

THIS DOCUMENT IS IMPORTANT AND REQUIRES IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of the proposal referred to in this document or as to the action you should take you are recommended to seek your own independent advice immediately from a stockbroker, solicitor, accountant or other independent adviser authorised under the Financial Services and Markets Act 2000 (as amended) (“**FSMA**”). If you have sold or otherwise transferred all of your Shares, please pass this document together with all accompanying documents to the purchaser or transferee, or to the person who arranged the sale or transfer so they can pass them to the person who now owns the Shares.

Circular to Shareholders of

HAZEL RENEWABLE ENERGY VCT1 PLC

(Incorporated in England and Wales under the Companies Act 2006 with registered number 07378392)

and

HAZEL RENEWABLE ENERGY VCT2 PLC

(Incorporated in England and Wales under the Companies Act 2006 with registered number 07378395)

(together, the “**Companies**”)

and

Notice of General Meetings

of the shareholders of the Companies to be held at
Downing LLP’s offices at
Ergon House, Horseferry Road, London SW1P 2AL
on 19 January 2017 at 3:15 pm and 3:20 pm respectively
in connection with a proposal seeking Shareholders’ approval
in connection with the Companies continuing as Venture Capital Trusts

IMPORTANT NOTICE

Whether or not you plan to attend any of the General Meetings, please complete and submit a proxy form in accordance with the instructions printed on the enclosed form. All proxy forms must be received by 3:15 pm and 3:20 pm on 17 January 2017. No person has been authorised to give any information or representations other than those contained in this document and, if given or made, such information or representations must not be relied upon as having been so authorised.

Your attention is drawn to the letter from the Chairmen of the Companies set out on pages 1 to 7 which contains a recommendation as to how to vote in respect of the resolution to be proposed at the General Meetings.

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Joint Letter from the Chairmen of the Companies

Hazel Renewable Energy VCT1 plc

Directors

Michael Cunningham (Chairman)
Stephen Hay

Hazel Renewable Energy VCT2 plc

Directors

Peter Wisher (Chairman)
Christian Yates

22 December 2016

Dear Shareholder,

As you will be aware from the Half-Yearly Reports published by the Companies in June of this year, the Companies have recently engaged Shareholders and their advisers regarding the future of the Companies.

At the Annual General Meetings in March 2016 both Companies put a resolution to Shareholders to remove from each Company's Articles of Association the requirement for the Companies to seek approval, at five yearly intervals, for the Companies' to continue as Venture Capital Trusts ("VCTs"). These resolutions were not passed by Shareholders. As a result, in accordance with each Company's Articles of Association, both Companies will now put such a resolution to Shareholders at General Meetings scheduled to take place on 19 January 2017.

From the discussions with Shareholders and their advisers, it was suggested, in order that Shareholders be fully informed, that a third party valuation of the Companies assets should take place and an analysis should be presented to Shareholders on the relative merits of continuing to operate the Companies as VCTs compared to alternatives such as winding up the Companies. The Directors commissioned a valuation report to review the assets and provide an estimate of their realisable value. The valuer was also asked to review dividend illustrations based on continuing to operate the assets. This process is now complete and the Directors present the results.

Background

The Companies were established in 2010 and raised gross proceeds of £41.5 million between them under an initial offer for subscription. Further "top-up" fundraisings were launched in 2012 and 2014 raising gross proceeds of £4.0 million and £3.6 million respectively.

In line with their investment strategy, the Companies invested their funds in a portfolio of renewable energy assets, including ground-mounted solar, roof-top solar and small wind projects. In 2014, the ground-mounted solar assets from the portfolio were reorganised and refinanced making it possible to pay an exceptional dividend to Shareholders in February 2014. In early 2016, rooftop solar assets from the portfolio were also refinanced. The Companies now hold investments in 15 companies with a current estimated fair value of approximately £60.1 million (based on the Half Yearly report at 31 March 2016).

Each investor that subscribed for shares in the Company received one A Share for every Ordinary Share that was allotted. To date, the Companies have paid dividends of 34.5p on a holding of one Ordinary Share and one A Share ("Combined Share"). The most recently published net asset value per Combined Share ("NAV") was at 31 March 2016 and after being adjusted for the dividend paid on September 2016 was 112.0p for Hazel1 and 111.7p in the case of Hazel2. The audit of the accounts for year ended 30 September 2016 is not yet complete and therefore the NAV at that date is not available yet.

Shareholders who subscribed in the original offer for subscription paid 100p per Combined Share and had a net investment (after deducting VCT income tax relief at 30%) of 70p per Combined Share. To date Total Return to Shareholders (being total dividends paid to date plus the NAV) is 146.5p per Combined Share for Hazel1 (Hazel2: 146.2p).

Valuation exercise

The Boards appointed a third party valuer (the "Valuer") to undertake a review of models prepared by the Manager and to assess the realisable value of the assets in the event of a liquidation. Adjustments were made to the models based on discussions with and feedback from the Valuer. Based on these models and the Valuer's own assessment of the value of the assets, they estimated a realisable value of the assets and also reviewed dividend illustrations based on the same models on the basis that the Companies continued as VCTs in the long term.

