

2023 IMPACT REPORT

INVESTING in NATURE



natureVest

The Nature
Conservancy 

CONTENTS

MANAGING DIRECTOR'S LETTER 2

INTRODUCTION AND PORTFOLIO SUMMARY 4

NEW DEALS AND IMPACT TARGETS 9

CONSERVATION UPDATES21

IMPACT MANAGEMENT 25

APPENDICES 29

 APPENDIX I: TNC IMPACT INVESTMENT PORTFOLIO
 TARGETS AND REALIZED IMPACT TO DATE 30

 APPENDIX II: AGGREGATE PORTFOLIO IMPACT TO DATE35

 APPENDIX III: EVOLVING IMPACT MEASUREMENT 36



Photo on cover: Pondoro game lodge, South Africa © Clifford Rosenberg/TNC Photo Contest 2019; Photos on this page (from top): Children playing near Lake Avanga. © Roshni Lodhia; A bumblebee on Smooth Oxeye (*Heliopsis helianthoides*) flowers in a meadow in Southwest Virginia. © Steven David Johnson

MANAGING DIRECTOR'S LETTER



Welcome to the fourth edition of our annual impact report



Lauren Ferstandig
MANAGING DIRECTOR,
NATUREVEST

Back in 2014, I traveled to Australia, more times than I can remember, to meet with potential investors to talk about developing one of NatureVest's first impact investments: the Murray-Darling Basin Balanced

Water Fund. I spent hours trying to explain why investment in the environment was important and how it was feasible. Many were dubious, pointing out that a) nature was difficult to value in traditional financial terms, and b) the work we were doing had no track record.

They weren't wrong, but some of those investors saw the chance to make an impact not just in the river basin, but also in the burgeoning natural capital market. And so, they took a leap of faith with us, helping to initiate the nature-based investment track record that we are so proud of today.

2024 and Beyond

As NatureVest continues to grow, our focus remains on developing products that have the greatest potential to deliver on The Nature Conservancy's (TNC's) priority outcomes while also meeting the needs of the market. After years of striving to work within the small overlap between market demand and environmental outcomes, we are excited to see the market for environmental and social impact products accelerating at a pace that leads us to be extremely optimistic about the future. In fact, according to McKinsey, "climate-related private-market investment far outpaced the broader market in 2022 as measured by deal activity, the amount of capital deployed, and capital flows into dedicated funds."

One area, in particular, where business and environmental needs are converging rapidly is sustainable supply chains. Many corporations ranging from food production to building materials

and retail are recognizing the need to improve the environmental footprint of their supply chains. Driven by a combination of regulation, social pressure, and good long-term business sense, companies are searching for both technical and financial assistance to help transition their practices. In collaboration with our colleagues across TNC, we are working with investors and corporations to develop financial products specifically designed to implement TNC-developed sustainability plans up and down some of the world's most extractive value chains. This work has the potential to not only slow deforestation, reduce carbon emissions, and improve soil and water health, but it can also help support the transition to livelihoods with greater long-term sustainability and economic security.

As we continue to grow and evolve, I'm happy to see that the whole market for sustainable investments is on the rise. Green technologies are flourishing, and innovative business models are emerging, all with the challenging aim of balancing profit with

environmental stewardship. We thank those first investors in NatureVest's early projects like the Murray-Darling Basin Balanced Water Fund; their willingness to support doing business differently has been a catalyst in shifting the market.

What's Inside This Report?

Throughout this report, we will share details of all the investments in our portfolio: investments that are helping to reshape our economic landscape in favor of nature. The report will take you around the world, with an in-depth look at our three newest projects located in Africa and the Caribbean, and we will share some of the inspiring developments taking place in our projects in North America, South America, Asia Pacific and Africa.

Special Feature: How Do You Measure Outcomes?

Balancing profit with environmental stewardship is challenging. It requires partnership, careful planning, and rigorous measurement, surpassing traditional investment standards. With that in mind, I am thrilled to introduce our guest writer for this year's edition—an influential voice in the realm of conservation and impact investing. With her thought-provoking article, "Impact Investing: Where the Rubber Meets the Road," Dr. Cat Burns, the Managing Director of our Impact Management Team, shares insights and strategies behind our mission to ensure that conservation is not just an aspiration but a measurable outcome in every one of NatureVest's deals.

This is a shared journey. My gratitude extends to our colleagues across TNC and to the partners and investors who make these transactions and the resulting outcomes possible. Your contributions have been profound. We are honored to work alongside you as we shape a brighter future together.



Photo: Red Gum trees along the banks of a recently watered creek system in the Carrs, Capitts and Bunberoo (CCB) Creeks system, Australia.
© Andrew Peacock



INTRODUCTION AND PORTFOLIO SUMMARY

About NatureVest

Established in 2014, NatureVest is TNC's in-house team for impact investing and sustainable finance. Working collaboratively with TNC colleagues and external partners around the world, the team sources and structures investment products that aim to generate environmental, social, and financial returns. All NatureVest projects are designed to leverage private capital to support [TNC's 2030 Goals](#) of addressing the biodiversity and climate crises.

NatureVest is one of several teams operating within TNC's Impact Finance and Markets (IFM) division, whose collective responsibility is to connect the private sector and markets with TNC's scientific conservation expertise and conservation projects. Interventions include working with the private sector to create value chain resiliency and sustainability, increasing transparency and access to quality carbon credit projects, sovereign debt solutions, and of course, impact investing via the NatureVest team.

Collaborating with scientists and conservation colleagues around the world, NatureVest and IFM's Sustainable Debt team have helped TNC and its partners to design, structure, fund, and close a portfolio of 16 investments to date, representing some USD 3.3 billion of committed capital.

To date, investments include:

- » Leveraging nature-based solutions to address the climate crisis
- » Equity funds investing in pathways to cleaner protein
- » Sovereign debt refinancing to generate conservation funding as part of TNC's Nature Bonds strategy
- » Loans to ecotourism businesses on the front line of big landscape conservation

This report covers TNC's Impact Investment portfolio (managed or supported by the NatureVest and Sustainable Debt teams) and includes an update on each investment's progress towards its impact objectives.

Photo: Nature Conservancy's Great Western Checkerboards Project, Montana © Steven Gnam

Report Contents

Introduction and Portfolio Summary:

- » Here, you will find all the essential information regarding NatureVest's investment focus, as well as an overview of the portfolio's financial, conservation, and geographic features.

New Deals:

- » Full details about three new impact investment deals
 - **The Africa Conservation and Communities Tourism Fund (ACCT):** closed in April 2023
 - **Blue Bonds Project in Barbados:** closed in September 2022
 - **Blue Bonds Project in Gabon:** closed in August 2023

Conservation Updates:

- » Highlights from three of NatureVest's impact investments, which are actively demonstrating how private capital can help drive impact outcomes. Read the latest updates from our projects in North America, South America, Asia Pacific and Africa.

Impact Management: Where the Rubber Meets the Road, by Dr. Catherine Burns:

- » Closing a deal marks the start of a collaborative relationship between TNC and our project partners. The outcomes of each partnership are skillfully guided by the Impact Management Team. In this report, Managing Director Dr. Catherine (Cat) Burns shares her expertise in cultivating trust and effectively managing conservation impact, revealing an honest look at the trials and triumphs we have experienced through building partnerships that achieve real impact.

Appendices:

- » Appendix I: Targeted and realized impact, to date, for each deal in the portfolio
- » Appendix II: TNC's Impact Investment 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)
- » Appendix III: Commentary on how we evolve our impact management methodologies and our approach to reporting the conservation outcomes of impact investments



TNC Mission and Priorities

TNC's Impact Investment portfolio is a collection of investments designed to deliver conservation outcomes that contribute to TNC's 2030 Goals alongside financial returns to investors. Through the development and management of these transactions, NatureVest secures capital for projects that contribute towards TNC's mission—to conserve the lands and waters on which all life depends.

Natural Capital

Biodiversity loss and climate change pose an existential risk that is impossible to overstate. The threat is real, and the potential consequences are devastating. Our extractive economy and business as usual are both part of the problem. Albert Einstein said it best: "We cannot solve our problems with the same thinking we used when we created them."

Fortunately, innovation, dedicated leadership, and pioneering thinking are starting to change the global economic landscape for the better. If we continue to redefine business and direct substantial private investment into natural capital, then we can build an economy that values nature, and we can change the trajectory of the biodiversity and climate crises.

Measurable Goals and Coordinated Action

TNC is a global environmental organization that has achieved many significant conservation victories. But there remains much work to be done. To align with the latest climate science and global agendas, TNC has set ambitious goals for 2030.

TNC's 2030 Goals include the removal of an amount of carbon equivalent to taking 650 million cars off the road annually, conserving land twice the size of India, protecting over 10% of the world's ocean, helping 100 million people on the front lines of the climate crisis—and that's just to start. The



route to achieving these goals lies in the organization's science and operational capacity, coupled with the development of strong partnerships with the private sector and governments in order to apply global capabilities and strategies that can shift our course.

Market Shifts

Consumer and investor preferences are driving a significant shift in the investment landscape, with sustainable investing emerging as a prominent and influential approach. Many investors are now embracing the fact that all investments have an

impact on the environment and society as a whole, and they are now looking for opportunities to build environmental and social impacts into investment decision-making processes. This shift is leading to a fundamental reevaluation of investment strategies and a growing demand for sustainable options.

NatureVest Focus and Outcomes

As a dedicated investment team—with functional expertise including sovereign debt finance, deal structuring, capital raising, legal, and asset management—NatureVest, and the IFM division's other private market-facing teams (including Carbon Markets, Sustainable Debt, and Corporate Engagement) have 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. From the creation of operating companies, special purpose vehicles, and investment partnerships, to the exploration of private equity, commercial debt, and concessionary financing, the possibilities are vast. The scope of deals extends from the familiar, such as investments in established asset classes like forestland, to innovative new solutions that we hope will catalyze new ways of valuing nature in the future.

