

Blue Mangrove® Fund

Core Features- Term Sheet

Important information/Disclaimer

Blue Mangrove® Fund is the designation for a project operated without the incorporation of a separate legal entity. Expressions used in this term sheet (such as Promoter, Custodian, Distributor ...) have no meaning other than the one set out herein and must not be read or understood in the light of any particular legislation on regulated or unregulated investment vehicles. Contributions made by any participant in the Blue Mangrove® Fund project must not be considered as a financial investment nor a price paid for any particular service or product, but a voluntary contribution (donation) for the purpose of combatting climate change and promoting citizen's and corporates responsibility and accountability in the face of one of humanity's most pressing challenges. Also, all participants in the project must be aware that compensating for their carbon emissions cannot compensate for their efforts to reduce such emissions.

Context/Background

Friendship Belgium ASBL is a not-for-profit association incorporated in Belgium in 2018 and working, within the Friendship International network, in support of Friendship Bangladesh, a Social Welfare Organization founded and headed by Mrs. Runa Khan and registered since 21/10/2002 with the NGO Affairs Bureau of Bangladesh under no 1748.

Other entities within the Friendship International¹ network are Friendship Luxembourg (founded in 2006), Friendship Nederland (founded in 2007), Friendship UK (founded in 2013) and Friendship France (founded in 2015).

The mission of all entities within the Friendship International network is to provide support to Friendship Bangladesh, a Social Purpose Organisation² guided by the vision of a world where people – especially the hard-to-reach and unaddressed – have equal opportunities to live with dignity and hope. From Bangladesh, a country facing the most pressing of humanity's challenges, Friendship's mission is to develop scalable solutions to strengthen marginalised communities of and empower people to transform their lives and reach their full potential. Friendship is delivering its services following four commitments: Saving Lives, Climate Adaptation, Poverty Alleviation and Empowerment.

In 2018, Friendship Bangladesh initiated, with the support of Friendship Luxembourg and the Luxembourg Ministry of Environment, Climate and Sustainable Development a five-year mangrove afforestation project covering 40 hectares of government land along certain riverbanks of Satkhira District in the coastal belt of Bangladesh. In 2020, Friendship Bangladesh has initiated a second project,

¹ Friendship International itself is incorporated as an ASBL (nonprofit association) in Luxembourg with its members being the various national Friendship entities.

² An SPO is an organisation that addresses social issues and always prioritises the interests of the communities it serves.

intended to cover an additional surface of 60 hectares, on the basis of similar funding arrangements. Each of the five-year projects has a total budget of approximately 600.000 EUR.

Taking stock from the experience already made and in view of scaling further a high impact program with a triple bottom-line – environmental, socio-economic and disaster resilience wise – Friendship has decided to launch the “Blue Mangrove® Fund Project”. Blue Mangrove® Fund enables individuals, families and legal entities to participate in a common high impact enterprise of climate change mitigation and adaptation. It also allows to, at least partly, compensate for the participant’s contribution to CO₂ emissions and thus to climate change, presently one of the major threats to Humanity in general and the population of Bangladesh in particular. In addition to its contribution to climate change mitigation, the Blue Mangrove® Fund Project protects fragile soils against erosion and salinization, thus preserving agricultural land, increases biodiversity, protects population against the impact of cyclones and creates income generation opportunities for local population.

Initially, the Blue Mangrove® Fund aims at enabling the plantation/afforestation of 50 (fifty) hectares of mangroves along the riverbanks of Satkhira District.

Main Terms

The below Terms are applicable to the first series of Units (“Series 1 Units”) to be issued in the context of the Blue Mangrove Fund® Project for the plantation of 50 hectares of mangrove in the District of Satkhira, Bangladesh, as described in detail in the Annexes to this Term Sheet. The Promoter reserves the right to issue additional series of Units according to terms to be determined from case to case.

Fund name: Blue Mangrove® Fund (unincorporated)

Initiator and Promoter: Friendship Belgium asbl

Issuer of Series 1: Friendship Belgium asbl

Field Operator: Friendship Bangladesh

Custodian: Friendship Luxembourg asbl

Main Distributor: Friendship Belgium asbl

Additional Distributors: Friendship Luxembourg, Friendship France, Friendship Nederland, Friendship UK or any additional distributor to be accredited by the Main Distributor.

