

Sapphire Wind Farm Community Co-Investment

Frequently Asked Questions (FAQs) December 2018

What does community co-investment mean and involve?

Community co-investment is when a community investment vehicle (in this case the DomaCom Fund – a Managed Investment Scheme registered with Australian Investment Securities Commission) invests in a debt instrument issued by the wind farm project and in return acquires rights to a portion of the earnings of the renewable energy project but has no decision-making power or control over the operation of the wind farm. In this arrangement, the community has no formal ownership or responsibility over the project.

Co-investment is a common method for large-scale renewables globally, including in Denmark where it is legislated that every wind farm project must offer local community investment. However, this is the first time it has occurred in Australia.

Why should I consider investing in the Sapphire Wind Farm?

Investing in a local energy asset can operate much the same way as investing money through a local bank. Currently there are few direct investment opportunities in renewable energy projects in Australia, as ethical or environmental funds are yet to create investment opportunities that meet demands of many potential investors. Further, it is a way to directly support the move to a lower carbon economy, whilst making reasonable returns on an investment. Importantly, it can also be a way to engage with other people with common values.

Who are CWP Renewables and Partners Group?

CWP Renewables (CWP) is the developer of the Sapphire Wind Farm (SWF). At financial close of the SWF on 9 December 2016, funds managed by Partners Group AG acquired a substantial majority of the project's equity. An affiliated party of CWP retains a minority ownership interest in the wind farm. CWP Asset Management Pty Ltd is the manager of the SWF during the construction phase and, following completion of the construction, will act as the long term asset manager of the SWF.

What is the Sapphire Renewable Energy Hub?

The Sapphire Wind Farm is a 270 MW wind farm, of which 100 MW is contracted to the ACT Government for 20 years. The Commonwealth Bank of Australia also recently agreed to purchase 96,000 megawatt hours (MWh) annually from the project for 12 years. The project is proposed to be expanded to become the Sapphire Renewable Energy Hub, which will combine some of the wind output with up to 230 MW of proposed solar PV and large scale battery energy storage. The wind and solar generation are highly complementary (the wind tends to blow mostly outside of peak daylight hours) so combining the two together, and adding a large battery, allows 'firm' or 'shaped'

output, which can then be sold to commercial and industrial customers. When completed, the solar component of the Sapphire Renewable Energy Hub is expected to generate approximately 370 GWh per annum, which is enough to power the equivalent of 66,000 average NSW households each year.

How will the community investment be linked to the Sapphire Renewable Energy Hub?

The community investment vehicle will be providing funding to the holding trust behind the Sapphire Wind Farm. The same holding trust will likely be used for the expanded project, the Sapphire Renewable Energy Hub. Therefore, the community investment would effectively encompass the existing wind farm under construction plus the new solar and battery storage projects currently in the planning and development stage. There may be the potential to invest additional funds when the solar and battery project is constructed.

What are the benefits of community co-investment?

Co-investment into local renewable energy assets enables greater economic benefits for local communities. It can create greater community wealth via a community asset and a deeper sense of connection to the renewable energy project. Co-investment in SWF is separate but complementary activity to the Sapphire Community Benefit Fund and there could be significant synergies when both exist concurrently.

What are the risks?

Any project and any investment involves a number of risks. The project developer CWP has reduced the potential risks to community investors, however, by opening the investment offer after construction and commissioning of the wind farm has been completed, to avoid construction risks. The Sapphire Wind Farm was completed in November 2018. The specific details of the community investment risks will be set out in detail in the Supplementary Product Disclosure Statement when it is launched in February 2019. Please refer to section 7 of the Product Disclosure Statement of the DomaCom Fund in relation to generic risks. <https://domacom.com.au/the-domacom-fund/product-disclosure-statement/>

How will I know there is transparency?

CWP has a strong mandate to be transparent about the process, and throughout 2017 it embarked on a “Community Investment Discovery Phase” to determine if there was enough interest for the community investment opportunity to proceed, and what the key characteristics might be for the investment. This community feedback was very valuable, and it informed the structure and details of the investment offer. A decision was made in early 2018 to proceed with the community co-investment initiative, and the results of the “Community Investment Discovery Phase” survey were made publicly available via the Sapphire Wind Farm website.

Now that the community co-investment initiative is proceeding, all interested parties will be able to access the relevant materials about the investment opportunity as they become public. It is expected that the Supplementary Product Disclosure Statement will be made available in February 2019.