TNC's Impact Investment portfolio currently focuses on the following six categories, plus the exited deals noted:

Forestry and Carbon	<ul style="list-style-type: none"> ▪ BTG Pactual Timberland Investment Group (TIG) and TNC Collaboration ▪ Cumberland Forest, L.P. ▪ Great Western Checkerboards Project
Water and Agriculture	<ul style="list-style-type: none"> ▪ Sustainable Water Impact Fund ▪ Murray Darling Basin Balanced Water Fund
Fisheries and Aquaculture	<ul style="list-style-type: none"> ▪ Pacific Island Tuna Provisions
Conservation Tourism	<ul style="list-style-type: none"> ▪ The Africa Conservation and Communities Tourism Fund (ACCT)
Infrastructure and Renewable Energy	<ul style="list-style-type: none"> ▪ Kenya Vulture Conservation LLC
Sovereign Debt Solutions	<p>Blue Bonds/Nature Bonds projects structured/closed by IFM's Sustainable Debt team for TNC's Nature Bonds Strategy:</p> <ul style="list-style-type: none"> ▪ Blue Bonds Project in Gabon ▪ Blue Bonds Project in Barbados ▪ Blue Bonds Project in Belize ▪ Seychelles Debt Conversion
Exited Deals <i>(Not shown on map)</i>	<ul style="list-style-type: none"> ▪ Brightstorm Infrastructure Group ▪ District Stormwater, LLC ▪ Olympic Peninsula Acquisition Project ▪ Livestock-to-Markets

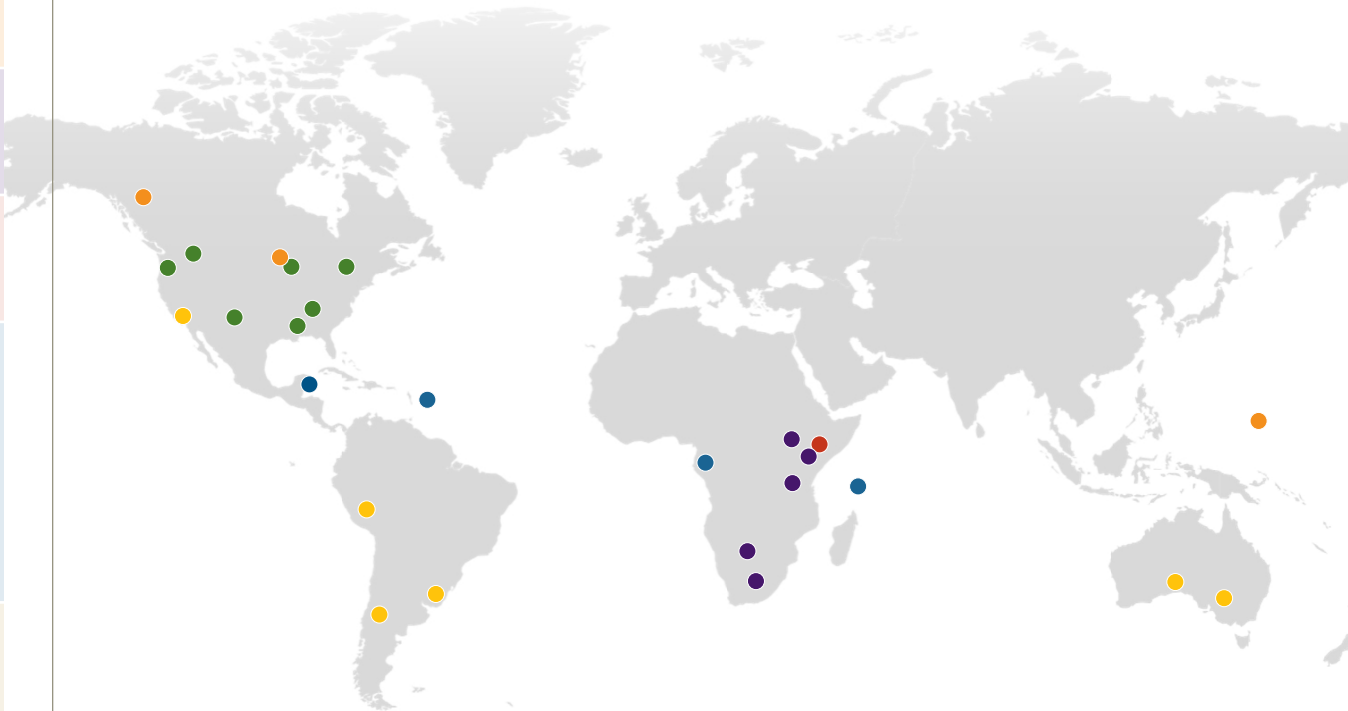
Portfolio Summary

Deals in the impact portfolio span four continents and have generated promising conservation outcomes toward TNC's priorities.

As detailed in the Appendices, each deal has identified specific targets that would contribute to or expand on the outcomes previously mentioned. With these additional targets in sight, the portfolio is expected to significantly increase its reach and outcomes, underscoring the potential of investments in natural assets and nature-based solutions to deliver both positive impact and financial returns.

Cumulative Impact to Date *(Includes exited projects)*

3.3B Committed Capital (USD)	160M Tons of CO ₂ Emissions Avoided	22M Acres of Land Sustainably Managed	206K Acres of Land Protected	940K Square Miles of Ocean with Improved Management	171K Square Miles of Ocean Protected
---	---	---	---	---	--



Note: map data reflects active portfolio as of 12/31/2023; markers may include active projects not yet publicly reported. Projects may be represented by multiple markers based on the location of underlying investments. Each marker represents one impact project or underlying investment in that country, or region in the case of N. America.



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.

NatureVest Impact 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 30 million hectares 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 4 billion hectares 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 650 million hectares 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.

Photos (from top): Tupper Lake, Montana © Steven Gnam;
Efulatchi Co-op member on Lake Oguemoué, Gabon.
© Roshni Lodhia; Barbados © Shane Gross

NEW DEALS AND IMPACT TARGETS



Conservation Tourism

Africa Conservation & Communities Tourism Fund (ACCT)

CLOSED April 2023

COMMITTED CAPITAL USD 70 Million

Problem

Africa supports one-third of the world's biological diversity¹ and some of the world's most diverse and iconic large mammal populations. In addition, Africa's savannas and forests play a critical role in sequestering carbon and protecting our climate, while also providing sustainable livelihoods for millions of people.

As the pressure to change land use to meet human needs continues to grow and climate change increasingly lowers land productivity in many places, African protected areas and biodiversity hotspots are increasingly fragmented or converted.

Maintaining effective conservation management requires significant and sustained funding. In many African countries, tourism has, for decades, been one of the most important supporters of biodiversity, generating revenue for conservation and creating millions of employment opportunities.

1 IUCN ESARO (2020). Closing the gap. The financing and resourcing of protected and conserved areas in Eastern and Southern Africa. Nairobi, Kenya: IUCN ESARO; BIOPAMA.



Prior to the COVID-19 pandemic, the African tourism industry directly generated over USD 29 billion annually and employed 3.6 million people², with indirect benefits estimated at USD 50 billion and 24 million African jobs, including the impact of the full supply chain³.

Few tourism operators anticipated the dramatic and immediate drop in tourism revenue that came with COVID-19-induced travel bans. From 2019 to 2020, revenue for some of the biggest safari operators in Africa fell by as much as 95%. Many people lost their jobs, and salaries were often cut by 50% or more for those who remained employed. While spending cuts hurt local communities and conservation areas alike, they were essential to ensure the survival of the industry and its hopes to reopen after the pandemic.

Financial difficulties led to safari operators being unable to pay park and concession fees, which hurt both conservation managers and local communities reliant on tourism income. This caused a deterioration in the industry-community relationship. All of the goodwill and support for conservation that had been built up over the years was at risk. In some cases, people whose income

had been reduced or lost were reverting to poaching to feed their families. In addition, as revenues from tourism declined, agriculture and land development became more attractive.

Three Phase Solution

Phase One → REACT

Recognizing the resultant threat to conservation, TNC worked to help cushion the blow. Firstly, TNC launched the Africa Wildlife Conservancies Crisis Fund, raising USD 2.5 million of philanthropy to support at least 17 conservation properties in Kenya, Namibia, Tanzania, and Zambia that rely on tourism revenue to cover essential activities such as wildlife security, habitat management, and community outreach.

Phase Two → RECOVER

Secondly, TNC collaborated with ThirdWay Partners to establish the Africa Conservation and Communities Tourism Fund (the ACCT Fund), an impact fund designed to make working capital loans at fair and affordable rates to responsible tourism operators with camps or lodges in and around important conservation areas. These loans were structured to provide both flexible payment options and favorable interest rates to help these businesses get through the pandemic while still being able to afford their pre-COVID-19 contributions to conservation and communities.

Phase Three → RETHINK

Following the strong recovery of the tourism industry post-COVID-19, the ACCT Fund has expanded its focus to include supporting the growth of conservation tourism into important wildlife areas

by financing camp refurbishment and expansion. Additionally, where feasible, the Fund is supporting the expansion of operations into unutilized or underutilized conservation areas to drive incremental conservation and community benefits.

Despite a rebound in guest numbers, the tourism sector continues to face significant financial challenges due to prolonged income loss caused by the pandemic. Numerous operators have endured over a year without revenue, leading to the suspension of crucial projects. The ACCT Fund therefore offers a timely source of financing to support the industry's expansion.

Fund Structure

The ACCT Fund is a 9.5-year impact investment fund, which had its final close at USD 70 million in April 2023. The ACCT Fund is managed and operated by ThirdWay Partners with TNC as the Fund's Conservation Advisor.

Blended Finance

The blended finance transaction structure, which includes both commercial and catalytic tranches of investment capital, was designed to enable the ACCT Fund to provide tourism operators with a higher level of financial flexibility, while also including covenants designed to deliver measurable employment, conservation, and clean energy impacts. ACCT's investors include TNC, KfW on behalf of the German Federal Ministry for Economic Cooperation and Development, and the International Finance Corporation (IFC), as well as a number of funds and other impact investors. The ACCT Fund, through ThirdWay, also received catalytic funding to spur commercial investments

² <https://www.nature.com/articles/s41559-020-1275-6>

³ Bertzky et al., (2017), European Commission, Joint Research Centre, Science for the AU-EU Partnership: building knowledge for sustainable development, Publications Office of the European Union, Luxembourg.

from Prosper Africa, a U.S. government initiative to increase two-way trade and investment between the U.S. and Africa, and the United States Agency for International Development (USAID). Innpact Fund Management S.A. acts as the authorized Alternative Investment Fund Manager of the ACCT Fund, bringing 15 years of experience in supporting impact finance funds.