The results of this exercise have provided supporting information for, what the Board considers to be, the two main options for the future of the Companies:

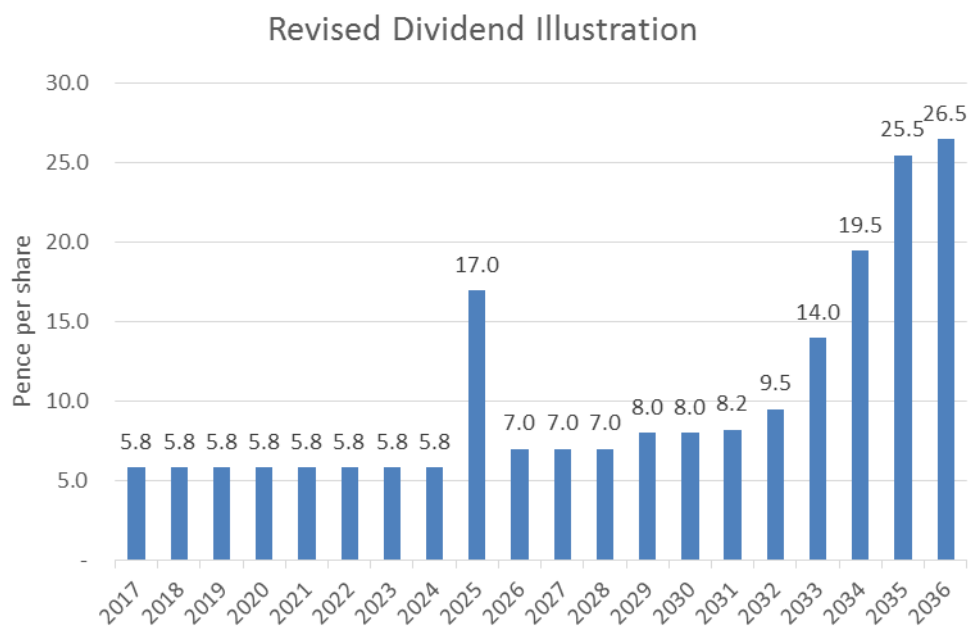
- Continuing as VCTs in the long term, with continuation votes at five yearly intervals; or
- Undertaking an orderly wind-up over a period of 2 -3 years

Continuation as VCTs

The Companies hold a portfolio of renewable energy assets that are now producing a steady yield. Funds released by the two major refinancing exercises have been used to pay a special dividend in 2014 and, more recently, have been partly used to fund share buybacks and to make a limited number of further investments.

The Boards have made a number of assumptions (summarised in Appendix 2) in the preparation of the Original Dividend Illustration, which are set out in Appendix 3. These were then updated to produce the Revised Dividend Projections, which are presented below and incorporate assumptions also described in Appendix 2.

The chart below shows the dividend profile from the Revised Dividend Projections summarised as follows:



The illustrations show steady dividends of 5.8p per Combined Share per annum initially, with a special dividend in 2025 arising from the release of various reserves held as a requirement of the financing arrangements. Dividends are expected to increase significantly in the later years when the financing costs fall away.

This dividend profile equates to a **forward-looking** tax-free IRR which is summarised as follows:

	IRR Based on Latest NAV less 5p	IRR Based on estimated realisable value of 90p per Combined Share
Forward-looking IRR (net of all taxes)	5.6%	7.3%
Equivalent for higher rate (40%) tax payer	9.7%	11.8%
Equivalent for top rate (45%) tax payer	10.8%	13.0%

Due to the long period over which dividends are projected, shareholders would benefit from significant **cumulative net dividends of 203.6p per Combined Share over the remaining life of the assets**, based on the illustration above.

It should be stressed that these illustrations do not represent a forecast or projection and none should be implied or inferred.

To help Shareholders further understand the nature of the portfolio in which they are invested, some sensitivity analyses are presented in Appendix 4.

Realisation of assets and winding-up

The key assumptions in the models reviewed by the Valuer are summarised in Appendix 1.

The Valuer has valued the Companies' investment portfolio at £49.0 million. This compares to the unaudited carrying value in the Company's books as at 31 March 2016, on a going concern basis, of £60.1 million (unaudited).

Assuming a wind up where the investments are realised at a level equal to the Valuers valuation, it is estimated that the Shareholders would receive total further distributions of approximately **90p per Combined Share**. This would result in a **Total Return of 124.5p per Combined Share**.

The Companies undertook a top-up fund raising in 2014. Shareholders that invested at that time must hold their shares for five years from that date of allotment in order to retain the income tax relief they obtained on their investment. The Directors of both Companies strongly believe that any proposals for the wind up of the Companies must ensure that no actions are taken which might result in the income tax relief for those investors being withdrawn. For this reason, it has been assumed that any wind up of the Companies would be undertaken over a period of up to three years.

