

2021 IMPACT REPORT

# INVESTING IN NATURE



natureVest

The Nature Conservancy 

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Cover: Flocks of Dunlin in flooded rice fields in Colusa, California. © Drew Kelly; This page, from top: Building a storm water retention wall in Washington, DC. © Greg Kahn; Eleuthera, The Bahamas © Erik Kruthoff



# MANAGING DIRECTOR'S LETTER

I was recently asked what I see, looking out at this coming decade. The question was posed as I sat in my home office in Montana,



since most of The Nature Conservancy's offices have remained closed since the beginning of the global pandemic. We were in our twelfth straight day of air quality alerts due to wildfires, some of them hundreds of miles away. The view from my window, with smoke from Oregon blowing across the Montana mountains, showed me in no uncertain terms what we all know intellectually but don't always know how to act on: We are all interconnected. The natural world makes life as we know it possible. And most important, everything can change in an instant.

What I see looking at the coming decade is, both profoundly concerning and inspirational. The difference is in how we choose to move forward—individually and, more important, collectively.



We are reeling from rapid change, from devastating weather events to the global health crisis of the novel coronavirus. It is painful to confront how much damage these events have caused to someone whose homeland is at risk, whose job or livelihood requires working alongside others, and especially to those directly providing services to the public. It will always be impossible to accept the magnitude of the economic disparity in the pandemic's impact on our society.

What's particularly startling is that the finance and investment economy essentially floated over every other sector. When the S&P fell more than 30% in just five weeks, investors braced for the worst. But it fully recovered in an astonishing five months and has gained another 30% on top of that in just 12 more months.

On one hand, this shows an even more unsettling jump in the wealth gap. On the other hand—and where I continue to hold onto hope today—hidden within those numbers we saw urgency of action becoming much more acute. Investors often hold great power of influence, and we saw them begin

to push businesses harder than ever to address our deep social and economic inequities, climate change and even the ongoing and rapidly accelerating crisis of biodiversity loss.

Within NatureVest, the impact investing team at The Nature Conservancy (TNC), this past year was by far our busiest since our launch in 2014. Credit goes to our team, our TNC colleagues and our external partners, all of whom excel at getting creative, working fast and pushing hard. But you can't paddle the rapids without water, and thankfully we've seen more capital flowing downstream—toward natural climate solutions and economy-focused land and water conservation—than ever before.

To be clear, this is still forward-looking: we closed only two transactions in the 12 months ended March 2021, which shows how challenging this work is. For investors, urgency still doesn't trump complexity, and many of them have found themselves at a loss trying to figure out how to move forward as the risks of climate change and biodiversity loss become so clear. It's like the shock when you realize an accident has just happened and those long seconds

before the chill subsides and you jump into action. Investors have long been anxious for product with real impact, but thankfully as we move into the second half of 2021, we are seeing many more capital providers rushing to the scene, leaning in and showing change is within reach. And owing to this inflooding, NatureVest has a deeper pipeline today than ever before, and we are beginning to be able to point to real change at scale as a result of our work.

An excellent example is the institutional investor-backed Sustainable Water Impact Fund, detailed further in this report, in which TNC serves as Conservation Advisor in partnership with fund manager RRG Capital Management. The Fund has already established itself as a blueprint for embedding conservation benefits and costs into the calculus of real asset acquisitions. And with several investments so far in agricultural and water assets in water-scarce regions of the world, we are beyond excited about the Fund's anticipated conservation outcomes.

This is where our collective outlook really matters. 2021 is the beginning of the future; we at NatureVest are working hard to be part of the future we all want to see. As novelist and essayist Arundhati Roy wrote, the COVID-19 pandemic is a portal, a gateway between our old world and the new one we need to build: "We can choose to walk through it, dragging the carcasses of our prejudice and hatred, our avarice, our data banks and dead ideas, our dead rivers and smoky skies behind us. Or we can walk through lightly, with little luggage, ready to imagine another world. And ready to fight for it."

Charlotte Kaiser  
Managing Director, NatureVest



# INTRODUCTION AND PORTFOLIO SUMMARY

## **About NatureVest**

NatureVest is the in-house impact investing team at The Nature Conservancy, established in 2014 and charged with developing and supporting a portfolio of investments that deliver conservation at scale. Working together with conservation colleagues across the globe, NatureVest has helped TNC and its partners originate, structure, fund, and close a portfolio of 12 investment vehicles to date, representing some \$1.3 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:

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

### New Deal Spotlight:

- » Overview of the Kipeto Vulture Conservation investment in Kenya, closed in November 2020.

