

Sustainability Investment Policy

Overview

Hannon Armstrong invests in projects focused on reducing the impacts of, or increasing resiliency to, climate change through our allocation of capital across the energy efficiency, renewable energy and other sustainable infrastructure markets that positively impact the environment and/or make more efficient use of natural resources. Sustainability is at the core of our business model and influences all investment decisions.

We believe that sound investing practices should include thorough due diligence and analysis of the environmental impact of any proposed investment. In accordance with our commitment to implement the recommendations of the Task Force on Climate Related Financial Disclosures (TCFD), we apply a clear and transparent set of policies when evaluating the environmental risks and opportunities of any proposed investment. Employees are provided the appropriate training on such policies to ensure consistent environmental analysis is performed as part of any investment review.

Sustainability as an Investment Screen

The quantification of potential environmental impacts is one of the initial steps in our investment screening process. To meet our sustainability screen, a proposed investment must either reduce or be neutral on carbon emissions, or have some other tangible environmental benefit such as reducing water consumption.

Measuring the Impact of Hannon Armstrong's Investment with CarbonCount®

We analyze project specific data, for example the expected reduction in annual energy consumption resulting from the installation of energy efficiency upgrades or the energy produced by a clean energy project, to determine the expected environmental benefit(s) associated with such project. To measure the carbon impact, we calculate the annual metric tons of carbon emissions offset by the project, taking into consideration the fuel mix percentages and carbon intensities of fuel in the region where the project is located.¹ We then evaluate its relative environmental impact by calculating the metric tons of carbon dioxide (CO₂) emissions reduced annually per \$1,000 invested and then apply the CarbonCount® score.²

Reporting

We disclose the effectiveness and impact of our Sustainability Investment Policy in our Annual Report to shareholders. This includes our disclosure of the CarbonCount® score for each project we finance and any water savings metrics.

¹ Estimated carbon savings are calculated using the estimated kilowatt hours ("kWh"), gallons of fuel oil, million British thermal units ("MMBtus") of natural gas and gallons of water saved as appropriate, for each project. The energy savings are converted into an estimate of metric tons of CO₂ equivalent emissions based upon the project's location and the corresponding emissions factor data from the U.S. Government and International Energy Agency. Portfolios of projects are represented on an aggregate basis.

² CarbonCount® is a third-party scoring tool licensed by The Alliance to Save Energy.



[Review of this Policy](#)

The Nominating, Governance and Corporate Responsibility Committee of the Board of Directors reviews this policy on an annual basis. This Committee also reviews the CarbonCount® scores of our projects on a quarterly basis.

Our President and CEO assumes primary responsibility for the promotion and implementation of this Sustainability Investment Policy.

[Summary](#)

We pursue investments that have significant and lasting environmental benefits. Our promise to invest on the right side of the climate change line will continue to be a defining principle of Hannon Armstrong, and we are committed to disclosing the carbon impact of our projects to all interested parties.

Revised: October 30, 2018