Unit: a Unit represents a participation in the Fund. Units are issued at the Unit Price to Eligible Participants upon decision by the Promoter, subject to the conditions and within the limits defined in this Prospectus. Units are nominative, indivisible and not transferable. Where a Unit is subscribed by a group of individuals (such as a family), the group appoints a single representative as the Unit holder.

Eligible Participants: Physical persons (or groups of physical persons, such as families) or legal entities (whatever their legal status) who (i) recognize that avoiding CO₂ emissions is always preferable to compensating for these and (ii) commit to acquire one or more Units in the Fund.

Unit Price: each Unit is allocated to an Eligible Participant against a Contribution of a total amount of 3.750 EUR payable according to the modalities defined in the Payment Modalities. The Unit Price represents the cost of, in a high impact and triple bottom-line – environmental, socio-economic and disaster resilience – perspective, planting 0.375 hectares of mangrove and ensuring active protection and maintenance of such plantation over a period of 5 years, according to the modalities set out in Annex 1 to this Prospectus.

Issuer’s Guarantee: To the extent that – in order to ensure the effectiveness of the triple bottom-line – the actual project cost exceed the amount underlying the determination of the Unit Price, the Issuer takes responsibility for mobilising such additional resources as may be required (otherwise than by issuing additional Units) in order to ensure proper implementation of the project by the Field Operator.

Maximum number of Series 1 Units: the number of Units to be issued by the Fund cannot be in excess of 1 Unit per 0.375 hectares dedicated to mangrove afforestation in the context of Blue Mangrove Plantation Project no 1 according to the modalities described in this Prospectus.

Minimum number of Units to be subscribed for the Project to complete: the Project will complete and the Tranche 1 Call will occur only upon the firm subscription of at least 30 Units allowing for the afforestation of no less than 10 hectares of mangroves. The afforestation of additional surfaces will be initiated, and the respective Tranche 1 funding be called upon, in the light of additional firm subscriptions received, in principle in tranches such that they will allow for the afforestation of no less than 10 additional hectares of mangrove.

Late Subscription of Units: Units subscribed after the Project completed are issued at the same conditions than Units issued previously and in particular at the same Unit Price.

Payment Modalities:

- (i) 60% to be called by the Promoter (“Tranche 1 Call”) upon completion of the following conditions:
 - acceptance of the Participant’s subscription by the Promoter
 - land usage rights over at least 50 hectares secured long term
 - a minimum of 30 Units have been subscribed by Eligible Participants
- (ii) 40% to be called by the Promoter upon completion of the following conditions:
 - not earlier than 24 months after Tranche 1 Call in respect of the successive reforestation tranches
 - confirmation, by the Custodian, on the basis of the reports received, that the implementation of the project is substantially progressing according to plan.

Duration: The Promoter and the Field Operator are committed to ensure active management, protection and maintenance of the plantations over a period of 5 years. During this period, they are also committed to involve local communities and connect with local authorities so as to create optimal conditions for the conservation of the newly planted mangrove forests in the long term. By the expiration of the five year active management, protection and maintenance period, the forests will be under the responsibility of the Bangladesh Forest Department and benefit from the Bangladeshi law that prohibits cutting mangrove trees in the plantation area.

Mangrove Plantation: Mangrove Plantation as understood in this Term Sheet has the characteristics defined in Annex 1 and in particular is environmentally sound, holistic and socially responsible.

Absorption Capacity: according to the assessment made in good faith by the Promoter, with the assistance of external expertise, the absorption capacity of 50 hectares of Mangrove Plantation as implemented by the Field Operator is, over a period of 20 years from plantation, an average of 1200 tons per year.

Voluntary contribution – No counterpart: Participants/Investors contribute to the Fund because they wish to compensate for all or part of their CO₂ emissions on a purely voluntary basis. In no circumstances does a contribution to the Fund allow any Participant who, by law or otherwise, is subject to certain carbon emission limitations/restrictions, entitle to emit any additional CO₂. Neither the Fund, nor the Promoter nor any other entity involved with the Fund is entitled to, for consideration, issue Carbon credits as defined in any law or regulation. Consequently, any contribution made to the Fund constitutes a donation as opposed to a price paid for consideration. The Participants/Investors are aware that the price they pay for the service enabled by the Fund will not bring any direct monetary return but instead a social and environmental return for vulnerable people and for Humanity.

Personal carbon footprint assessment: Any Participant who wishes to compensate for all of his CO₂ emissions, has to assess his CO₂ footprint under his own responsibility. Annex 4 of this Prospectus is merely intended to provide guidance for this purpose but it is ultimately for each Participant to decide which assessment method he wants to use.