As the Conservation Advisor, TNC evaluates each opportunity and specifies the conservation and community outcomes each operator must meet as part of their legally binding loan obligations.

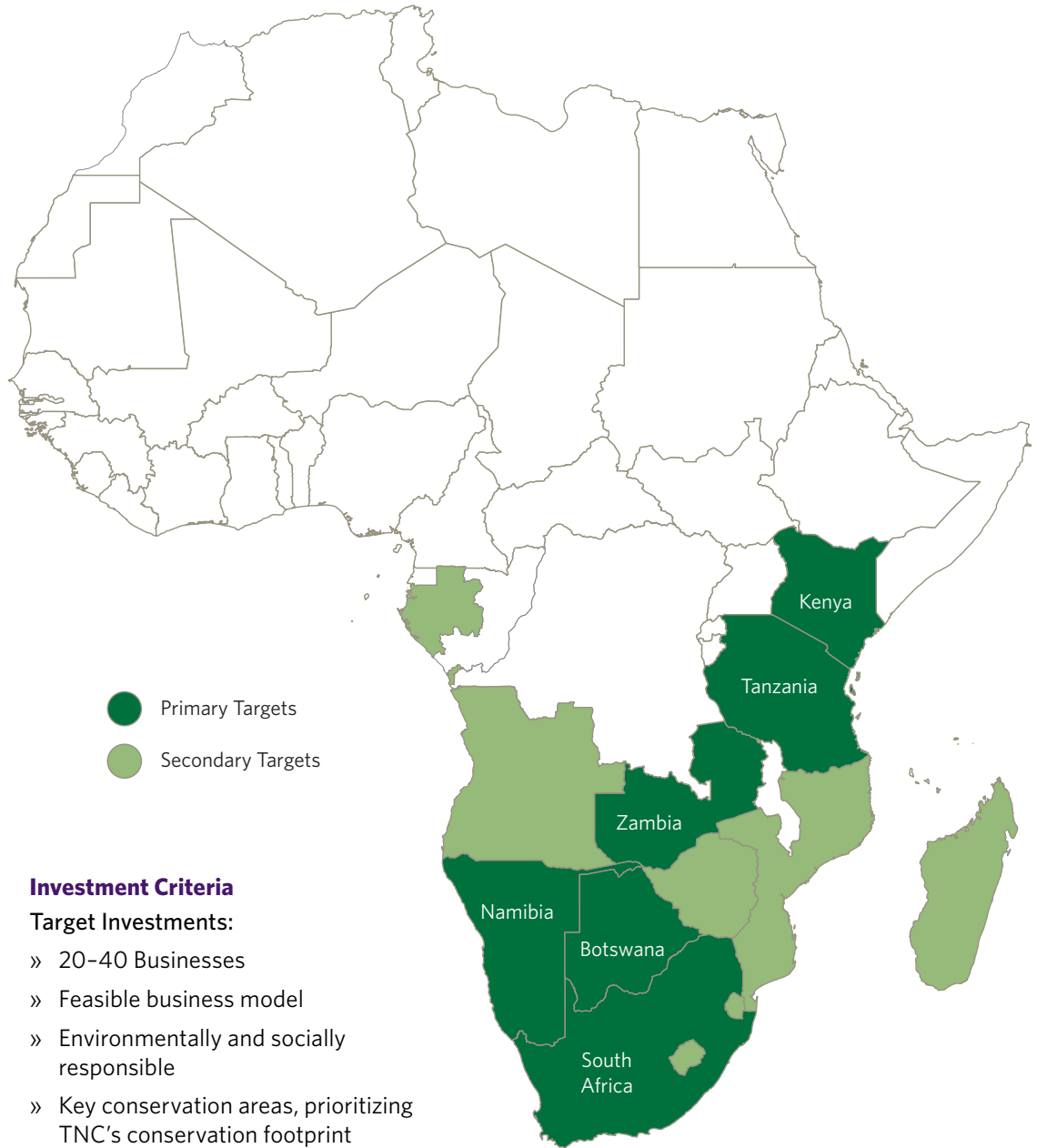
The Conservation Committee, led by TNC, evaluates opportunities based on impact metrics to ensure they meet required standards. TNC also monitors operator compliance with their obligations as part of the impact management process. Finally, TNC produces an annual report on the impact of the ACCT Fund and communicates impact outcomes to stakeholders and investors.

Loans are only available to conservation tourism businesses operating in or adjacent to key conservation areas, which have a clear path to a sustainable business post-COVID-19. Critically, they must be operating sustainable camps and have a track record of prioritizing conservation and community outcomes in their business, thus ensuring alignment with TNC's conservation objectives.

“Our involvement enables TNC to shape the conservation and community covenants associated with the loan financing, monitoring operators’ progress against these commitments while also encouraging these businesses towards ever more positive impacts.”

ADEMOLA AJAGBE

Regional Managing Director of TNC's Africa program



Investment Criteria

Target Investments:

- » 20-40 Businesses
- » Feasible business model
- » Environmentally and socially responsible
- » Key conservation areas, prioritizing TNC's conservation footprint
- » Demonstrated history/commitment to conservation & community outcomes

Integrating Environmental and Social Considerations

By incorporating environmental and social safeguards (ESS), as well as engaging with stakeholders, we can drive responsible practices, mitigate potential risks, and ensure optimal conservation and community outcomes.

In addition to the conservation and community covenants placed on each loan, the ACCT Fund integrates ESS best practices into its investment selection and decision-making processes. The Fund's ESS standards are informed by the IFC Performance Standards (IFC PS), World Bank Environmental and Social Safeguards (WB ESS), and the Environmental Health and Safety General Guidelines (WB EHS GG).

Further, the Fund has adopted principles from 1) the KfW Sustainability Guidelines that bring an additional focus on Climate Mainstreaming into development projects, and 2) the principles from the International Labour Organization conventions and the United Nations Universal Declaration of Human Rights.

The guidelines have been valuable in identifying risks and establishing suitable investment criteria. In essence, the ACCT Fund's requirements encompass vital areas such as risk management, labor conditions, efficient resource use, stakeholder involvement, mechanisms for addressing complaints, preservation of cultural heritage, and conservation of the environment and biodiversity.

The objective is to foster the adoption of sustainable practices in the ACCT Fund's investments to benefit both present and future generations.

Impact Objectives

1. To help restore and protect the conservation and community benefits that the tourism industry had been able to support before the COVID-19 pandemic
2. To support conservation tourism operators as they seek to increase and improve their long-term support for conservation areas and the communities that depend on them
3. To increase the resilience of conservation tourism operators to future external shocks

Impact to Date as of Dec 31, 2023⁴



⁴ Impact data is based on covenant reporting received from ACCT portfolio camp operators. Values may not represent a direct, or indirect, result of the ACCT capital deployed to the ACCT portfolio camps.

⁵ Represents the broader sphere of influence of ACCT portfolio camps across the conservation landscape in the region. Not meant to imply these camps are necessarily making a significant contribution to the protection of these conservation areas as some ACCT portfolio camps may be one of many in a larger protected area.

⁶ Capital deployed to ACCT portfolio camps as of December 31, 2023.

⁷ Represents the aggregate number of full-time employees based in all 45 camps held in ACCT portfolio companies in 2023. Note staff retained may or may not necessarily be directly attributable to ACCT.

⁸ Represents salary data reported by ACCT portfolio camps for 2023. Non-salary flows to community benefit included local procurement within 50km of the camp or protected area and voluntary CSR-type contributions to socio-economic development projects.

⁹ Represents the sum of both contractual obligations and voluntary contributions made by ACCT portfolio camp operators to the owners and/or managers of conservation areas for 2023. Contractual obligations include fixed or variable lease fees, concession fees, conservancy fees and park fees while voluntary contributions represent CSR-type support that operators provide to conservation management typically through donations to management authorities or local NGOs that support protection of the area.

¹⁰ Represents a 7x multiple of the number of staff retained. Multiple originates from a peer-reviewed research paper by S.L. Synman (2012—The role of tourism employment in poverty reduction and community perceptions of conservation and tourism in southern Africa. Journal of Sustainable Tourism. p. 395-416) to determine the number of dependents that relied on the salary of employees of high-end tourism businesses in Malawi, Namibia and Botswana.



A Caribbean spiny lobster, Barbados. © Shane Gross

Barbados Blue Bonds Project

CLOSED September 2022

DEBT USD 150 Million

The USD 150 million Blue Bonds project in Barbados is the third closed financing under TNC's Nature Bonds program. This project comprises a USD 100 million guarantee from the Inter-American Development Bank (IDB) alongside a USD 50 million guarantee from TNC to unlock an estimated USD 50 million in conservation funding.

Problem

The Conservation Need: Barbados' coastal and marine resources face intense pressure from overfishing, coastal overdevelopment, siltation and pollution from aging water management infrastructure, inadequate sewage treatment and stormwater runoff. Climate change impacts, including sea-level rise, warming temperatures, and increased frequency and intensity of storms, compound localized pressures on coastal and marine resources and have resulted in land loss, beach erosion and damage to coral reefs. Barbados is home to extensive coral reef ecosystems and is an important nesting site for critically endangered hawksbill and leatherback sea turtles. 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—which made up 17.5% (2019) of the country's GDP and directly employing 12% of the labor force.¹ The effects of COVID-19 on Barbados' tourism-led economy were devastating. Further degradation of the country's valuable marine and coastal environments

¹ Inter-American Development Bank <https://flagships.iadb.org/en/caribbean-region-quarterly-bulletin-2020q1/barbados#:~:text=Tourism%20is%20the%20main%20driver,percent%20of%20the%20labor%20force.>

due to severe storms—like Hurricane Elsa and another catastrophic “freak storm” in 2021—would likely hamper the small island nation’s economy and coastal resilience. Barbados needed to find new funding and build capacity to enforce its environmental laws and support its commitments to expand and effectively manage its marine protected areas.

The Debt Constraint: Like many countries, Barbados was not in a fiscal position to increase its investments in nature and achieve its conservation goals. Barbados’ debt burden had held back the country’s efforts to invest in essential conservation and climate change adaptation activities that would allow its nature-based economy to thrive.

