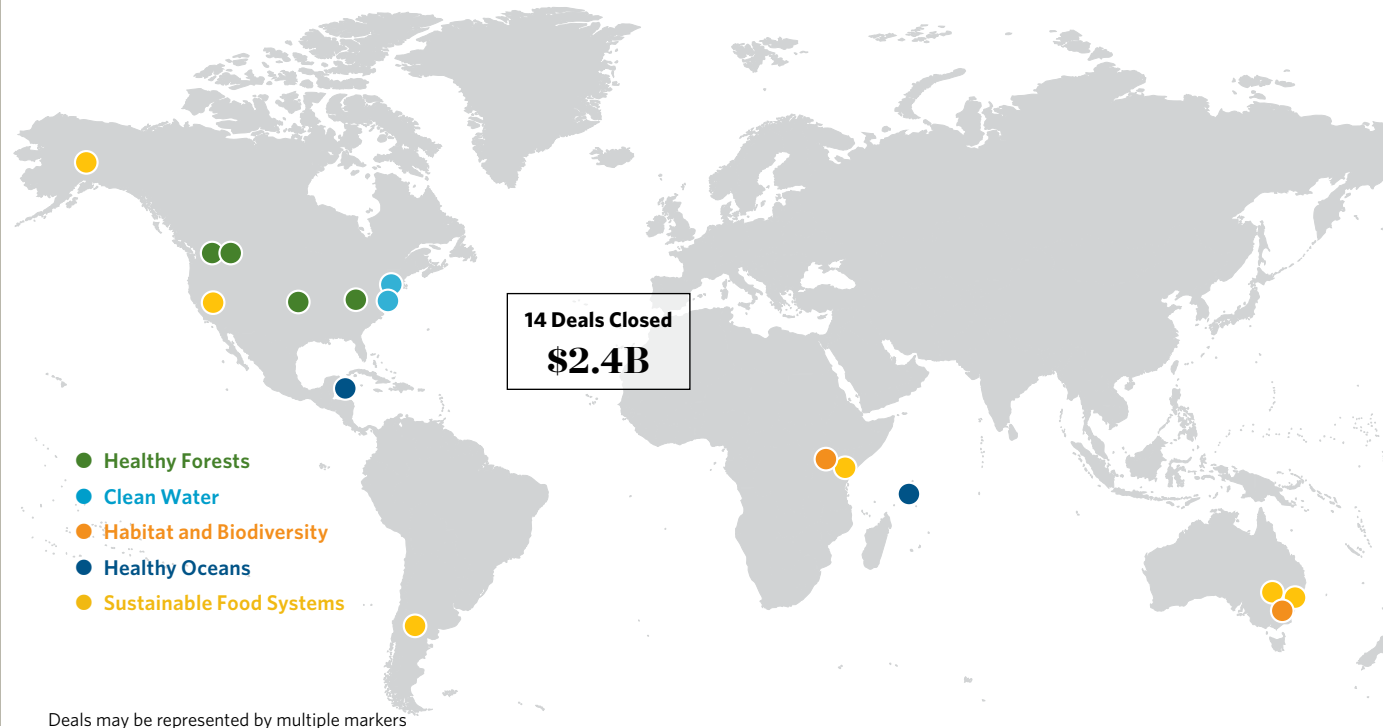
Impact Portfolio Summary

The 14 deals in the impact portfolio, including two exited projects to date, span four continents and have generated promising conservation outcomes toward TNC's priorities, including:

- » **Protection and/or improved management of 1,245,532 acres (504,049 hectares) of land**
- » **Protection of 161,906 square miles (419,335 square kilometers) of ocean**
- » **More than 1.98 billion gallons (7.5 gigalitres) of increased environmental freshwater flows**

As detailed in the Appendices, each deal has identified additional target outcomes that would contribute to or expand on the outcomes above going forward. The impact portfolio is expected to significantly increase its reach and results, continuing to highlight where investments in natural assets and nature-based solutions can successfully deliver both impact and financial returns.

Conservation Outcomes	Gallons of Water Saved	Tons of CO2 Emissions Avoided	Acres of Land Sustainably Managed	Acres of Land Protected	Square Miles of Ocean Protected
<i>as of March 31, 2022</i>	1.98B	3.65M	1.2M	203K	162K





TNC's 2030 Goals

NatureVest only pursues deals that align with TNC's 2030 Goals below... because we have years, not decades, to tackle the interlinked climate and biodiversity crises.

Conservation-first investments: changing the way we value nature.

CARBON EMISSIONS

▶ *Reduce or store 3 gigatons of CO2 emissions yearly*

We will use the power of nature and the strength of policy and markets to reduce emissions, support renewable energy, and store carbon to reach our goal of avoiding or sequestering 3 billion metric tons of carbon dioxide emissions each year.

HELPING PEOPLE

▶ *Benefit 100 million people*

We will help 100 million people at severe risk of climate-related emergencies by protecting and restoring the health of natural habitats—from mangroves and reefs to floodplains and forests—that help protect communities from storm surge, extreme rainfall, severe wildfires and sea level rise.

FRESHWATER

▶ *Conserve 1 million kilometers and 74 million acres of rivers and lakes*

We will conserve 1 million kilometers (621,000 miles) of river systems and 30 million hectares (74 million acres) of lakes and wetlands by engaging in collaborative partnerships, promoting innovative solutions, and supporting policies that improve the quality and amount of water available in freshwater ecosystems and to communities.

OUR OCEAN

▶ *Conserve nearly 10 billion acres of ocean*

We will conserve 4 billion hectares (9.9 billion acres) of ocean through new and better-managed protected areas, global-scale sustainable fishing, innovative financing, and positive policy changes to how the world governs the seas.

