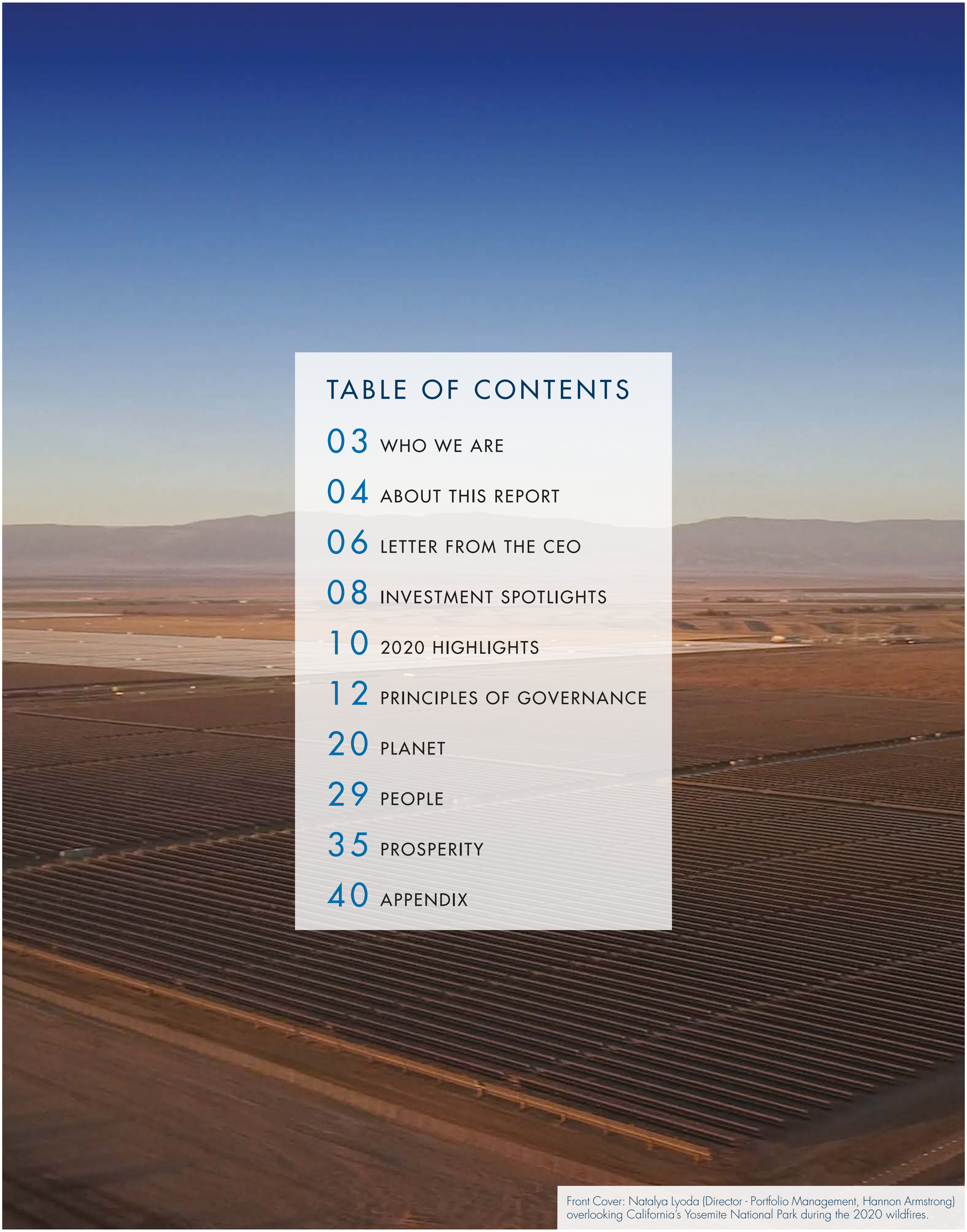
HANNON ARMSTRONG

2020 IMPACT REPORT



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Front Cover: Natalya Lyoda (Director - Portfolio Management, Hannon Armstrong) overlooking California's Yosemite National Park during the 2020 wildfires.

WHO WE ARE

Climate Positive Investors

Based in Annapolis, Maryland, Hannon Armstrong (NYSE: HASI) is the first U.S. public company solely dedicated to investments in climate solutions, providing capital to leading companies in energy efficiency, renewable energy, and other sustainable infrastructure markets. With more than $7 billion in managed assets, Hannon Armstrong's core purpose is to make climate positive investments with superior risk-adjusted returns.

Investment Strategy

Our vision is that every investment should improve our climate future, which is why our first investment screen requires that all prospective investments either reduce carbon emissions or provide other tangible environmental benefits, such as reducing water consumption.

Our Impact

5.2 million

Cumulative metric tons of carbon dioxide (CO_2) avoided annually through our investments, the equivalent to eliminating emissions from nearly 600,000 average U.S. homes every year

4 billion

Cumulative gallons of water saved annually from our investments, the equivalent to eliminating the annual water consumption of nearly 80,000 U.S. homes every year

>200,000

Quality jobs created by our investments in 48 states

>170,000

School children supported by our energy efficiency upgrades to educational facilities funded by our investments

>1.9 million

Veterans served by hospitals and other facilities that received energy efficiency upgrades funded by our investments

ABOUT THIS REPORT

At Hannon Armstrong, we have historically and consistently aspired to be a leader in transparent reporting on financially material and comparable ESG metrics.

In fact, we were the first U.S. public company to report the avoided emissions resulting from our investments - a disclosure most financial service companies and asset managers still neglect to provide - and one of the first to commit to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and also incorporate TCFD reporting into our SEC filings. As many stakeholders, investors, and companies have noted, however, the current lack of global standardized reporting metrics regarding the material aspects of ESG stands in stark contrast to the well-established standards that exist for reporting on financial performance.

To help reduce fragmentation and accelerate progress toward a generally accepted ESG reporting standard in alignment with the UN Sustainable Development Goals (SDGs), our 2020 Impact Report has been designed around the four pillars of the common metrics for consistent reporting of sustainable value creation as developed by the World Economic Forum's International Business Council: Principles of Governance, Planet, People, and Prosperity.

Further, for the eighth consecutive year, we have disclosed the avoided emissions resulting from each of our investments (see our Sustainability Report Card on page 27) while also continuing to advocate for standardized reporting of this metric by all financial service companies and asset managers through our membership in the Partnership for Carbon Accounting Financials (PCAF).

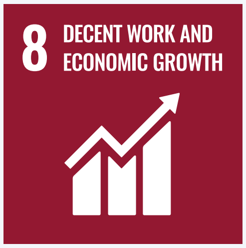
We hope our comprehensive reporting on these and many other recommended metrics helps to drive transparency and alignment among companies, investors, and all other stakeholders – with the ultimate goal of building a more sustainable and inclusive global economy.

Sustainable Development Goals

Through this report, our CEO Jeff Eckel reaffirms his support of Hannon Armstrong's ongoing commitment to these goals of the United Nations Global Compact. In addition, the report constitutes Hannon Armstrong's "Communication on Progress" (COP1) under the UN Global Compact.

AFFORDABLE AND CLEAN ENERGY

As a leading investor in climate positive energy infrastructure assets in the United States, we provide solutions to enable the deployment of more reliable, resilient, and affordable clean energy. In 2020, our financing of community solar promoted the accessibility and adoption of clean energy for a diverse array of communities, typically at a discount to retail rates. The community solar model, already available in most U.S. states, provides customers with equal access to the benefits of clean energy, regardless of the physical structure or ownership status of their residence.



DECENT WORK AND ECONOMIC GROWTH

Industries related to the clean energy economy continue to experience steady growth in the United States and create new employment opportunities. We estimate our investments support over 200,000 jobs across 48 U.S. states. Our financial and volunteer support of GRID Alternatives, a nonprofit that supports networking and skills development opportunities especially for traditionally marginalized communities, further demonstrates our commitment to high quality jobs in the sector.

INDUSTRY, INNOVATION AND INFRASTRUCTURE

We invest in infrastructure that reduces dependence on vulnerable grid-connected energy and enhances the reliable supply of distributed clean energy. In 2020, our energy efficiency investments modernized aging infrastructure for residential, retail, industrial, and government customers. Improved performance across these sectors saves money, reduces carbon emissions, and enhances local infrastructure resilience. In addition, integrating proven battery energy storage systems into our projects allows for the deployment of intermittent renewable resources during off-peak hours.

SUSTAINABLE CITIES AND COMMUNITIES

Our investments in energy efficiency, renewable energy, seismic retrofits, and stormwater mitigation improve the sustainability of cities and communities. To provide these services to underserved markets, we actively leverage commercial property assessed clean energy (C-PACE) financing programs. In 2020, the expansion of our distributed solar investments brought commercial and industrial solar to cities across the United States.

CLIMATE ACTION

Climate action is the central pillar of our business model. Since our initial public offering in 2013, we have invested approximately $9 billion in climate solutions. To advance climate policy, our advocacy in 2020 included bipartisan lobbying of lawmakers to support meaningful climate legislation and carbon pricing. Our investment thesis attests to the business case for climate solutions.

Investment in Tinkers Creek Stream Stabilization & Restoration Project located in Prince George's County, Maryland.

LETTER FROM THE CEO

As a pioneer in climate solutions investing, we are proud of the Environmental, Social and Governance ("ESG") reputation we have built.

Dear Stakeholders:

2020 was an exceptional year of growth and impact at Hannon Armstrong. Notwithstanding the pandemic, we posted record Distributable Earnings, transaction volumes, and carbon mitigation impact. At the same time, we grew as an organization, in part, by recognizing how the needs of the community intersect with investing in climate solutions.

2020 was also a year of tragedy, as the pandemic took its unspeakable toll on the health and livelihoods of millions while several incidents highlighted the urgent need for social justice. However, it was also the year when climate change went mainstream.

In last year's letter, which was published before the outbreak of COVID-19, I focused on questions owners of capital must ask themselves if we are to seriously address the climate crisis – particularly, how efficiently capital is being deployed to reduce carbon. I believe those questions, paired with my 2018 letter advocating for a carbon fee and dividend plan, form a powerful combination of ideas to accelerate the adoption of climate solutions.

For the last fifty years, many companies have closely adhered to the Friedman Doctrine, named after the Nobel Prize-winning economist, who argued that a company's sole purpose is to generate profits for shareholders. But for today's workforce and an increasing number of investors, this doctrine is not only unambitious and unattractive, it is wholly inadequate. With a mission of investing exclusively in climate solutions since we became a public company, Hannon Armstrong embodies a broader ethos – one that recognizes our role as a responsible corporate citizen while continuing to produce outstanding financial results. Undoubtedly, 2020 also broadened our ambition to find ways to incorporate social justice into our business.

As a pioneer in climate solutions investing, we are proud of the Environmental, Social and Governance ("ESG") reputation we have built. Yet 2020 has shown we can and must do more to expand our leadership role in both our local community and nationwide. As part of our response to the pandemic, we focused on the health and well-being of our team and also made significant corporate donations to local organizations addressing critical issues of homelessness, hunger and domestic violence. As the year progressed, team discussions focused on how we can do more. As a result of these efforts, we created the Hannon Armstrong Foundation to identify the intersection of climate change and social justice and determine how best to engage with our community. This flowed from an organic expression of shared values that fits naturally within our culture of fierce curiosity and rigor about outcomes in climate investing. We have declared an initial "Social Dividend" to the Foundation of $1 million. I look forward to reporting on the Foundation's activities in next year's letter.

The social aspect of ESG has also come front and center in our recruitment, hiring and training efforts. While change takes time, we have used 2020 to develop a human capital management strategy designed to improve data collection, establish reporting metrics, and enhance transparency related to the material aspects of our human capital activities. As a result of these efforts, we expect to benefit from material and ongoing changes in the diversity of our staff. You will also notice enhanced disclosures on human capital in our 2020 Form 10-K. Over time, we will continually provide you the data to hold us accountable for progress on this front.