### Impact Performance Spotlight:

- » Highlights from the Sustainable Water Impact Fund, which is already demonstrating exciting impact opportunities in its first 18 months of deploying capital.

### Key Lessons:

- » Synthesis of our experiences with this portfolio over the past year and perspective we hope will be of use to others who are developing and managing impact deals.

### Appendices:

- » Appendix II—detailed impact performance of each deal in the portfolio.
- » Appendix I—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.



## TNC Mission and Priorities

The NatureVest portfolio is a collection of investments that seek to achieve specific conservation outcomes while providing 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.

This mission is more urgent than ever, with the existential threats of rapid climate change and biodiversity loss. As we enter a crucial decade to address these complex challenges, TNC is focused on specific, measurable and durable outcomes for climate, lands, oceans, freshwater and the people who rely on nature most. TNC's objectives are concentrating its science and execution capacity and applying its global capabilities to strategies that we believe can change our course away from a bleak future defined by biodiversity loss, food and water scarcity, pollution and climate impacts, and toward one in which nature and people thrive together.

Contributing toward this vision, in measurable and scalable ways, is the primary organizing principle for NatureVest's investments. Conservation is the core focus around which we develop transactions.

## NatureVest Focus and Outcomes

As a dedicated investment team, with functional expertise including origination, 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 viability of new markets for nature-based solutions
- » Provide scientific input on the positive or negative environmental impacts of investment decisions

The development of specific deals may take various routes, whether forming an operating company, special purpose vehicle or investment partnership; whether sourcing private equity, commercial debt or concessionary financing. Deals also 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:

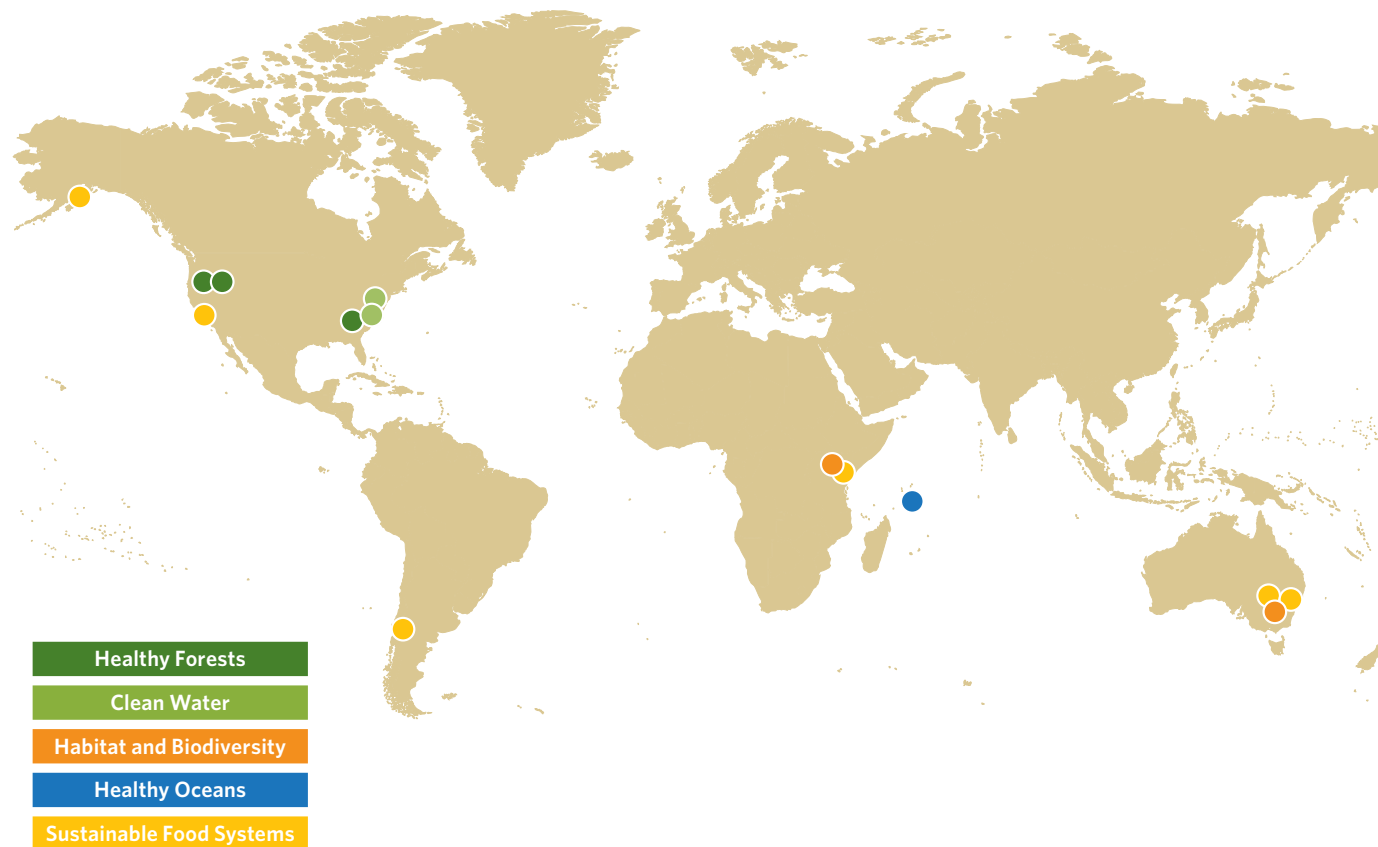
Healthy Forests	<ul style="list-style-type: none"> <li>▪ Great Western Checkerboards Project</li> <li>▪ Olympic Peninsula Acquisition Project</li> <li>▪ Cumberland Forest</li> </ul>
Clean Water	<ul style="list-style-type: none"> <li>▪ District Stormwater</li> <li>▪ Brightstorm Infrastructure Group <i>(Formerly TNC/Opti Development Partners)</i></li> </ul>
Habitat and Biodiversity	<ul style="list-style-type: none"> <li>▪ Murray-Darling Basin Balanced Water Fund</li> <li>▪ Kipeto Vulture Conservation</li> </ul>
Healthy Oceans	<ul style="list-style-type: none"> <li>▪ Seychelles Debt Conversion</li> </ul>
Sustainable Food Systems	<ul style="list-style-type: none"> <li>▪ Livestock to Markets</li> <li>▪ Great Cumbung Swamp Acquisition</li> <li>▪ Local Fish Fund</li> <li>▪ Sustainable Water Impact Fund</li> </ul>

## Portfolio Summary

The 12 deals in the portfolio, including two that have been exited to date, have spanned four continents and have generated promising conservation outcomes toward TNC's priorities, including:

- » **Protection and/or improved management of 530,532 acres (214,699 hectares) of land**
- » **Protection of 158,000 square miles (410,000 square kilometers) of ocean**
- » **More than 1.8 billion gallons (7.1 gigalitres) of increased environmental freshwater flows**

As detailed in the Appendices, each deal has identified additional target outcomes that would either contribute to or expand upon these three outcomes going forward. The 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.





# NEW DEAL SPOTLIGHT

## *Kipeto Vulture Conservation*

**CLOSED** November 2020

**DEBT** \$10 Million

### **Problem**

Kenya is rich with over 35,000 species of flora and fauna, including some of the most charismatic large mammals on Earth, such as elephants, lions, and zebras. While 60% of Kenya's GDP comes from tourism driven by visitors to these and other species, their survival depends heavily on conservation efforts, but conservation in turn relies upon unpredictable revenues from philanthropic donations, government grants and the aforementioned tourism. At the same time, communities continue to grow and are increasingly challenged to manage human-wildlife conflicts, creating new conservation challenges.

The COVID-19 pandemic has only amplified these issues as tourism revenues vanished, patrols and other community-based efforts were curtailed, and poaching and other damaging activities spiked amid the economic distress. This scenario is evident across Sub-Saharan Africa and many other regions of the world, prompting an intense search for new and more sustainable approaches to conservation funding.