HEALTHY LANDS

▶ *Conserve 1.6 billion acres of land*

We will partner with communities around the globe to conserve 650 million hectares (about 1.6 billion acres) of land. Together we will restore and improve management of working lands, support the leadership of Indigenous Peoples as land stewards, and conserve critical forests, grasslands and other habitats rich in carbon and biodiversity.

LOCAL LEADERS

▶ *Support 45 million local stewards*

We will support 45 million people whose well-being and livelihoods depend on healthy oceans, freshwater, and lands. We will partner with Indigenous People and other local communities to learn from and support their leadership in stewarding their environment, securing rights to resources, improving economic opportunities, and shaping their future.

Left: Inle fishermen © Aung Chan Thar/TNC Photo Contest 2021; Iguazu National Park, Brazil © Scott Warren; Ripe coffee beans, Guatemala © Melissa Ballarin & Daniel López Pérez



Seaweed farmers in Placencia, Belize © Randy Olson

NEW DEALS AND IMPACT TARGETS

Healthy Oceans

Blue Bonds in Belize

CLOSED November 2021

DEBT \$364 Million

Problem

The Conservation Need: Belize is dense with flora and fauna unique to this part of the Caribbean and Central America; much of that treasure lies along its cerulean coast. Belize's barrier reef stretches 170 miles and is home to 1,400 species, from endangered hawksbill turtles to manatees and sharks. The nation's natural assets are also a vital part of its economy, with healthy marine ecosystems providing food and jobs as well as being a magnet for tourism—an estimated 25% of which is reef based—generating 41% of the national income. Devastatingly, climate change, over-fishing, the destruction of mangroves, and continued coastal development collectively threaten the delicate ecosystems upon which so much depends.

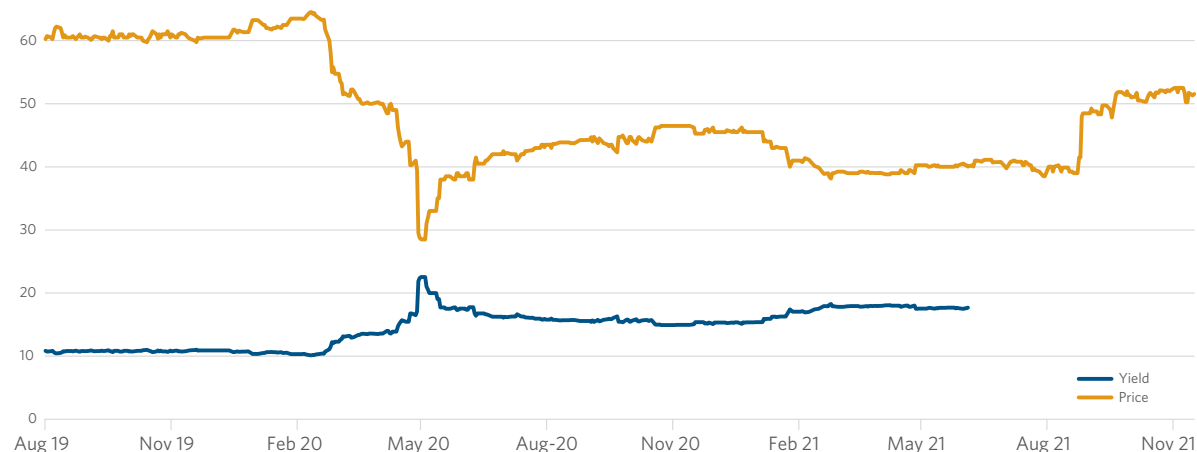
The Debt Constraint: Like many countries, Belize was not in a fiscal position to increase its investments in nature and achieve its conservation goals. As of mid-2021, Belize had \$553 million in a single Eurobond, known as the “Superbond”, representing all of the nation’s external commercial debt and a quarter of its total debt. The Superbond was trading at a deep discount (figure 1 below) due to bondholder concern over Belize’s ability to pay, given the economic slowdown and high debt burden. Tourism and the overall economy were hard hit by the Covid-19 pandemic, contracting 16.7% in 2020, and the country’s debt reached 133% of GDP. Due to these conditions, Belize did not have access to new capital market borrowing without facing prohibitively high-interest rates.

Solution and Deal Structure

The relationship between Belize and The Nature Conservancy (TNC) spans three decades, including TNC’s first Debt for Nature Swap in 2001, protecting 23,000 acres of forest, and the 2021 protection of 236,000 acres of the Selva Maya’s tropical forest in northwestern Belize. TNC’s history in Belize is built on strong partnerships with Government, NGOs, communities, and the private sector with a shared vision for sustainable management and protection of the country’s natural resources. These partnerships include the development of sustainable fisheries and mariculture programs and innovative financing mechanisms through carbon development programs.

Beginning in 2020, at Belize’s request, TNC began arranging an innovative financial structure that allowed the country to address its marine conservation and debt challenges simultaneously. The resulting \$364 million debt conversion for marine conservation closed in November 2021 and enabled

Figure 1. Belize Superbond 2034 Historical Price and Yield through Retirement (Source: S&P Capital IQ)



Belize to repurchase the Superbond at a significant discount and then to direct a portion of the savings into marine conservation. Key benefits include:

- » Debt reduction equal to 12% of GDP
- » \$180 million (estimated) in sustainable financing for conservation
- » Commitment to protect 30% of Belize’s ocean

The Debt Conversion

The debt conversion involved a series of simultaneous financial transactions that brought together TNC, Credit Suisse AG and the U.S. International Development Finance Corporation (DFC) in sourcing new capital for Belize.