With the Biden administration, we have continued our political engagement to build support for the enactment of economy-wide carbon pricing, ideally in the form of a fee and dividend. We believe the dividend should be structured to eliminate the cost impacts on lower income families and to advance environmental justice. This market-based solution has the potential both to accelerate climate solutions at the pace required and to improve economic and social equity so that disadvantaged communities are not left behind in the transition to a cleaner, healthier, and fairer economy.

Conclusion

Our investment thesis is simple: in a world increasingly defined by climate change, we will earn superior risk-adjusted returns making only climate positive investments. We have significantly outperformed virtually all broader market and peer group indices in the last year, the last five years, and indeed since our public debut in 2013. Last year, we achieved not only record financial results, but also the highest carbon reductions. Our 2020 investments will reduce five times more carbon than our investments in 2019, and with a CarbonCount® of 1.03, 2020 has turned out to be the most efficient use of capital to reduce carbon in our history as a public company.

While I thank you for investing in Hannon Armstrong, we all should thank the professionals at Hannon Armstrong, including our Board of Directors, who executed in 2020 under the most difficult circumstances and yet had enough passion to help this company grow in its awareness of how it can contribute to social justice in addition to positively affecting climate change. I am inspired and honored to work alongside this team every day, but never more than in 2020.

Respectfully,

Jeffrey W. Eckel
Chairman & CEO
April 2021

INVESTMENT SPOTLIGHTS

BEHIND-THE-METER

$115m

CARBONCOUNT®: TBD[1]

Preferred equity investment in a Public-Private Partnership (P3) with the University of Iowa to operate, maintain, and upgrade university energy and water utilities in support of low-carbon campus sustainability objectives. Backed by 50 years of contracted cashflows with an investment grade counterparty, the investment represents a further expansion into the sizable higher education P3 market. As upgrades are implemented, we anticipate the CarbonCount® of this investment to be meaningfully positive.

GRID-CONNECTED

$663m

CARBONCOUNT®: 1.06

Preferred equity investment with Clearway Energy in a 2.0 GW portfolio of contracted, grid-connected wind, solar, and solar-plus storage projects, located across four states, with predominantly investment grade counterparties and a weighted average contract life of 14 years. Our first grid-connected solar-plus-storage investment brings continued programmatic deal flow with a large, ambitious partner focused on the U.S. market.

BEHIND-THE-METER

$93m

CARBONCOUNT®: 0.27

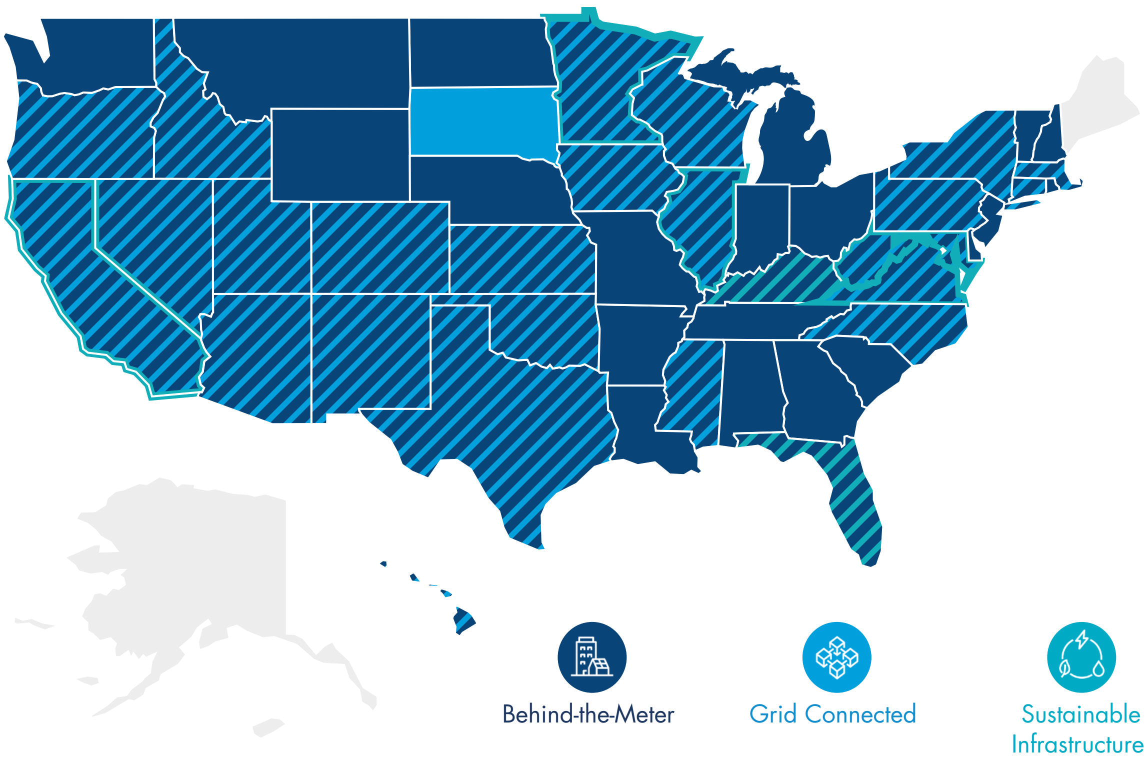
Preferred equity investment with ENGIE in a 78 MW distributed generation portfolio of contracted, community and commercial & industrial (C&I) solar projects, including those with co-located storage, located across multiple states and with a weighted average 24-year fixed price contract life. The unique investment structure leverages tax equity financing to bring efficiency to a forward flow of projects.

1) To be determined.

MANAGED ASSETS

With Managed Assets across the U.S. that support **>13 gigawatts (GW)** of renewables, and 292 energy efficiency investments, we benefit from significant technological, geographic, and resource diversity.

292	4.4GW	0.8GW	2.3GW	5.6GW
Energy Efficiency Investments	of Wind	of Grid-Connected Solar	of Distributed Solar	Wind and Solar Land



Investment in "Rosamond Central," a 192 MW utility-scale solar project located in Kern County, California.

1) States that feature multiple colors from the legend indicate Managed Assets from two or more markets.

2020 HIGHLIGHTS

$1.9b
invested in climate solutions

2m MT[1] of incremental annual reductions in carbon emissions

>$900m
issued in green bonds

Highest recorded annual CarbonCount in company history

Expanded DEIJ[2] disclosures in SEC filing

Internal management realignment enhanced DEIJ in C-suite

Joined Partnership for Carbon Accounting Financials (PCAF)

Expanded Board with appointments of Clay Armbrister and Nancy Floyd

$1m Social Dividend declared to capitalize newly launched Hannon Armstrong Foundation

2020-2021 AWARDS

Capital Finance International
» Best ESG Sustainable Investment Strategy – USA: Hannon Armstrong

Climate Change Business Journal (CCBJ)
» CCBJ Business Achievement Award: Hannon Armstrong and ENGIE

Environment + Energy Leader Awards
» Top Project of the Year Award: Ameresco and Hannon Armstrong

Financial Times
» The Americas' Fastest Growing Companies 2020: Hannon Armstrong

Institutional Investor
» All-America Executive Team "Most Honored" small-cap companies list; #1 rankings in Best CEO, CFO, IR, and Financially Material ESG Disclosure: Hannon Armstrong

Real Leaders Top Impact Companies
» #21 on the Real Leaders® Top 150 Impact Companies List

Smart Energy Decisions Innovation Awards
» Energy Storage & Microgrids Award: Ameresco, U.S. Marine Corps and Hannon Armstrong

ESG RATINGS

SUSTAINALYTICS
Low Risk
Top 6th Percentile in Global Universe

MSCI
ESG CORPORATE RATING
A
Top 10th Percentile in Industry

ISS ESG B
Top 10th Percentile

STATE STREET GLOBAL ADVISORS
R-Factor™
Outperformer
Top 10th-30th Percentile

1) Metric Tons
2) Diversity, Equity, Inclusion, and Justice

PROVEN TRACK RECORD

Our ESG Journey

2020

- Invested $1.9b in climate solutions »
- Recorded highest annual CarbonCount in company history »
- 2m MT of incremental annual reductions in carbon emissions »
- Issued >$900m in green bonds »
- Joined Partnership for Carbon Accounting Financials (PCAF) »
- Enhanced DEIJ with Board appointments, internal management realignment, and expanded SEC filing disclosures »
- Declared Social Dividend of $1m to capitalize newly launched Hannon Armstrong Foundation »

2019

- « Appointed Teresa M. Brenner Lead Independent Director
- « Inaugural $500m corporate unsecured green bond issuance
- « Joined the UNGC's Business Ambition for 1.5°C: Our OnlyFuture Campaign

2018

- Formalized Board oversight of ESG strategies, activities, policies, and communications »
- Implemented TCFD recommendations and integrated into SEC filings »
- Achieved 100% renewable energy procurement target »
- Became a signatory to the UN Global Compact (UNGC) »

2017

- « One of first U.S. public companies to commit to Task Force on Climate-Related Financial Disclosures (TCFD)
- « First U.S. public company to sign the "We Are Still In" declaration in support of climate action to meet the Paris Agreement

2016

- Recognized by Climate Bonds Initiative as Green Bonds Pioneer »

2015

- « Issued first rated HASI Sustainable Yield Bond (SYB) for real estate assets

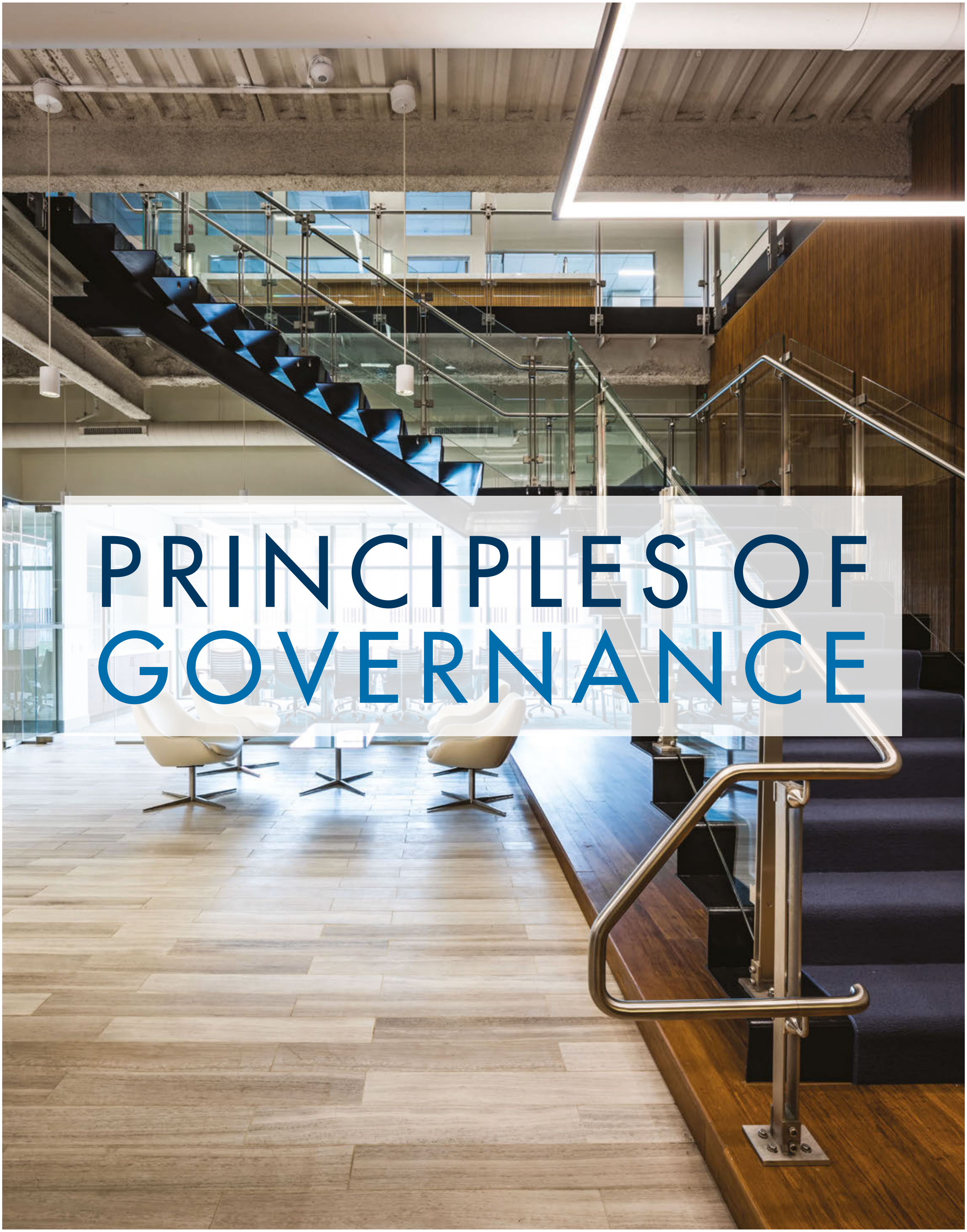
2014

- Published first Sustainability Report Card »

2013

- « First U.S. public company focused on climate positive investing
- « Launched CarbonCount scoring tool
- « First HASI SYB issued for energy efficiency assets

PRINCIPLES OF GOVERNANCE



STRATEGIC ESG INTEGRATION

For over 30 years, Hannon Armstrong has placed sustainability and, more specifically, deploying capital to drive climate positive investments at the core of our business model. In fact, our initial investment screen mandates that any proposed investment either reduce or at least have a neutral impact on carbon emissions or provide other tangible environmental benefits, such as reducing water consumption. As a result, since our IPO in 2013, we have invested $9 billion in assets that have cumulatively avoided over 5 million metric tons of carbon emissions and saved over 4 billion gallons of water on an annual basis – all while generating superior risk-adjusted returns for our shareholders.