Who will be administering the community investment?

CWP has worked with a team of experts (Akin Consulting and legal and commercial advisors) to determine the details of the community investment offer. This team has chosen DomaCom Australia Limited, as the Manager of the DomaCom Fund, to manage and administer the community investment vehicle.

Who is DomaCom Australia Limited and the DomaCom Fund?

DomaCom Australia Limited is the Manager of the DomaCom Fund, which is the first fractional online investment platform available to retail investors in Australia. The DomaCom Fund is a registered managed investment scheme with the Australian Securities Investment Commission (ARSN 167 020 626). DomaCom Australia Limited holds an Australian Financial Services License (AFSL)

The DomaCom Fund facilitates investment in fractional interests in property and other securities such as debt instruments where the underlying asset is held by a sub-fund of the DomaCom Fund. The DomaCom Fund's fractional investment platform breaks down high value assets into smaller fractions that are available for retail investment. See <http://www.domacom.com.au>.

What is the PDS and SPDS?

The PDS refer to the Product Disclosure Statement related to the DomaCom Fund. You can obtain access to this electronically via this web address: <https://domacom.com.au/the-domacom-fund/product-disclosure-statement/>. This document covers many areas including DomaCom Fund at a glance (section 1), About the DomaCom Fund and fractional investing (section 2), the benefits of investing in the DomaCom Fund (section 6) and the risks of investing in the DomaCom Fund (section 7).

The SPDS refers to the Supplementary Product Disclosure Statement, which is issued for each prospective Sub-Fund of the DomaCom Fund, in this case for the Sapphire Wind Fund Community Co-Investment. The SPDS includes a description of the underlying Asset of the Sub-Fund, the subscription price, the date the offer is closed and the likely or anticipated income yield.

What is the process to apply?

To apply for an investment in the Sapphire Wind Farm Community Co-Investment, investors will visit the Campaign information page that is available on the DomaCom website at the link below. This link is also available at the Sapphire Wind Farm website:

<https://www.sapphirewindfarm.com.au/community-investment/>

This Campaign information has an Apply Now button, which will allow investors register their interest and complete an online application, whether this be in the name of the individual, their Self-Managed Superannuation Fund, Family Trust or other corporate structure. Their investment proceeds can be transferred electronically from their bank account or via cheque. Until the Campaign closes, this money will be held in a cash account in the investor's name and will earn (currently) 2.08% p.a. Investors will receive an email providing them with their login details.

When the Campaign closes, which is expected in March 2019, the cash proceeds will be automatically transferred into the Sapphire Wind Farm Community Co-Investment Sub-Fund. Investors will receive \$1 units in proportion to the amount they invest i.e. \$10,000 investment will represent 10,000 units and investors will be entitled to a targeted 6% p.a. return.

Will I need to do anything after I invest in regards to the community investment vehicle?

DomaCom's online platform makes it very easy for people to establish and manage their investment on a trusted platform without any governance burden for local investors. Once you are a unit holder, your only responsibility is to ensure that your details are up to date. You may also consider becoming a part of the Community Advisory Panel. (See below.)

All correspondence will be via email and investors will receive their own unique login, so they can log in to the platform at any time to view their investment.

How can we be more engaged in the wind farm?

As part of its community engagement strategy, SWF intends to establish a Community Advisory Panel (CAP) for the community co-investment group. The CAP aims to provide an opportunity for 2-3 local 'everyday citizens' (all of whom need to be investors in the Sapphire Wind Farm Community Co-Investment initiative) to coordinate and act as a link to the Sapphire Wind Farm engagement opportunities and to the DomaCom investment platform communication pathways.

Members of the CAP will work with staff from the Sapphire Wind Farm and from CWP Renewables on events which can give community investors an opportunity to better understand and engage with the Sapphire Wind Farm. These events could include an annual wind farm event and occasional wind farm tours. Members of the CAP will be made a 'Contributor' on the DomaCom platform. They will liaise with the Fund Manager and marketing staff to periodically update shareholders and performance statistics. Further, they will assist in ensuring any unit parcels in the Sapphire Sub-Fund that a member wishes to trade are marketed via the numerous DomaCom and Sapphire Wind Farm databases.

An Expression of Interest form to apply for a position on the Community Advisory Panel will be emailed to all Sapphire Wind Farm Community Co-Investment annually and the first recruitment will occur once the campaign closes.

Will they be shares / units? How often will I get a return?

