Community Energy Fund Guidelines

An investor's guide

lowcarbonhub.org/invest

Contents

1. Introduction
2. Benefits to investors
3. Purpose of the Fund
4. Membership of the Low Carbon Hub IPS Limited
5. Raising capital
6. Fund finances
7. Generating community benefit
8. Interest payments to investors
9. Understanding equity withdrawal
10. Prioritisation rules for fulfilling equity withdrawal requests
11. Capital return
12. Fund management
13. Administration
14. Investor support

A glossary of terms used in the document can be found at lowcarbonhub.org/**invest**

Updated: November 2026

Summary

Investment is raised via an open share offer which we plan to reopen each year to raise new equity to fund new projects and facilitate capital withdrawal by existing investors.

Investors in the Community Energy Fund (hereafter called 'the Fund') become members of Low Carbon Hub IPS Limited (the 'IPS'). We strongly encourage investors to view their investment as being a long-term commitment to supporting the work of the Low Carbon Hub – a one-off investment to generate long-term financial benefits for you, and sustained environmental and social benefit for the community.

In return for their support, investors receive an annual interest payment.

The Fund intends to make annual interest payments, but it does not automatically return capital to investors.

Once your investment has been held in the Fund for at least four years, you are eligible to apply to withdraw your equity, or you can leave it in the Fund and keep on receiving annual interest payments.

Surpluses from the Fund are to be used for community benefit, with a particular focus on supporting energy-related community action.

Capital at risk. Returns are not guaranteed.

1. Introduction

During the first five years of operation, Low Carbon Hub successfully grew its portfolio of renewable energy projects, doubling its installed electricity-generation capacity year on year.

During this time, investment in the Low Carbon Hub IPS Limited was raised via a series of project-specific, time-bound share offers. As the organisation moved from start-up to scale-up, we wanted a more flexible and efficient way to attract new investment and continue to build the long-term sustainability of Low Carbon Hub and its important work. We have created the Community Energy Fund to do just that.

2. Benefits to investors

The Fund offers investors the following benefits:

- Membership of the Low Carbon Hub IPS Limited
- A stake in a successful community energy company with a proven track record
- Delivery of environmental and community projects resulting in local action on climate change
- Democratic voting rights, with one member, one vote at our AGM
- Members elect the Board that governs the IPS
- Interest on capital
- Capital will generate interest from day one
- Investors can apply to withdraw their capital after year four (subject to funds being available)
- The Fund plans to reopen every year, giving investors a regular opportunity to increase their support for community energy.

3. Purpose of the Fund

The Fund will be used to raise capital to fund energy projects that directly reduce carbon emissions. Each year we will report to investors on how the capital has been used, the impact achieved and our plans for the forthcoming year.

The projects we fund could include:

- Rooftop and ground-mount solar PV arrays
- Other renewable energy generation projects
- Energy efficiency projects
- Energy flexibility
- Energy storage
- Other energy-related products and services which can generate a profit while reducing carbon emissions
- Replacing debt with equity within existing IPS projects, thereby increasing community ownership
- Investing in energy projects that are developed by third parties or in partnership with others, and further our aims.

The profits from these investments are then used to support further community action to tackle climate change.

As projects mature and release capital, the Fund can reinvest this in new community energy projects that support our objectives, or use it to facilitate equity withdrawal.

Our key area of geographical focus is Oxfordshire, although we may pursue opportunities further afield if they meet our aims and objectives.

4. Membership of the Low Carbon Hub IPS Limited

Investment in the Fund is held as withdrawable share capital in the Low Carbon Hub IPS Limited, with each pound invested held as £1 Ordinary Class A shares. Investors in the Fund are Members of the IPS.

The Rules of the IPS set out the rights of Members and the rules by which the organisation is governed.