Back in 2018, Barbados’ debt to GDP ratio was at 178%, one of the highest in the world. The country went through a debt restructuring process and participated in an IMF program to improve its debt sustainability.

As of 2021, Barbados had only one outstanding USD 530 million USD-denominated Eurobond. Unlike the previous Blue Bonds transaction closed by TNC in Belize in 2021, where the debt had traded at a much lower price, Barbados’ debt was not discounted. Nonetheless, this debt carried a relatively high interest rate, so TNC and its partners worked on structuring a solution that would significantly lower the all-in cost of financing, extend maturities, and thus generate meaningful savings to support ocean conservation and a sustainable blue economy.

Solution and Deal Structure

In 2018, Barbados’ Prime Minister Mia Mottley established a new ministry responsible for Maritime Affairs and the Blue Economy, recognizing the sector’s potential to generate sustainable and shared

economic wealth for Barbados. One of the government’s priorities was to develop a Marine Spatial Plan (MSP) for the Barbados ocean to the boundary of its EEZ. Given Barbados’ sustainable blue economy strategy, there was a promising fit with TNC’s Nature Bonds program (at the time, known as Blue Bonds for Ocean Conservation) and discussions on the project began in early 2022.

At Barbados’ request, TNC began arranging an innovative financial structure allowing the country to simultaneously address its marine conservation and debt challenges. The resulting USD 150 million debt conversion for marine conservation closed in September 2022 and enabled Barbados to repurchase USD 75 million from the outstanding Eurobond at 92.25 cents on the dollar and \$75 million worth of domestic debt at par. Barbados committed to binding marine conservation targets and directing 100% of the debt service savings towards conservation over 15 years.

The Debt Conversion

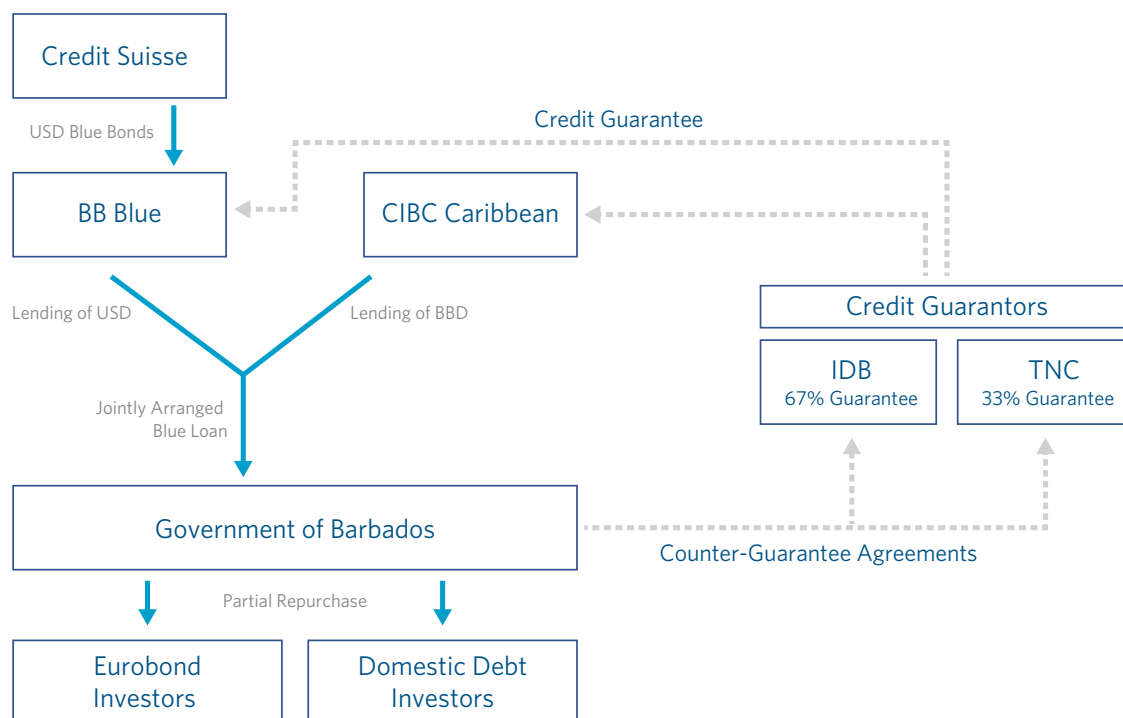
The debt conversion (see diagram on the following page) was a capital markets transaction in which two investment banks Credit Suisse (now UBS) and CIBC Caribbean arranged the new financing (the Blue Loan), co-guaranteed by the IDB and TNC, to lend funds to Barbados to repurchase external and domestic debt. This has resulted in lower debt service payments where the savings are directed into the Barbados Environmental Sustainability Fund (BESF) and an endowment.

This transaction demonstrates how TNC’s Nature Bonds Program can provide access to conservation finance for countries that are not in debt distress and yet are facing high interest rates and constrained capital market access, which characterizes many developing countries today.



Pioneering Co-Guarantee Structure: The transaction was the first to combine a Policy-Based Guarantee from a Multilateral Development Bank (MDB) with the credit guarantee of a private party. While MDB guarantees are typically limited to 75% of principal and accrued interest, this new structure combined guarantees from the IDB and TNC to provide 100% coverage, which minimized the all-in cost of financing (and thus maximized conservation funding). We expect the combination of MDB partial guarantees and private sector guarantees or credit insurance will be replicated in future Nature Bonds projects.

Debt Conversion Diagram



Transaction Structure and Agreements

The transaction consisted of two main pillars:

1. Finance Agreements, in which Barbados accessed new financing at a lower cost—key components being the Blue Loan and the Credit Guarantee—with proceeds used to repurchase more expensive debt; and
2. The Conservation Agreements, in which Barbados committed to achieving specific conservation milestones and to directing the debt conversion savings into BESF for ongoing grantmaking, as well as to an endowment to support the BESF's operations beyond the 15-year term of the transaction.

Transaction Components

- » Credit Suisse and CIBC Caribbean arranged a 15-year amortizing Blue Loan of USD 146.5 million (50% in USD and 50% in BBD).
- » IDB (USD 100 million) and TNC (USD 50 million) co-guaranteed the Blue Loan covering outstanding principal + one semiannual coupon.
- » Barbados committed to binding marine conservation targets and directing 100% of the debt service savings towards conservation over 15 years.

Components of the Blue Loan Financing

Use of Proceeds	USD (millions)
Repurchase of USD 77.6 million 6.5% Eurobond at 92.25 cents on the dollar	71.6
Repurchase of BBD 145.8 million 8% Series E Domestic Debt at par	72.9
Transaction costs and reserves	2.0
TOTAL—Use of Blue Loan Proceeds	146.5



Marine Spatial Plan: A Roadmap for Ocean Protection

TNC will support the government-led MSP process that involves all key stakeholders. Draft MSP goals include sustaining the benefits that the ocean provides to people, livelihoods, and biodiversity. The MSP process will include compiling and using the best available data and local stakeholder knowledge to develop and evaluate scenarios for expanding ocean protection towards an aspirational goal of placing 30% of Barbados' ocean in Biodiversity Protection Zones/Marine Protected Areas. This process will engage stakeholders representing government agencies, local communities, and private sector stakeholders such as fishing associations, tourism, oil and gas, renewable energy, and shipping, among others. The MSP will use science and a transparent and evidence-based framework to guide planning and decisions.

Barbados Environmental Sustainability Fund

TNC has supported the establishment of BESF as an independent conservation fund in Barbados that will receive, manage, and disburse the conservation funding generated through the debt conversion (and potential future funding sources). BESF will evaluate and disburse grants to local projects to achieve conservation, environmental management, and sustainable development outcomes that align with the project's conservation commitments and national priorities. Both government and non-governmental entities, including non-profit organizations, community-based organizations, academia, and the private sector, will be eligible to apply for funding.

Part of the funding will be earmarked for the government agencies to carry out the MSP. BESF will monitor the projects supported and track results.

Expected Impact and Key Commitments

The refinancing will generate immediate and long-term **fiscal savings** for Barbados, which allowed the nation to commit to financing **marine conservation efforts** over 15 years to achieve **significant conservation commitments**, including:

- » Channeling 100% of the savings generated by the Blue Loan into long-term financing for marine conservation.
- » Completing a Marine Spatial Plan (MSP) for Barbados' Ocean through a transparent, inclusive, equitable, science-based, and participatory process.

- » Adopting an aspirational goal to protect and sustainably manage 30% of its ocean area by 2030, with the final percentages to be determined by the outcomes of the MSP process.

To support these commitments the Barbados Environmental Sustainability Fund (BESF) was established to allocate conservation funding through a grants program aligned with national conservation, environmental, and sustainable development priorities.

As part of the transaction, Barbados, with TNC's support, committed to implementing pre-defined ocean conservation milestones. The milestones are time-bound, and therefore delays in achieving the commitments may result in increased payments by Barbados.

It will be externally audited and will publish annual reports detailing how the conservation funding was used. BESF was established before the closing of the transaction and was the product of an extensive stakeholder engagement process coordinated with the Government of Barbados to ensure strong and

effective stakeholder representation across critical sectors. Following international best practices, BESF is an independent legal entity with a majority non-government board of 11 directors appointed from government and the non-government sectors (academia, fisheries, tourism, and NGOs).

