

# HASI INTERNAL CARBON PRICE

In keeping with our historic leadership on climate positive investing and absent a national or global policy-mandated carbon price, we affirmed in 2022 the best practice of investors and corporate issuers by establishing an internal price of carbon for the emissions

associated with both business operations and investments. We believe instituting an internal carbon price encourages transparent emissions reporting and exemplifies and encourages long-term climate positive investments.

## Methodology

According to a recent McKinsey analysis<sup>1</sup>, approximately 30% of financial services firms surveyed have instituted an internal carbon price. Of these firms, the median fee per metric ton of CO<sub>2</sub>e is just \$6 whereas the carbon price range required to meet Paris Agreement emissions goals is \$40 to \$80.

We have set an internal carbon price of \$100/tCO<sub>2</sub>e, which is in line with current best-in-class internal corporate carbon prices and almost double the price of \$51/tCO<sub>2</sub>e determined by the U.S. Government's Interagency Working Group on the Social Cost of Carbon.

At the end of each year, we sum the Scope 1, Scope 2, and Scope 3 (including Category 15) carbon emissions from the

prior year. We then net the avoided emissions associated with our investments as of the end of the most recent year against only our Scope 3 Category 15 emissions, if any. If the result of this calculation is less than zero, we simply assign a value of zero to this subtotal. Note that we do not net avoided financed emissions (Scope 3 Category 15) against Scope 1 or Scope 2 emissions.

We strongly believe that all companies should report the avoided emissions associated with their investments. Further, allowing companies to net their avoided financed emissions against their Scope 3 Category 15 emissions supports the allocation of capital in accordance with long-term climate positive investment strategies.

## HASI Internal Carbon Pricing Calculation (FY22)

Scope 1 Emissions (tCO <sub>2</sub> e)	0
Scope 2 (Market-Based) Emissions (tCO <sub>2</sub> e)	0
Scope 3 (Categories 1-14) Emissions (tCO <sub>2</sub> e)	311
Scope 3 (Category 15) Emissions (tCO <sub>2</sub> e)	42,604
Total Gross Emissions (tCO <sub>2</sub> e)	42,915
"Scope 4" Avoided Financed Emissions (EOY22; tCO <sub>2</sub> e)	(615,000)
Net Scope 3 (Category 15) Emissions (tCO <sub>2</sub> e)	(572,085)
Total Net Emissions (tCO <sub>2</sub> e)	311
HASI Internal Carbon Price (\$/tCO <sub>2</sub> e)	\$100
HASI Internal Carbon Fee (FY22)	\$31,100

## Use of Proceeds from Internal Carbon Fee

Each year, the total internal fee for CO<sub>2</sub> emissions is donated to the HASI Foundation as a component of the company's annual Social Dividend.

(1) McKinsey, The State of Internal Carbon Pricing (February 2021)