The Valuer has taken, what the Board believes to be, a pessimistic view of the realisable value of a number of the assets. Given a reasonable time period over which to sell the assets, the Boards are of the opinion that higher values may be achievable. This is especially so as, since the valuation exercise, the expectations for higher inflation have increased markedly. The Directors are therefore of the opinion that there are reasonable prospects for achieving higher level of proceeds from a realisation of the assets over a two to three year period.

The main reason for the variance between the Valuer's valuation and the Latest NAV is the fact that the valuation exercise was undertaken to assess a realisable value of the assets while the NAV calculation assumes a long-term going concern. The main differences arose in the realisable value of the small wind assets (approximately 6.6p per Combined Share), as well as differences in the discount factors adopted in respect of the rooftop solar assets (approximately 10.6p per Combined Share).

Conclusions

In reviewing the results of this exercise, the Directors have identified several key points that are relevant to the decision as to whether the Companies should continue as VCTs.

Firstly, the Boards note that, to date, the VCTs have performed very well when compared to their peers in the VCT market. The Manager has been able to build a portfolio of assets that benefit from Government-backed incentive schemes, within a wrapper that provides tax-free dividends for investors. Since these Companies were established, the VCT Regulations have been changed so that they now prevent VCTs from investing in these type of assets and it is, therefore, no longer possible to replicate this portfolio, making renewable energy assets, with index-linked revenue streams benefitting from a tax-free wrapper increasingly rare.

The duration of the structure is also attractive, in that the illustrative IRRs are earned over almost 20 years and means that Shareholders will benefit from estimated **cumulative net dividends of 203.6p per share over the remaining life of the assets**, based on the illustration shown in the graphic above.

As is perhaps to be expected, the realisable value of the assets appears to be lower than their fair value were they to continue to be operated over the long term. Costs associated with selling the assets, performance incentive that may become due to members of the management team, the challenge of identifying buyers who would be prepared to take on the financing arrangements already in place and who would also be prepared to pay a full price based on the historic operational performance of the assets may all result in a diminution of the realisable value of the assets.

If the Companies were to continue as VCTs, it is expected that they would deliver steady dividends to Shareholders for many years, however it is acknowledged that the biggest rewards are not expected to flow to Shareholders until some 16-19 years' time when the financing costs fall away.

Recommendation

The Boards are recommending a continuation of the funds for another 5 years. They believe that the portfolios assembled represent a collection of high quality assets, which would be difficult to replicate today.

In reaching this recommendation they have considered that:

- The portfolios have performed well over the past five years;
- There now exists opportunities to enhance the returns of large scale renewable energy projects such as those invested in by the Companies by the utilisation of battery storage technology;
- The Company holds a portfolio of assets than are naturally hedged against inflation and it is now not possible to replicate this tax-free structure;
- The anticipated dividend flows are attractive. They are however quite heavily back end loaded and this may not be suitable for some Shareholders;
- A vote in favour of continuing as VCTs does not preclude the Companies from making arrangements to support the disposal of shares by some Shareholders. However, Shareholders should be aware that the company has a limited capacity to buy shares back and the investments therefore have limited liquidity;
- At launch, it was suggested that the VCTs would be limited life vehicles. At that time, it was envisaged that, after approximately five years, the Companies may be able to offer "enhanced share buyback" schemes, such that Shareholders could roll over on their investment and obtain a further 30% income tax relief. These schemes have since been prohibited by HMRC. For this reason and the fact that such a VCT cannot now be built from scratch, the Boards believe there are strong arguments in favour of changing the Companies' strategies from that of limited life vehicles.

For the reasons above, the Boards recommend that Shareholders vote in favour of the resolutions to continue as VCTs for a further five-year period. The Directors believe this to be in the best interests of Shareholders of both Companies as whole. The Directors will vote in favour of the Resolutions in respect of their own shares in the Companies which total 131,221 Ordinary Shares and 131,221 A Shares in Hazel1 and 40,473 Ordinary Shares and 2,636,869 A Shares in Hazel2, representing 0.6% of the votes of Hazel1 and 0.2% of the votes of Hazel2.

A vote in favour of continuing as VCTs

In the event of shareholders voting to continue, the Boards will review the current management arrangements and investment strategy for the next five years. This will include consideration of:

- (i) How best to recycle cash flow, including consideration of new investment opportunities that could enhance the returns of the existing assets with the aim of maximising Shareholder returns;
- (ii) Whether there are opportunities to raise additional capital if shareholders are in agreement;
- (iii) How best to provide liquidity for those Shareholders that wish to exit; and
- (iv) Whether the current management arrangements are optimal. To that end, the Boards will invite the existing manager, Hazel, along with others to submit proposals for the future management of the Companies, taking into account the points raised above. As part of this exercise the Boards will seek a reduced management fee going forward as the challenge of managing a portfolio is less onerous than building one.