TNC formed a subsidiary to lend Belize \$364 million, known as the Blue Loan, to finance Belize’s purchase and retirement of the Superbond in full. Credit Suisse fully financed TNC’s subsidiary via the issuance of the Blue Bonds, successfully placing them

with institutional investors globally. Importantly, the Blue Bonds received an Aa2 rating from Moody’s Investor Service because the structure was credit enhanced by an insurance policy provided by DFC. The issuance received strong interest from investors and was oversubscribed.

The Blue Bonds in Belize transaction is the world’s largest debt refinancing for ocean conservation to date.

The core innovation of the deal was the integration of the Blue Loan, the Blue Bonds, and a binding Conservation Funding Agreement that allows the new financing and conservation commitments to reinforce one another. The \$364 million transaction also included an initial endowment to a new Conservation Fund to help finance projects for conservation partners well beyond the 20-year term of the deal.



Intended Impact

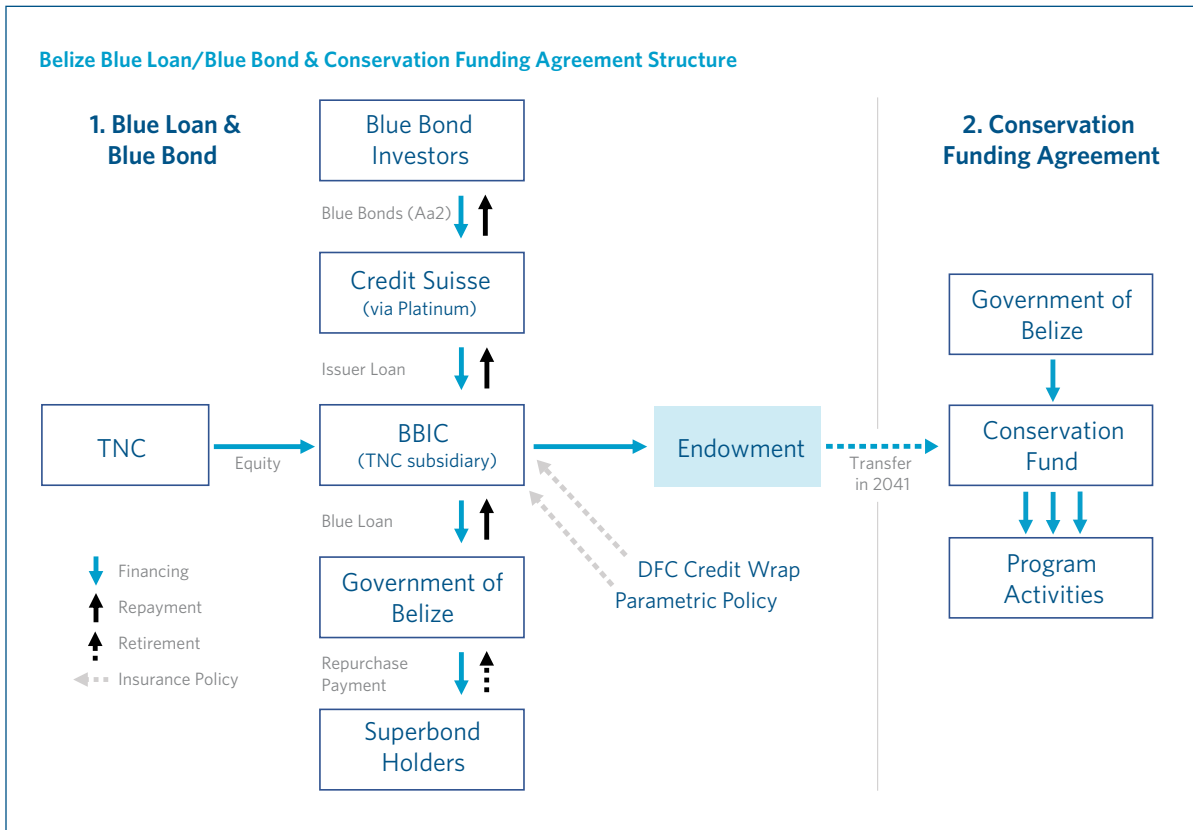
Refinancing the Superbond generated immediate and long-term **fiscal savings** for Belize, while at the same time, signing the Conservation Funding Agreement committed the nation to finance **marine conservation** efforts over 20 years, along with an additional agreement for **significant conservation protection commitments**.

Conservation Commitments

As part of the transaction, Belize, with TNC's support, committed to implementing pre-defined ocean conservation milestones. The milestones are time-bound and delays in achieving the commitments will result in increased payments under the Conservation Funding Agreement.

Key Commitments:

- » Biodiversity Protection Zones: Increase from 15.9% to 30% of ocean area by 2026, with 50% high protection areas (Replenishment Zones)
- » Marine Spatial Plan: Create and complete by 2026 (initiated in 2022)
- » Belize Barrier Reef Reserve System: Public lands protection for this UNESCO World Heritage Site
- » Integrated Coastal Zone Management Plan: Revision and implementation to include marine and coastal biodiversity offsets
- » Formally Designated Marine Protection: Application for three designated protected areas as International Union for Conservation of Nature (IUCN) Green List Areas
- » Additional Conservation Commitments: Non-legally binding to include:
 - National Blue Carbon Policy framework creation
 - Sustainable Aquaculture and Mariculture regulatory framework
 - Domestic and High Seas Fisheries governance frameworks that are transparent, science-based, socially responsible and based on international best practices



Conservation Fund

TNC worked with local stakeholders and the government to establish an independent Conservation Fund, the Belize Fund for a Sustainable Future, in Belize to distribute funds generated through the Conservation Funding Agreement (and future sources). Funds will go to projects and partners working in Belize to achieve conservation outcomes aligned with the deal conservation commitments and Belize's national conservation priorities.