## Solution and Deal Structure

Despite the pandemic's recent challenges, a particular bright spot for development in Kenya is in the renewable energy sector. Driven by the government's commitment to significantly reduce greenhouse gas emissions and its ambition to provide universal energy access, investment capital is flowing into new projects. From a conservation perspective, solar and wind power projects can present siting challenges and may introduce new impacts to wildlife, such as bird strikes with wind turbines. On the other hand, those same projects often secure long-term power purchase agreements, leading to highly predictable revenue streams—funding that can in fact be utilized to support conservation.

One such project is the 100-megawatt (MW) Kipeto wind farm project, 45 kilometers outside Nairobi, developed by pan-African renewable energy



Above: Site visit to Kipeto Energy © Click Pictureworks Africa Ltd.

developer, BTE Renewables (which is owned by global growth markets investor Actis), and Kenyan-owned renewables developer, Craftskills. Working with the project's owners, NatureVest designed an innovative investment structure that provides a \$10 million fixed-rate mezzanine loan with an additional commitment from the project to make conservation payments totaling \$500,000 per year. The use of the conservation payments is governed by an independent committee comprising TNC and several other leading local and international non-profits.

Sourced from TNC and private impact investors, the \$10 million loan helps bring together multiple parties in the interest of advancing conservation and demonstrating new models of funding. The Kipeto wind farm project is also supported by senior debt from the U.S. International Development Finance Corporation (DFC) in a broad collaboration that demonstrates the effectiveness of diversifying financing structures, strengthening risk management and enhancing knowledge transfer in impact investment projects.

## Intended Impact

The Kipeto wind farm is capable of supplying 100 MW of renewable energy to the national grid as a significant contribution toward Kenya's affordable and clean energy goals. Furthermore, supporting its commitment to the International Finance Corporation's Biodiversity Performance Standard 6, the project takes active measures to protect against vultures from a nearby colony flying near the wind turbines.

Above and beyond those on-site efforts, the project recognizes that overall vulture decline in Kenya is not the result of wind development but in fact due to increasing human-wildlife interactions as urban and agricultural growth encroach on pastoral lands. Specifically, herder communities are more frequently

encountering lions that threaten their livestock, often prompting them to poison cow carcasses in an attempt to kill the predators. As scavengers, vultures are attracted to these same poisoned carcasses and then die in the hundreds.

The TNC-led loan creates a funding stream to support a variety of projects to address this human-wildlife conflict. Such activities are expected to include:

- » Volunteers to monitor incidents of human-wildlife conflict and raise community awareness of the negative impacts of wildlife poisoning
- » Grazing management programs and community patrols to reduce cattle and wildlife conflicts
- » Design and deployment of predator-free livestock enclosures (bomas) to reduce predation
- » Rescue efforts for poisoned vultures and radio tracking of vultures to evaluate movements

## Outcomes to Date

To date, Kipeto has completed its connection to the Kenyan national electric grid and reached its total capacity of 100 MW, capable of supplying clean energy to the equivalent of 250,000 households. Nearly 800 jobs were created during the construction phase of the project and 100 permanent jobs created for the operational phase.

TNC participates in Kipeto's Biodiversity Action Committee alongside other NGOs and government representatives, and human-wildlife conflict mitigation projects have begun. As of March 2021, 11 vultures had been rescued after poisonings, 10 predator-proof bomas constructed and approximately 50,000 community members reached via community awareness campaigns. An annual report on the environmental impact of the Kipeto project will be published starting in 2021.



# IMPACT PERFORMANCE SPOTLIGHT

## *Sustainable Water Impact Fund (SWIF)*

**CLOSED** April 2020

**EQUITY** \$900+ million

Less than two years after making its first acquisition, SWIF has already made exciting progress on an impact approach that may well serve as a blueprint for the wider investment sector.

### **Problem**

Inadequate infrastructure, a growing human population, urbanization, pollution, and climate change are creating unprecedented levels of stress for farms, water supplies and ecosystems. In particular, increasing water scarcity means that much irrigated land around the world may produce less food in the coming decade.

For example, in California, unsustainable groundwater use has led to policies that require farmers to stop cultivating some irrigated lands. Water-scarce growing regions in Latin America and Australia are also struggling with competing demands for increasingly unpredictable water supplies. While traditional

agriculture investment strategies are vulnerable to these risks—and in cases, have created them—there is an opportunity to invest in these geographies and show that a carefully designed strategy, one that uses science to manage land and water, can potentially transform the farming sector to use water more effectively, grow more food, and support healthier ecosystems.