In line with the Articles of Association, the Companies would put further continuation resolutions to Shareholders at the AGMs in 2021.

A vote against continuing as VCTs

If Shareholders vote against continuing as a VCT for both Companies, in line with the Articles of Association, the Boards will seek to formalise proposals for either a liquidation, reconstruction or other reorganisation of the Companies over a period of up to two to three years. The Boards would then seek to come to an arrangement with the Investment Manager for an orderly process over that time period. The Board recognises that the Manager would need to be properly incentivised to undertake this exercise and ensure that optimal value for the assets is achieved.

As mentioned above some Shareholders will be in their initial five-year holding period until 2019. The Company may therefore not be able to make substantial distributions to these Shareholders until that period has expired. In this event, the Directors would expect to realise a significant proportion of the assets before that date and so will consider how this restriction might be dealt with to the satisfaction of all Shareholders. This could result in the initial proceeds from the asset realisations being paid by means of one or more tender offers or, possibly, by putting the Companies into liquidation at an early stage and agreeing a suitable plan with a liquidator.

The two Companies voting differently

If one Company votes to continue and the other not to continue, the Boards of the Company voting to continue would consider what options are available to them. One of the Directors' main priorities is to retain VCT status for the Companies and should one VCT decide to wind up, it may likely be very difficult for the other VCT to continue by itself.

Action to be taken

Enclosed with this document is a form of proxy for use at the General Meetings.

Shareholders are asked to complete and return the forms of proxy for the General Meetings to the Companies registered office c/o Downing LLP, Ergon House, Horseferry Road, London SW1P 2AL so as to be received as soon as possible and, in any event, to arrive no later than 3:15 pm and 3:20 pm on 17 January 2017 for Hazel VCT1 and Hazel VCT2 respectively.

Completion and return of a form of proxy will not affect a Shareholder's right to attend and vote at the General Meetings should they wish to do so.

Yours sincerely

Michael Cunningham
Chairman of Hazel Renewable
Energy VCT1 plc

Peter Wisher
Chairman of Hazel Renewable
Energy VCT2 plc

each of Ergon House, Horseferry Road, London SW1P 2AL

Appendix 1

Valuation Assumptions

Assumptions made in the models used to determine the realisable valuation of the investments

The key assumptions in the underlying models are summarised as follows:

- The different discount rates (i.e. weighted average costs of capital) calculated to discount the projected cash flows for each of the Companies' investments are summarised as follows:
 - Ground-mounted solar 6.7%
 - Rooftop solar a range from 7.2% to 8.6%
- Annual inflation rates have been assumed as follows:

	Annual
Now to April 2018	2.00%
April 2019 to April 2026	2.50%
April 2027 and beyond	2.75%
- the generating capability of the solar farms and rooftops and wind turbines owned by the Company based on values assumed to be acceptable to a buyer (in some cases historic performance exceeds this value)
- power price projections based on the Poyry Curve published for Q1 2016
- cost projections with inflation assumed for rents and business rates
- current corporation tax rates
- Assets are sold over a period of 2-3 years
- Selling costs of 3% of net proceeds are incurred

Appendix 2

Illustration of future dividends - Assumptions

Assumptions made in respect of the **Original Dividend Illustration** (as shown in Appendix 3) are as follows:

- (i) The underlying models were the same as those used for the valuation described in Appendix 1, which were prepared in July 2016;
- (ii) Assets are held for the full term of the FiT and RoC agreements and have negligible value after that;
- (iii) A reduction in the management fee can be negotiated with the Investment Manager, to reduce their net fee (after trail commission costs) to 1.4% of net assets per annum. This compares to the current fee (net of trail commission costs) of 1.9%. The Manager has indicated that it would be willing to accept this deduction;
- (iv) Share buybacks are undertaken at the rate of 0.25% of the issued share capital per annum;
- (v) Generally surplus cash is paid out as dividends each year subject to some smoothing taking place to ensure a steady level of annual dividend;
- (vi) The Companies have sufficient available distributable reserves to ensure that distributions are not restricted; and
- (vii) Regulations permit the payment of such dividends.