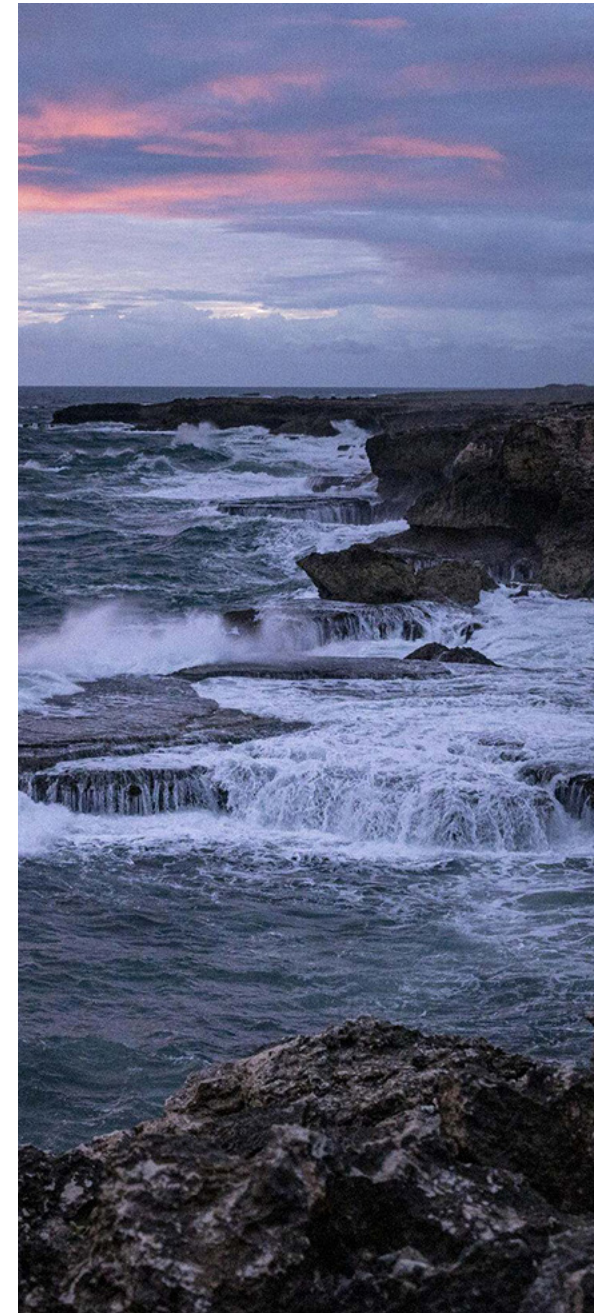
Progress to Date

Financial Results, Realized and Projected, of the Debt Conversion

Debt Benefits	Conservation Finance Benefits
<p>Debt stock reduction</p> <ul style="list-style-type: none"> » USD 4.1 million <p>Interest rate</p> <ul style="list-style-type: none"> » 3.8% <p>All-in cost</p> <ul style="list-style-type: none"> » 4.9% (inclusive of guarantee fees + and front-end and ongoing transaction costs) 	<p>Establish an independent conservation fund</p> <p>Conservation financing</p> <ul style="list-style-type: none"> » USD 50 million from the transaction: <ul style="list-style-type: none"> • USD 1.5 million per year (on average) into BESF for grant funding • USD 17 million endowment to grow to USD 27 million (est.) by 2037

Awards and Recognition

The transaction was recognized in Environmental Finance's 2023 Bond Awards, winning the highly commended Sustainability-Linked Bond of the Year. It received IFR's 2022 ESG, Sustainable Loan Award, and the transaction was also named Uxolo's 2022 Capital Markets Deal of the Year.





Aerial image of Pongara National Park © Roshni Lodhia

Gabon Blue Bonds Project

CLOSED August 2023

DEBT USD 500 Million

The historic USD 500 million Blue Bonds project in Gabon is the fourth closed financing under TNC's Nature Bonds program (the successor to TNC's Blue Bonds for Ocean Conservation strategy), and the first debt conversion transaction in Mainland Africa. This project also represents the highest amount of new debt raised for a TNC-led project. The transaction refinanced part of Gabon's national debt, unlocking an estimated USD 163 million in conservation funding to protect and manage the country's ocean. This project is a clear indication of the Nature Bonds strategy's scalability and global conservation impact.

Problem

Like many other developing countries, Gabon relies on marine resources to help support its economy and communities. Over 50% of Gabon's population lives along the coast, and fishing accounts for almost 10% of GDP. However, the country's vital resources and ecosystems are at risk due to climate change, overfishing, and lack of funding for conservation.

The country's recent history of commitments to conservation serves as a model for what other nations can do to protect their ocean, land, and freshwater resources for the benefit of nature, communities, and economies. Gabon is a leader in conservation and was one of the first nations in the world to pledge to protect 30% of its ocean, lands, and freshwater systems by 2030. The beaches and coastal waters of Gabon host the world's

largest population of leatherback turtles—as much as 30% of the global population of this endangered species. Gabon is also home to one of the largest olive ridley turtle rookeries in the Atlantic and to the Atlantic humpback dolphin, recently classified as critically endangered.

Effective conservation requires a combination of 1) government support, 2) conservation planning, and 3) funding. Gabon’s government had already committed to ambitious conservation goals, so to reach the level of funding and conservation planning needed, the country was open to innovative ways to help achieve those goals.

Solution and Deal Structure

The Debt Conversion

Through TNC’s innovative Nature Bonds strategy, Gabon embarked on one of the largest conservation agreements of its kind,¹ using new financing facilitated by TNC to repurchase existing debt at a discount to par and ultimately to channel an estimated USD 163 million into ocean conservation over the next 15 years.

With proceeds from a USD 500 million new bond issuance arranged by Bank of America, Gabon refinanced an equal amount of its national debt. The US International Development Finance Corporation provided credit enhancement with USD 522 million of political risk insurance for the new bonds, lowering the interest rate for Gabon and in turn generating significant funding for conservation over the term of the project. Gabon will use that funding to protect and effectively manage its ocean habitat and resources.

¹ Gabon is the second largest globally and largest in Africa
² Figures sourced from 2019 [WildAid](#) article



The transaction is supporting Gabon’s commitment to achieving ambitious conservation milestones. A portion of the conservation funding unlocked by the transaction will help fund the government’s efforts, while the balance will be disbursed as grants to support conservation and sustainable development in Gabon.

The Blue Bonds project will support a Marine Spatial Plan intended to increase the area of ocean under protection. It will also support Gabon’s sustainable ‘blue economy’, including strengthening and enforcing fishing industry regulations. This will help curb

illegal, unreported, and unregulated fishing results in an estimated USD 610 million² net loss to Gabon’s GDP annually.

Expected Impact and Key Commitments

As part of the refinancing, Gabon made new binding commitments, including:

- » Expanding the country’s Marine Protected Areas (MPAs) to a 30% protection target, through an inclusive, transparent, and evidence-based Marine Spatial Planning process, and approving management plans for all MPAs (both current and new).

- » Directing over USD 8 million each year over the next 15 years to an independent Conservation Fund for conservation action (including current spend and investment into an endowment). The endowment is expected to grow to USD 88 million by 2038 that will continue funding conservation in Gabon beyond the 15-year term of the transaction.
- » Improving fisheries' management by increasing industrial fishing monitoring and introducing new regulations including an UN-aligned National Plan of Action to address Illegal, Unreported, and Unregulated (IUU) Fisheries.

In addition to the above commitments, a Conservation Trust Fund (formally named "Fonds de Preservation de la Biodiversité au Gabon") has been established as an independent non-profit with public and private representation to manage conservation grants over 15 years.

Awards and Recognition

The transaction was recognized in the [Bonds & Loans Africa Awards 2024](#), winning Ground-Breaking Deal of the Year, and the [IFLR Africa Awards 2024](#), winning the Capital Markets Deal of the Year.



Nature Bonds: The Story So Far



The Nature Bonds Program: Scale & Impact

The Gabon Blue Bonds project is the most recent in TNC's [Nature Bonds](#) strategy, an ambitious plan to drastically scale up conservation around the world. The expanded strategy is building on the success of TNC's Blue Bonds for Ocean Conservation program. Gabon is the fourth such project for TNC, alongside those in Barbados, Belize, and Seychelles. The Nature Bonds strategy combines conservation finance with science and marine planning expertise to help governments unlock funds at a scale that delivers against their conservation and climate goals while also supporting the well-being of their people and economies.

To date, the Nature Bonds program has helped refinance approximately USD 1.2 billion of debt globally and is expected to generate over USD 400 million of new funding for conservation in support of national commitments to protect and improve the management of more than 176 million hectares or 1.8 million square kilometers of ocean, the size of the Gulf of Mexico.



[→ LEARN MORE:](#) Access the Belize and Barbados Blue Bonds case studies [here](#).



CONSERVATION UPDATES

Measuring success by the challenges solved

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

From the Americas to Africa and Asia Pacific, TNC's global conservation efforts supported by private capital are already saving natural habitat, 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 USD 134.4 million equity and debt

ACCESS FOR ALL

In December 2021, the Cumberland Forest project sold a public access conservation easement to the state of Tennessee that permanently protects 43,000 acres of the property. The easement limits development and allows the Tennessee Wildlife Resources Agency (TWRA) to manage wildlife habitat and public recreation access. Known locally as Tackett Creek, the property is a conservation priority for TNC and its many public and private partners.

Historical Context

TNC inherited Tackett Creek's unmanaged network of off-highway motor vehicle (OHV) trails from the previous landowners. These types of trails often have negative impacts on wildlife habitat and freshwater resources, as well as potentially causing conflicts with other recreational groups like hunters and hikers.

Investing in Improvements

To address conflicts, improve environmental standards, and fund better management of the trail system, TNC received grants from Yamaha Outdoors Access Initiative totaling USD 78,000. This funding was matched with USD 268,700 from TWRA. In addition to habitat and community benefits, investments in the trail system will also support the local economy of Campbell and

Claiborne Counties, which both rely on adventure tourism for sales tax revenue and jobs.

Tracks and Trails

There are 150 miles of trails available, of which 32 miles have been upgraded to effectively manage water and runoff. There are an additional 17 miles of trails designated exclusively for hunter access. Some 45 miles of damaged trails are scheduled to be closed or upgraded—focusing on areas near streams designated as critical habitat for several rare aquatic species. A separate multi-use trail system is in development that excludes OHVs and instead caters to activities such as hiking, biking, and wildlife viewing. The new trail system will also connect the rural communities in the Clearfork Valley.

The conservation easement and subsequent trail work are a significant win for forests, water, wildlife, and people.

Photos (from top): ATV riders during onsite cleanup activities © Glennis Monday/Campbell County Litter Control Officer; Gravel being spread and open bottom culvert © Ronald Lambert/TNC Land Protection Manager



Kenya Vulture Conservation LLC

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.