5. Raising capital

Investment is raised through an open share offer. It is our intention to open the Fund to new investment each year, with new investment being accepted each year. We will set a target for new investment to be raised each year, on an assessment of our need for new equity, based on:

- Projected capital requirements for our new project pipeline
- Opportunities to replace debt with equity in existing projects, thereby increasing community ownership of projects
- Equity withdrawal requests by existing members
- The availability of funding from other sources.

We will then accept applications for new investment for a limited time period. The criteria for prioritisation of applications in the event of oversubscription will be set out in the Share Offer Document.

6. Fund finances

Capital

Capital is raised in the form of investment from Members. We use this money to pay for all or part of the capital expenditure (capex) of energy projects. Project capex may also be part-funded using debt and/or grants.

Capex covers all the initial costs of setting up a project, including:

- Pre-development costs, e.g. legal fees, design, structural surveys, grid connections
- Financing costs, e.g. the cost associated with raising capital and arranging debt financing
- Installation and delivery costs, e.g. equipment, engineering, installation, commissioning and contingencies
- Project management
- Contribution to working capital, e.g. to ensure sufficient funds are available for the initial operation and maintenance costs before the project starts to receive an income.

The projects are financially modelled so that the initial capital invested is repaid to the Fund over the project lifetime. This money can then either be used to finance new projects, or returned to investors.

Operating Income

The projects that are funded with capital from the Fund will earn income from the sale of energy and services.

Surpluses net of running costs will be assigned to the Fund. The anticipated surplus and finances are set out in the financial models relating to each project.

Running costs

The main areas of running cost relate to:

- Operating and maintenance costs of the projects
- Contribution to the build-up of funds to cover the replacement of key items, e.g. inverters
- Organisational and investor Member administration
- Debt servicing of any loans associated with the project
- Investor interest, which is treated as an operating expense by Registered Societies, rather than a share of profits.

Surpluses

Fund surpluses can be used to fund new energy projects, deliver community benefit or facilitate equity withdrawal.

7. Generating community benefit

The generation of surpluses by the IPS is central to the long-term financial sustainability of the Low Carbon Hub. It enables us to repay project debt and provide returns to shareholders and, importantly, enables us to deliver community benefit.

It is the generation of community benefit that lies at the core of our aims and, as a Registered Society, we adhere to the principle set out in the Co-operative and Community Benefit Societies Act 2014, that our overarching purpose is: "being, or is intended to be, conducted for the benefit of the community".

The Community Energy Fund will generate benefit to the community by delivering:

- Energy projects that reduce carbon emissions
- Discounted electricity and energy efficiencies that reduce the energy bills of our hosts
- Sustainable long-term funding to support community action to tackle climate change.

8. Interest payments to investors

Our investor Members play a key role in our success. It is their capital that provides much of the long-term funding for our projects. In return for this support we are able to offer our Members interest on share capital.

We set a target interest rate for investment held in the Fund, which will be published in our Share Offer Document.

The 'target interest rate' is the rate we will strive to deliver, based on the anticipated performance of our projects. We anticipate interest being earned and paid out as follows:

- **Interest is accrued from the day your investment is accepted**
  Interest is earned immediately on acceptance of your investment by the Board of the Low Carbon Hub IPS Limited.
- **Interest is calculated at the end of each financial year**
  Interest is calculated annually, based on the performance of energy projects funded by the Community Energy Fund during that financial year. The Low Carbon Hub's financial year runs from 1 April to 31 March. If an investment is accepted part-way through the financial year, the interest will be earned pro rata.
- **Interest is paid out to investors after the end of each financial year**
  We must have received payment relating to sales and services provided that financial year, and our accounts finalised and signed off, before earned interest can be paid out. This can take several months, but we aim to make interest payments within 180 days of year end.

It is important to understand that the interest level is a target rate, which is not guaranteed and may be revised up or down in the future.