The Conservation Fund will have a Board of nine directors appointed from government and the non-government sectors (academia, fisheries, tourism, and NGOs) and at all times will be an independent legal entity with a majority non-government representation. Government and non-governmental actors, including non-profit organizations, civil society, academia, and the private sector, will be eligible to apply for funding. The Conservation Fund is on track to begin operations in 2022 following extensive stakeholder engagement coordinated in collaboration with the Ministry of Blue Economy & Civil Aviation.

Marine Spatial Plan: A Roadmap for Ocean Protection

Belize, with assistance from TNC, will develop and implement a public and stakeholder-driven Marine Spatial Plan. This critical element will help to determine where to expand ocean protection and management to cover 30% of Belize's oceans, and how to best deliver benefits to people, livelihoods, and biodiversity.

This process involves stakeholders representing local communities, fishing associations, tourism businesses and government officials and uses a transparent and science-based framework to guide planning. Stakeholder engagement is critical to ensure that the Marine Spatial Plan will sustainably support the country's economy while protecting marine habitats.

Above: Placencia, Belize © Randy Olson

Progress to Date

Financial Results, Realized and Projected, of the Debt Conversion:

Debt Benefits

- » **Debt stock reduction**
\$189 million
\$553 million refinanced \$364 million
- » **Additional avoided principal reinstatement**
\$58.4 million
- » **Total debt service reduction over 20 years**
\$200 million
(\$53.6 million reduction over initial five years)
- » **Extension of debt tenor**
+6.5 years
Increase in weighted average life 3.7 years

Conservation Finance Benefits

- » **Establish independent Conservation Fund**
- » **Conservation Financing**
\$108 million from the transaction:
 - \$84 million over 20 years (\$4.2 million annual average)
 - \$23.45 million pre-funded endowment, borrowed by Belize through the Blue Loan\$72 million in anticipated market return on the endowment (estimated 7% annually) over 20 years

Awards and Recognition

The transaction was recognized in Environmental Finance's 2022 Bond Awards, winning the sovereign sustainability bond of the year and the award for sustainability bond structure innovation. The transaction also picked up the 2022 Grunin Prize for Social Entrepreneurship awarded at NYU Law and the Editor's Choice Award and Debt and Equity-Linked Deal of the Year from IFLR Americas.

[➔ DOWNLOAD](#) the full Case study here





Logging truck driver attaching a Conservancy ticket to a load of trees at the Ellsworth Creek Preserve, Washington. © Chris Crisman

BTG Pactual Timberland Investment Group (TIG) and TNC Collaboration

LAUNCHED September 2021

PORTFOLIO 1.16 million acres

Problem

The forest sector has a vital role to play in tackling the twin crises of climate change and biodiversity loss.

About 30% of the world's forests—more than 1 billion hectares—are working forests, managed primarily for the production of wood, paper and other products. In the U.S., forests and forest products capture and store nearly 15% of the country's carbon emissions. According to American Forests, they could potentially capture twice as much but only if significant efforts are made to conserve more forests, plant trees and adopt climate-smart practices for managing working forests.

The National Alliance of Forest Owners reports that in the U.S. working forests filter almost 30% of our drinking water and provide habitat for 60% of at-risk species. Research by TNC and 15 other institutions shows that effective management of existing forests and forest restoration is the best large-scale, immediately deployable carbon removal option available today. Improved Natural Forest Management is one of the lowest cost and largest opportunity pathways to mitigate climate change and provide benefits to biodiversity, air, soil and water.

The commercial forestry industry already knows how to invest in and manage forests at scale, but improved management could deliver greater climate and biodiversity benefits across entire landscapes. Fortunately, investors looking to align their portfolios with environmental, social and governance (ESG) goals are increasingly seeking opportunities that include forest protection and improved management—specifically those that offer positive impacts alongside financial returns. Investors already recognize forests as a viable financial asset class, and the significant increase in climate-aligned capital—more than \$60 trillion committed to net-zero over the past year—could potentially finance conservation

and climate action at large scales through working forests to multiply the benefits for climate, biodiversity and local communities.

As one of the oldest and largest Timber Investment Management Organizations in the world, BTG Pactual’s Timberland Investment Group (TIG) seeks to develop best practices to set a new benchmark for sustainable forest management. Working forests that deliver efficiency, returns and conservation outcomes are more likely to attract further investment—resulting in portfolio and revenue growth. Of course, more sustainably managed forests can lead to greater conservation impact.