BOARD OF DIRECTORS

JEFFREY W. ECKEL
Chairman

TERESA M. BRENNER
Lead Independent Director
Chair, Nominating, Governance and Corporate Responsibility Committee
Member, Compensation Committee

CLARENCE D. ARMBRISTER
Member, Nominating, Governance, and Corporate Responsibility Committee

MICHAEL T. ECKHART
Member, Finance and Risk Committee
Member, Nominating, Governance, and Corporate Responsibility Committee

NANCY C. FLOYD
Member, Audit Committee
Member, Finance and Risk Committee
Financial Expert

SIMONE F. LAGOMARSINO
Member, Audit Committee
Member, Finance and Risk Committee
Financial Expert

CHARLES M. O'NEIL
Chair, Finance and Risk Committee
Member, Nominating, Governance, and Corporate Responsibility Committee

RICHARD J. OSBORNE
Chair, Compensation Committee
Member, Audit Committee
Financial Expert

STEVEN G. OSGOOD
Chair, Audit Committee
Member, Compensation Committee
Financial Expert

LEADERSHIP TEAM

JEFFREY W. ECKEL
Chairman
Chief Executive Officer

JEFFREY A. LIPSON
Chief Operating Officer
Chief Financial Officer

STEVEN L. CHUSLO
Executive Vice President
Chief Legal Officer

J. BRENDAN HERRON
Executive Vice President

KATHERINE McGREGOR DENT
Senior Vice President
Chief Human Resources Officer

DANIEL K. McMAHON, CFA
Executive Vice President
Portfolio Management

SUSAN D. NICKEY
Executive Vice President
Chief Client Officer

MARC T. PANGBURN
Executive Vice President
Co-Chief Investment Officer

NATHANIEL J. ROSE, CFA
Executive Vice President
Co-Chief Investment Officer

RICHARD R. SANTOROSKI
Executive Vice President
Chief Analytics Officer

ROBERT L. JOHNSON
Senior Vice President

JEFFREY Z. MARTIN
Senior Vice President
Chief Technology Officer

CHARLES W. MELKO, CPA
Senior Vice President
Treasurer
Chief Accounting Officer

Roles and Responsibilities

ROLE	RESPONSIBILITIES
Board of Directors	Formal adoption of new ESG policies and oversight of implementation
Nominating, Governance & Corporate Responsibility Committee	Recommendation of new ESG policies and oversight of implementation
Chairman and CEO	Allocation, prioritization and oversight of staff and company resources dedicated to the implementation of ESG initiatives
ESG Staff Committee Leader	Direct report to the Chairman and CEO responsible for setting performance milestones and delegating responsibilities
Investor Relations and ESG Strategy	Development of ESG strategy, execution of initiatives, and integration into engagement with ESG rating agencies and debt and equity investors
Legal	Review of ESG disclosures and ensuring validation of adherence to ESG policies
Finance	Execution of green bond issuances
Human Resources	Cultivation of commitment to diversity and inclusion principles and employee and community engagement initiatives
Accounting	Tracking, verifying, and reporting ESG metrics in public financial filings
Communications	Fostering and maintaining authentic and strategic stakeholder relationships
Investments	CarbonCount® assessments and monitoring of climate-related investment risks and opportunities
Portfolio Management	Assessment of portfolio exposure to climate-related risks and opportunities

"Since our founding, we have embedded an unshakeable commitment to ESG into our business model and operations. We believe our demonstration of this commitment has driven our ability to generate superior risk-adjusted returns for shareholders and continues to serve as a model for others in our industry."

TERESA M. BRENNER,
Lead Independent Director.
Chair, Nominating, Governance and Corporate Responsibility Committee

MANAGEMENT APPROACH

Internally managed, the business affairs of our company are conducted by our officers and employees under the direction of our President & CEO with the oversight of our Board. Our Board members – eight of whom are Independent – are elected annually by our stockholders and participate in at least one of the following four standing committees: Audit Committee, Compensation Committee, Finance and Risk Committee, and Nominating, Governance and Corporate Responsibility Committee (NGCR). In 2018, the Board formalized its oversight of ESG strategies, activities, policies and communications through the NGCR, further demonstrating our steadfast commitment to such matters.

ESG GOVERNANCE

We recognize the importance of understanding, evaluating, and monitoring ESG-related opportunities and risks as part of our vision and strategy. The NGCR is responsible for periodically reviewing our strategies, activities, and policies including our Sustainability Investment Policy, Environmental Policies, and Human Rights and Human Capital Management Policies.

BOARD DIVERSITY

Hannon Armstrong values the benefits that diversity can bring to its Board. For purposes of Board composition, diversity includes, but is not limited to, subject matter expertise, business experience, education background, relevant skills, age, gender, and ethnicity.

As our company grows, it is important to expand the number of members of our Board of Directors and their respective competencies and diversity. In 2021, we welcomed two new Board members, Clay Armbrister, President of Johnson C. Smith University and Nancy Floyd, founder of one of the first clean energy venture capital platforms.

With our new Board members and our previously announced leadership realignment, we are well positioned to best serve our clients, investors, and employees in delivering on our climate positive investing vision.

» 89% Independent Board Members

» 33% Women Board Members

» 11% Racial or Ethnic Minority Board Members

ETHICAL BEHAVIOR

We expect the highest legal, moral, and ethical standards of honesty, integrity and fairness to be implemented across all of our affairs. Our Code of Business Conduct and Ethics details the ethical and legal standards of behavior and business activities that are required of all our directors, officers and employees, and each of them receive training on these policies on an annual basis.

We also expect our business partners to comply with our Business Partner Code of Conduct, which outlines the expected practices of our agents, distributors, dealers, contractors, intermediaries, joint venture partners, and suppliers in the areas of ethical business practices, environmental responsibility, human rights, labor, and health and safety.

WHISTLEBLOWER POLICY

We maintain a confidential hotline for reporting potential violations and concerns relating to our Code of Business Conduct and Ethics as well as our policies addressing our accounting and auditing controls. All reports are taken seriously, and, when appropriate, we will fully investigate each allegation and take appropriate action. In 2020, we received no reports on our whistleblower hotline.

More details can be found in the Code of Business Conduct and Ethics available on our website at: https://investors.hannonarmstrong.com/govdocs

EXECUTIVE COMPENSATION

We have designed our executive compensation program to be aligned with the interests of stockholders, focused on sustainable long-term growth, and to attract and maintain effective executives in a competitive market for talent. A portion of all executive compensation is linked to our success in overall corporate performance in executing our business strategy, aspects of which include investments in climate change solutions. In this way, executive compensation is linked, in part, to our progress in advancing environmental as well as other related social and governance initiatives. In addition, we monitor the relationship between the compensation of our executive officers and the compensation of our non-managerial employees.

For 2020, the total compensation of Jeffrey Eckel, our President & CEO of $3,998,495 was approximately 17 times the total compensation of the median employee whose compensation was calculated in the same manner and was $238,711. Please refer to our most recent Proxy Statement for more detail.

» 17x[1] CEO to Median Employee Pay

CYBERSECURITY

Cybersecurity and cyber resilience are critical to the well-being of our organization. As cyber risks continue to grow globally, our cybersecurity and training programs continue to adapt and evolve. Addressing these threats while upholding our principles of governance, controls, and transparency is a priority for our cybersecurity program. Through the Finance and Risk Committee, our Board of Directors along with our Leadership Team collectively provide oversight of our information technology and cybersecurity program, which is led by the Chief Technology Officer and supported by a skilled and high performing team of technology professionals.

Our IT infrastructure reflects a modern best-of-breed technology stack that utilizes highly respected services and top niche vendors. We deploy a multi-layered security and backup approach to redundantly safeguard our data and business assets from cyber threats and provide for business continuity. This forward-thinking design helped to support our resilience and growth amidst the COVID-19 pandemic by enabling our team to transition to virtual work on day one.

Protecting against social engineering attack vectors by fostering a culture of cybersecurity awareness is an important part of our security program. We use a combination of instructor-led training, quarterly training modules, and ongoing testing to keep our team well informed of emerging and relevant threats. Our cybersecurity team takes every attempt to infiltrate our IT infrastructure seriously and reports all attacks to authorities and relevant service providers.

1) Compared to an average of 320x (by sales) for the largest 350 companies according to the Economic Policy Institute (2019).

STOCKHOLDER ENGAGEMENT

We believe that engaging with investors is fundamental to good governance and essential to maintaining our industry-leading practices. Throughout the year, we seek opportunities to connect with our investors and to respond to their inquiries and observation in order to gain and share valuable insights into current and emerging business and governance trends.

To enable the Board to consider direct stockholder feedback, Board members are updated on these conversations with investors and the chairperson of our NGCR participates directly in some of these conversations.

In 2020, we met with over 300 investors, representing at least 42% of our shares outstanding as of the end of the year.

For Your Reference

For additional information on our ESG strategy, policies, and initiatives (including the below documents), please visit investors.hannonarmstrong.com and www.hannonarmstrong.com/ESG.

- Annual Report
- Proxy Statement
- Sustainability Investment Policy
- Environmental Policies
- Human Rights & Human Capital Management Policies
- Code of Business Conduct and Ethics
- Business Partner Code of Conduct
- Environmental Metrics
- Sustainability Report Card

MEMBERSHIP GROUP AFFILIATIONS

Hannon Armstrong participates in several councils and trade associations. Through these associations, we seek to advance unified efforts on climate action, sustainable investing, and clean energy. A Hannon Armstrong executive serves on a board leadership position at several of these organizations, including the American Clean Power Association, American Council on Renewable Energy, Alliance to Save Energy, Ceres, and the National Association of Energy Service Companies.

- Association of Defense Communities
- American Clean Power Association ACP
- American Council on Renewable Energy ACORE
- Alliance to Save Energy
- Association for Governmental Leasing and Finance
- Business Climate Leaders
- Ceres
- Clean Energy Leadership Institute
- Climate Leadership Council
- Ecological Restoration Business Association
- National Association of Energy Service Companies
- National Association of Corporate Directors
- National Council for Public-Private Partnerships
- U.S. Green Building Council

CHARTERS AND PLEDGES

PLEDGES

AMERICA IS ALL IN

BUSINESS FOR AMERICA

CEO ACTION FOR DIVERSITY & INCLUSION

BUSINESS AMBITION FOR 1.5°C

civic alliance

Time To Vote

CHARTERS

Climate Action 100+

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

WE SUPPORT UN GLOBAL COMPACT

PCAF Partnership for Carbon Accounting Financials

PRI Principles for Responsible Investment

SCIENCE BASED TARGETS DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

POLICY ENGAGEMENT

While Hannon Armstrong has long engaged in public policy debates on climate and energy issues, we have significantly increased our policy engagement over the past two years. To be a corporate climate leader, we believe our company needs to meaningfully engage on policy. Our lobbying efforts are designed to educate policymakers (e.g., in-person and virtual meetings, trade association initiatives, direct responses to Congressional bills and reports, and sign-on letters).