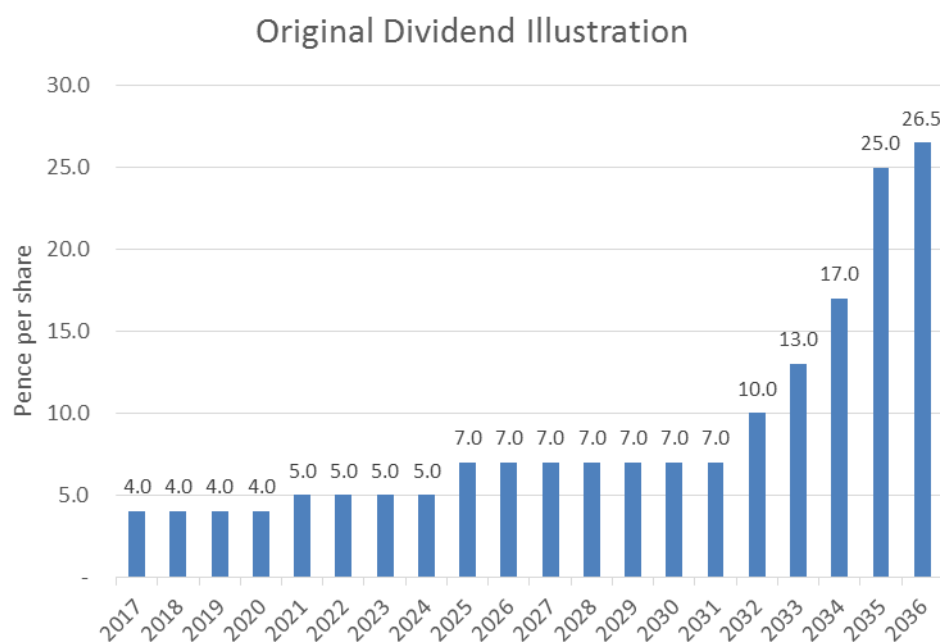
The **Revised Dividend Projections** were then prepared with the following new assumptions:

- (i) Updated inflation and power price forecasts were used;
- (ii) The Companies do not undertake any share buy-backs. Savings from not undertaking share buybacks are used to enhance dividends payable to Shareholders; and
- (iii) It is assumed that a one-off dividend could be paid in 2024 when a significant level of funds is released from the SPVs.

Appendix 3

Original Dividend Illustration

The Original Dividend Illustrations were reviewed by the Valuer from models prepared in July 2016 and are as summarised as follows:



The projections were subsequently revised to generate the Revised Dividend Projections presented in the Letter from the Chairmen (see Appendix 2 for more detail).

Appendix 4

Sensitivity Analyses

Sensitivity analysis have been carried out to assess the sensitivity of total dividends to changes in inflation and revenues. A sensitivity of the latest NAV to changes in discount rates is also presented below.

Revenue sensitivity to total dividends

The table below shows what would happen to cumulative dividends if there is an average variation in overall revenues. This may be caused due to a variation in the actual generating capability of the portfolio's assets, a shift in power prices or a fall in irradiation levels versus expectations or any combination of these.

Variation in revenue assumptions	Lifetime dividends per Combined Share	Variance to base case %
Base case less 3.0%	186.9	-8.2%
Base case less 2.0%	192.7	-5.3%
Base case less 1.0%	198.3	-2.6%
Base Case	203.6	0.0%
Base case plus 1.0%	208.9	2.6%
Base case plus 2.0%	214.5	5.3%
Base case plus 3.0%	220.4	8.2%

Inflation Sensitivity to total dividends

In the table below shows what would happen to cumulative dividends due to a variation in inflation. A **positive skew** is notable in the table below in that dividends would show a greater increase if inflation rises, rather than in the event of a fall.

Variation in inflation assumptions	Lifetime dividends per Combined Share	Variance to base case %
Base case less 2.0%	169.2	-16.9%
Base case less 1.5%	176.9	-13.1%
Base case less 1.0%	185.4	-9.0%
Base case less 0.5%	194.2	-4.6%
Base case	203.6	0.0%
Base case plus 0.5%	213.6	4.9%
Base case plus 1.0%	224.2	10.1%
Base case plus 1.5%	235.5	15.7%
Base case plus 2.0%	247.5	21.6%

Note that variations in inflation have a compounding effect from year to year while the sensitivity to revenues simply looks at an average change across years. For this reason, the sensitivity to inflation is greater than to a variation in expected revenues.

Discount rate sensitivity to NAV

The table below shows how the estimated NAV per Combined Share varies with variations in the Discount rates used in the valuation models. The Base Case is the Latest NAV (i.e. the NAV at 31 March 2016 adjusted for subsequent dividends).

Variation in discount rate assumptions	NAV Pence per Combined Share
Base Case less 100bps	130.4
Base Case less 50bps	120.4
Base Case	112.0
Base Case plus 50bps	103.4
Base Case plus 100bps	96.5

Appendix 5

Definitions

In this Circular and in the notice attached the following expressions have the following meanings:

“A Shares”	A Shares of 0.1p each in the capital of either or both of Hazel Renewable Energy VCT1 plc and Hazel Renewable Energy VCT2 plc (as applicable);
“Act”	the Company Act 2006 (as amended from time to time);
“Articles”	the articles of association of either or both of the Company (as applicable);
“Board” or “Directors”	the board of directors of the relevant Company;
“Combined Share”	a holding of one Ordinary Share and one A Share;
“Company” / “Companies”	Hazel Renewable Energy VCT1 and/or Hazel Renewable Energy VCT2 (as applicable);
“FiT(s)”	Feed-in Tariff(s);
“FSMA”	the Financial Services and Markets Act 2000;
“General Meetings” or “Meetings”	the meetings of Shareholders convened in accordance with the notices enclosed with this circular/or any adjournments thereof;
“Hazel1”	Hazel Renewable Energy VCT1 Plc, a public limited company incorporated in England with the registered number 07378392 and whose registered address is Ergon House, Horseferry Road, London SW1P 2AL;
“Hazel2”	Hazel Renewable Energy VCT2 Plc, a public limited company incorporated in England with the registered number 07378395 and whose registered address is Ergon House, Horseferry Road, London SW1P 2AL;
“Latest NAV”	The NAV published by Hazel1 (which is very similar to that of Hazel2) as at 31 March 2016, adjusted for the dividend of 5p per Ordinary Share paid on 16 September 2016;
“Manager” or “Investment Manager”	Hazel Capital LLP, an English limited liability partnership with the registered number OC327915 and whose registered address is 2 nd Floor, 227 Shepherds Bush Road, London W6 7AS, and which is authorised and regulated by the Financial Conduct Authority;
“NAV”	net asset value per Combined Share;

“Ordinary Shares”	Ordinary Shares of 0.1p each in the capital of either or both of Hazel Renewable Energy VCT1 plc and Hazel Renewable Energy VCT2 plc (as applicable);
“Resolution”	the ordinary resolution to be proposed at the General Meetings;
“RoC(s)”	Renewable Obligation Certificate(s);
“Shareholders”	holders of Shares;
“Share(s)”	Ordinary Share(s) and/or A Share(s) (excluding Management A Shares);
“Tax Act”	Income Tax Act 2007, as amended;
“Total Return”	NAV plus cumulative dividends received to date or, if applicable, anticipated total dividends over the full life of the investment;
“VCT Relief”	the reliefs from taxation described in the VCT Rules; and
“Venture Capital Trust” or “VCT”	a venture capital trust as defined in Section 259 of the Tax Act.

Hazel Renewable Energy VCT1 plc (the “Company”) Notice of General Meeting

Notice is hereby given that a general meeting of Hazel Renewable Energy VCT1 plc will be held at Downing LLP’s offices at Ergon House, Horseferry Road, London SW1P 2AL on 19 January 2017 at 3:15 pm for the purposes of considering and, if thought fit, passing the following resolution to be proposed as an ordinary resolution of the shareholders of the Company as indicated.

THAT, the Company continue as a Venture Capital Trust.

By order of the Board

Grant Whitehouse
Company Secretary

Ergon House,
Horseferry Road,
London
SW1P 2AL

22 December 2016

Explanation of Resolution

The resolution proposes that the Company shall continue as a Venture Capital Trust for approximately a further five years. If the resolution is passed, a similar resolution will be put to Shareholders at the Company's Annual General Meeting in 2021.

If the resolution is not passed, the Directors are required to draw up proposals for the voluntary liquidation, reconstruction or other reorganisation of the Company for submission to the members of the Company at a general meeting to be convened by the Directors for a date not more than four months after the date of the General Meeting. The Directors will formalise proposals for a liquidation, other winding up or reconstruction of the Company giving consideration to the minimum VCT holding period of shares for Shareholders and, where possible, will endeavour to ensure that income tax relief that Shareholders may have claimed on their investment is not withdrawn.

Notes for the Notice of the General Meeting

(a) A shareholder of the Company entitled to attend and vote at the General Meeting is also entitled to appoint one or more proxies to attend, speak and vote instead of that shareholder. A shareholder may appoint more than one proxy in relation to the General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy may demand, or join in demanding, a poll. A proxy need not be a shareholder of the Company but must attend the General Meeting in order to represent his appointor. A shareholder entitled to attend and vote at the General Meeting may appoint the Chairman or another person as his proxy although the Chairman will not speak for the shareholder. A shareholder who wishes his proxy to speak for him should appoint his own choice of proxy (not the Chairman) and give instructions directly to that person. If you are not a shareholder of the Company but you have been nominated by a shareholder of the Company to enjoy information rights, you do not have a right to appoint any proxies under the procedures set out in these Notes. Please read Note (h) below. Under section 319A of the Act, the Company must answer any question a shareholder asks relating to the business being dealt with at the General Meeting unless:

- answering the question would interfere unduly with the preparation for the General Meeting or involve the disclosure of confidential information;
- the answer has already been given on a website in the form of an answer to a question; or
- it is undesirable in the interests of the Company or the good order of the General Meeting that the question be answered.

