Triodos Investment Management

HANNON ARMSTRONG SUSTNBL INFRSTR CAP INC

MEETING DATE	Thu, 04 Jun 2020 9:30 am	TYPE	AGM	ISSUE DATE	Fri, 29 May 2020
MEETING LOCATION	http://web.lumiagm.com/259337958				
CURRENT INDICES	PIRC Global				
SECTOR	Real estate investment trusts				
FYE	31 Dec 2019				

	PROPOSALS	ADVICE
1.1	**Elect Director Jeffrey W. Ecke** 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. A vote to withhold is therefore recommended.	**Withhold**
1.2	**Elect Director Teresa M. Brenner** Independent Non-Executive Director. Support is recommended.	**For**
1.3	**Elect Director Michael T. Eckhart** Independent Non-Executive Director. Support is recommended.	**For**
1.4	**Elect Director Simone F. Lagomarsino** Independent Non-Executive Director. Support is recommended.	**For**
1.5	**Elect Director Charles M. O'Neil** Independent Non-Executive Director. Support is recommended.	**For**
1.6	**Elect Director Richard J. Osborne** Senior Independent Director. Support is recommended.	**For**
1.7	**Elect Director Steven G. Osgood** Independent Non-Executive Director. Support is recommended.	**For**
2	**Appoint the Auditors** EY proposed. Non-audit fees represented 10.17% of audit fees during the year under review and 10.29% 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. Opposition is therefore recommended.	**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. The annual incentive award made during the year under review is not considered to be overly excessive as it amounts to less than 200% of base salary. Performance metrics are replicated under different incentive plans, raising concerns that executives are being rewarded twice for the same performance. Maximum long-term award opportunities are limited to 200% of base salary, which is considered as acceptable practice. Retention awards make up a significant portion of the long-term incentives and therefore the scheme does not link pay to performance. Performance shares have a three-year performance period, which is a market standard. However, a five-year performance period is considered best practice. The compensation rating is:CCA Triodos abstains this resolution.	**Abstain**

SUPPORTING INFORMATION FOR RESOLUTIONS

Proposal 3 - Advisory Vote on Executive Compensation

Disclosure: C The company has provided the level of fees paid to the Compensation Consultants. The disclosure of these fees is encouraged in the interests of greater transparency. The peer groups used for the purpose of pay comparison have been fully disclosed by the company. The performance metrics used to award the Annual bonus have not been disclosed. Specific performance targets for all long-term awards have not been adequately disclosed.
Balance: C The company does not consider non-financial metrics in its assessment of performance. The annual incentive award made during the year under review is not considered to be overly excessive as it amounts to less than 200% of base salary. The company uses only one performance metrics to determine the payout of performance awards. Instead of the use of a sole performance metric, it would be preferred that payout be linked to at least two or more performance metrics, with the inclusion of an non-financial performance criteria. Performance metrics are replicated under different incentive plans, raising concerns that executives are being rewarded twice for the same performance. Maximum long-term award opportunities are limited to 200% of base salary, which is considered as acceptable practice. Retention awards make up a significant portion of the long-term incentives and therefore the scheme does not link pay to performance. Performance shares have a three-year performance period, which is a market standard. However, a five-year performance period is considered best practice. In addition, executive compensation is aligned with companies of a similar market cap. Executive compensation is not aligned with peer group averages.
Contract: A The claw-back policy is considered appropriate as it applies to short- and long-term incentives, and is not limited to cases of financial misstatement. Equity awards are subject to pro-rata vesting, which is line with best practice. Good reason has been appropriately defined. Change-in-control payments are subject to double-trigger provisions. Cash severance is limited to three times base salary; which is welcomed.

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