Triodos Investment Management

HANNON ARMSTRONG SUSTNBL INFRSTR CAP INC

MEETING DATE	Thu, 03 Jun 2021 9:30 am	TYPE	AGM	ISSUE DATE	Thu, 27 May 2021
MEETING LOCATION	Virtual Meeting: www.virtualshareholdermeeting.com/HASI2021				
CURRENT INDICES	PIRC Global				
SECTOR	Real estate investment trusts				
FYE	31 Dec 2020				

	PROPOSALS	ADVICE
1.1	**Elect Jeffrey W. Eckel - Chair & Chief Executive** Chair 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. Triodos opposes this resolution.	**Oppose**
1.2	**Elect Clarence D. Armbrister - Non-Executive Director** Independent Non-Executive Director.	**For**
1.3	**Elect Teresa M. Brenner - Senior Independent Director** Lead Independent Director. Considered independent.	**For**
1.4	**Elect Michael T. Eckhart - Non-Executive Director** Independent Non-Executive Director.	**For**
1.5	**Elect Nancy C Floyd - Non-Executive Director** Independent Non-Executive Director.	**For**
1.6	**Elect Simone F. Lagomarsino - Non-Executive Director** Independent Non-Executive Director.	**For**
1.7	**Elect Charles M. ONeil - Non-Executive Director** Independent Non-Executive Director.	**For**
1.8	**Elect Richard J. Osborne - Non-Executive Director** Independent Non-Executive Director.	**For**
1.9	**Elect Steven G. Osgood - Non-Executive Director** Independent Non-Executive Director.	**For**
2	**Ratify Ernst & Young LLP as Auditors** EY proposed. Non-audit fees represented 13.14% of audit fees during the year under review and 11.25% 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. Triodos opposes this resolution.	**Oppose**

3 Advisory Vote on Executive Compensation **Abstain**

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 company uses adjusted performance metrics for most elements of compensation. The use of non-GAAP metrics prevents shareholders from being able to assess fully whether the performance targets are sufficiently challenging. The company included non-financial metrics into the annual bonus structure, which is considered best practice. 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. Awards under the annual-incentive plans are tied to multiple performance conditions, which is considered best practice. Performance measures attached to long-term incentives do not duplicate those attached to other awards, which is considered acceptable practice. Maximum long-term award opportunities are not limited to 200% of base salary, which raises concerns over the potential excessiveness of the remuneration structure. Retention awards make up a significant portion of the long-term incentives and therefore the scheme does not link pay to performance.

The compensation rating is: ABC.

Triodos abstains this resolution.

SUPPORTING INFORMATION FOR RESOLUTIONS

Proposal 3 - Advisory Vote on Executive Compensation

Disclosure: A -The peer groups used for the purpose of pay comparison have been fully disclosed by the company. The company has failed to provide the fees it paid the Compensation Consultants. The disclosure of these fees is encouraged in the interests of greater transparency. The grant of performance awards was based on the achievement of set levels of specific performance targets: 2020 Distributable Earnings / share 75%; 2020 Distributable ROE 25%. The performance-based long term incentive is subject to quantified performance targets for TSR and RSUs.

Balance: B -The company uses adjusted performance metrics for most elements of compensation. The use of non-GAAP metrics prevents shareholders from being able to assess fully whether the performance targets are sufficiently challenging. The company included non-financial metrics into the annual bonus structure, which is considered best practice. 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. Awards under the annual-incentive plans are tied to multiple performance conditions, which is considered best practice. Performance measures attached to long-term incentives do not duplicate those attached to other awards, which is considered acceptable practice. Maximum long-term award opportunities are not limited to 200% of base salary, which raises concerns over the potential excessiveness of the remuneration structure. 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. Executive compensation is aligned with peer group averages. In addition, executive compensation is aligned with companies of a similar market cap.

Contract: C -Potential severance entitlements in a change of control scenario are considered excessive as they exceed three times the base salary. The company does not appear to have double-trigger provisions in place, which is a concern as single-trigger vesting allows for awards to automatically vest in the event of a change-of-control. Good reason has been appropriately defined. The Compensation Committee has full discretion to accelerate the vesting of awards upon a change of control, which is a concern. 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.

For Private Circulation only

Researcher: Millicent Pambuka
Email: pircresearch@pirc.co.uk

Information is believed to be correct but cannot be guaranteed. Opinions and recommendations constitute our judgement as of this date and are subject to change without notice. The document is not intended as an offer, solicitation or advice to buy or sell securities. Clients of Pensions & Investment Research Consultants Ltd may have a position or engage in transaction in any of the securities mentioned.

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

Regulated by the Financial Conduct Authority