The target interest rate is set based on assumptions we have made about income from projects supported by the Community Energy Fund. These are set out in the 'Risks' section of the Share Offer Document. Ultimately, the decision to make interest payments is at the discretion of the Directors, based on whether or not we can afford to make the payments and fulfil our other liabilities without damaging the overall organisation. The target rate is not guaranteed; rather it is the rate we strive to deliver.

The target interest rate set out in the Share Offer Document is set based on the anticipated long-term performance of the projects we fund. The Board will review the target rate each year. The aim of any interest rate review would be to set a target rate that:

- Reflects changes in the key factors underpinning our financial models; these could include: CPI, RPI, energy inflation, system performance, electricity sales, Feed-in Tariff rates and operational costs.
- Is sufficiently attractive to encourage new investment.
- Protects the overall financial sustainability of The Low Carbon Hub IPS Limited and reflects changes in its operating environment.

The target rate may be revised up or down. Any changes to the target interest rate will be reported as part of the annual Fund performance reporting to investors, giving investors 180 days' notice of any change to the target interest rate. The maximum interest rate that the Community Energy Fund will return is Bank of England base rate +7%.

See example on page 6.

Example, based on a 5% target interest rate

Mrs Smith invests £5,000 on 1 July 2025.

First financial year end: 31 March 2026

Days invested: 274 of 365 days

Interest earned: 5% over 274 days = £187.67

Mrs Smith receives her interest payment of £187.67 by September 2026.

Second financial year end: 31 March 2027

Days invested: 365 days

Interest earned: 5% = £250

Mrs Smith receives her interest payment of £250 by September 2027

9. Understanding equity withdrawal

Investors are encouraged to view their investment as a long-term commitment to supporting community energy. However, we appreciate that individual circumstances change, and investors may want to withdraw their equity sooner. As a result we have put in place a process by which investors can ask to withdraw equity after the fourth anniversary of their investment, up to a maximum of £20,000 in any one year.

The capital invested in the Fund will be used to support projects with long pay-back periods, with equity tied up in assets rather than held as cash.

It is therefore important we stress that our ability to fulfil requests will be dependent on the amount of equity withdrawal applied for in any one year, the amount of capital being released from our projects and our ability to attract new equity to replace it.

The process for equity withdrawal is as follows:

- We will consider requests to withdraw capital once a year.
- Applications to withdraw equity must be received by midnight on the application deadline – this is set as 15 December unless otherwise advised.
- Investors can apply to withdraw equity that will have been held in the Community Energy Fund for at least four years by the date at which it would be withdrawn. The anticipated withdrawal date will be published each year.
- The minimum request for withdrawal is £100.
- The maximum amount investors can request to withdraw is £20,000.
- If investors only wish to withdraw part of their investment, they must leave at least £100 invested in the Fund.
- Successful applicants will have their capital returned together with any interest payment due from the previous financial year, within 180 days of the end of the financial year.
- To cover administration costs, successful applicants will forfeit 90 days of interest.
- Any interest earned during the financial year in which the investment is withdrawn will be paid out during the next year's interest payment cycle.
- We cannot guarantee that all equity withdrawal requests will be fulfilled in any one year.

Ultimately equity withdrawal remains at the discretion of the Directors who have an obligation to put the overall financial wellbeing of the Low Carbon Hub IPS Limited first.

10. Prioritisation rules for fulfilling equity withdrawal requests

Should the total equity withdrawal requests in any one year exceed the available capital, we will prioritise requests as follows, with each of the four stages being applied sequentially:

1. Personal hardship - This could include:

a) Critical illness or death (affecting the investor or their immediate family)

b) Redundancy or loss of employment by the investor or their immediate family that results in a significant change in household income

c) Any other significant, unpredictable changes in circumstances, considered on a case-by-case basis.

Unless exceptional circumstances can be explained, it is unlikely that retirement, the arrival of a new baby, or moving house would be considered grounds for personal hardship prioritisation.

The return of capital for hardship cases would usually follow the annual withdrawal timetable. However, in exceptional circumstances, and when funds allow, the Directors may consider requests for the immediate return of capital.