Our advocacy efforts cover a range of issues, but we have primarily focused on climate change and the need for an economy-wide price on carbon.

Additionally in 2020, our employees relaunched our Political Action Committee, the Hannon Armstrong Climate Solutions PAC. Through the PAC, we support candidates and policies that are conducive to our climate positive growth objectives.

POLICY MISSION:

Hannon Armstrong advocates for policies that will harness private capital investment to address the climate crisis – creating jobs and boosting the economy through an accelerated build-out of sustainable and resilient infrastructure.

POLICY PRIORITIES:

- ➜ **Price Carbon:** Put a price on carbon to correct the failure of the market to account for the costs of unmitigated pollution
- ➜ **Drive Demand:** Increase demand for climate positive projects via renewable energy and energy efficiency standards
- ➜ **Boost Investment:** Facilitate private investment in climate change mitigation and resilient infrastructure projects through federal programs, agency procurement mandates, public-private partnerships, and other policy instruments
- ➜ **Modernize the Grid:** Establish a national electric grid that is reliable, secure, and clean
- ➜ **Reduce Regulatory Barriers:** Remove barriers to entry for clean energy through regulatory, permitting and siting reform
- ➜ **Promote Democracy Reforms:** Build a healthier, more responsive democracy to facilitate ambitious climate action with a focus on enacting campaign finance reform, protecting & expanding voting rights, & strengthening federal ethics laws

PLANET

TCFD ASSESSMENT

In 2018, under the direction of our Board and in accordance with the Task Force on Climate-Related Financial Disclosures (TCFD), we became one of the first public companies to adopt TCFD to increase the analytical rigor and transparency associated with our environmental impacts.

By being at the forefront of climate-related disclosures, we believe we will be able to more prudently manage emerging risks and proactively develop strategies to generate attractive risk-adjusted returns for our shareholders.

The TCFD was established by the Financial Stability Board with the goal of developing voluntary, consistent, climate-related financial disclosures that would be useful to all relevant stakeholders.

The recommendations of the TCFD are focused on four thematic areas representing core operational pillars, including: (1) governance; (2) strategy; (3) risk management; and (4) metrics and targets. We believe that our core principles are in substantial alignment with the goals and objectives contemplated in TCFD's thematic areas of focus, and we address each of them in our management efforts, decision-making processes, as well as our public disclosures, including our 2020 Form 10-K.

Governance

Our Board is responsible for the formal adoption of our ESG policies, including oversight of climate-related opportunities and risks.

At least once each quarter, the Board's Nominating, Governance, and Corporate Responsibility Committee reviews disclosures on progress toward our climate-related initiatives to external stakeholders.

Our President and CEO is responsible for overseeing the implementation of our environmental initiatives and for prioritizing internal resources committed to the advancement of our ESG objectives. An internal cross-functional ESG Committee is tasked with implementing our ESG strategies and policies.

A portion of all employee compensation is linked to the success in overall corporate performance in executing our business strategy, which is focused on investing in climate change solutions.

As a result, employee incentive compensation is linked to progress in advancing our ESG initiatives.

For additional information regarding our governance structure and ESG best practices, please see our 2020 Form 10-K item 1 – Business – Environmental and Social Responsibility and Corporate Governance and our proxy statement for our 2021 annual meeting.

Strategy

With scientific consensus that climate warming trends are driven by human activities and result in extreme weather events, we believe our firm is well positioned to generate attractive risk-adjusted returns by investing in and managing a portfolio of investments that reduce climate-altering carbon emissions. Further, with increasing weather-related events affecting certain of our markets, we see similar investment opportunities in infrastructure assets that mitigate the impact of and increase our resiliency to these extreme weather events and climate change.

Employee incentive compensation is linked to our progress in advancing our climate positive mission.

Hannon Armstrong's investments have verifiable quantified impacts that address or mitigate the effects of climate change as we believe the opportunities and risks associated with such investments are material to our stakeholders. Our Sustainability Investment Policy sets forth the underwriting criteria for our investments, which include processes for evaluating opportunities and risks uniquely related to environmental matters. To pass our sustainability screen, a proposed investment must either reduce carbon emissions or produce other tangible environmental benefits such as reducing water consumption.

Further discussion of our investment strategy is presented in our 2020 Form 10-K, in Item 1 – Business – Investment Strategy. Starting in 2018, we formalized policies that minimize the impacts of our business operations on climate change including purchasing 100% of our electricity from renewable energy sources. In addition, we committed to and then achieved reducing waste generation 10% by the end of 2020 (versus a 2017 baseline) through increasing the collection and processing of recyclable waste.

We also operate a composting program for food waste and mandate that carbon-intensive beef and pork dishes are not served at corporate events.

Climate Risk Management

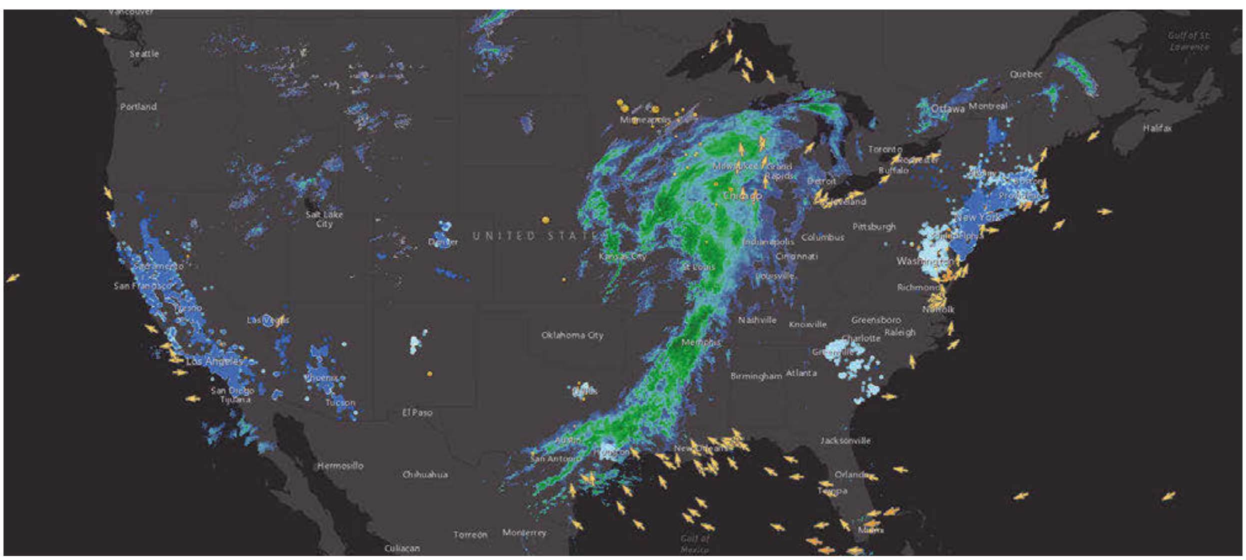
As infrastructure projects are subject to environmental forces, many assets in our portfolio are exposed to climate change related risks, including floods, wildfires, and hurricanes. Our due diligence process seeks to appropriately mitigate these risks by relying on independent subject matter experts to conduct engineering and weather analyses and insurance reviews.

After a transaction closes, we continue to monitor the environmental risks to which our portfolio is exposed. We periodically analyze the impact of seasonal climate trends on the portfolio, including drought, El Niño/La Niña phases, and changes in regional wind regimes. We also monitor large scale weather events that could negatively impact assets in our portfolio with the goal of implementing, together with our project partners, appropriate safety procedures and other threat mitigation measures.

We have also focused on improving the resiliency of our business operations by implementing cloud-based information technology systems to allow our employees to work from remote locations in the event of weather or other workplace disruptions. The Board's Finance and Risk Committee reviews policies and guidelines with respect to our risk assessments and management, including those that address certain environmental risks.

We discuss our environmental risk management in more detail in our 2020 Form 10-K, in Item 7 – Management's Discussion and Analysis of Financial Condition and Results of Operations – Factors Impacting our Operating Results – Impact of climate change on our future operations.

We monitor large scale weather events that could damage assets in our portfolio with the goal of implementing appropriate safety procedures and threat mitigation measures.



"Transparent disclosure of a company's comprehensive environmental impact is essential to addressing climate change. The consistent application of a global reporting framework will be necessary to positively impact corporate behavior, and we believe our disclosures are a model for accomplishing this goal."

CHUCK MELKO, Chief Accounting Officer.

TCFD SCENARIO ANALYSIS

In implementing TCFD and assessing the opportunities and risks related to climate change, we have considered the objectives of the Paris Agreement, which aims to hold the global average temperature to well below 2 degrees Celsius above pre-industrial levels and to work to limit the temperature increase to 1.5 degrees Celsius above pre-industrial levels. In the following analysis, we have illustrated potential impacts to our investment portfolio as of December 31, 2020, from the physical impacts of climate change and the transition to a low-carbon economy.

Risks and Opportunities

PHYSICAL

Given the assessments of the United Nations' Intergovernmental Panel on Climate Change (IPCC) and other leading climate research organizations regarding the probability of limiting the global temperature increase to 1.5 Celsius and likely serious climatic impacts even with aggressive emissions reduction initiatives, we believe our investment portfolio will be impacted by physical risks regardless of the actions taken. We assume the types of risks to which our investment portfolio is exposed are similar under either Scenario 1 or 2 (albeit at varying degrees of severity).

FLOODING

STORMS

EXTREME HEAT AND DROUGHT

WILDFIRES

SEA LEVEL RISE

TRANSITIONAL

A transition to a low-carbon economy may entail changes in market regulations, legal and regulatory frameworks, and reputational risks and technology. The impact of these changes will vary by scenario. In Scenario 1, sufficient globally coordinated action is taken to limit the global temperature increase to 1.5 degrees Celsius above pre-industrial levels. In Scenario 2, global action is insufficient to prevent global temperatures from increasing more than 2 degrees Celsius above pre-industrial levels.

Additional information, including highlights of quantitative impacts, can be found in our 2020 Form 10-K in Item 1A. Risk Factors and Item 7 – Management's Discussion and Analysis of Financial Condition and Results of Operations – Factors Impacting our Operating Results – Impacts of climate change on our future operations.

MARKET

REGULATORY

LEGAL

REPUTATION

TECHNOLOGY

TCFD Scenario 1

Sufficient globally coordinated action is taken to limit the global temperature increase to 1.5 degrees Celsius above pre-industrial levels.

	PHYSICAL	TRANSITIONAL[1]
PORTFOLIO IMPACT	• Physical Asset Damage • Reduced Power Generation Capacity • Accelerated Operational Performance Degradation • Natural Resource Price Volatility	• Higher REC Prices • Higher Energy Prices • Greater Cost Competitiveness of Climate Positive Technologies • More Attractive Growth in Total Addressable Market • Greater Quantity of High-Quality Investment Prospects • Degraded Competitor and Counterparty Creditworthiness
BOTTOM LINE IMPACT	• Higher Operational Costs • Higher Insurance Premiums • Reduced and More Variable Cash Flows • Increased Counterparty Default Risk • Reduced Debt Capacity • Diminished Long-Term Returns	• Increased Investment Volumes • Higher Variable Cash Flows • Lower Operational and Insurance Costs • Higher Asset and Portfolio Level Debt Coverage Ratios • Higher Long-Term Returns • Higher EPS Growth Potential
STRATEGIC RESPONSE	• Strengthen Climate Risk Considerations in Underwriting Process • Implement Proactive Operational Maintenance and Extreme Weather Protection Procedures • Procure Insurance Coverages • Augment Geographic and Technological Portfolio Diversity Through Investment Pipeline	• Optimize Investment Monetization and Debt Financing Strategy • Optimize Investment Pricing Strategies • Optimize EPS/DPS Growth and Payout Ratios • Expand Climate Positive Investment Universe

1) A transition to a low-carbon economy may entail changes in market regulations, legal and regulatory frameworks, reputational risks, and technology. The impact of these changes will vary by scenario.