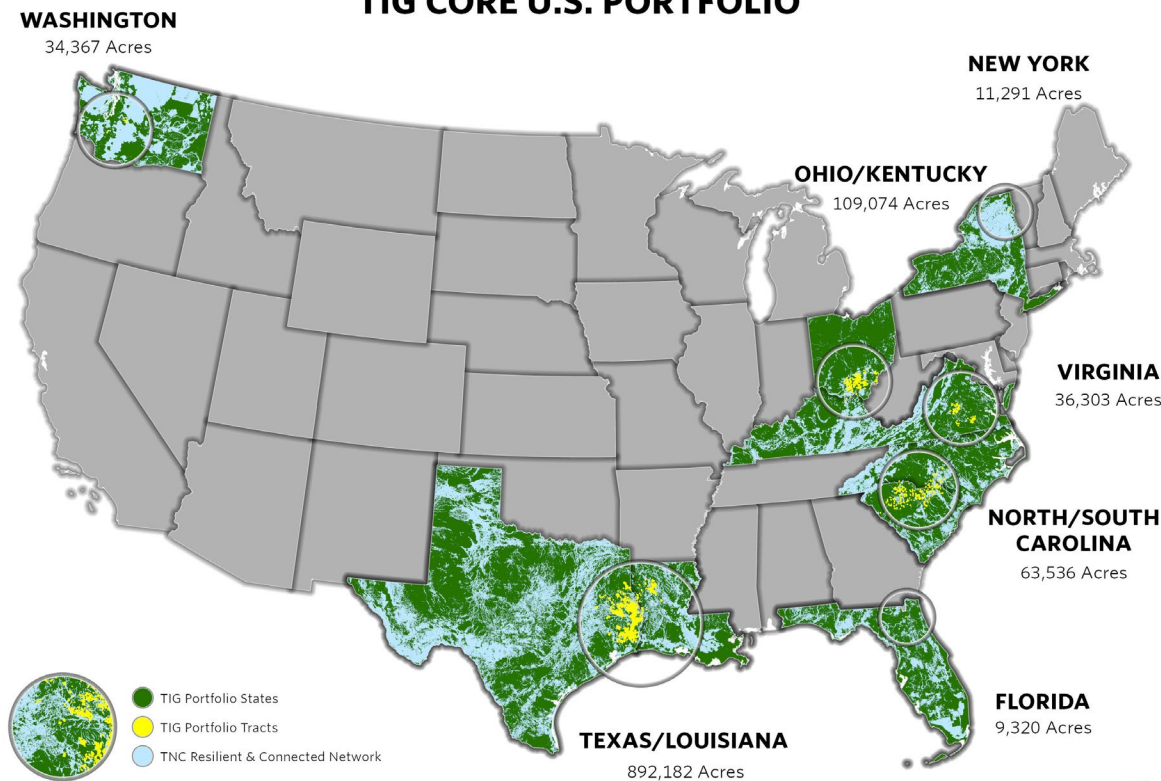
Solution and Deal Structure

TNC and TIG joined forces in 2021 to advance the potential of sustainably managed forests across the U.S. to address the twin crises of biodiversity loss and climate change. Through a first-of-its-kind agreement, the initiative seeks to enhance climate action and conservation outcomes on more than 1 million acres across 10 states (an area almost as large as Grand Canyon National Park).

TNC offers significant experience in executing science-based conservation strategies at scale, particularly with regard to water quality protection and enhancement, restoration and reforestation, carbon sequestration, and forest conservation and protection. In this collaboration, TIG aims to create best practices to enhance climate action and conservation outcomes across their holdings, with the added benefit that their methods can be shared and replicated at scale across the forestry industry.

State	Total Acreage	% RCN
Virginia	36,303	3%
North/South Carolina	63,536	19%
New York	11,291	99%
Ohio/Kentucky	109,074	22%
Texas/Louisiana	892,182	18%
Washington	34,367	36%
Florida	9,320	-
	1,156,073	

TIG CORE U.S. PORTFOLIO



Total Area: 1,156,073 Acres



*TNC’s Resilient and Connected Network; map and portfolio details current as of June 2022

TNC has reviewed each of TIG's assets against conservation criteria and is developing customized conservation strategies and impact metrics for each asset. TNC will also conduct impact monitoring and reporting, helping deliver and demonstrate conservation outcomes at scale, while TIG works to secure long-term portfolio growth, value and risk management.



Above: A timber faller, cutting a corridor to pull out trees in second growth forest at the Ellsworth Creek Preserve in Washington state.
© Chris Crisman

Intended Impact

With TNC's conservation expertise, TIG aims to enhance the sustainability of its portfolio, pursue positive impacts and apply standards that prevent negative environmental and social impacts. With local climate and forest scientists advising the collaboration, TNC applies specialist knowledge and expertise in developing assessments, models and tools customized to every purchase unit in the portfolio.

The initiative has the potential to generate high-quality carbon offsets, sequester millions of tons of CO₂e and set a new benchmark for forestry management.

Over 200,000 acres of the current portfolio are within TNC's Resilient and Connected Network and can contribute to increasing habitat connectivity, climate resilience, and protection of the most biodiverse regions of the U.S.

TIG and TNC are establishing science-based targets with the goal of delivering on-the-ground climate and conservation outcomes at scale. TIG aims to incorporate these targets alongside the objective of maintaining or enhancing financial performance.

Management focuses on resilience to strengthen the ecological and economic value of the portfolio. Factors such as biodiversity, contiguousness, freshwater values, connectivity and location (i.e., adjacency to currently protected areas) will contribute to the resilience of the portfolio, and most importantly the ability of land to maintain ecological function over time. From an investment perspective, managing for resilience provides the portfolio with insurance against future changes—strengthening its value and reducing risk.

Key Conservation Targets

- » Identify specific conservation actions across 1 million acres to pursue enhanced resilience, biodiversity value, water quality and social impacts.
- » Over 200,000 acres of the current portfolio are within TNC's Resilient and Connected Network and will contribute to increasing habitat connectivity, climate resilience, and protection of the most biodiverse regions of the U.S.
- » The existing portfolio has the potential to sequester up to 6 million tCO₂ over the next 10 years.
- » The collaboration will seek options to provide outdoor recreation and development opportunities to benefit rural communities.

Outcomes to Date

The collaboration with TIG was launched in September 2021.

The first year focuses on detailed assessments by TNC and TIG personnel, identifying actions needed to align with agreed-to minimum conservation standards and selecting target conservation metrics for incorporation into the incentive structure for both organizations.

To date, the team has made progress toward implementing a set of practice improvements to further enhance conservation outcomes across the portfolio, expected to be fully in-place by the collaboration's one-year anniversary.



CONSERVATION UPDATES

Private capital has the potential to be a force for positive change and here's the proof.

From North America and Africa to South America and Australia, TNC's global conservation efforts funded by private capital are already saving natural habitats, improving farming practices and boosting local economies.