### **Solution and Deal Structure**

The Nature Conservancy worked with RRG Capital Management LLC (“RRG”)—an experienced investment and asset management firm focused on sustainable, innovative approaches to agriculture, water, and renewable energy—to create a new model for investing. The result is the \$900+ million Sustainable Water Impact Fund (“SWIF” or the “Fund”), which closed in April 2020. SWIF seeks to provide competitive, risk-adjusted returns to investors by acquiring land and water assets, improving the management of farms and water sources, and ultimately addressing the needs of people and nature.

The Fund is a commercial-scale opportunity to drive private capital toward real, tangible benefits for biodiversity. In launching the Fund, TNC and RRG established a partnership with several progressive—if not first-of-their-kind—features:

- » TNC serves as technical advisor for the Fund and has built a dedicated team of professionals to provide conservation and ecological evaluation and management guidance for the Fund’s growing portfolio of assets.
- » With a focus on the Fund’s conservation and ecological outcomes, TNC holds a limited interest in the General Partner.

- » To further incentivize environmental outcomes, a portion of the carried interest distributed by the Fund to the General Partner is held by the General Partner until achievement of positive conservation impacts.

The Fund’s governance structure integrates RRG’s asset management role and TNC’s complementary science and conservation diligence. The Fund’s investment guidelines are intended to ensure that each investment minimizes negative impacts to the environment, and as technical advisor, TNC applies rigorous scientific analysis to help the Fund pursue and achieve conservation outcomes. TNC’s role is to embed the value of ecosystem services as a pillar of the Fund’s decision-making, with the aim of more effectively aligning conservation with the more conventional aspects of value creation strategies and business plans.

### **Intended Impact**

The Fund aims to conserve water resources and habitat for biodiversity, improve agricultural practices, and address climate change. This starts with setting guidelines for the kinds of investments that the Fund will pursue. Building

on RRG’s Responsible Investment Policy, the Fund sets additional rigorous standards for minimizing negative impacts on species and ecosystems.

- » **WATER & HABITAT CONSERVATION** Permanent protection and improved ecological function of freshwater and terrestrial habitats.
- » **AGRICULTURAL SUSTAINABILITY & FAIR LABOR PRACTICES** Testing and implementation of sustainable and regenerative agricultural practices and creation of quality jobs.
- » **CLIMATE & RENEWABLE ENERGY** Reduction of greenhouse gas emissions, development of renewable energy, and adaptation of agricultural systems to a changing climate.

RRG and TNC are hoping to reshape the rules of the investment and agricultural sector by establishing new ways of thinking. If successful, the Fund will demonstrate that profit-driven investment in agricultural, water and renewable energy assets can support livelihoods, protect farmland, and achieve important conservation benefits in arid and semi-arid regions around the world.

More information on the impact of the Fund to date is available in the [2020 SWIF Impact Report](#).





## Impact Case Studies

### *Capinero Creek*

Located in California's Central Valley, Capinero Creek was the first asset acquired by the Fund, with 6,886 acres of land that was historically used for large-scale dairy operations and feed crop cultivation. Dairy operations can be highly detrimental to the landscape, including high water use and contamination of land and groundwater with fertilizers and waste products.

The Fund team developed a plan to retire the dairy operations and pursue other land uses such as groundwater banks, protected wildlife habitat, and high-value crops with smaller footprints. Achievements as of March 31, 2021 include:

- » Former dairy facilities occupying 480 acres have been removed
- » Ponds containing 1,500 acre-feet of effluent from the dairy facilities have been cleaned up and remediated
- » A groundwater recharge facility was constructed and acted as temporary wetland habitat for migrating birds; the first pilot run of the facility provided 140 acres of wetland habitat over a two-week period during peak migration season, benefitting 23 bird species of conservation importance

### *Persea*

Located in Chile's Aconcagua Valley, Persea was the Fund's first investment outside of the United States, with two acquisitions that total 4,737 acres. Persea features two attributes with opportunities for impact: First, about 3,000 acres of the acquired land is undisturbed Mediterranean habitat that is contiguous with the landscape outside of the property borders; and second, the two acquisitions contain high-value crops, such as avocados, walnuts, and citrus.