COMMITTED CAPITAL USD 10 million equity



ADDRESSING HUMAN-WILDLIFE CONFLICT: SHEDDING LIGHT ON SIMPLE SOLUTIONS

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

Under the cover of darkness, predators often break through weak livestock enclosures, known as bomas, seeking easy prey. These opportunistic hunters frequently suffer punitive action, as livestock owners look to protect their herds by leaving poisoned carcasses for the predators to eat. This not only claims the lives of predators but also takes the lives of endangered vultures.

Safeguarding Livelihoods and Nature

Funded by Kipeto Energy as a requirement of the loan from Kenya Vulture Conservation, two simple and effective approaches have emerged to reduce cases of human-wildlife conflict: the distribution of predator-deterrent lights and the construction of predator-proof bomas.

1. Predator-deterrent lights, strategically placed around livestock enclosures, serve as a deterrent for nocturnal predators, discouraging them from approaching vulnerable livestock.

2. The construction of predator-proof bomas is an immediate and replicable solution. Through the efforts of Nature Kenya, one of the non-profits receiving donations from Kipeto Energy, these sturdy enclosures have been built to fortify livestock holdings against predator attacks.

The success of these solutions increases the safety of valuable livestock and presents an opportunity for communities to coexist with the surrounding wildlife.

These simple tools, coupled with community outreach to improve farming practices, are helping to reverse the decline of Kenya's vulture populations and promote a balanced local ecosystem.



Photos (from top): A White-backed Vulture, Kenya © Bobby Neptune; Wind turbines from Kipeto wind farm © Bobby Neptune; Rüppell's Griffon Vultures © Bobby Neptune



RRG Sustainable Water Impact Fund

MULTIPLE LOCATIONS

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

COMMITTED CAPITAL USD 900+ million equity

SOLAR AND SOIL: COVER CROP STUDIES TO ENHANCE BIODIVERSITY CONSERVATION

Under the Light of the Sun

As the world seeks sustainable alternatives to fossil fuels, solar energy has emerged as a promising solution. However, the expansive infrastructure required for harnessing solar energy can pose challenges, particularly when it comes to land use and the potential impacts on biodiversity.

Action Stations

The Sustainable Water Impact Fund (SWIF) has launched a research study to identify options to improve operations of solar facilities and create wildlife habitat.

1. **Cover crops and solar:** This pilot initiative is planting cover crops in between rows in an active solar facility on a farm in Chile. Researchers are assessing whether incorporating a variety of native plant species can enhance biodiversity within solar facilities while providing operational benefits for renewable energy generation. Native

Matorral plants, which have evolved in Chile's dry climate, are of particular interest because they require minimal irrigation.

2. **Cover crops within citrus plantations to enhance soil quality:** A second cover crop study is underway at the same Chilean farm. The research will test if cover crops can reduce the need for traditional fertilizers and other farm inputs, based on the hypothesis that plants can help improve soil structure, nutrients, and chemistry as well as capture carbon, minimize erosion, reduce pests, increase infiltration, and provide habitat for native species.

Sharing SWIF Findings

As noted in its 2023 impact report, SWIF intends to complete several research studies on improved management of working lands, engage in collaborations to facilitate research and landscape-wide conservation, and engage with entities to replicate research findings.



IMPACT MANAGEMENT



Where the Rubber Meets the Road

As TNC's Impact Investment portfolio has grown and matured, we've learned significant lessons as we strive to demonstrate that real conservation impact can be achieved alongside the financial returns sought by our investors.

by
**Dr. Catherine
(Cat) Burns**
MANAGING DIRECTOR,
IMPACT MANAGEMENT,
NATUREVEST

I lead NatureVest's Impact Management Team. We manage TNC's impact investment deals post-close, to maximize positive outcomes for nature and people. TNC's impact investing strategy is to demonstrate, through our portfolio, how investments can deliver meaningful impact for nature, and to use these projects to influence the wider market, with the goal of achieving impact at a scale and speed that we could not accomplish with traditional philanthropy. One aspect of this strategy is sharing our findings and experience of what works and what doesn't—to help others successfully develop and manage their own impact investments.

Photos (from left): Black-necked Stilt © Ryann Graye, 2020; Dr. Catherine Burns © Paul Ruffolo/paulruffolo.com, 2022

Here we cover the key ingredients to building a robust impact management program, and I will also share some of the challenges we have faced along the way. I'll finish up with our approach to reporting and ensuring that long-term benefits are achieved for nature and people.

But first, to give you a better sense of what we do at NatureVest, let's start with an example from one of our projects that provides "co-benefits", in this case meaning when the same acre of land or drop of water delivers impact and financial returns at the same time.

Co-Benefits of Groundwater Recharge at Capinero Creek

Capinero Creek, a large former dairy farm in California's Central Valley, is a project TNC advises on as an element of our collaboration with RRG Capital Management (RRG) in the RRG Sustainable Water Impact Fund (SWIF).

In the region where Capinero works, water scarcity, hydrological variability, and insufficient groundwater storage infrastructure are significant challenges, and local water supplies struggle to meet the demands of both nature and people. Additionally, these issues have been amplified by the broader ecological context in California's Central Valley, which has lost over ninety percent of its historical seasonal wetlands—critical habitat for migratory birds.

In response to all this, TNC and RRG are working together to manage surface and groundwater on Capinero to provide seasonal wetlands, bolster local water supplies, and provide a return on the investments being made to accomplish these goals. RRG does this by deploying private capital to build needed groundwater recharge infrastructure in

strategic locations, in coordination with local public agencies, and then by operating them in ways that can benefit wildlife as well as nearby communities. When there is sufficient surface water in the existing supply and distribution system, the water is stored in the water banks TNC and RRG have constructed by flooding their basins to just a few inches deep during periods of peak bird migration, creating habitat for millions of migratory birds while recharging groundwater into an overdrawn aquifer. With higher aquifer levels, wells in the area don't have to be as deep to access water, which creates resilience for agricultural producers and benefits nearby communities, including disadvantaged communities that struggle to access reliable, clean drinking water. Of the water stored by the facility, a portion is left behind underground, increasing

aquifer levels, and the remainder can be used through district water market policies to meet local agricultural and environmental needs, generating value for the investors who funded the infrastructure project. A triple win for nature, local communities, and investors.



Recipe for Success

Creating these types of opportunities takes a willingness to do business differently. Over the past decade, NatureVest has—through practical application—refined what a robust impact management program looks like, and how it can push project objectives beyond strategy and ideation to delivery.

SIX KEY INGREDIENTS

- 1 DEAL SOURCING** that prioritizes potential for conservation impact from the start, with clear criteria that limit investments to those that will satisfy minimum conservation standards.
- 2 COMMITMENT TO AN INTEGRATED PARTNERSHIP**, with all stakeholders working to embed conservation into decision-making.
- 3 COLLABORATION** among parties to balance what can be conflicting goals of financial returns and impact delivery.
- 4 ACTIVE DAY-TO-DAY MANAGEMENT** of holdings to achieve clear, measurable impact targets over the short- and long-term.
- 5 ACCURATE MEASUREMENT** and honest reporting, documenting successes and accepting when holdings are falling short—and crucially detailing what works and what doesn't.
- 6 ADAPTIVE MANAGEMENT** that is grounded in learning and revising the approach as needed.

The Challenges of Balancing Impact and Returns

Even with a robust impact management program, there are still obstacles to navigate. For example, one of the biggest challenges we have faced is finding an approach that balances both measurable impact *and* financial return expectations.

Let's take a look at the three biggest obstacles that we're working to overcome.

1. *Quantifying the Full Value of Conservation.*

The full value of restoring and protecting nature can be difficult to quantify, as some benefits do not fully materialize for years and many benefits do not have an easily measured economic value. Short-term costs of more sustainable land and water management may eventually be balanced by long-term gains, but capital markets typically take a short-term view of value creation. Finding ways to fully value the benefits of actions that restore and protect nature is a task we prioritize at TNC. For example, across NatureVest's collaborations with fund managers, we have worked to manage assets in ways that are expected to create water quality benefits on-site and create downstream (off-site) benefits for ecosystems and local communities. Approaches such as reducing forest harvests adjacent to rivers and streams, increasing hydrologic connectivity by improving river flows at stream crossings through culvert replacements, and reducing agricultural inputs (like fertilizers) via runoff into rivers, each have business benefits for the assets under management as well as downstream societal and environmental benefits. We are working with partners to fully understand and quantify the value of these benefits in the near and long term.

2. *Misalignment on Timing.*

Revenue-generating impact projects like carbon projects, mitigation projects, or conservation land and water sales can take many months or even years to develop and execute—more time than many commercial transactions. This misalignment in timing can be a disincentive for fund managers to execute conservation transactions due to the time-value of money.

Closing this timing gap is a priority for TNC and our collaborators.

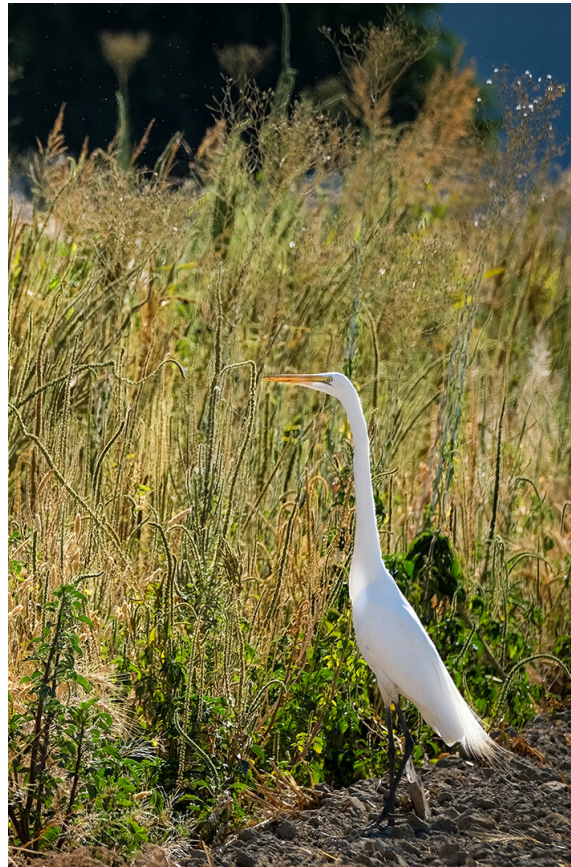
3. *Moving Beyond Individual Investment Performance.*

Lastly, some investments may deliver a home run on financial returns but do not provide great opportunities for impact, while others may have outsized opportunities for impact and less impressive financial returns. Balancing impact and financial returns across an entire portfolio (rather than within individual holdings) can allow for greater impact wins *and* financial returns to investors. Managing with a portfolio-wide perspective can mean adjusting expectations on individual assets to maximize overall impact and value creation.