Cumberland Forest L.P.

VIRGINIA, KENTUCKY AND TENNESSEE

Sustainable Forest management of 253,000 acres, for carbon sequestration, forest protection, recreational access and economic development.

COMMITTED CAPITAL \$130.8 million equity and debt



ANTLERS FOR CHANGE

Native Eastern elk were hunted into extinction in the Appalachians during the 19th century. Regional reintroduction started in the 1990s, and today elk herds attract tourists for wildlife viewing and hunting in Virginia, Kentucky and Tennessee.

Habitat restoration

Elk habitat restoration efforts are on 350 acres of previously mined lands in partnership with TWRA and in cooperation with the Rocky Mountain Elk Foundation. 2021 restoration activities included invasives species control, woody vegetation removal and prescribed fire to restore health to ecosystems that depend on it.

Direct and indirect economic benefits

The Cumberland Forest Project receives an elk tag allocation for hunting in exchange for providing public access to its acreage. A portion of tags are sold, and the remainder made available via a lottery. Permitting elk hunting on the property between 2020-2021, provided a total economic benefit of \$416,000 in Kentucky.¹

In Tennessee alone, 12,000 people² visit the state annually for elk viewing with an economic impact of elk viewing and hunting combined at \$10.75 million³ annually. With continued investment and management, the conservation and economic benefits to the Project are set to increase over the coming year.

Getting closer—but not too close (a male elk can weigh 730 pounds)

A grant of \$2.25 million was awarded to the project and its partners, to improve elk habitat on former mined lands, and to expand the infrastructure for elk viewing on the property in Buchanan County. Plans also include the payment of an annual lease to the fund for public wildlife viewing.

¹ Estimates based on Ataya proportion of Kentucky Elk Hunting Unit by acreage, 2020 KDFWR Elk Hunter Survey and economic multiplier for big game hunting in Kentucky from the US Fish and Wildlife Service.

² Estimates from the Campbell Outdoor Recreation Association

³ Estimates from the Tennessee Wildlife Resource Agency



From top: An elk (*Cervus canadensis*) peers over the dense vegetation near Breaks, Virginia. © Steven David; Gathering at the Virginia Elk Restoration Project. © TNC; Prescribed burn crew, Virginia © Nikole Simmons/TNC

Kenya Vulture Conservation

KENYA

Biodiversity conservation including vultures and other birds of prey, around the Kipeto Wind Farm, plus local benefits to communities and provision of clean energy essential for economic development.

Kenya Vulture Conservation provided indirect loan financing for the Kipeto Wind Farm in exchange for a commitment Kipeto would fund \$500k per year for offsite mitigation. Funding is allocated to support local non-profits implementing conservation actions identified in the project's biodiversity action plan.

COMMITTED CAPITAL \$10 million equity

TAGGING AND SAFEGUARDING CRITICALLY ENDANGERED BIRDS

Unintentional victims

Vultures, essential to keeping ecosystems clean and healthy, are Critically Endangered in Africa. Offsite conservation efforts by the Kipeto Wind Farm include tackling retaliatory wildlife poisoning, which occurs after carnivores attack livestock, and farmers lace carcasses with poison to kill predators. Vultures are not the target, but the practice has devastated their populations.

Radio-tagging

Over the past two years, one of our non-profit collaborators, The Peregrine Fund (TPF), with funding from the project, have gps-tagged 35 raptors including 22 vultures to monitor their movements and identify population hotspots—helping to understand their collision risk and safeguard the birds. Several poisoned birds have been saved by fast acting officers from TPF who have tracked and treated poisoned vultures in collaboration with partners, eventually releasing the fully rehabilitated birds back into the wild.

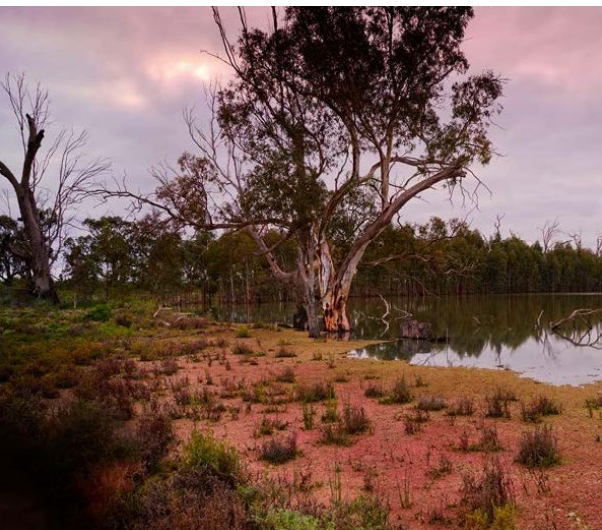
Monitoring numbers

In addition to monitoring the movements of the gps-tagged raptors and vultures, TPF is monitoring, together with the Kenya Bird of Prey Trust, 40 active White-backed Vulture nests where 16 chicks fledged, and 33 active Lappet-faced Vulture nests where 22 chicks fledged.

Collaborating for change

Getting insight into birds of prey movement behavior via gps-tracking is essential to quickly discover poisoning incidents and prevent further deaths, to understand their collision risk and mortality rates, and safeguard and stabilize the vulture population. Conservation efforts can only be realized if local people see the value in all wildlife and risks that retaliation poisoning poses not only to wildlife, but also to livestock, and human health.





Murray-Darling Basin Balanced Water Fund

SOUTH-EAST AUSTRALIA

Balancing agriculture, finance and the environment, by securing water and water rights for irrigation, habitat restoration, wetland conservation, preservation of Aboriginal cultural value

The Fund is a partnership between TNC, Kilter Rural and the Murray Darling Wetlands Working Group.

