Financing Marine Conservation thru Sovereign Debt Solutions

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The Nature Conservancy is a leading global conservation organization with a mission to protect the lands and waters on which all life depends.

Our strength starts with our team:

<table>
<thead>
<tr>
<th>400 scientists</th>
<th>4,000 conservationists</th>
<th>A FAR REACHING ALUMNI NETWORK of leaders in the conservation community</th>
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<tbody>
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<td>72 countries</td>
<td>50 U.S. states</td>
<td>1 MILLION dedicated members</td>
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<td>1,300 prominent volunteer leaders</td>
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Debt for Nature Swaps

A Debt for Nature Swap...
- restructures part of a country’s sovereign debt (commercial or bi-lateral)
- provides reduction in national debt service & funding for conservation
- to help government commitment to achieve & finance conservation goals

Results of TNC Debt for Nature Swaps:
- $250M+ Funds raised for conservation
- 11 Countries participated
- 17:1 Leverage: $1 philanthropy / $17 conservation capital

Evolution of Debt for Nature Swaps:
- First Debt Conversion: Costa Rica 1990
- US Tropical Forest Conservation Act 1998
- TNC Tropical Forest Conservation Act: Belize – Costa Rica 2001-2010
- Belize Debt Conversion: Capital Markets 2021
- Seychelles Debt Conversion: Paris Club 2016
Marine Spatial Planning Support
- MSP technical assistance to achieve 30% MPAs and fishing refuges
- Ensure that 100% of MPAs are managed effectively
- Community and stakeholder participation

Conservation Fund & Endowment
- Legally establish and operationalize Conservation Fund – existing or new
- Semi-annual cash flows for conservation
- Capitalize endowment

Fiscal Benefits from Debt Conversion
- Interest rate reduction
- Reduce debt service and recirculate funds into the economy
- Extend pay-back period
- Conservation note paid in local currency
- PRI and parametric insurance protections

Commitments Required by Government
- Complete MSP
- Place 30% of marine areas under protection (per MSP)
- Support Conservation Fund that meets TNC's criteria
## Belize Transaction Summary

<table>
<thead>
<tr>
<th>Blue Bond &amp; Blue Loan</th>
<th>Conservation Funding Agreement</th>
<th>TNC</th>
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<tr>
<td>1. A TNC vehicle (BIC) raises $364 million through a 20-year “Blue Bond” issuance with CS as placement agent</td>
<td>4. Government signs a binding Conservation Funding Agreement with BIC:</td>
<td>5. TNC leads the deal in every stage and commits own resources:</td>
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<td>2. BIC purchases PRI from USDFC → Blue Bond obtains Aa2 rating from Moody’s</td>
<td>– Establishment of Conservation Fund in Belize → Broad representation in the Board</td>
<td>– $45 million in equity and contributed investments into BIC for liquidity reserves</td>
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<td>3. BIC loans $364 million to Belize for 20 years through a “Blue Loan” to:</td>
<td>– Belize commits to protecting 30% of its oceans following a conservation roadmap</td>
<td>– Support development of MSP, creation of Conservation Fund and a monitoring program</td>
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<td>– Retire the $553 million Superbond @ 55cents/dollar ($301 million)</td>
<td>– TNC leads a collaborative process to develop a comprehensive Marine Spatial Plan</td>
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<td>– Liquidity reserves/OID to ensure resilience of the structure ($28 million)</td>
<td>– $4 million per year to fund Conservation Fund grant projects over 20 years</td>
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<td>– Pre-fund a conservation endowment ($24 million)</td>
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<td>– Pay for closing costs ($10 million)</td>
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Overall Structure

**Conservation Fund**
- Full ownership, no recourse, equity to partially fund reserves
- Conservation Payments

**BIC**
- Equity Repayment TNC Management Fee
- CFA Payments

**Belize**
- Blue Loan
- Blue Loan Principal & Interest

**CS Securitization Vehicle**
- CS
- Securitization Vehicle
- Platinum Loan
- Premiums
- Blue Bond Issued
- Blue Bond
- Blue Bond Principal & Interest
- Platinum Loan

**Blue Bond Holders**
- Blue Bond Sold
- Blue Bond Principal & Interest

**Current Superbond Holders**
- TNC Management Fee
- Tender Superbond
- Platinum Loan

**Conservation Funding Agreement**

**Blue Loan Agreement**

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$180 million towards marine conservation projects over the next 20 years
- $4+ million per year ($85 million overall) of conservation payments → grants channelled through Conservation Fund
- $92 million estimated endowment in 20 years to support conservation in perpetuity

Restructuring of full external commercial debt
- $189 million in commercial external face value debt written off ($553 million down to $364 million)
- $200 million of debt service savings over life of new loan
- Reduction of debt to GDP ratio of more than 10 percentage points
- Extension of final maturity from 2034 to 2040

Parametric insurance (WTW/MunichRe) which promptly pays for one semi-annual debt service pmt if pre-defined weather events occur (no need of damage assessment, not a deferral as per usual hurricane clauses)

Bottom line: significant conservation commitments & cash flows combined with net debt reductions

S&P raised Belize’s credit rating from “selective default” to B- shortly after closing