These crops can be resource-intensive under traditional practices, and the Fund team is pursuing best management agricultural practices aimed at maximizing yields while minimizing inputs and native habitat disruption. These practices include improving water use efficiency, optimizing use of fertilizers, redeveloping low-producing trees, and testing practices for improving on-farm habitat for native pollinators and other species.

Chile's Mediterranean ecoregion is one of 34 global hotspots of biodiversity. Since the property contains such a large area of native Mediterranean habitat, the Fund team is exploring strategies to protect this landscape and its ecosystem services. Drawing on its experience in the U.S. context, the Fund aims to demonstrate the benefits that conservation easements can have in Chile, where they are a relatively new legal instrument. For example, easements could protect areas of intact habitat that also provide improved water security and erosion management to the benefit of crop cultivation on downstream farms.

From top: White-faced Ibis, Capinero Creek © Ryann Graye; Landscape with cacti, Catemu © Christian Chadwick; Flooded rice fields in Colusa, California © Drew Kelly



# KEY LESSONS

The NatureVest team works hard to approach challenges with integrity, transparency and a willingness to take risks. We believe that this is crucial in our effort to change the “old ways” of investment and help investors and asset managers across sectors move toward a new way of valuing natural capital.

In our inaugural Impact Report in 2020, we committed to publishing the lessons we are learning, not only to share with the investors and partners in TNC’s impact capital portfolio, but also in a sincere effort to provide insights useful to other peers who are developing, managing or investing in natural capital.



## REVISITING PAST LESSONS

In that first report we detailed three important lessons for developing impact deals. These remain just as true today, and we expect for quite some time to come.

### **Setting Limits on Investment Novelty**

Novel deals will always be hard for investors to digest, so it is important to limit novel elements and risk factors. Particularly in our work with investment manager partners, we have found success with a “same but better” approach. Those managers have their own track records in a given strategy, and layering on modest changes in management of natural assets can potentially produce step-changes in conservation outcomes.

Can groundwater recharge basins also serve as a temporary preserves for migratory birds and benefit biodiversity? Can longer timber harvest cycles generate carbon revenues now and more resilient habitats later? Can restructuring sovereign debt generate significant cash flows for reinvestment in natural assets and nature-based economies? Yes to all of these, but for investors to expend time and resources evaluating new ideas, the fundamental structures and risk profiles of such investments should be largely familiar.

### **Identifying Path to Scale for Pilots**

Impact investment pilots have long had trouble crossing the “valley of death” to larger deployment, often because they are trying to build new markets. Engaging partners and funders who see themselves on the other side of that valley, and pre-testing ideas with them, provides affirmation that developing a pilot deal is worth the substantial resources required.

We have seen larger foundations step up their intensity in supporting pilots that show promise for scaling up. Not only can this provide strong signals for individual investors to support novel deals, we also see this is a leading indicator for institutional capital, which similarly pays attention to where these more specialized investors are seeing promising opportunities for impact at scale.

### **Partnership Alignment Must Be Structural**

Partnerships are crucial to attracting capital investment at scale, but reaching impact at the same scale requires hardwiring conservation commitments into investment structures to leverage each partner’s expertise. TNC’s conservation advisor model, pioneered with the Sustainable Water Impact Fund, is proving to be adaptable to a range of sectors; TNC and BTG Pactual’s Timberland Investment Group announced in September 2021 a new agreement to seek out new approaches for more than half a million acres of forestland across the U.S. Structural alignment brings the often difficult and always time consuming challenge of negotiating roles, responsibilities, compensation and other elements. But we’re confident the time and energy required is an investment that pays off in bigger and better outcomes.

## NEW OBSERVATIONS

We think the preceding lessons represent fundamental truths for the foreseeable future, as asset owners and managers gain a clearer view on the risks and opportunities related to climate change and biodiversity loss. Nevertheless, during the past 18 months as the COVID-19 pandemic has embedded itself in every economy across the globe, we have also observed palpable shifts that will likely be taught in macroeconomics courses in the not-so-distant future.

### **Natural Capital was Never Free**

As Encourage Capital's Ricardo Bayon has observed, our economies were founded on the belief that production was constrained by the value of labor and capital, while natural capital was seen as infinitely abundant and valued at zero. In the 21st century we see the reverse: as interest rates have stayed at historic lows and wages have stagnated, the growing scarcity and increasing unreliability of natural capital stocks has become an ever-more-evident constraint. Companies and investors are taking notice: continued production relies on watersheds, forests, soil and oceans. Increasingly, investors see the need to invest in ways that eliminate the destruction of natural capital, and more and more are also recognizing the need to invest in ways that protect and strengthen it.

