HANNON ARMSTRONG SUSTNBL INFRSTR CAP INC

MEETING DATE	Thu, 01 Jun 2017 9:30 am — TYPE: AGM — ISSUE DATE: Tue, 16 May 2017
MEETING LOCATION	Westin (Annapolis) Hotel, 100 Westgate Circle, Annapolis, MD 21401
CURRENT INDICES	PIRC Global
SECTOR	Real estate investment trusts

	PROPOSALS	ADVICE
1.01	**Elect Jeffrey W. Eckel** Chairman and CEO. Combined roles at the head of the Company. There should be a clear division of responsibilities at the head of the Company between the running of the board and the executive responsibility for the running of the Company's business. No one individual should have unfettered powers of decision. Combining the two roles in one person represents a concentration of power that is potentially detrimental to board balance, effective debate, and board appraisal.	**Oppose**
1.02	**Elect Rebecca A. Blalock** Independent Non-Executive Director.	**For**
1.03	**Elect Teresa M. Brenner** Independent Non-Executive Director.	**For**
1.04	**Elect Mark J. Cirilli** Non-Executive Director. Not considered independent owing to a tenure of over nine years. However, there is sufficient independent representation on the Board. He is chair of the Remuneration committee which is not fully independent which Triodos does not support.	**Oppose**
1.05	**Elect Charles M. O'Neil** Independent Non-Executive Director.	**For**
1.06	**Elect Richard J. Osborne** Senior Independent Director.	**For**
1.07	**Elect Steven G. Osgood** Independent Non-Executive Director.	**For**
2	**Appoint the Auditors** EY proposed. Non-audit fees represented 6.75% of audit fees during the year under review and 11.26% on a three-year aggregate basis. This level of non-audit fees does not raise serious concerns about the independence of the statutory auditor. The current auditor has been in place for more than seven years. There are concerns that failure to regularly rotate the audit firm can compromise the independence of the auditor. Triodos opposes this resolution.	**Oppose**
3	**Advisory Vote on Executive Compensation** The Company has submitted a proposal for shareholder ratification of its executive compensation policy and practices. The voting outcome for this resolution reflects the balance of opinion on the adequacy of disclosure, the balance of performance and reward and the terms of executive employment. Long-term incentives were awarded in the form of performance-based restricted stock, based on 50% absolute total shareholder return and 50% relative total shareholder return, and time-based restricted stock that vests in three equal annual amounts. Quantifiable targets were not disclosed for long-term awards. Executive compensation was aligned with peer group averages but not with companies of a similar market capitalisation. Further, long-term award opportunities exceed 200% of base salary, which is not considered best practice. Retention awards make a signifiant portion of long-term awards and the vesting schedule is not sufficiently long. The compensation rating is: DC. Based on this rating, Triodos opposes this resolution.	**Oppose**

4 Approve the Frequency of Future Advisory Votes on Executive Compensation **1**

The Company is providing shareholders with an advisory vote on whether the advisory vote on executive compensation should be held every one, two or three years. The Board is required by Section 951 of The Dodd-Frank Wall Street Reform and Consumer Protection Act to offer this vote on the frequency of a say-on-pay proposal not less than every six years, although they have the option to offer this proposal more often.

The Board of Directors recommends an annual vote. It is considered that an annual vote on executive compensation is best practice for companies. Executive compensation comprises both fixed and variable pay elements, with the variable including share based incentive awards and cash bonuses over which the compensation committee have discretion. Decisions affecting the quantum and design of variable pay are made annually by the committee and it is therefore appropriate that shareholder approval is sought at the maximum frequency permitted by the new legislation. Contentious compensation payments and issues could occur in the intervening years between votes, if the frequency is less than annually. Triodos recommends a one year frequency.

SUPPORTING INFORMATION FOR RESOLUTIONS

Proposal 3 - Advisory Vote on Executive Compensation

The Company has achieved: a below average level of disclosure; and an average balance for rewards.

Disclosure: D- Along with base salary, the Company provides annual cash incentive (35% cash and 65% time-vested restricted stock) and long-term equity. Annual incentives were determined by 80% overall corporate performance and 20% individual performance for Executives and 100% corporate performance for the CEO. Corporate performance was measured by Annual Core Earnings/Share (50%), Origination Volume (15%), Net Credit Losses (15%), Execution on the Financial Plan (10%) and Sarbanes-Oxley Readiness (10%). No targets were provided for the individual performance element. Long-term incentives were awarded in the form of performance-based restricted stock, based on 50% absolute total shareholder return and 50% relative total shareholder return, and time-based restricted stock that vests in three equal annual amounts. Quantifiable targets were not disclosed for long-term awards.

Balance: C- Executive compensation was aligned with peer group averages but not with companies of a similar market capitalisation. Further, long-term award opportunities exceed 200% of base salary, which is not considered best practice. Retention awards make a signifiant portion of long-term awards and the vesting schedule is not sufficiently long.

Researcher: Zuzana Struharova
Email: pircresearch@pirc.co.uk

Pensions & Investment Research Consultants Limited
8th Floor, Suite 8.02, Exchange Tower
2 Harbour Exchange Square
E14 9GE

Tel: 020 7247 2323
Fax: 020 7247 2457
http://www.pirc.co.uk