TCFD Scenario 2

Global action is insufficient to prevent global temperatures from increasing more than 2 degrees Celsius above pre-industrial levels.

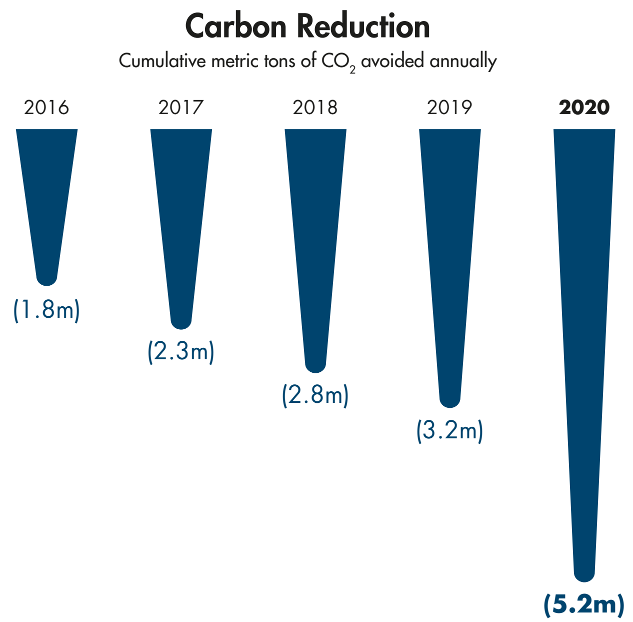
	PHYSICAL	TRANSITIONAL[1]
PORTFOLIO IMPACT	• Physical Asset Damage • Reduced Power Generation Capacity • Accelerated Operational Performance Degradation • Natural Resource Price Volatility	• Greater Power Grid Instability • Higher Power Prices Driven by Extreme Climate Driven Disruptions • Greater Commodity and Natural Resource Price Levels and Volatility • Increased Demand for Climate Positive Investments
BOTTOM LINE IMPACT	• Higher Operational Costs • Higher Insurance Premiums • Reduced and More Variable Cash Flows • Increased Counterparty Default Risk • Reduced Debt Capacity • Diminished Long-Term Returns	• Increased Investment Volumes • Higher Long-Term Financial Returns
STRATEGIC RESPONSE	• Strengthen Climate Risk Considerations in Underwriting Process • Implement Proactive Operational Maintenance and Extreme Weather Protection Procedures • Procure Insurance Coverages • Augment Geographic and Technological Portfolio Diversity Through Investment Pipeline	• Optimize Asset Monetization Strategy, Risk Management and Underwriting Processes • Optimize Investment Pricing Strategy

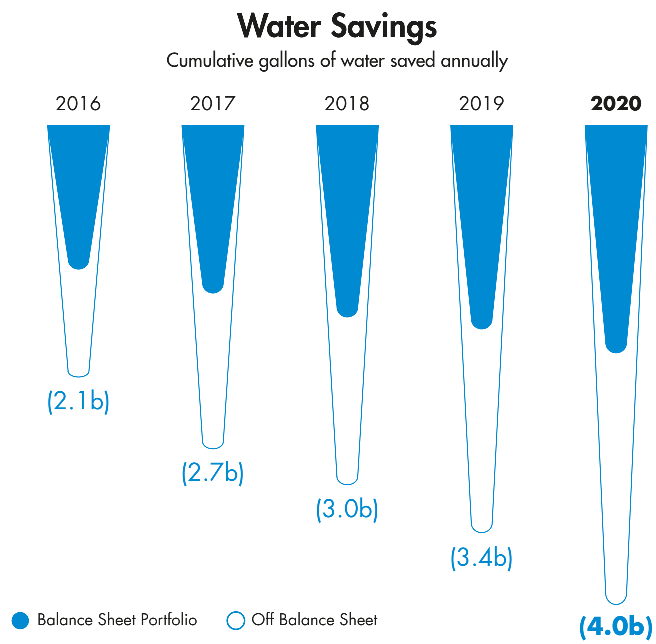
1) A transition to a low-carbon economy may entail changes in market regulations, legal and regulatory frameworks, reputational risks, and technology. The impact of these changes will vary by scenario.

TCFD METRICS AND TARGETS

In assessing our operational and financial performance, we calculate the environmental profile of our business operations and infrastructure investments using a combination of well-established reporting protocols and proprietary tools for measuring carbon emissions and water savings.

Climate Positive Impact Over Time





carboncount®
2020: 1.03

watercount℠
2020: 303

		Goal[3]	Performance[3]	Verification[4]
SCOPE 1 Indirect Emissions	Emissions from operations that are owned or controlled by a reporting company.	0 MT	0 MT	APEX
SCOPE 2 Indirect Emissions	Emissions from the generation of purchased or acquired energy such as electricity, steam, and heating and cooling, consumed by a reporting company, but excluding the impact of the purchase of renewable energy credits.	0 MT	0 MT	APEX
SCOPE 3 Indirect Emissions	All other indirect emissions that occur in the value chain of a reporting company, including both upstream and downstream emissions, but excluding the emissions avoided as a result of our investments. (~2.0 million of CO_2 in 2020)	0 MT	<200 MT	APEX

1) CarbonCount® is a scoring tool that evaluates investments in U.S.-based clean energy and sustainable infrastructure projects to determine how effectively they can be expected to reduce annual CO_2 emissions per $1,000 of investment.
2) WaterCount™ is a scoring tool that evaluates investments in U.S.-based projects to determine how effectively they can be expected to reduce annual water consumption per $1,000 of investment.
3) Expressed in metric tons (MT).
4) In addition to our internal review, Apex Companies, LLC was commissioned as an independent organization to verify our GHG emissions reporting as estimated in accordance with GHG measurement and reporting protocols of the World Resources Institute (WRI) / World Business Council for Sustainable Development Greenhouse Gas Protocol Corporate Accounting and Reporting Standard (Scope 1 and 2) and Corporate Value Chain Accounting and Reporting Standard (Scope 3).

SUSTAINABILITY REPORT CARD

The eighth annual edition of our Sustainability Report card discloses the CarbonCount® associated with each investment. CarbonCount® is an award-winning tool that evaluates the efficiency with which capital is employed to reduce greenhouse gases by estimating the carbon dioxide ("CO_2") emissions avoided annually per $1,000 of investment.

HANNON ARMSTRONG | SUSTAINABILITY REPORT CARD 2020

MARKET	REGION	CARBONCOUNT®
BTM	National	2.89
BTM	National	2.87
BTM	National	2.86
BTM	National	2.85
BTM	National	2.85
BTM	National	2.84
GC	National	2.02
BTM	South	1.90
GC	West	1.79
GC	National	1.66
GC	National	1.41
BTM	National	1.35
GC	West	1.25
GC	West	0.85
GC	West	0.74
BTM	Midwest	0.71
GC	West	0.65
GC	West	0.63
GC	West	0.61
BTM	Midwest	0.51
GC	West	0.46
BTM	National	0.40
BTM	National	0.40
BTM	South	0.36
BTM	South	0.31
BTM	Midwest	0.30
BTM	South	0.29
BTM	Midwest	0.28
BTM	West	0.28
BTM	West	0.24
BTM	South	0.24
BTM	West	0.23
BTM	National	0.20
BTM	National	0.18
BTM	South	0.17
BTM	Northeast	0.13
BTM	South	0.07
BTM	Midwest	0.05
BTM	Midwest	0.03
BTM	South	0.03
BTM	South	0.03
BTM	National	0.02
BTM	West	0.01
BTM	West	0.01
BTM	West	0.01
BTM	Midwest	0.00
SI	South	0.00
BTM	West	0.00
SI	South	0.00
BTM	National	0.00
BTM	National	0.00
BTM	National	0.00
SI	West	0.00
BTM	National	0.00

TOTAL

2.0m
Metric Tons of CO_2 Avoided

1.03
CarbonCount®

576m
Gallons of Water Saved

BTM = Behind-the-Meter, which includes energy efficiency, distributed solar, and storage investments.

GC= Grid-Connected, which includes solar land and onshore wind investments.

SI = Sustainable Infrastructure, which includes clean water, ecological restoration, and other resiliency investments.

* Investments in seismic retrofits provide resiliency in the event of an earthquake. A secondary benefit of such retrofits includes the preservation of carbon embedded in the built environment.

CarbonCount® is a scoring tool that evaluates investments in U.S.-based, energy efficiency and renewable energy projects to determine estimated CO_2 emissions avoided annually per $1,000 of investment.

Estimated carbon savings are calculated using the estimated kilowatt hours ("kWh"), gallons of fuel oil, million British thermal units ("MMBtus") of natural gas and gallons of water saved as appropriate, for each project. The energy savings are converted into an estimate of metric tons of CO_2 equivalent emissions based upon the project's location and the corresponding emissions factor data from the U.S. Government and International Energy Administration. Portfolios of projects are represented on an aggregate basis.

Estimated water savings are calculated as the sum of the direct annual estimated water savings from energy efficiency measures such as low flow water fixtures and the annual indirect water savings associated with the annual kWh generated and saved by our investments. The annual kWh of electricity generated and saved by our investments are multiplied by the amount of water withdrawn and not returned to local water systems based upon the project's location and the existing grid electricity generating units in that region. Indirect water savings is estimated using data prepared by the U.S. Government's Energy Information Administration and the Union of Concerned Scientists.

GREEN BONDS

Overview

At Hannon Armstrong, we are committed to ensuring all debt we issue is dedicated to eligible green projects. Typically, for corporate unsecured debt we pursue independent verification. Since 2013, we have raised approximately $5.5 billion of green debt, including securitizations and non-recourse and corporate issuances. Hannon Armstrong is a proud member of the Nasdaq Sustainable Bond Network.

Green Debt Issuances

Sustainable Yield Bonds Off Balance Sheet

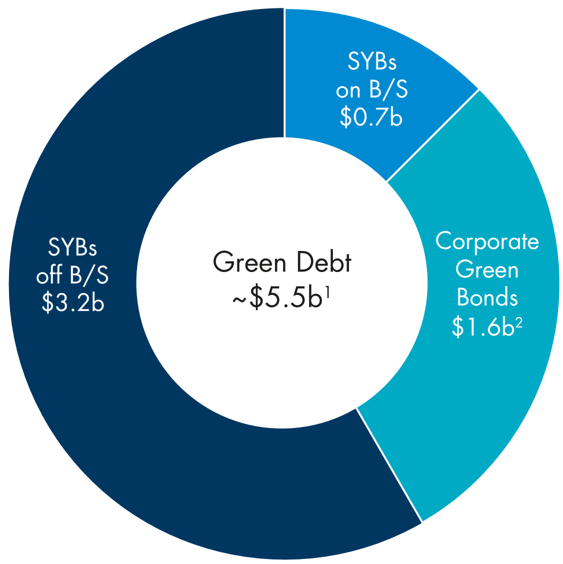
Securitizations typically of public sector receivables and managed off balance sheet