### **A New Level of Systems Thinking**

Put another way, capital markets were developed as a straightforward mechanical system—supply, demand, price—ignoring the complexities of the organic systems on which they relied. Investors today are having to take a crash course in systems thinking, considering how risks to water, habitat, and coastlines (to name a few) impact their portfolio of real estate, commodities, and consumer products.

Consider how S&P Global Rating's view has evolved recently. In 2013, when New York became the first state to explicitly warn about the risks of climate change in its bond offerings, a senior director at S&P responded, "I have a hard time finding a direct relationship for climate change on New York State's economy at this point." That position would be unimaginable today, and indeed earlier this year S&P downgraded oil companies because of the risk climate change poses to their business models.

### **Science is Driving Economic Evolution**

At the same time, as we noted earlier, urgency still does not trump complexity for most investors. Systems-level analysis of climate and biodiversity risk requires new and rapidly evolving data sets, especially as global change creates a moving target. Investors are challenged to find the price signal for nature.

Science can often show the way. We know that more heat means stronger storms, and therefore investments in coastal real estate are more risky, while fire risk in forests can be mitigated with more climate-resilient management. From this deeper understanding, investment strategies can be shaped across every sector that relies on natural capital, as we are seeing in our own portfolio.

### **Change Can't Happen Without Changemakers**

These observations are all very encouraging. Private capital is moving in the right direction and gaining speed in its effort to properly value nature. But at the same time we must be realistic that the economics of climate and biodiversity aren't always aligned with investor returns. For the Murray-Darling Basin Balanced Water Fund in Australia, the fundamental relationship is that environmental benefits decrease and financial returns increase during periods of drought. And elsewhere around the world, we still see concessionary returns for impact, especially in emerging markets where there are critical conservation opportunities. While progressive investors can play a huge role by pricing climate and biodiversity risk into their portfolios, we need all hands on deck to take us all the way there.

Natural capital is both a public and a private good, and preserving it often warrants—or even requires—public investment alongside private dollars. In this decade of action, investors are calling on regulators and policymakers to support meaningful change. Tools like a global price on carbon would support more value for investing in nature, while in the U.S. the Securities and Exchange Commission's increased attention to ESG investing can increase investor confidence. The EU's Sustainable Finance Disclosure Regulation and the recently launched Task Force on Nature Related Financial Disclosures, or TNFD, will create a common language for investors. We need more of this change, and more changemakers—corporate leaders, elected officials, investors—educating themselves about how to invest in a world where people and nature thrive together.



# APPENDICES



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

**Table 1: TNC Impact Capital Portfolio Impact Targets and Progress to Date**

Deal Name	Closing Date	Impact Targets (over investment term)	Realized Impact (as of Mar-21)	Impact Status
Brightstorm Infrastructure Group, LLC*	Apr-19	» Remove the following pollutants from the Chesapeake Bay annually: 42,000 lbs. of sediment, 6,000 lbs. of nitrogen and 3,800 lbs. of phosphorus	» 48,000 lbs. of sediment 500 lbs. of nitrogen and 70 lbs. of phosphorous annual retention capacity from first three projects	On Plan
Cumberland Forest, L.P.	Apr-19	» 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	» All 230K forested acres FSC certified » 66K acres under conservation easement » 2.46 million tons of carbon sequestration » \$221K donated to community economic development projects	On Plan
District Stormwater, LLC	Mar-16	» 7.65 additional acres treated annually through 2025 » 4.5 million gallons retained annually through 2025	» 14.88 acres treated to date » 5.4 million gallons retained to date	On Plan
Great Cumbung Swamp Acquisition	Jan-19	» 9,884 acres under conservation covenant by December 2020, full 83,000 acres protected by 2029 » 50+ jobs created	» 9,884 acres protection target extended to Jan 2022 due to effects of COVID-19	Behind Plan
Great Western Checkerboards	Dec-14	» Sustainable forest management for habitat restoration, water improvement » Exit to conservation buyer	» Forest management on plan » 58,715 acres sold to government agencies to date	On Plan
Kipeto Vulture Conservation	Nov-20	» \$500K proceeds annually dedicated to making a positive overall contribution to the conservation of threatened vultures and other birds of prey, while benefiting local communities and providing clean energy essential for Kenya's economic development	» Over 50,000 individuals were reached via community awareness campaigns and 10 newly installed predator proof bomas were constructed, resulting in less lethal retaliatory incidences, especially poisoning	On Plan