- (b) To be valid, a Form of Proxy and the power of attorney or other written authority, if any, under which it is signed or an office or notarially certified copy or a copy certified in accordance with the Powers of Attorney Act 1971 of such power and written authority, must be delivered to Downing LLP Ergon House, Horseferry Road, London SW1P 2AL or electronically at proxy@downing.co.uk, in each case not less than 48 hours (excluding weekends and public holidays) before the time appointed for holding the General Meeting or adjourned meeting at which the person named in the Form of Proxy proposes to vote. In the case of a poll taken more than 48 hours (excluding weekends and public holidays) after it is demanded, the document(s) must be delivered as aforesaid not less than 24 hours (excluding weekends and public holidays) before the time appointed for taking the poll, or where the poll is taken not more than 48 hours (excluding weekends and public holidays) after it was demanded, be delivered at the meeting at which the demand is made.
- (c) In order to revoke a proxy instruction a shareholder will need to inform the Company using one of the following methods:
- by sending a signed hard copy notice clearly stating the intention to revoke the proxy appointment to the receiving agent Downing LLP, Ergon House, Horseferry Road, London SW1P 2AL. In the case of a shareholder which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.
 - by sending an e-mail to proxy@downing.co.uk.

In either case, the revocation notice must be received at the Company's registered office before the General Meeting or the holding of a poll subsequently thereto. If a shareholder attempts to revoke his or her proxy appointment but the revocation is received after the time specified then, subject to Note (d) directly below, the proxy appointment will remain valid.

- (d) Completion and return of a Form of Proxy will not preclude a shareholder of the Company from attending and voting in person. If a shareholder appoints a proxy and that shareholder attends the General Meeting in person, the proxy appointment will automatically be terminated.
- (e) Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that only those holders of the Company's shares registered on the Register of Members of the Company as at 3:15 pm on 17 January 2017 or, in the event that the General Meeting are adjourned, on the Register of Members 48 hours before the time of any adjourned meeting, shall be entitled to attend and vote at the said General Meeting in respect of such shares registered in their name at the relevant time. Changes to entries on the Register of Members after 3:15 pm on 17 January or, in the event that the General Meeting is adjourned, on the Register of Members less than 48 hours before the time of any adjourned meeting, shall be disregarded in determining the right of any person to attend and vote at the General Meeting.

- (f) As at 9:00 am on 22 December 2016, the Company's issued share capital comprised 23,638,058 Ordinary Shares and 35,977,774 A Shares. The total number of voting rights in the Company is 23,674,035,774 comprising one thousand votes per Ordinary Share and one vote per A Share. Information on the number of shares and voting rights can be found on the Administration Manager's website, www.downing.co.uk
- (g) If you are a person who has been nominated under section 146 of the Act to enjoy information rights:
- You may have a right under an agreement between you and the shareholder of the Company who has nominated you to have information rights ("Relevant Shareholder") to be appointed or to have someone else appointed as a proxy for the General Meeting;
 - If you either do not have such a right or if you have such a right but do not wish to exercise it, you may have a right under an agreement between you and the Relevant Shareholder to give instructions to the Relevant Shareholder as to the exercise of voting rights;
 - Your main point of contact in terms of your investment in the Company remains the Relevant Shareholder (or, perhaps your custodian or broker) and you should continue to contact them (and not the Company) regarding any changes or queries relating to your personal details and your interest in the Company (including any administrative matters). The only exception to this is where the Company expressly requests a response from you.
- (h) A corporation which is a shareholder can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a shareholder provided that no more than one corporate representative exercises powers over the same share.
- (i) A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, the proxy will vote or abstain from voting at his or her discretion. The proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the General Meeting.
- (j) Except as provided above, shareholders who have general queries about the General Meeting should write to the Chairman at the registered office set out above.
- (k) Shareholders may not use any electronic address provided either in this notice of General Meeting, or any related documents (including the Chairman's letter and Form of Proxy), to communicate with the Company for any purposes other than those expressly stated.

Hazel Renewable Energy VCT2 plc (the “Company”) Notice of General Meeting

Notice is hereby given that a general meeting of Hazel Renewable Energy VCT2 plc will be held at Downing LLP’s offices at Ergon House, Horseferry Road, London SW1P 2AL on 19 January 2017 at 3:20 pm for the purposes of considering and, if thought fit, passing the following resolution to be proposed as an ordinary resolution of the shareholders of the Company as indicated.

THAT, the Company continue as a Venture Capital Trust.

By order of the Board

Grant Whitehouse
Company Secretary

Ergon House,
Horseferry Road,
London
SW1P 2AL

22 December 2016

Explanation of Resolution

The resolution proposes that the Company shall continue as a Venture Capital Trust for approximately a further five years. If the resolution is passed, a similar resolution will be put to Shareholders at the Company's Annual General Meeting in 2021.

If the resolution is not passed, the Directors are required to draw up proposals for the voluntary liquidation, reconstruction or other reorganisation of the Company for submission to the members of the Company at a general meeting to be convened by the Directors for a date not more than four months after the date of the General Meeting. The Directors will formalise proposals for a liquidation, other winding up or reconstruction of the Company giving consideration to the minimum VCT holding period of shares for Shareholders and, where possible, will endeavour to ensure that income tax relief that Shareholders may have claimed on their investment is not withdrawn.