Rights of Unitholders/Participants:

- Information rights: Unitholders/Participants will receive information on the progress of the project, i.e. activities conducted in the field and results achieved. Reports will be made available on a regular basis (at intervals of maximum 12 months) in the Family Room of the website: www.bluemangrove.fund.
- On site visiting rights: Unitholders/Participants are welcome to visit the mangrove plantations site in Bangladesh. The Field Operator (Friendship Bangladesh) will facilitate such field visits to the best of its ability. All related cost will be borne by the Unitholders/Participants.
- Donation/expense certificate: Unitholders/Participants will be issued a certificate confirming receipt of the donation/expense made for contributing to the project.

Role and responsibilities of the Promoter:

The Promoter will:

- make best efforts to ensure that the minimum number of Units is subscribed and the required land usage rights are secured;
- call for and organise payment of the Contributions;
- transfer the funds to the Custodian;
- ensure, in cooperation with the Custodian and the Field Operator, timely, transparent and reliable reporting (both financial and non-financial) to the Participants;
- ensure that at least one monitoring and control field mission per year takes place on its behalf;

- on demand, facilitate field visits of Participants according to modalities to be defined on a case by case basis in coordination with the Field Operator.

Role and responsibilities of the Field Operator:

The Field Operator will:

- implement the Mangrove Plantation as set out in Annex 1;
- provide the Custodian and the Promoter with all financial and non-financial information allowing them to comply with their reporting obligations;
- comply with the laws and regulations of Bangladesh as well as with its internal policies such as (but not only): Code of Conduct, Anti-Money Laundering Policy, Safeguarding Policy, Risk Management Policy, Conflict of Interest Policy, Financial Policy, Procurement Policy, Environment Protection Policy, Travel Policy, HR Manual, Behavioural Rules, etc.
- host field visits by participants in accordance with the modalities defined in coordination with the Promoter;

Role and responsibilities of the Custodian:

The Custodian will:

- oversee the Mangrove Plantation implementation by the Field Operator and for such purpose be in continuous contact with the latter;
- monitor the reporting process;
- release payments of the Contributions to the Field Operator as required in order to allow the Project to progress, subject to receiving progress reports as required.

Reporting and Accountability:

- The Participants will receive a yearly expense report
- The Participants will receive a yearly narrative/photo report on the impact and the progress in the field. This report will be compiled by the Field Operator under the supervision of the Custodian and the Promoter.
- The Promoter will make best efforts to link the project with universities and research centers in order to optimize the knowledge, operating methods and calculations of the CO2 impact.

Best efforts, Force majeure: Whereas the Promoter and the Field Operator will make best efforts to ensure success of the project, they cannot not take responsibility for factors that are beyond their control and, *a fortiori*, for *force majeure*.

Major Risk factors:

- **Climate Risk:** Cyclones are common in the project area and have caused major damages to the Sundarbans mangrove forest in the past. The risk is considered as medium. Damages could be caused to the plantation but the budget takes into account potential losses and replacement of plants.
- **Political and Regulation change risk:** change of regulation and change of attitude of local and central authorities may affect the Project and, in the worst case, prevent its continuation.

Continuous contact with the relevant authorities and maintaining strong trust relationship with, in particular, the local community are the best available means to mitigate this risk. This risk is considered as low as the mangrove trees plantation is a national priority in Bangladesh to address the current situation of climate change and future resilience of coastal communities.

- **Risk in respect of land usage rights:** Among the political and regulation change risk, the most significant is the risk in respect of land usage rights. The risk is considered as medium because mangroves plantation and conservation is considered as a national priority in the Bangladesh Climate Change Strategy and Action Plan (BCCSAP) and it will be mitigated to the largest possible extent by the fact that the Field Operator will remain in constant contact with the local communities and the local authorities to ensure their commitment to the forest conservation.

Ethics and Values: Ethics are at the heart to the Blue Mangrove Fund. The Fund adheres to all values of Friendship, being Integrity, Dignity, Quality, Justice and Hope. The Fund is based on transparency, proper use of resources and participative approach.

At all times, the management of the Fund will be driven by the following additional Values:

✓ **HOLISTIC**

The needs and legitimate interest of all Stakeholders are to be duly considered and to be given proper attention at all times: the Participants, the Persons working in the project, the local Population in the vicinity of the project, the local Authorities and the Public in general.

The overall Ecosystem is considered: while making sure to be effective in capturing CO₂, the Fund will always be careful about the overall ecosystem, biodiversity and the natural environment which is to be restored.