COMMITTED CAPITAL AU\$27.9 million equity and debt

REGENERATING FRESHWATER WETLANDS

Environmental Water

This last watering year, ending June 30, 2022, saw one of the biggest private donations of environmental water in Australia from the Murray Darling Basin Balanced Water Fund at 3.2 gigalitres (that's 2,600 acre-feet). The water was used to regenerate freshwater wetlands at 18 locations in the southern Murray Darling Basin. At least 10 of these sites support listed threatened species.

Plenty more fish in the basin

Demonstrating the project's impact, the nationally endangered Murray Hardyhead, a small freshwater fish, experienced a population boom in areas supported by our environmental water. Surveys by the Department of Primary Industries—Fisheries estimates numbers around 90,000.

Jumping for joy

The nationally endangered southern bell frog has been sighted at seven wetlands that received our environmental water in 2021/22, demonstrating further the biodiversity impact of the water donations from this private fund.

Looking forward

The 2022/23 watering year is looking to generate an even larger water donation, estimated at 5.19 gigalitres—meaning the fund can deliver even greater conservation benefits to balance and preserve the delicate ecosystem.

From top: Southern Bell Frog © Creative Commons; Making a comeback, the Murray Hardyhead, freshwater fish. © NSW (New South Wales) Department of Primary Industries; Wetland habitat/SaschaHealy © Murray Darling Wetland Working Group

Sustainable Water Impact Fund (SWIF)

MULTIPLE LOCATIONS

Restoring and protecting terrestrial and freshwater ecosystems, improving the management of working lands to create habitat for wildlife, and enhancing environmental flows and water quality in rivers and streams.

➔ **TO LEARN MORE** about SWIF, please see the [2021 SWIF Impact Report](#)

COMMITTED CAPITAL \$900+ million equity

SCALING SUSTAINABLE AGRICULTURE IN PERU'S ICA VALLEY

A fruitful partnership

Agrícola Don Ricardo (ADR), a business unit of the SWIF investment Frutura, is a large grower that demonstrates leadership in agriculture, water management, and social impact in a region confronting multiple social and environmental challenges. ADR is located in Peru's Ica Valley, an arid region facing high water stress and a high level of water risk.

Water innovation & leadership

In 2020, ADR earned the "Certificado Azul" distinction, a certification launched by the Peruvian government aiming to recognize leaders in water efficiency and to reduce the water footprint of goods and services.


ADR has a strong system of data-based decision making, which has allowed the company to optimize its crop water footprint to be 27% lower than the

national average in Peru and 17% lower than the global average.

To promote water efficiency in 2021, ADR held a series of workshops to train more than 50 producers in the Ica Valley on water use efficiency, including site visits and customized technical assistance for individual farmers.

Next steps for the fund

SWIF aims to leverage ADR's expertise to demonstrate climate-smart agriculture practices that support sustainable water management and economic growth. SWIF will encourage sharing of practices with the agricultural community to show a proven model for economically and socially sustainable food production.



Our most serious problems
should set the agenda, but we
can't let them set the tone.
Not when we can instead
focus on solutions.












APPENDICES




























A black-tailed doe grazing in a meadow at Hurricane Ridge in the Olympic National Park, Washington. © Kevin Russell

APPENDIX I: TNC IMPACT CAPITAL PORTFOLIO TARGETS AND PROGRESS TO DATE

Table 1

Deal Name	Closing Date	SDGs Targeted	Impact Targets (over investment term)	Realized Impact (as of Mar-22)	Impact Status
Brightstorm Infrastructure Group	Apr-19	 	<ul style="list-style-type: none"> » Reduce the following pollutants from the Chesapeake Bay, representing at least 20% per project: Sediment, Nitrogen and Phosphorus 	<ul style="list-style-type: none"> » Total annual removal representing at least 20% of pollution per project: Sediment 48,000 lbs, Nitrogen 489 lbs, Phosphorus 71 lbs 	On Plan
Belize Blue Bond	Oct-21	   	<ul style="list-style-type: none"> » Generate \$180 million in funding for conservation over the next 20 years » Expand Biodiversity Protection Zones covering 30% of its ocean » Improve ocean management 	<ul style="list-style-type: none"> » Ocean conservation plan on target 	On Plan
BTG/TIG and TNC Collaboration	Dec-21	  	<ul style="list-style-type: none"> » Enhance the sustainability of 1 million acre portfolio, pursue positive impacts and apply standards that prevent negative environmental and social impacts » Contribute to increasing habitat connectivity, climate resilience, and protection of the most biodiverse regions of the U.S. » Sequester up to 6 million tCO₂ over the next 10 years 	<ul style="list-style-type: none"> » Forest management on plan 	On Plan
Cumberland Forest, L.P.	Apr-19	 	<ul style="list-style-type: none"> » Sustainable management of all forested property » Maximize long-term forest protection » 6 million tCO₂e carbon sequestered » Recreational access » \$5.5 million donated to local economic development 	<ul style="list-style-type: none"> » All 253K forested acres FSC certified » 66K acres under conservation easement » 3.3 million tons of carbon sequestration » \$293,000 donated to community economic development projects 	On Plan

