Triodos Investment Management

HANNON ARMSTRONG SUSTNBL INFRSTR CAP INC

MEETING DATE	Thu, 31 May 2018 9:30 am	TYPE	AGM	ISSUE DATE	Fri, 18 May 2018
MEETING LOCATION	1906 Towne Center Boulevard, Suite 270, 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.	**Withhold**
1.02	**Elect Rebecca B. Blalock** Independent Non-Executive Director. However, there are concerns over the director's potential aggregate time commitments.	**Withhold**
1.03	**Elect Teresa M. Brenner** Independent Non-Executive Director.	**For**
1.04	**Elect Mark J. Cirilli** Non-Executive Director. Not considered independent as he served as a managing director of MissionPoint from 2007 until the Company IPO in 2013. There is sufficient independent representation on the Board. However, there are concerns over the director's potential aggregate time commitments. He is chair of the Remuneration committee which is not fully independent which Triodos does not support.	**Withhold**
1.05	**Elect Charles M. O'Neil** Independent Non-Executive Director.	**For**
1.06	**Elect Richard J. Osborne** Independent Non-Executive Director.	**For**
1.07	**Elect Steven G. Osgood** Independent Non-Executive Director.	**For**
2	**Appoint the Auditors** EY proposed. Non-audit fees represented 10.34% of audit fees during the year under review and 9.34% 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 ten years. There are concerns that failure to regularly rotate the audit firm can compromise the independence of the auditor.	**Oppose**

3 Advisory Vote on Executive Compensation **Oppose**

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.

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 significant portion of long-term awards and the vesting schedule is not sufficiently long.

Change in control agreements for NEO's have not be appropriately disclosed. Severance entitlements in a change of control scenario are considered excessive.

The compensation rating is: DDE.

Triodos opposes this resolution.

SUPPORTING INFORMATION FOR RESOLUTIONS

Proposal 3 - Advisory Vote on Executive Compensation

Disclosure: D- Along with base salary, the Company provides annual incentive (cash and 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: D- 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 significant portion of long-term awards and the vesting schedule is not sufficiently long.
Contract: E- Change in control agreements for NEO's have not be appropriately disclosed. Severance entitlements in a change of control scenario are considered excessive.

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