\*(formerly TNC/Opti Development Partners)

Deal Name	Closing Date	Impact Targets (over investment term)	Realized Impact (as of Mar-21)	Impact Status
Local Fish Fund	Feb-19	<ul style="list-style-type: none"> <li>» 8 to 10 loans</li> <li>» Compliance with conservation covenants</li> </ul>	<ul style="list-style-type: none"> <li>» 8 borrowers purchased \$964K quota to date in compliance with conservation covenants</li> </ul>	On Plan
Murray-Darling Basin Balanced Water Fund <sup>1</sup>	Dec-15	<ul style="list-style-type: none"> <li>» 55 to 79 gigalitres of water donated to ecologically important wetlands</li> <li>» Work with traditional owners for restoration</li> <li>» 157 to 173 gigalitres of water provided to irrigators</li> </ul>	<ul style="list-style-type: none"> <li>» 7.1 gigalitres (GL) water delivered to ecologically important wetlands to date (3.2 GL Fund water, 3.1 GL Commonwealth Environment Water Holder water, and .76 GL State Government water addition)</li> <li>» 3.5 GL delivered to irrigators</li> <li>» Sub-scale fundraising</li> </ul>	On Plan
Seychelles Debt Conversion	Feb-16	<ul style="list-style-type: none"> <li>» 30% of EEZ to MPA, 50% no-take</li> <li>» \$8.0 million proceeds for marine conservation, \$6.6 million for endowment</li> </ul>	<ul style="list-style-type: none"> <li>» 32% MPA (50% no-take) areas demarcated by government in 2020</li> <li>» \$1.6 million dedicated to marine conservation, \$688,000 endowment</li> </ul>	On Plan
Sustainable Water Impact Fund	July-19	<ul style="list-style-type: none"> <li>» Protect terrestrial and freshwater ecosystems</li> <li>» Create temporary habitat through improved management of working lands</li> <li>» Improve environmental flows and water quality in rivers and streams</li> </ul>	<ul style="list-style-type: none"> <li>» Retirement of 80,000 dairy cattle occupying 480 acres</li> <li>» Remediation of ponds containing 1,500 acre-feet of effluent from the dairy facilities</li> <li>» Construction of groundwater recharge basins to create 140 acres of temporary wetland habitat for migrating birds</li> <li>» Sale of 831 acres to an irrigation district for conversion to multi-benefit groundwater recharge basins and protection of upland desert habitat</li> </ul>	On Plan
Olympic Peninsula Acquisition Project <sup>2</sup>	Dec-14	<ul style="list-style-type: none"> <li>» Sustainable forest management for habitat</li> <li>» Restoration, water improvement</li> <li>» Exit to conservation buyer</li> </ul>	<ul style="list-style-type: none"> <li>» Forest management, restoration on plan</li> <li>» No out-sales to date</li> </ul>	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, 2021	Transaction(s)
Areas of Trees Planted: Total (acres)	2293	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)	1,867,000	Cumberland Forest L.P., Seychelles Debt Conversion
Greenhouse Gas Emissions Avoided due to Carbon Offsets Sold (tons CO2)	2,799,018	Cumberland Forest L.P., Great Western Checkerboards
Land Directly Controlled: Sustainably Managed (acres)	430,642	Cumberland Forest L.P., Great Western Checkerboards, Olympic Peninsula Acquisition Project, Sustainable Water Impact Fund
Protected Land Area: Permanent (acres)	99,890	Cumberland Forest L.P., Great Western Checkerboards, Olympic Peninsula acquisition Project
Protected Ocean Area: Permanent (square miles)	158,000	Seychelles Debt Conversion
Stormwater Runoff (gallons/year)	89,000,000	District Stormwater LLC, TNC/Opti Development Partners, LLC
Value of Loans Disbursed (USD)	964,380	Local Fish Fund
Water Conserved (gallons)	1,876,000,000	Murray-Darling Basin Balanced Water Fund

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