✓ **RESULTFUL**

The Fund is committed to a proper, effective and transparent use of the resources entrusted to it. It is committed to responsible acting, reliable measurement of impact and transparent reporting.

✓ **PRIDE and DIGNITY**

The Participants, the Persons working in the project, the local population and the local authorities must be proud and develop a strong sense of ownership to the project. Nurturing dignity of all Stakeholders is at the heart of the project.

✓ **HUMAN**

Human values are non-negotiable. Every person counts and is to be treated with attention and respect.

✓ **LONG-TERM / SUSTAINABILITY**

Offsetting Carbon through Mangrove Plantations is a long-term process. It is more than just planting, and needs to be maintained and monitored over years. The Blue Mangrove Fund is committed long term.

✓ **REPLICABILITY**

All what the Fund and its Stakeholders learn and do is meant to be documented, publicized, and made available for others for replication without consideration.

Tax Considerations: Considering that any Contribution to the Fund is made without financial counterpart and on a purely voluntary basis, it is likely to qualify as a donation under the tax laws of most jurisdictions and, as such, open certain tax benefits to the Participant according to the laws and regulations of (mostly) his tax residence. Without prejudice to the fact that actual tax benefits may depend from case to case, the following information is provided:

For residents in Belgium: Contributions paid for the benefit of Friendship Belgium on its Friends Account with Fondation Roi Baudouin: IBAN : BE10 0000 0000 0404

BIC : BPOTBEB1

Communication: 018/1470/00072

For residents in Luxembourg: Contributions paid to Friendship Luxembourg by Luxembourg tax residents are income tax deductible by the Contributor in accordance with the provisions of article 118 of the *Loi sur l'Impôt sur le Revenu* (LIR). Contributions paid to Friendship Luxembourg by tax residents from other EU countries may be income tax deductible in accordance with the laws and regulations of the respective jurisdictions and in accordance with the ECJ decision in [Persche vs. Finanzamt Lüdenscheid](#): IBAN: LU63 0080 2121 6830 2001

BIC: BLUXLULL

For residents in The Netherlands: IBAN: NL22FVLB0227059840

BIC: FVLBNL22

For residents in the United Kingdom: IBAN: GB09 NWBK 6040 0231 1382 84

BIC: NWBK GB 2L

Account Number: 31138284

Branch Sort Code: 60-40-02

For residents in the United States of America: Contributions paid for the benefit of Friendship Luxembourg on its Friends Account with King Baudouin Foundation United States (KBFUS) are tax deductible for US tax payers

Annexes

Annex 1: Project Description

Annex 2: Provisional Budget for 50ha over 5 years

Annex 3: CO₂ Absorption Capacity Calculation

Annex 4: Personal Footprint Assessment

Annex 5: Subscription Agreement

Annex 6: Bangladesh Government letter for land lease

Annex 7: Satellite images of plantation areas

Annex 5 – Subscription Agreement

This agreement is entered into between

1. **Friendship Belgium asbl**, Rue Jules Cockx 8-10 – B-1160 Brussels, represented by ..., hereafter “the Issuer”
2. (Name, address (hereafter “the Participant”), (represented by³)

Terms in capital letters in this Subscription Agreement have the meaning set out in the Blue Mangrove Fund Term Sheet enclosed herewith as Annex I and which forms an integral part hereof (“the Term sheet”).

The Participant hereby subscribes to (...) Series 1 Unit(s) issued by the Issuer for the purpose of Blue Mangrove Plantation Project no 1 (“the Project”).

The parties have the rights and obligations set out in the Term Sheet and in particular in the Main Terms contained therein.

The Participant recognises that notwithstanding the fact that his contribution constitutes a donation entitling him to no counterpart other than to (i) have the Project implemented, (ii) receive all information and (iii) visit the Project on site (at his cost) as provided for in the Prospectus, he is legally committed to make such contribution subject and according to the Payment Modalities.

Payment of the Unit Price will be made by the Participant to the account **of (...) with (...)**

Where applicable (see Tax Consideration), a donation certificate will be issued to the Participant.

The parties commit to make all best efforts to settle any dispute that may arise between them amicably. Absent an amicable settlement, each party may bring the dispute before any competent court which will decide the matter on the basis of the laws of Belgium.

Made on ... (place) on ... in two counterparts.

Friendship Belgium

.....

The Participant

....

³ To be completed only if there is more than one subscriber named as Participant