Sustainable Yield Bond On Balance Sheet

Non-recourse, asset-backed debt managed on balance sheet

Corporate Green Bonds

Senior unsecured or convertible bonds . issued as corporate obligations

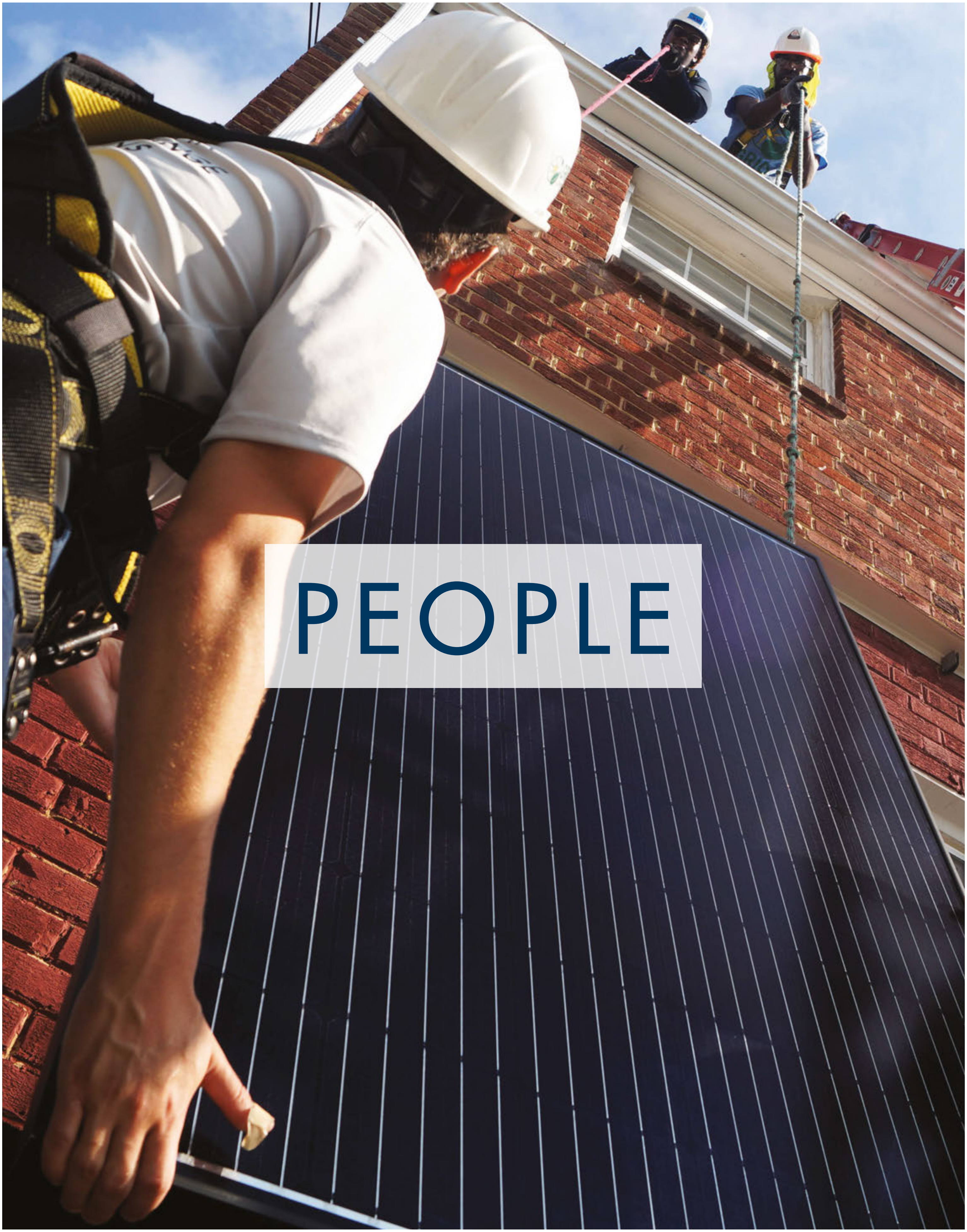


1) From 2013 IPO through12/31/2020.
2) ICMA's Green Bond Principles applicable to corporate unsecured green bonds and convertible green bonds due 2023 but not necessarily to convertible green bonds due 2022.

Corporate Green Bond Series[3]

SECURITY NAME	INDEPENDENT VERIFIER	CUSIP	MATURITY DATE	ISSUED VOLUME	COUPON RATE	CONVERSION PREMIUM	BOND TYPE	RATINGS	CarbonCount®[4]
HASI-GRB-001	Ernst and Young	418751 AA1	7/15/2024	$500,000,000	5.25%	N/A	Senior Unsecured	S&P: BB+ Fitch: BB+	0.25
HASI-GRB-002	Ernst and Young	418751 AB9	4/15/2025	$400,000,000	6.00%	N/A	Senior Unsecured	S&P: BB+ Fitch: BB+	2.01
HASI-GRB-003	Ernst and Young	418751 AD5	9/15/2030	$375,000,000	3.75%	N/A	Senior Unsecured	S&P: BB+ Fitch: BB+	0.35
HASI-GRB-004	Ernst and Young	41068X AD2	8/15/2023	$143,750,000	0.00%	27.5%	Convertible Senior Unsecured	S&P: BB+ Fitch: BB+	0.29

3) Excludes convertible green bonds due 2022.
4) This is the CarbonCount® metric resulting from the allocation of the net proceeds from this offering to specific Eligible Green Projects. CarbonCount® is the ratio of the estimated first year of metric tons of carbon emissions avoided (or that will be avoided) by the investment divided by the capital to be invested to understand the impact the investment is expected to have on climate change. In this calculation, we use emissions factor data, expressed on a CO_2 equivalent basis, from the U.S. Government or the International Energy Administration to estimate a project's energy production or savings to compute an estimate of metric tons of carbon emissions that will be avoided. In addition to carbon, we also consider other environmental attributes, such as water use reduction, stormwater remediation benefits, or stream restoration benefits.



PEOPLE

DIVERSITY, EQUITY, INCLUSION, AND JUSTICE (DEIJ)

Strategy

At Hannon Armstrong, we believe that our company is more than just the sum of individual roles, skills, and productivities. In addition, we recognize that fostering a supportive climate that allows people of all backgrounds to flourish lends itself to the highest levels of company performance and facilitates the attraction and retention of best-in-class talent.

We also believe it is inherently the right way to conduct business. As a result, we take a comprehensive, values-driven approach to diversity, inclusion, equity, and justice.

Through initiatives that go well beyond legal compliance, we endeavor to foster an innovative, creative culture where every member of our team can bring their best and most authentic selves to work.

Financing innovative climate change solutions demands insights from employees with diverse backgrounds, experiences, and perspectives.

Board Oversight

In accordance with its charter, the Nominating, Governance and Corporate Responsibility Committee (NGCR) of our Board of Directors is responsible for oversight of all matters related to DEIJ, including identifying and vetting Director candidates (when vacancies arise), helping to formulate the company's DEIJ strategy, and monitoring DEIJ performance metrics. The NGCR Committee meets at least quarterly to exercise its oversight, and the Committee's Chair periodically participates in meetings with investors interested in discussing DEIJ-related topics.

Goals and Metrics

Fundamentally, we aspire to the goal that our employees at each level of our organization are representative of the communities in which we operate. To this end, we have begun to track and report internally on key talent metrics including workforce demographics, critical role pipeline and diversity data, and engagement and inclusion indices. These metrics are and will continue to be actively managed and reported to our executive leadership and our board of directors.

Further, we are committed to identifying and developing the talents of our next generation of leaders. We endeavor to select qualified individuals from a diverse pool of candidates derived from broad outreach efforts when we recruit. We are committed to the sourcing and promotion of highly-qualified women, people of color and other underrepresented groups for management and Board positions.

We are also challenging ourselves to better support our female and underrepresented employees in their onboarding, training, development, and progression within the Company.

In addition, our Board's Compensation Committee has engaged an independent consultant to prepare a report evaluating the benefits and drawbacks of including diversity metrics among the Senior Management Team as one of the performance measures for the CEO under our annual and/or long-term incentive plans.

Over the last year, through new hires and promotions, we have made incremental progress toward our goal to increase the diversity of our workforce at all levels of our organization. With the appointment of our two new Board members, our Board of Directors is now 33% women and 11% racial or ethnic minority.

Going forward, we are committed to providing our stakeholders the data to hold us accountable for progress on this front. As a result of these efforts, we expect to benefit from material and ongoing changes in the diversity of our staff.

	Board of Directors		Leadership Team		Managerial Roles		Workforce	
	3/1/21	12/31/19	3/1/21	12/31/19	3/1/21	12/31/19	3/1/21	12/31/19
Female-Identifying	33%	29%	18%	22%	45%	29%	40%	38%
Racial or Ethnic Minority	11%	0%	0%	0%	12%	14%	25%	22%
LGBTQ+[1]	0%	0%	0%	0%	0%	0%	2%	2%

Comprehensive Plan for Multiyear Impact

In 2020, we engaged an independent DEIJ consultant and convened an internal DEIJ Working Group to identify specific DEIJ challenges facing our organization and develop a multiyear plan for addressing them.

Key components of this plan include the below. We hope to provide more information on our progress on these initiatives in next year's report.

- Talent Acquisition
- Business Resource Groups
- New Employee Onboarding
- Training and Professional Development
- Dashboard Metrics
- Human Resource Process Amendments

We remain committed to "equal pay for equal work" in compliance with applicable state law. To validate our commitment, we have engaged an independent firm to conduct a pay equity audit. We expect to provide additional disclosures around the outcome of this audit upon its conclusion.

	New Hires
	1/1/20 – 3/1/21
Female-Identifying	38%
Racial or Ethnic Minority	41%
LGBTQ+[1]	3%

To promote the advancement of women in a traditionally male-dominated industry, we seek to develop and mentor the next generation of women leaders in clean energy and finance. Through our sponsorship of Women of Renewable Industries and Sustainable Energy (WRISE) and the membership of our women executives in the Hawthorn Club, we promote the education, professional development, and advancement of women in the renewable energy economy.

1) Self-identified

HEALTH AND WELL-BEING

Our people are our strongest differentiator, which is why we recognize the importance of selecting the best talent, developing their skills, and providing an inclusive culture where everyone can flourish. When you work at Hannon Armstrong, you experience an environment that is collaborative, rewarding, and transparent. We provide total rewards that support the health and well-being of our employees and their families, while consistently offering opportunities for growth in line with our mission.

We provide attractive non-salary benefits to all full-time employees and design compelling job opportunities, aligned with our mission, in an energizing work environment. We compensate our employees according to fair remuneration policies and believe in paying for performance. Therefore, employees generally receive a portion of their compensation in the form of equity grants tied to performance. In addition to competitive base salaries, cash bonuses, and equity participation for the majority of employees, we are committed to continuously evaluating and ensuring the competitiveness of our benefits offerings so that we meet the various needs of our employees and their families. Despite a healthcare environment that is facing rising costs, we continue to pay the vast majority of employee healthcare insurance costs.

Our total rewards include:

- Medical/Prescription Drug Insurance
- Dental Insurance
- Vision Insurance
- Group Life/AD&D Insurance
- Long-Term Disability (LTD) Insurance
- 401k Retirement Plan (including match and immediate vesting of individual contributions)
- Vacation
- Tuition reimbursement
- Reimbursement for gym memberships and equipment
- Employee assistance program (including wellness, legal, and financial tools and resources)
- Flu shot clinics on-site
- Leave policies include 11 paid holidays, maternity and paternity plans, and paid time off (including sick leave)

»73 Full-time employees	»100% Employees eligible for Employee Stock Ownership Plan	»5 years Average employee tenure

Hannon Armstrong employees and family members participating in the 2019 Army vs. Navy game Green Tailgate in partnership with Annapolis Green.

SKILLS FOR THE FUTURE

We adhere to a blended learning approach with the understanding that our people learn from experiences (on the job and in life), from other people (mentors and supportive managers), and formal learning and training programs. We acknowledge that learning is highly individualized and needs to be offered in a way that is most conducive to the specific needs of individual learners.

Managers hold performance conversations with their employees on a periodic basis – targeting a minimum of twice a year. These conversations ensure that employees receive the performance feedback they deserve and provide us insight into how to support their development so that performance expectations are clear and aligned with the overarching objectives of the company. We also facilitate continuous dialogue between these formal touchpoints.

Our dedication to cultivating our talent and supporting our employees encompasses various professional development opportunities, such as:

- Formal educational programs, advanced degrees and professional certifications, including in the fields of accounting and finance; and
- Internal trainings on DEIJ (including implicit bias), leadership, finance, information technology, strategic thinking, managerial development, and communication skills.

» 11 Average number of training hours per person

» 800 Cumulative number of training hours

Further, in 2021, we expect to launch a formal employee mentorship program to ensure all employees have the ability to learn from more senior leaders. This program is also expected to support our formal succession planning efforts, which are overseen by our Board.