The investment will be in the form of units in a managed investment scheme, and the community investment will make two sorts of distributions: income returns and pay back of the capital invested. Returns will be paid quarterly. Each investor will receive their own login with password protection after they have completed the online application form. In this way, they can log in at any time to receive information on their investment. Return coupons will also be distributed to each investor's cash account held on the platform. Investors will be advised via email when the return is distributed and they will receive a statement that is available on the platform. Investors can withdraw funds from their cash account and transfer to their bank account within a day, provided they give notice by 1:00 pm the previous bank day.

What will the returns be?

The returns are targeted at 6% per annum.

Will the returns be franked?

No, the returns will be unfranked income. Investors will be provided with a taxation statement after the financial year end on 30 June each year.

How would I sell my units?

DomaCom, under their Australian Financial Services License, will offer a liquidity facility through which investors can seek to negotiate a price and sell their units to another party via the DomaCom Platform. DomaCom will promote available units to existing unitholders and via the Sapphire Wind Farm e-newsletter list. However, there is no guarantee of another investor purchasing the units that are offered for sale. DomaCom does not in any way guarantee that this transaction can or will occur.

How long will the investment be?

The Sapphire Wind Farm's operational lifespan is projected at 25 years. The term of the community co-investment will be 10 years.

Investors, in accordance with the constitution, do have the right to terminate the fund earlier if 75% of investors by unit value hold an extraordinary general meeting of unitholders and request that the fund be wound up and the capital proceeds returned to the investors.

What happens after 10 years?

The Sub-Fund is anticipated to be terminated and the capital invested will be repaid on termination, unless other terms are negotiated.

How many people can invest?

The aggregate investment (from all investors, together) in the Sub-Fund is capped at \$10,000,000 and it has a first-come-first-served approach. If the investment is oversubscribed, then the local prioritisation criteria will apply.

Could the community investment vehicle invest in other renewable energy projects?

As a sub-fund structure, the investment opportunity will only be available for the Sapphire Wind Farm. However, if there is overwhelming interest locally, there could be additional sub-funds established to invest into other renewable energy projects. In addition, CWP Renewables and Partners Group are actively looking at replicating this community investment model to their other renewable energy projects.

Is there a cap on investment for individuals and for the community investment?

The minimum investment for investor accounts will be \$1,250 and a maximum investment of \$200,000 per an account. There is a minimum aggregate investment of \$3,500,000 necessary for the investment to go ahead, and a cap of \$10,000,000 for the total aggregate investment.

Who can invest?

There is a geographic boundary to the investment of the Federal Electorate of New England. Investors will be prioritised in the following order.

1. Firstly, to hosts of Sapphire Wind Farm wind turbines and neighbours to the Sapphire Wind Farm within approximately five kilometres of the Sapphire Wind Farm.
2. Then, to residents of the Inverell Shire and Glen Innes Severn Council which host the Sapphire Wind Farm, as a first-come first-served basis.
3. Then, to the balance of residents of the Federal Division of New England, which considers the local government areas of Armidale Regional Council, Glen Innes Severn Shire, Inverell Shire, Tenterfield Shire and Walcha Shire, as a first-come first-served basis.

The local priority criteria will only be applied in the case of oversubscription of the Sub-Fund in accordance with the relevant postcodes and the date of funds placed within the DomaCom Fund.

Investors can invest in all investment structures including as individuals, as businesses, community organisations, via Self-Managed Superannuation Funds, Family Trusts and partnerships etc.

What will the price per unit be and will there be any hidden costs?

No fee is being levied on the investors, as the DomaCom Fund Management Fee is being paid directly by CWP Renewables and Partners Group and is not related to the unit holder returns. Units will be issued to the Investors at a price of \$1 per unit, provided that the minimum aggregate investment of \$3.5 million has been raised and investors have completed their online application forms and wish to proceed to invest. The only charge that will apply is for investments under \$2,500, in the form of a \$20 application fee that is non-refundable.

I live outside of the Federal Division of New England but own property in the catchment area, am I eligible to invest?

Yes, if you can prove ownership of property within the geographic boundary then you are eligible to invest.

I live outside the Federal Division of New England, why can't I invest?

Given the strong local participation in the Community Investment Testing (80% of pledges were from the local community), priority has been given to local investors surrounding the SWF. CWP Renewables and Partners Group hope to replicate this community co-investment opportunity in other areas however, so it is worth registering your interest.