2. Fulfilment of unsuccessful applications from previous rounds - Any requests that were unfulfilled in the previous year will be next in line for consideration, which we will endeavour to meet.

3. Length of investment - Remaining requests will be fulfilled with priority given to funds that have

been invested in the Community Energy Fund for the longest period of time.

4. Amount requested - In the event that we lack sufficient capital to meet all the requests relating to funds with the same investment anniversary, we will endeavour to meet the first £250 of every request, and then meet an equal proportion of the remaining withdrawal request.

When equity withdrawal is part-funded by new equity, we may be in a position to return some equity more quickly, and we would offer some investors their equity back sooner, using the same prioritisation rules.

Here's an example of withdrawing capital

Mr Jones invests £5,000 on 31 March 2026. The fourth anniversary of his investment is 31 March 2030.

The first withdrawal application deadline he is eligible for is 15 December 2029. If his application is successful, his capital will be returned in the 2030/31 financial year.

He applies to withdraw £5,000. If his application is successful, he will receive his capital back by September 2030, together with the interest he earned in 2029/30. He does not earn interest for the 90 days before the day he receives his capital back.

Any interest he earned in 2030/31 will be paid to him by September 2031.

11. Capital return

The financial models we use for our energy projects anticipate the gradual depreciation of assets over their useful lifetime. As capital is released from projects, it can be reinvested in community energy projects or used to fulfil capital withdrawal requests.

If the sum of our new investment needs and withdrawal requests is lower than the total released capital, we may return capital to investors to avoid overcapitalisation. The decision to return capital will be made by the Directors.

12. Fund management

The Fund is managed by Low Carbon Hub's Executive Team in consultation with the Board.

The Investment Committee is responsible for recommending to the Board which projects to fund. For each project they will consider:

- The potential environmental and social benefits it will deliver
- The anticipated financial return from the project
- The risks associated with the project.

We will report on the performance and impact of projects supported by the Community Energy Fund to investors each year, along with investment plans for the following year and any changes in investment strategy.

The Board will be responsible for setting the overall annual targets for raising new equity, and for monitoring overall levels of investment and capital deployed, to avoid overcapitalisation.

13. Administration

The cost of raising funds via the Community Energy Fund is to be covered by two sources:

Projects: A contribution towards the cost of raising finance is built into our project capital cost.

Equity replacement: The cost of raising new equity to replace withdrawn capital will be covered by charging a 90-day interest penalty on funds being withdrawn.

The cost of the ongoing management of the Fund, including issuing shares, internal management of the share register and investor communications, will be covered by the income generated by the Fund itself.

14. Investor support

For investor support, please visit: www.lowcarbonhub.org/**invest**

Members can also contact us directly:

Email: members@lowcarbonhub.org

Tel: 01865 246099

Low Carbon Hub
Holywell House
Osney Mead
Oxford OX2 0ES

lowcarbonhub.org/invest

The Low Carbon Hub IPS Limited, Holywell House, Osney Mead, Oxford OX2 0ES
Tel: 01865 246099 or visit lowcarbonhub.org

The Low Carbon Hub IPS Limited is a registered society run for the benefit of the community under the Co-operative and Community Benefit Societies Act 2014. Registration number 31903R. Registered office: Holywell House, Osney Mead, Oxford OX2 0ES. Low Carbon Hub Sandford Hydro Limited, Ray Valley Solar Limited and GDS Yarnton Limited are wholly-owned subsidiaries of the Low Carbon Hub IPS Limited.

We develop, deliver, and manage community-owned renewable energy projects. Our growing renewable energy portfolio includes rooftop solar arrays on schools and businesses across Oxfordshire, the largest community-owned hydro on the Thames, and one of the UK's largest community-owned ground-mount solar parks.

We work with partners large and small to demonstrate in practice how we can accelerate the shift to a zero-carbon energy system.