ENGAGEMENT

It is important to us that our employees are engaged in our mission of sustainability. We also want them to be engaged to drive our business forward, recruit from their networks, and envision a long tenure with us. We meet no less than quarterly as a company to provide information to employees on our mission, strategic planning and financial results. We also seek their input and feedback on ways in which we can improve our work environment as well as how we can be a positive influence in our local communities. It is our employees who are ultimately responsible for upholding our purpose, values, strategy, and talent leadership expectations.

Collaborative, rewarding and transparent are often the words with which our employees describe our culture. From monthly lunch and learn discussions – where we learn about and share topics relevant to our business – to our sailing club – where we strengthen our bonds as a unified crew – to our monthly book club – when we meet to discuss books, articles, podcasts, and documentaries on sustainability and social justice issues – to our weekly guided meditations, we instill a sense of fulfillment beyond the day-to-day employee experience.

To measure employee engagement, we conduct company-wide surveys. We rely on responses, which are anonymous, to encourage employees to provide honest, candid feedback, to drive cultural, professional development, and to inform benefit-related initiatives.

Sailing Club

Every sailing season, we take a small group of sailors, sailing students, and "pre-sailors," as a way to get out on the famed-waters of the Chesapeake Bay and strengthen our bonds as a unified crew.

Book Club

Every month, we meet to review diverse selections that relate to our investment thesis, and the economics, politics, physics and the reality of climate change. We believe we are students always.

Midweek Meditation

The access point for our best days is the moment of stillness and quiet we add to it, which is why we gather every Wednesday in guided meditation designed to mitigate stress and improve focus.

Lunch and Learns

We host monthly workshops led by our expert staff or outside partners on a variety of topics, such as energy storage, community solar, climate policy, and other topics relevant to our business.

Walk the Watershed

Hannon Armstrong Partners with the Chesapeake Bay Foundation to Walk the Watershed

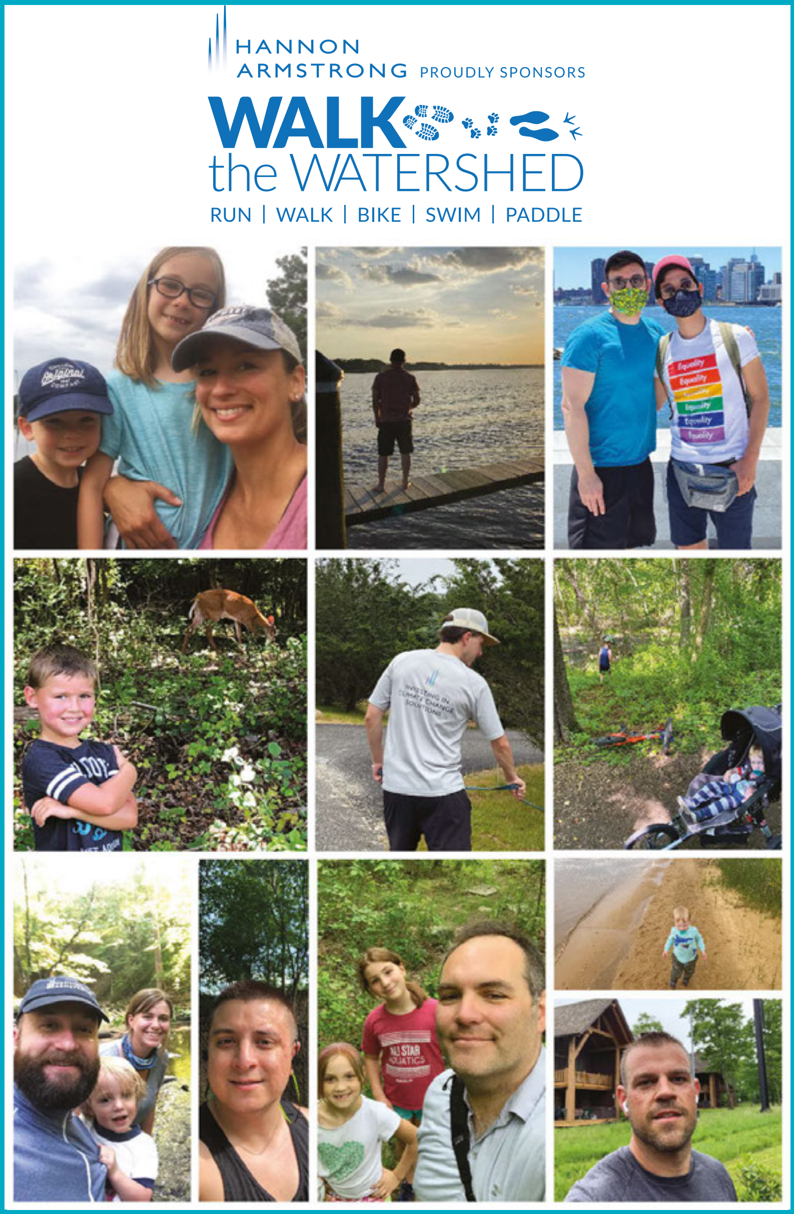
Though the COVID-19 pandemic forced the Chesapeake Bay region's 18 million inhabitants indoors, the 4,500-square mile estuary's environmental problems remain. Reversing the poor water oxygen levels symptomatic of the Bay's imbalance requires a robust community response.

To simultaneously ease community residents outdoors and restore the Bay's ecological health, the Chesapeake Bay Foundation (CBF) and Hannon Armstrong collaborated to support this vital ecosystem with Walk the Watershed.

As a two-month fundraising event, Walk the Watershed invited community members outside to case the lands that drain into the Chesapeake. While each of the 165 teams courted donations and respectively walked at least 200 miles (a distance roughly equivalent to the Bay), Hannon Armstrong's team clocked an impressive 768 miles on foot, raising nearly $33,000.

In aggregate, Walk the Watershed participants covered over 30,000 miles to raise $174,000 for the CBF's conservation initiatives. Funds from the event helped the CBF educate 32,000 students and teachers, plant 21,000 trees, and seed the Bay's sanctuary reefs with 34 million juvenile oysters.

Clearing pollutants from the Chesapeake's waters and restoring healthy oxygen levels for its 3,600 flora and wildlife species is a goal both audacious and worthwhile. Hannon Armstrong's proud partnership with the CBF to Walk the Watershed forwards our shared mission to Save the Bay.



PROSPERITY

FINANCIAL PERFORMANCE

We closed on a record $1.9 billion in transactions, up from $1.3 billion in 2019, preserved our asset yield despite falling market rates, and significantly reduced our cost of capital. As a result, we produced record earnings of $1.55 per share which exceeded our previous three-year guidance. In addition, we are well-positioned for 2021.

In 2021, we expect to realize the full-year benefit of funding the balance of the 2020 transactions plus additional investments that are sourced and funded this year. The impact will be reflected in higher Net Investment Income and ultimately higher Distributable Earnings. As such, we have issued new guidance for the 2021 to 2023 period of 7% to 10% compound annual growth in Distributable Earnings, higher than the 7% compound annual growth we achieved in the prior three-year period.

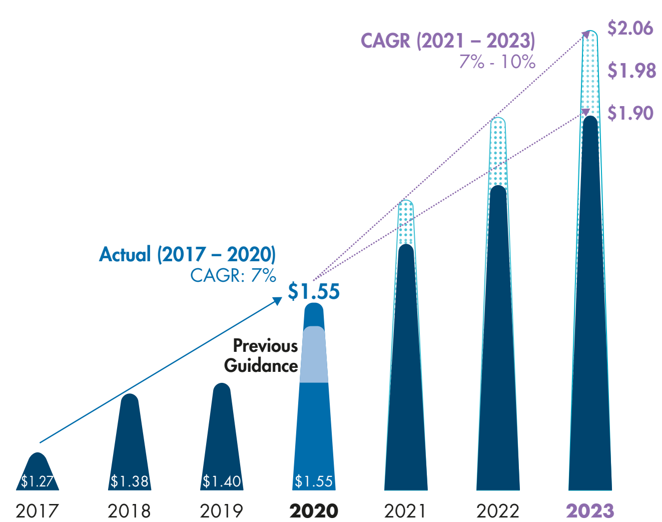
Key Performance Indicators

Key Performance Indicators		**FY20**	**FY19**
EPS	GAAP	$1.10	$1.24
	Distributable[1]	$1.55	$1.40
NII	GAAP	$29m	$38m
	Distributable[1]	$88m	$82m
Portfolio Yield[1]		7.6%	7.6%
Balance Sheet Portfolio		$2.9b	$2.1b
Managed Assets[1]		$7.2b	$6.2b
Debt to Equity Ratio		1.8x	1.5x
Distributable ROE[2]		10.7%	10.5%
Transactions Closed		$1.9b	$1.3b

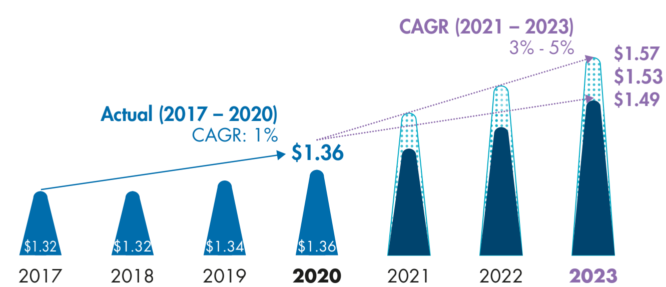
Total Return[1]	**1yr**	**3yr**	**5yr**
HASI	105%	46%	35%
S&P 500 ESG Index	20%	14%	14%
FTSE NAREIT Index	(5%)	5%	7%
YieldCo Index[2]	27%	18%	16%

1) As of 12/31/20. 2) Global X Renewable Energy Producers ETF.

Distributable Earnings per Share



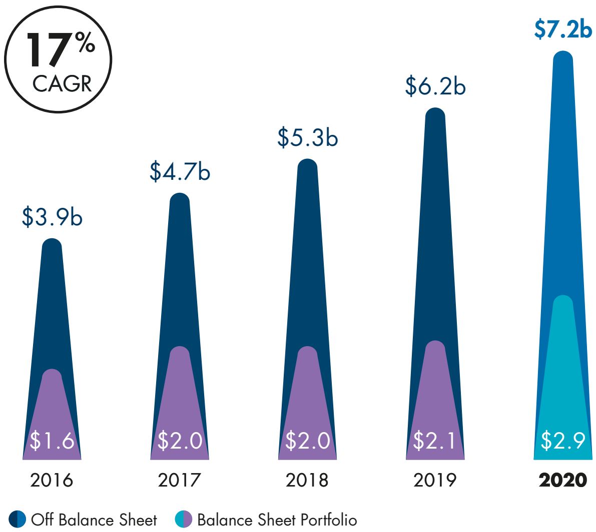
Dividends per Share



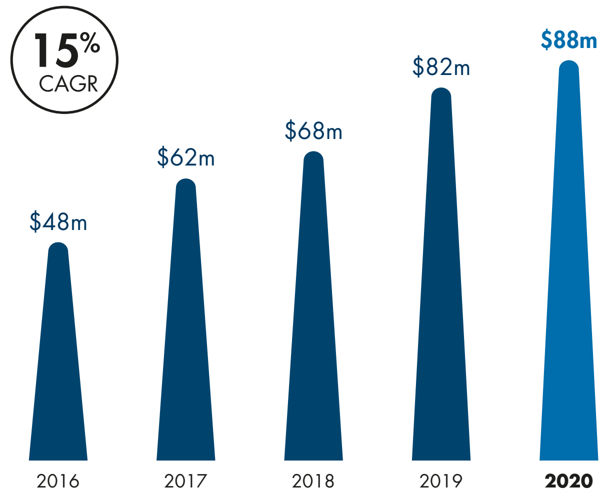
1) See the Non-GAAP Financial Measures section of our 2020 Form 10-K for an explanation of Distributable Earnings, Distributable Net Investment Income, Portfolio Yield, and Managed Assets, including reconciliations to the relevant GAAP measures, where applicable.
2) Distributable ROE is calculated using distributable earnings for the period and the average of the ending quarterly equity balances in 2020 and 2019.
3) CarbonCount® is a scoring tool that evaluates investments in U.S.-based energy efficiency and renewable energy projects to estimate the expected CO_2 emission reduction per $1,000 of investment.
4) WaterCount™ is a scoring tool that evaluates investments in U.S.-based projects to estimate the expected water consumption reduction per $1,000 of investment.

