



# Hannon Armstrong ESG Materiality Assessment

<b>Hannon Armstrong Materiality Matrix</b>	
<b>Relevance to Hannon Armstrong Stakeholders</b>	Financial Reporting    Enterprise Risk Management  Corporate Governance  ESG & CarbonCount Reporting Ethical Behavior  Community & Philanthropic Engagement  Business Partner ESG Engagement
	Sustainable Finance Talent Attraction & Retention  Policy Advocacy  Corporate Culture & Environment Investor Engagement
<b>Relevance to Business Success</b>	



## Our Approach

### Overview of Materiality Assessment Methodology

In the context of Environmental, Social, and Governance (ESG), transparently determining materiality aligns the issues most relevant to our stakeholders and Hannon Armstrong's financial performance. Our materiality assessment categorizes the issues identified as important to stakeholders along the four sustainable value creation pillars developed by the World Economic Forum's International Business Council: Principles of Governance, Planet, People, and Prosperity.

To determine the materiality and priority of each of the ESG issues mapped on the materiality matrix, we gathered the perspectives of the internal and external stakeholder priorities reflected in our annual Impact Report and Annual Report. On these identified issues, we conducted a series of discussions with relevant parties. These formal conversations reinforced the baseline goals of our ESG program as they align with our financial goal of delivering superior risk-adjusted returns from our investments in climate solutions. Guided by ESG frameworks including TCFD, PCAF, CDP, S&P, and the UN Global Compact, our disclosure priorities informed the topics we have concluded are most material to our ESG goals.

Relying on the foundation of our proven Enterprise Risk Management program to enhance our Materiality Assessment methodology with necessary rigor, we mapped the following ESG issues according to their respective relevance to Hannon Armstrong's stakeholders and business success. The results of Hannon Armstrong's inaugural Materiality Assessment are illustrated in the 2022 Hannon Armstrong Materiality Matrix. Prioritizing these ESG issues aligns Hannon Armstrong's long-term focus on sustainable business operations with dependably delivering value to our stakeholders.



## Categories & Definitions

ESG Materiality Category	ESG Materiality Sub-Categories	Definition	Category	Associated Category for ERM
Enterprise Risk Management		Comprises our ongoing active asset management and portfolio monitoring processes that provide investment and cashflow oversight, capital market risk management, and valuable insight into our origination, underwriting and structuring processes.	Governance	Quarterly Risk Assessment and Reporting to FRC
Corporate Governance	Board Diversity and Independence Executive Compensation DEIJA/Workforce Representation Targets Equal Pay Targets	Comprises our commitment to Board Diversity and Independence, Executive Compensation, and internal targets for DEIJA/Workforce Representation and Equal Pay.	Governance	Organizational Design/Talent Management/Corporate Leadership
Ethical Behavior	Whistleblower Policies Fraud/Misconduct Anti-Crime/KYC/CIP	Comprises our Whistleblower Policies, our stance against Fraud/Misconduct, as well as our Anti-Crime/KYC/CIP measures.	Governance	Fraud/Misconduct
Talent Attraction & Retention	Employee Satisfaction Employee Training Employee Compensation and Incentives	Comprises our commitment to measuring and enhancing Employee Satisfaction, providing adequate Employee Training, as well as Employee Compensation and Incentives.	Social	Talent Management
Corporate Culture & Environment	Alignment to Core Values Employee Knowledge of and Engagement with ESG Issues	Comprises communication and training to align employees to Hannon Armstrong's core values and develop employee knowledge and understanding of key ESG issues and risks.	Social	Talent Management
ESG & CarbonCount Reporting	TCFD Assessment/Scenario Analysis GHG Emissions Reporting/Reduction PCAF Disclosures ESG Integration into Financial Analysis	Comprises Transparency and Accountability regarding TCFD Assessment/Scenario Analysis, GHG Emissions Reporting/Reduction, PCAF Disclosures, and ESG Integration into Financial Analysis by employing and reporting on the CarbonCount metric.	Governance	Financial and ESG Reporting



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ESG Materiality Category	ESG Materiality Sub-Categories	Definition	Category	Associated Category for ERM
Business Partner ESG Engagement	Human Rights Diligence Mission Alignment to Energy Transition and Diversity goals	Comprises human rights diligence, assessing the current practices of our business partners in relation to ESG issues, mission alignment to energy transition and diversity goals, sharing best practices with respect to ESG issues, and transparent ESG reporting.	Environmental/ Social/ Governance	Headline/ Public Perception Strategic Investments
Sustainable Finance	Green Bonds Other Sustainability Linked Financing Vehicles	Comprises ensuring that all debt Hannon Armstrong issues is dedicated to eligible green projects, with adequate verification of alignment with our Green Bond Framework, developed in accordance with the ICMA's Green Bond Principles.	Environmental	Capital Markets/Liquidity
Investor Engagement	Investor Activism/Proxy Voting	Comprises engagement with investors on ESG issues.	Governance	Compliance/Regulatory/ Organizational Design
Policy Advocacy	Public Policy & Political Engagement	Comprises the lobbying efforts initiated by Hannon Armstrong and political contributions made by Hannon Armstrong's PAC to governments and institutions of political influence, its relationships with public authorities, and its public policy and market influence.	Governance	Regulatory Risk/Strategic Investment/Financial & ESG Reporting
Community & Philanthropic Engagement	Employee Engagement Philanthropy/Volunteerism	Comprises company-funded philanthropic initiatives and efforts to encourage employee volunteering in their local communities or making monetary contributions to charitable organizations.	Social	
Financial Reporting	Quarterly and Annual Financial Disclosures	Comprises the timely and accurate reporting of all financial metrics required by the U.S. Securities and Exchange Commission (SEC).	Governance	