Deal Name	Closing Date	SDGs Targeted	Impact Targets (over investment term)	Realized Impact (as of Mar-22)	Impact Status
District Stormwater, LLC	Mar-16	  	<ul style="list-style-type: none"> » 7.65 additional acres treated annually through 2025 » 4.5 million gallons retained annually through 2025 	<ul style="list-style-type: none"> » 21.64 acres treated to date » 8.4 million gallons retained to date 	On Plan
Great Cumbung Swamp Acquisition	Jan-19	  	<ul style="list-style-type: none"> » 9,884 acres under conservation covenant by December 2020, full 83,000 acres protected by 2029 » 50+ jobs created 	<ul style="list-style-type: none"> » Ongoing discussions with stakeholders regarding protection mechanisms 	Behind Plan
Great Western Checkerboards	Dec-14	  	<ul style="list-style-type: none"> » Sustainable forest management for habitat restoration, water improvement » Exit to conservation buyer 	<ul style="list-style-type: none"> » Forest management on plan » 70,000 acres sold to government agencies to date 	On Plan
Kenya Vulture Conservation	Nov-20		<ul style="list-style-type: none"> » \$500,000 proceeds annually dedicated to making a positive overall contribution to the conservation of threatened vultures and other birds of prey » Local community benefit » Provision of clean energy essential for Kenya's economic development 	<ul style="list-style-type: none"> » Over 50,000 individuals reached via community awareness campaigns » 10 newly installed predator proof bomas constructed, resulting in fewer lethal retaliatory incidences, especially poisoning » Installed water tanks for 5 local schools totaling 785 beneficiaries 	On Plan
Local Fish Fund	Feb-19	  	<ul style="list-style-type: none"> » 8 to 10 loans » Compliance with conservation covenants. 	<ul style="list-style-type: none"> » 8 borrowers purchased \$964,000 quota to date in compliance with conservation covenants » 9 loans approved with \$1.46 million of \$1.5 million deployed 	On Plan

Deal Name	Closing Date	SDGs Targeted	Impact Targets (over investment term)	Realized Impact (as of Mar-22)	Impact Status
Murray-Darling Basin Balanced Water Fund ¹	Dec-15	 	<ul style="list-style-type: none"> » 55 to 79 gigalitres (GL) of water donated to ecologically important wetlands » Work with traditional owners for restoration » 157 to 173 GL of water provided to irrigators 	<ul style="list-style-type: none"> » 7.5 GL water delivered to ecologically important wetlands to date » 53 GL delivered to irrigators (as of June 2022) » Sub-scale fundraising 	Behind Plan
Seychelles Debt Conversion	Feb-16	   	<ul style="list-style-type: none"> » 30% of EEZ to MPA, 50% no-take » \$8 million proceeds for marine conservation, \$6.6 million for endowment by 2036 	<ul style="list-style-type: none"> » 32% MPA (50% no-take) areas demarcated by government in 2020 » \$1.9 million dedicated to marine conservation, \$756,000 endowment 	Behind Plan
Sustainable Water Impact Fund	Apr-20	   	<ul style="list-style-type: none"> » Protect terrestrial and freshwater ecosystems » Create temporary habitat through improved management of working lands » Improve environmental flows and water quality in rivers and streams 	<ul style="list-style-type: none"> » 12 acquisitions completed in each of California, Chile, Australia, Uruguay and Peru. » Sustainable management of a portfolio of approximately 66,000 acres of land and 115,000 acre-feet/year of groundwater and surface water (average) 	On Plan
Olympic Peninsula Acquisition Project ²	Dec-14	  	<ul style="list-style-type: none"> » Sustainable forest management for habitat » Restoration, water improvement » Exit to conservation buyer 	<ul style="list-style-type: none"> » Forest management, restoration on plan » No out-sales to date 	On Plan

1. MDBBWF impact targets based on AUD 100 million target fund size, actual invested capital AUD 30.4 million as of March 2021.

2. In December 2019, TNC retired the outstanding debt for the Olympic Peninsula Acquisition Project and continues to sustainably manage the property with a goal of long-term protection. We consider this to be an exited transaction with continued TNC ownership and will continue to report on impact outcomes.

Note: Livestock to Markets is excluded from ongoing reporting after TNC divested its interest in early 2021.

APPENDIX II: GLOBAL IMPACT METRIC INDICATORS

NatureVest tracks or will track multiple metrics that align with globally recognized impact reporting standards. The table to the right details NatureVest's progress against relevant metrics identified by the Sustainable Development Goals (SDGs) formulated by the United Nations General Assembly, as well as select metrics defined by the Global Impact Investing Network (GIIN) Impact Reporting and Investment Standards (IRIS). **Generally, NatureVest's strategy supports the following SDGs:**



Table 2: Standardized Impact Metrics

GIIN IRIS	March 31, 2022	Change from March 2021	Transaction(s)
Areas of Trees Planted: Total (acres)	2,293	—	Cumberland Forest L.P., Great Western Checkerboards, Olympic Peninsula Acquisition Project, District Stormwater
Charitable Donations (NatureVest core funding, transaction partners, and deployed alongside transactions, (USD))	2,193,000	+ 326,000	Cumberland Forest L.P., Seychelles Debt Conversion
Greenhouse Gas Emissions Avoided due to Carbon Offsets Sold (tons CO2)	3,649,018	+ 850,000	Cumberland Forest L.P., Great Western Checkerboards
Land Directly Controlled: Sustainably Managed (acres)	1,042,642	+ 612,000	BTG/TIG TNC Collaboration Cumberland Forest L.P., Great Western Checkerboards, Olympic Peninsula Acquisition Project, Sustainable Water Impact Fund
Protected Land Area: Permanent (acres)	202,890	+ 103,000	Cumberland Forest L.P., Great Western Checkerboards, Olympic Peninsula Acquisition Project
Protected Ocean Area: Permanent (square miles)	161,906	+ 3,906	Seychelles Debt Conversion Belize Blue Bond
Stormwater Runoff (gallons/year)	91,400,000	+ 2,400,000	District Stormwater LLC, Brightstorm
Value of Loans Disbursed (USD)	964,380	—	Local Fish Fund
Water Conserved (gallons)	1,981,000,000	+ 114,000,000	Murray-Darling Basin Balanced Water Fund

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