Notes for the Notice of the General Meeting

(a) A shareholder of the Company entitled to attend and vote at the General Meeting is also entitled to appoint one or more proxies to attend, speak and vote instead of that shareholder. A shareholder may appoint more than one proxy in relation to the General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy may demand, or join in demanding, a poll. A proxy need not be a shareholder of the Company but must attend the General Meeting in order to represent his appointor. A shareholder entitled to attend and vote at the General Meeting may appoint the Chairman or another person as his proxy although the Chairman will not speak for the shareholder. A shareholder who wishes his proxy to speak for him should appoint his own choice of proxy (not the Chairman) and give instructions directly to that person. If you are not a shareholder of the Company but you have been nominated by a shareholder of the Company to enjoy information rights, you do not have a right to appoint any proxies under the procedures set out in these Notes. Please read Note (h) below. Under section 319A of the Act, the Company must answer any question a shareholder asks relating to the business being dealt with at the General Meeting unless:

- answering the question would interfere unduly with the preparation for the General Meeting or involve the disclosure of confidential information;
- the answer has already been given on a website in the form of an answer to a question; or
- it is undesirable in the interests of the Company or the good order of the General Meeting that the question be answered.

- (b) To be valid, a Form of Proxy and the power of attorney or other written authority, if any, under which it is signed or an office or notarially certified copy or a copy certified in accordance with the Powers of Attorney Act 1971 of such power and written authority, must be delivered to Downing LLP Ergon House, Horseferry Road, London SW1P 2AL or electronically at proxy@downing.co.uk, in each case not less than 48 hours (excluding weekends and public holidays) before the time appointed for holding the General Meeting or adjourned meeting at which the person named in the Form of Proxy proposes to vote. In the case of a poll taken more than 48 hours (excluding weekends and public holidays) after it is demanded, the document(s) must be delivered as aforesaid not less than 24 hours (excluding weekends and public holidays) before the time appointed for taking the poll, or where the poll is taken not more than 48 hours (excluding weekends and public holidays) after it was demanded, be delivered at the meeting at which the demand is made.
- (c) In order to revoke a proxy instruction a shareholder will need to inform the Company using one of the following methods:
- by sending a signed hard copy notice clearly stating the intention to revoke the proxy appointment to the receiving agent Downing LLP, Ergon House, Horseferry Road, London SW1P 2AL. In the case of a shareholder which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.
 - by sending an e-mail to proxy@downing.co.uk.

In either case, the revocation notice must be received at the Company's registered office before the General Meeting or the holding of a poll subsequently thereto. If a shareholder attempts to revoke his or her proxy appointment but the revocation is received after the time specified then, subject to Note (d) directly below, the proxy appointment will remain valid.

- (d) Completion and return of a Form of Proxy will not preclude a shareholder of the Company from attending and voting in person. If a shareholder appoints a proxy and that shareholder attends the General Meeting in person, the proxy appointment will automatically be terminated.
- (e) Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that only those holders of the Company's shares registered on the Register of Members of the Company as at 3:20 pm on 17 January 2017 or, in the event that the General Meeting are adjourned, on the Register of Members 48 hours before the time of any adjourned meeting, shall be entitled to attend and vote at the said General Meeting in respect of such shares registered in their name at the relevant time. Changes to entries on the Register of Members after 3:20 pm on 17 January 2017 or, in the event that the General Meeting is adjourned, on the Register of Members less than 48 hours before the time of any adjourned meeting, shall be disregarded in determining the right of any person to attend and vote at the General Meeting.

- (f) As at 9:00 am on 22 December 2016, the Company's issued share capital comprised 24,504,858 Ordinary Shares and 36,799,133 A Shares. The total number of voting rights in the Company is 24,541,657,133 comprising one thousand votes per Ordinary Share and one vote per A Share. Information on the number of shares and voting rights can be found on the Administration Manager's website, www.downing.co.uk.
- (g) If you are a person who has been nominated under section 146 of the Act to enjoy information rights:
- You may have a right under an agreement between you and the shareholder of the Company who has nominated you to have information rights ("Relevant Shareholder") to be appointed or to have someone else appointed as a proxy for the General Meeting;
 - If you either do not have such a right or if you have such a right but do not wish to exercise it, you may have a right under an agreement between you and the Relevant Shareholder to give instructions to the Relevant Shareholder as to the exercise of voting rights;
 - Your main point of contact in terms of your investment in the Company remains the Relevant Shareholder (or, perhaps your custodian or broker) and you should continue to contact them (and not the Company) regarding any changes or queries relating to your personal details and your interest in the Company (including any administrative matters). The only exception to this is where the Company expressly requests a response from you.
- (h) A corporation which is a shareholder can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a shareholder provided that no more than one corporate representative exercises powers over the same share.
- (i) A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, the proxy will vote or abstain from voting at his or her discretion. The proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the General Meeting.
- (j) Except as provided above, shareholders who have general queries about the General Meeting should write to the Chairman at the registered office set out above.
- (k) Shareholders may not use any electronic address provided either in this notice of General Meeting, or any related documents (including the Chairman's letter and Form of Proxy), to communicate with the Company for any purposes other than those expressly stated.