TNC works with fund managers who are willing to do business differently to address these challenges.

Additionality, Refinement, and Durability of Outcomes

TNC's approach to impact investments prioritizes **additionality**, durability, quantification of outcomes, and transparency. We aim to deliver truly additive and ecologically significant conservation outcomes, beyond the more common practice of screening for ESG factors to ensure investments do no harm.



TNC is dedicated to leading the field in applying transparent and quantitative monitoring and reporting of progress toward desired conservation outcomes. We set measurable goals for impact delivery at the asset and portfolio level, then track progress towards those goals, and we report to investors and the public on how we're doing and what we're learning. Examples include the [2023 Cumberland Forest Impact Report](#) and the [2023 SWIF Impact Report](#).

We are committed to authentically reporting the true conservation outcomes delivered as a result of our work, guided by the principle of additionality. That commitment includes **refining** how we measure impact—with a goal of increasing accuracy and transparency. For example, this year we revised the methodology used to report conservation outcomes as it relates to land under improved management. Specifically, we transitioned from including the entire portfolio acreage to solely reporting land area within each portfolio of investments where active land management has measurably improved due to a given partnership. See [Appendix 3](#) for details.

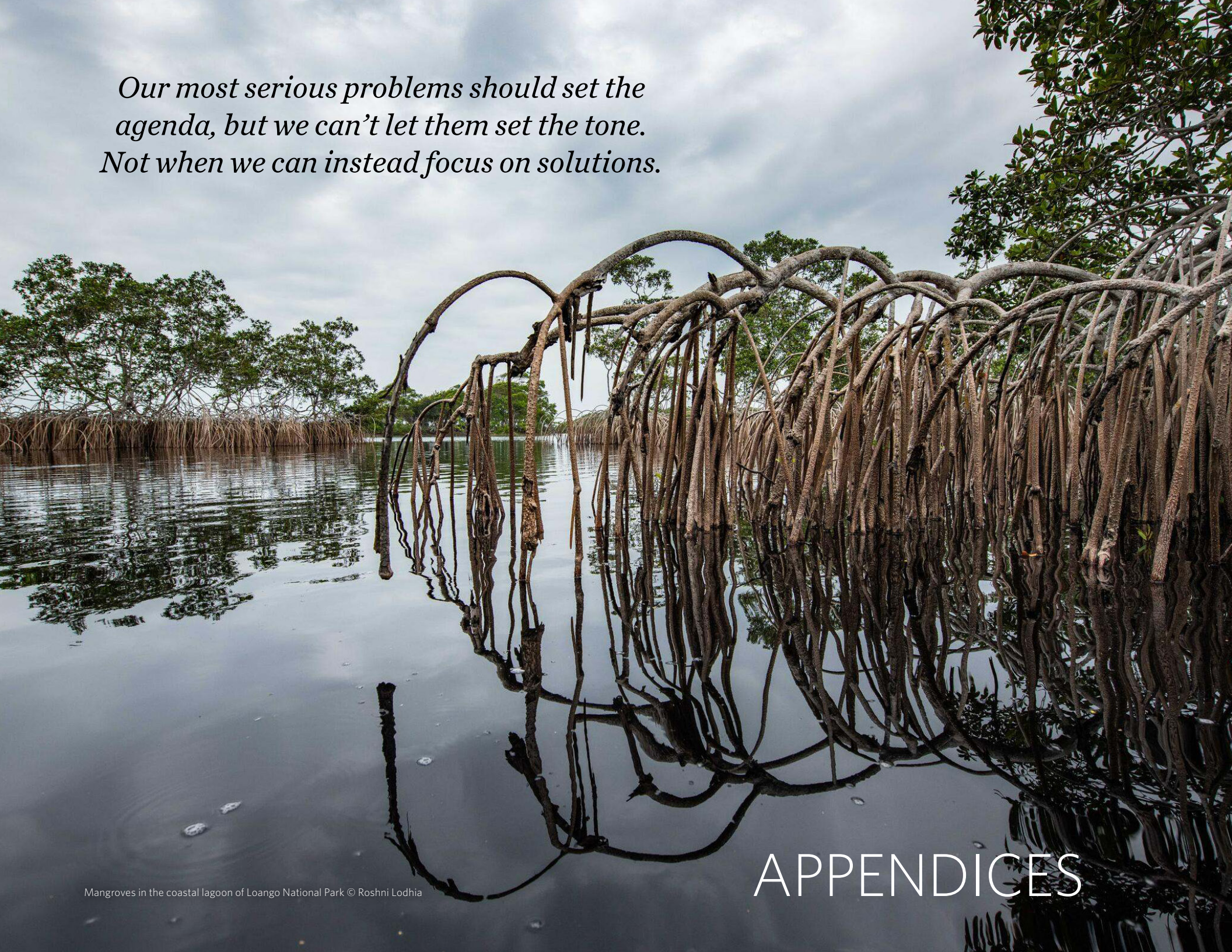
We work with our fund manager partners to create **durable outcomes** through restoration and permanent protection. This means that when an investment fund TNC is involved in disposes of its holdings, conservation benefits can remain—ecologically important lands and waters are protected into the future, providing for biodiversity and sequestering carbon to address climate change.

So, Where Does the Rubber Meet the Road?

Projects in this report, and so many impact investments around the world, continue to prove that positive impact can be achieved alongside financial returns. To simplify all the points above: the rubber meets the road when projects with collaborative partners are managed and guided well, to move from intentions to actions that produce outcomes.

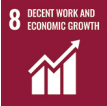









We are proud to work with partners who are willing to do business differently—because the world cannot wait.

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.

















APPENDIX I: TNC IMPACT INVESTMENT PORTFOLIO TARGETS AND REALIZED IMPACT TO DATE








Table 1

Deal Name	Closing Date ¹	SDGs Targeted	Impact Targets (over investment term)	Realized Impact (as of Dec-23)
The Africa Conservation and Communities Tourism Fund (ACCT)	May-21	 	<ul style="list-style-type: none"> » Contribute to improved management of 53.5M hectares of conservation area » Contribute to retaining 5,300 local staff members » Benefit 37,100 community members from downstream flow of income » Financial flows to conservation landscape owners/managers and local communities 	<ul style="list-style-type: none"> » Investments have been made supporting tourism in key conservation areas » 8.81M hectares under improved management » 1,405 staff retained » 9,835 community members impacted from downstream flow of income » USD 7.8M annual payments of direct financial flows to conservation landscape owners and/or managers » USD 9.6M annual salary and non-salary flows to community benefit
Blue Bonds Project in Belize	Nov-21	   	<ul style="list-style-type: none"> » Generate USD 180M 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"> » Funding payments made per schedule » Expanded Biodiversity Protection Zones to 20.3% of Belize's ocean » Process of developing a Marine Spatial Plan (MSP) for Belize's ocean initiated » Public Lands within the Belize Barrier Reef Reserve System designated as Mangrove Reserves
Blue Bonds Project in Barbados	Sept-22	   	<ul style="list-style-type: none"> » Generate USD 50M in funding for conservation over the next 15 years » Expand Biodiversity Protection Zones covering 30% of its ocean » Improve ocean management 	<ul style="list-style-type: none"> » Funding payments made per schedule » Process of developing a Marine Spatial Plan (MSP) for Barbados' ocean initiated

¹ Represents the first closing date for deals with multiple closings.







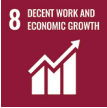


Deal Name	Closing Date ¹	SDGs Targeted	Impact Targets (over investment term)	Realized Impact (as of Dec-23)
Blue Bonds Project in Gabon	Aug-23	   	<ul style="list-style-type: none"> » Generate USD 163M in funding for conservation over the next 15 years » Expand Biodiversity Protection Zones from 26% to 30% of its ocean » Implement effective management for existing 26% in Biodiversity Protection Zones » Improve ocean management 	<ul style="list-style-type: none"> » Funding payments made per schedule » Conservation Commitments on target
BTG/TIG TNC Collaboration	Sep-21	  	<ul style="list-style-type: none"> » Sustainably manage 1M acre portfolio in accordance with standards that prevent negative environmental and social impact » Contribute to increasing habitat connectivity, climate resilience, and protection of the most biodiverse regions of the U.S. » Sequester up to 6M tCO₂e over the next 10 years 	<ul style="list-style-type: none"> » All land meets agreed-upon minimum standards » Implementation beginning in targeted areas to manage forests for biodiversity benefits » Assessment conducted to identify opportunities across the portfolio for significant carbon sequestration
Cumberland Forest, L.P.	Apr-19	   	<ul style="list-style-type: none"> » Sustainable management of all forested property » Maximize long-term forest protection » 5M tCO₂e sequestered » Recreational access » Donate mining royalties to local community development organizations 	<ul style="list-style-type: none"> » All 253,000 forested acres FSC certified » 119,000 acres under conservation easement » 3.6M tCO₂e sequestered » Over USD 400,000 donated to community economic development projects
Great Western Checkerboards	Dec-14	  	<ul style="list-style-type: none"> » Sustainable forest management for habitat restoration and water improvement » Exit to conservation buyer 	<ul style="list-style-type: none"> » Forest management on plan » 28,300 hectares transferred into conservation ownership to date

¹ Represents the first closing date for deals with multiple closings.







