

SUSTAINABILITY INVESTMENT ANALYSIS

Sustainability means different things to different people. To help you understand our approach, please read below.

Background

We believe that sound investing practices should include analysis of the environmental benefit of the proposed investment. It is our practice to invest in projects that increase energy efficiency, provide cleaner energy, positively impact the environment, or make more efficient use of natural resources. As such, we apply a clear and transparent set of policies when evaluating the environmental impact of any proposed investment.

What we mean by “sustainability”

We define sustainability as positively impacting the environment while being neutral or reducing greenhouse gas (GHG) emissions. In addition to GHG emissions, projects are screened for other environmental benefits, such as water use reduction. The quantification of environmental benefits is part of our investment screening process.

Measuring the Impact of Hannon Armstrong's Investment

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 expected environmental benefit associated with such projects. For example, 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 state where the project is located.¹ We then evaluate the relative impact of our potential investment by calculating the pounds of carbon emissions reduced annually per dollar invested.

Disclosure Standards

For competitive reasons, it is a general policy of Hannon Armstrong to not disclose specific investment information. However, we plan to release annually the CO₂ equivalent impact of each project we finance to provide appropriate transparency of the environmental profile of our portfolio.

In summary, we believe that our investments have and will continue to have significant environmental benefits. Our promise to be on the right side of the climate change issue will continue to be a defining principle of the Company, and we are committed to disclosing the environmental impact of our financed projects to all interested parties.

¹ Data Source: U.S. Environmental Association's eGRID 2012