GROWTH HIGHLIGHTS

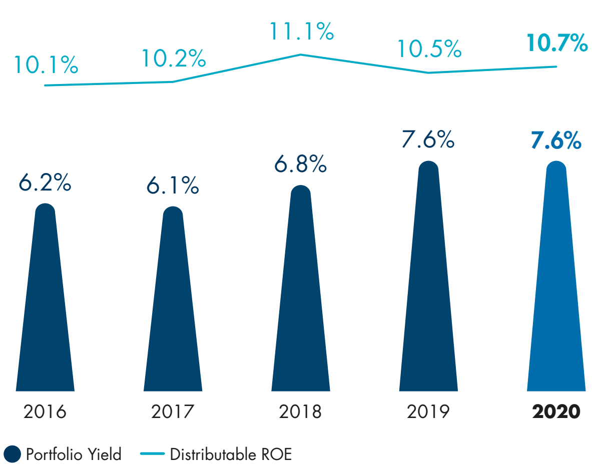
Managed Assets[1]



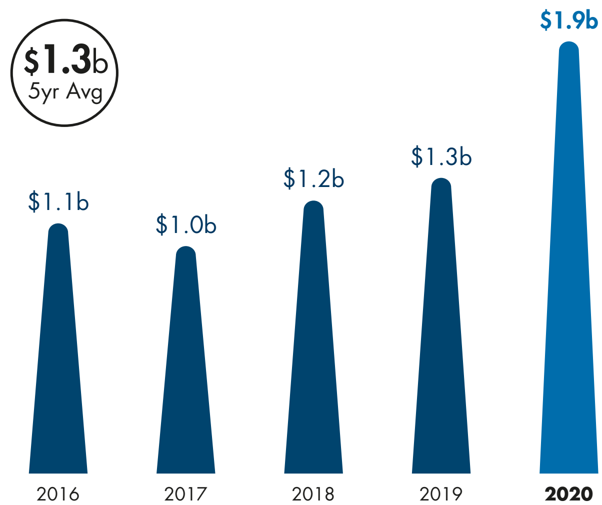
Distributable NII[1]



Portfolio Yield[1] and Distributable ROE[2]



Transaction Volumes



1) See the Non-GAAP Financial Measures section of our 2020 Form 10-K for an explanation of Distributable Net Investment Income, Portfolio Yield, and Managed Assets, including reconciliations to the relevant GAAP measures, where applicable.
2) Distributable ROE is calculated using distributable earnings for the period and the average of the ending quarterly equity balances in 2020 and 2019.

GIVING BACK

In 2020, our philanthropic efforts were focused on supporting local COVID-19 relief efforts, the momentous call for social justice, and supporting free and fair elections across the U.S. In total, we made corporate contributions of over $400,000 to the below and other organizations.

	FOCUS AREA
Maryland Food Bank	Local COVID-19 Relief – Food Insecurity
YWCA of Annapolis & Anne Arundel County	Local COVID-19 Relief – Domestic Violence
Annapolis Lighthouse	Local COVID-19 Relief – Homeless Support and Prevention
NAACP Legal Defense Fund	Racial Justice
Campaign Zero	Racial Justice
Baltimore Action Legal Team	Racial Justice
Business for America – Operation Vote Safe	Voting Rights
Chesapeake Bay Foundation	Local Conservation
Smithsonian Environmental Research Center (SERC)*	Local Conservation
Clean Energy Leadership Institute (CELI)	Industry Workforce Development

Employee Charitable Match Program

Established in 2020, our Employee Charitable Match program encourages full-time employees and board members to generously support charitable (501(c)(3)) organizations addressing issue areas of their choice. A portion of the Company's up-to-$2,000 match is dedicated to organizations confronting racial and economic injustice, voter suppression, and other civil rights violations.

Hannon Armstrong donated to three local nonprofits stretched by the coronavirus pandemic, including Light House Shelter in Annapolis. The money helped the shelter refocus its Light House Bistro training program to feeding people who might go without food during the pandemic.

Corporate Foundation

HANNON ARMSTRONG FOUNDATION

We created the Hannon Armstrong Foundation in early 2021 to add a strategic, long-term lens to our maturing corporate philanthropy efforts – tied to specific focus areas and committed to impact measurement. This flowed from an organic expression of shared values that fits naturally within our culture of fierce curiosity and rigor about outcomes in climate investing. In early 2021, we declared an initial "Social Dividend" to the foundation of $1 million.

Vision

We seek to accelerate a just transition toward an equitable, inclusive, and climate positive future.

Focus Areas

CLIMATE SOLUTIONS

Innovative organizations and projects that preserve and restore our natural resources and develop new solutions to pressing climate challenges

EQUITY, INCLUSION, AND EMPOWERMENT

Empowering and creating opportunity for marginalized individuals and communities

LOCAL IMPACT

Initiatives that strengthen the social fabric and promote economic and climate resilience

Hannon Armstrong volunteers at a 2019 GRID Alternatives Mid-Atlantic solar installation in the Benning Ridge neighborhood of Northeast D.C. The initiative is part of D.C.'s Solar For All program, which seeks to provide the benefits of solar electricity to 100,000 low-income households and reduce their energy bills by 50% by 2032.

APPENDIX

HANNON ARMSTRONG | ENVIRONMENTAL METRICS FOR FISCAL YEAR ENDING DECEMBER 31, 2020

	DECEMBER 31, 2020
REPORTING BOUNDARY	
% of Occupied Facilities Covered in Reporting	100.0%
Revenues Covered in Reporting	100.0%
Full Time Employees	60[1]
TOTAL ENERGY CONSUMPTION	
Total Annual Energy Consumption (MWh)	190
Total Annual Renewable Energy Consumption	190
Percentage of Total Energy Consumed Supplied by Renewable Energy	100.0%
Total Onsite Power Generated (MWh)	0
Self Generated Renewable Electricity	0
Onsite Fuel Used - Natural Gas (mmbtu)	0
Onsite Fuel Used - Oil/Diesel (mmbtu)	0
Onsite Fuel Used - Coal/Lignite (mmbtu)	0
Onsite Fuel Used - Biomass (mmbtu)	0
Renewable Energy Certificates (MWh)	0
Renewable Energy Purchased Under Power Purchase Agreement	0
Alternative Fuel Use %	0.0%
Solar % Total Energy	0.0%
Nuclear % Total Energy	0.0%
Biomass Fuel Use %	0.0%
GREENHOUSE GAS EMISSIONS REPORTED IN METRIC TONS OF CO_2 EQUIVALENT EMITTED OR (OFFSET) OVER ANNUAL REPORTING PERIOD	
Scope 1	0[2]
Scope 2 - Location Based	66[2]
Scope 2 - Market Based	0[2]
Scope 3 - Total (excluding Category 15 - Investments)	109
SCOPE 3 UPSTREAM - SUBTOTAL	109
Scope 3 Category 1 - Purchased Goods and Services	7
Scope 3 Category 2 - Capital Goods	0
Scope 3 Category 3 - Fuel and Energy Related Activities	0
Scope 3 Category 4 - Upstream Transportation and Distribution	0
Scope 3 Category 5 - Waste Generated in Operations	0[2]
Scope 3 Category 6 - Business Travel	70[2]
Scope 3 Category 7 - Employee Commuting	32[2]
Scope 3 Category 8 - Upstream Leased Assets	0
SCOPE 3 DOWNSTREAM - SUBTOTAL	0
Scope 3 Category 9 - Downstream transportation and distribution	0
Scope 3 Category 10 - Processing of sold products	0
Scope 3 Category 11 - Use of sold products	0
Scope 3 Category 12 - End of life treatment of sold products	0
Scope 3 Category 13 - Downstream leased assets	0
Scope 3 Category 14 - Franchises	0

HANNON ARMSTRONG | ENVIRONMENTAL METRICS FOR FISCAL YEAR ENDING DECEMBER 31, 2020

	DECEMBER 31, 2020
Direct CO_2 Emissions	0
Indirect CO_2 Emissions	169[2]
Total CO_2 Emissions	0
Methane	0
Direct Nitrous Oxide Emissions	0
Direct Sulfur Hexafluoride Emissions	0
Direct Methane Emissions	0
Direct Nitrous Oxide Emissions	0
Direct SF6 Emissions	0
Direct HFC Emissions	0
Direct PFC Emissions	0
OTHER EMISSIONS REPORTED IN METRIC TONS	
Criteria Pollutants	0
HFC	0
PFC	0
SF6	0
VOC Emissions	0
Sox Emissions	0
NOx Emissions	0
Particulate Matter	0
HAPs	0
CO Emissions	0
ODS Emissions	0
Particulate Emissions	0
Gas Flaring	0
SO_2 Emissions	0
TOTAL WATER USE REPORTED IN KGALS	
Total Water Withdrawal for Corporate Uses	19
Municipal Water Use	19
Groundwater Withdrawals	0
Salt Water Withdrawals	0
Surface Water Withdrawals	0
Reclaimed Water Use	0
Total Water Recycled	0
Process Water Use	0
Water/Unit of Prod	0
Cooling Water Inflow	0
Cooling Water Outflow	0
Water Discharged	0
Discharges to Water	0
Biological Oxygen Demand of Discharges	0

HANNON ARMSTRONG | ENVIRONMENTAL METRICS FOR FISCAL YEAR ENDING DECEMBER 31, 2020

	DECEMBER 31, 2020
Chemical Oxygen Demand of Discharges	0
Nitrogen Discharges	0
Phosphorus Discharges	0
% Water Recycled	0
Water Stress Exposure %	0
TOTAL WASTE REPORTED IN METRIC TONS	
Total Paper Consumed	4
Waste Recycled	1
Hazardous Waste	0
Waste Sent to Landfills	12
Post-Consumer Recycled Paper as Percentage of Total Paper	100.0%
FINES	
Environmental Fines #	0
Environmental Fines $	$0
INVESTMENTS/COSTS	
Investments in Operational Sustainability	0
Certified Sites	0
Number of Sites	0
ISO 14001 Certified Sites	0
% Sites Certified	0

1) As of 12/31/2020 we employed 73 people. However, during the period from 1/2/2020 to 3/10/2020 when our office was open, we employed 60 people which we used for calculating Scope 3 emissions, water usage, and office waste.

2) FY 2020 Scope 1, Scope 2, and Scope 3 Emissions have been verified by Apex.

The content in Hannon Armstrong's Impact Report, including documents or reports incorporated herein by reference, is accurate as of December 31, 2020. This Impact Report should be read in conjunction with Hannon Armstrong's Annual Report for the year ending December 31, 2020 and our 2021 Proxy Statement, both of which contain additional information about our company. This report uses certain terms, including those that reflect the issues of greatest importance to Hannon Armstrong and our stakeholders. Used in this context, these terms should not be confused with the terms "material" or "materiality," as defined by or construed in accordance with securities law, or as used in the context of financial statements and financial reporting. Furthermore, any forward-looking statements contained in this report should not be unduly relied upon, as actual results could differ materially from expectations. For more information about such statements, please refer to the "Forward-Looking Statements" and "Risk Factors" sections of our Form 10-K in Hannon Armstrong's Annual Report for the year ended December 31, 2020, which can be found at www.hannonarmstrong.com.

This material does not constitute an offer or solicitation in any jurisdiction where or to whom it would be unauthorized or unlawful to do so. Nothing in this material is incorporated by reference or shall be deemed to be incorporated by reference into the documents that we have filed or will file with the U.S. Securities and Exchange Commission.

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Stock Listing
Hannon Armstrong Sustainable Infrastructure Capital, Inc.'s common stock is listed on the New York Stock Exchange under the symbol "HASI".

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