Deal Name	Closing Date ¹	SDGs Targeted	Impact Targets (over investment term)	Realized Impact (as of Dec-23)
Kenya Vulture Conservation LLC	Nov-20	 	<ul style="list-style-type: none"> » USD 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"> » Continued anti-poisoning campaign activities to educate over 112,000 local community members to date » 67 predator proof bomas have been constructed, resulting in less lethal retaliatory incidences, especially poisoning » 60 wind turbines developed with the capacity to generate 100MW of clean, renewable energy
Murray-Darling Basin Balanced Water Fund ²	Dec-15	 	<ul style="list-style-type: none"> » Donate a portion of annual water allocation for targeted environmental watering to restore threatened wetlands, support threatened fresh-water dependent species and achieve biodiversity improvements 	<ul style="list-style-type: none"> » Water donations made according to schedule in 70 watering events across 1,072 hectares of wetlands » 40 rare and threatened species supported » 59 waterbird species supported
Pacific Island Tuna Provisions (PITP)	Sep-21	  	<ul style="list-style-type: none"> » Eliminate Illegal, Unreported and Unregulated (IUU) fishing » Deliver 50% reduction in bycatch mortality levels » Create a sustainable funding stream for community-based marine conservation initiatives 	<ul style="list-style-type: none"> » Electronic monitoring installations continue across PITP suppliers and will be completed by year-end 2024. Market transformation beyond PITP advancing as—based on its PITP partnership—Walmart committed to 100% at-sea monitoring by 2027 » 100% dockside offloading required to drive local economic development and prevent misreporting/underreporting of retained catch » First sustainability distribution announced—USD 100,000 granted to support management of a marine protected area in the Marshall Islands

¹ Represents the first closing date for deals with multiple closings.

² Murray-Darling Basin Balanced Water Fund impact targets based on AUD 100 million target fund size, actual invested capital AUD 30.4 million as of March 2021.

Deal Name	Closing Date ¹	SDGs Targeted	Impact Targets (over investment term)	Realized Impact (as of Dec-23)
Seychelles Debt Conversion	Feb-16	   	<ul style="list-style-type: none"> » 30% of Exclusive Economic Zone (EEZ) to Marine Protected Area (MPA), 50% no-take » USD 8M proceeds for marine conservation 	<ul style="list-style-type: none"> » 32% MPA (50% no-take) areas demarcated by government in 2020 » Funding payments made per schedule
Sustainable Water Impact Fund	Jul-19	    	<ul style="list-style-type: none"> » Protect terrestrial and freshwater ecosystems » Create temporary habitat through improved management of working lands » Improve management of surface water, groundwater and farms to more sustainably meet needs » Farms to commit to sustainability practices 	<ul style="list-style-type: none"> » 806 hectares of terrestrial habitat and 405 hectares of wetland habitat protected to date » 690 hectares of temporary wetland habitat created » Riparian restoration projects and water transfers have occurred to improve water quality » Nearly all investments have plans to manage for conservation outcomes

¹ Represents the first closing date for deals with multiple closings.

Deal Name	Closing Date	SDGs Targeted	Impact Targets (over investment term)	Realized Impact (as of exit date)
Exited Investments¹				
Brightstorm ²	Apr-19	 	<ul style="list-style-type: none"> » Remove at least 20% of pollution (sediment, nitrogen and phosphorus) per project 	<ul style="list-style-type: none"> » Targets met as projects reducing sediment pollution of over 80% and nitrogen and phosphorus pollution by at least 20% at exit » 48,000 lbs. of sediment 500 lbs. of nitrogen and 70 lbs. of phosphorous annual retention capacity
District Stormwater, LLC ³	Mar-16	  	<ul style="list-style-type: none"> » 7.65 additional acres treated annually through 2025 » 4.5M gallons retained annually through 2025 	<ul style="list-style-type: none"> » Run-off treated and retained annually at exit exceeded impact targets by at least 2.3x and 1.86x respectively » 17.62 acres treated annually » 8.4M gallons retained annually
Livestock-to-Markets ⁴	Feb-14	   	<ul style="list-style-type: none"> » Improve herding practices across 19 local conservancies » Improved management of 1.25M acres of grasslands habitat » Improve household incomes in the region » Scale grant-funded cattle sales by 10x annually 	<ul style="list-style-type: none"> » Impact targets not met, however: » Pilot program started in exit year with goal to reduce reliance on open pastures » Average sales price per cattle increased throughout the project, but remained under target » Grant-funded cattle sales increased 1.5x per year through exit
Olympic Peninsula Acquisition Project ⁵	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"> » Targets partially met as forest management and restoration were both on plan at exit » No land sales as of exit date

1 Note: Exited Investments reflect impact investments that TNC has exited from its impact investing program through NatureVest. Realized impact is as of the NatureVest exit date.

2 In November 2022, TNC purchased all outstanding shares in Brightstorm from its joint-venture partner and effective December 31, 2022 TNC transitioned this project to a philanthropy-funded program that continues to be managed by TNC. We consider this to be an exited transaction with continued TNC ownership and impact outcomes are noted through the Dec. 2022 exit date.

3 Effective June 30, 2023 TNC transitioned this project to a philanthropy-funded program that continues to be managed by TNC. District Stormwater, LLC was liquidated as of June 30, 2023. We consider this to be an exited transaction with continued TNC ownership and impact outcomes are noted through the June 2023 exit date.

4 In Jan. 2021, TNC fully exited the Livestock-to-Markets transaction.

5 In December 2019, TNC retired the outstanding debt for the Olympic Peninsula Acquisition Project and continues to sustainably manage the property with the goal of long-term protection. We consider this to be an exited transaction with continued TNC ownership and impact outcomes are noted through the Dec 2019 exit date.

APPENDIX II: AGGREGATE PORTFOLIO IMPACT TO DATE

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:**

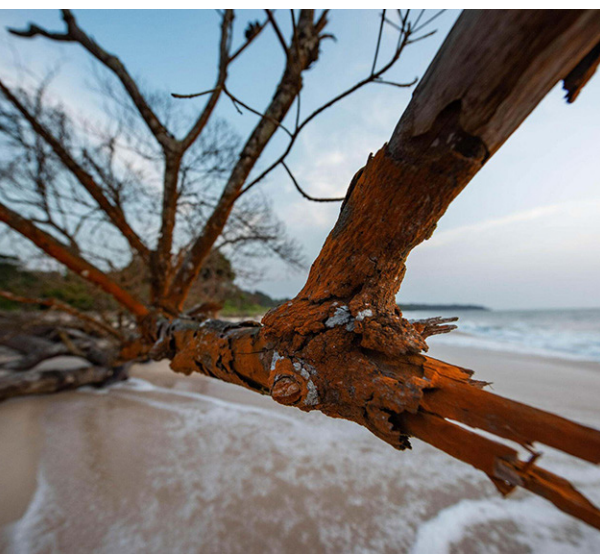


Table 2: Standardized Impact Metrics

GIIN IRIS	December 31, 2023 ¹	Transaction(s)
Charitable Donations (NatureVest core funding, transaction partners, and deployed alongside transactions), (USD)	16,582,922	Blue Bonds Project in Belize, Cumberland Forest L.P., Kenya Vulture Conservation, LLC, Seychelles Debt Conversion, Blue Bonds Project in Gabon; Blue Bonds Project in Barbados
Greenhouse Gas Emissions Avoided due to Carbon Offsets Sold (tons CO ₂)	3,640,000	Cumberland Forest L.P., Olympic Peninsula Acquisition Project
Land Directly Controlled: Sustainably Managed (acres)	394,023	Cumberland Forest L.P., Great Western Checkerboards, Olympic Peninsula Acquisition Project, Sustainable Water Impact Fund
Land Indirectly Controlled: Sustainably Managed (acres)	21,784,292	Africa Conservation & Communities Tourism Fund; Kenya Vulture Conservation, LLC
Protected Land Area: Permanent (acres)	206,032	Cumberland Forest L.P., Great Western Checkerboards, Olympic Peninsula Acquisition Project, Sustainable Water Impact Fund
Protected Ocean Area: Permanent (square miles) ²	170,964	Seychelles Debt Conversion, Blue Bonds Project in Belize
Ocean under improved management (square miles) ²	939,512	Pacific Island Tuna Provisions, Seychelles Debt Conversion, Blue Bonds Project in Belize
Stormwater Runoff (gallons/year)	98,300,000	District Stormwater LLC, Brightstorm
Value of Loans Disbursed (USD)	10,000,000	Kenya Vulture Conservation, LLC
Water Conserved (gallons)	3,724,800,000	Murray-Darling Basin Balanced Water Fund

¹ Includes exited deals

² This is not a GIIN IRIS metric



APPENDIX III: EVOLVING IMPACT MEASUREMENT

At NatureVest, one of our goals is to advance the impact investing field by closely assessing, quantifying, and reporting the conservation outcomes our investments are achieving.

We acknowledge the numerous and evolving methodologies available for identifying the conservation outcomes of impact investments. Our method of measurement is based on the [IRIS+ system](#), managed by the [Global Impact Investing Network \(GIIN\)](#). This enables us to compare the outcomes of our investments with those of other impact investments. As the portfolio grows, we continuously review our methods and data to improve metrics, as explained in more detail below.

Indirectly Controlled Land

With the closing of the Africa Conservation & Communities Tourism Fund (ACCT), TNC's Impact Investment portfolio now includes land—indirectly controlled—under sustainable management. While neither the ACCT Fund nor the tourism operators who receive ACCT loans directly control the land, the conservation covenants seek to influence and incentivize the tourism operators to maximize the financial and in-kind support that their businesses provide to the conservation managers who implement sustainable management practices on that land.

Improved Land Management

Several adjustments have been made to align with the GIIN IRIS+ system. For example, this year the area of land directly controlled and sustainably managed has been adjusted to account for only those acres where improved management practices have been applied.

Greenhouse Gas Emissions

While certain impact investments in the portfolio utilize sustainable forest management practices that lead to sequestering additional carbon, we have adjusted our measurement to only include the reduction of greenhouse gas emissions resulting from the sale of carbon credits. Measuring only avoided emissions that have been verified by a third-party verification agent (as required to obtain and sell carbon credits) reduces the potential for metrics to be improperly calculated. The majority of NatureVest carbon credits are verified by the California Air Resources Board.

Permanent Land Protection

Permanent protection of lands is vital to achieving the TNC 2030 Goals. A review of previously reported data highlighted that a prospective protection project, not yet finalized, was included in the area of lands under permanent protection for Cumberland Forest.

Going forward, we will ensure that lands with legal encumbrances, or sold to government or conservation buyers will only be included upon the close of the transaction.

The Nature Conservancy
4245 North Fairfax Drive, Suite 100
Arlington, VA 22203-1606

NatureVest@tnc.org

nature**Vest** | The Nature
Conservancy 