



Hannon Armstrong Sustainable Infrastructure Capital, Inc. Green Bond Framework

Definition of “Eligible Green Projects”

“Eligible Green Projects” means projects intended to reduce carbon emissions or provide other environmental benefits in the following categories:

- (1) *Behind-the-Meter (“BTM”)*: distributed building or facility projects that reduce energy usage or cost through the use of solar generation and energy storage or energy efficient improvements, including heating, ventilation and air conditioning systems (“HVAC”), lighting, energy controls, roofs, windows, building shells, and/or combined heat and power systems;
- (2) *Grid-Connected (“GC”)*: projects that deploy cleaner energy sources, such as solar and wind to generate power where the off-taker or counterparty is part of the wholesale electric power grid; and
- (3) *Other Sustainable Infrastructure*: upgraded transmission or distribution systems, water and storm water infrastructure, seismic retrofits and other projects, that improve water or energy efficiency, increase resiliency, positively impact the environment or more efficiently use natural resources.

Eligible Green Projects are expected to be located in the United States.

Process for Project Evaluation and Selection

We intend to utilize the net proceeds of this offering to acquire or refinance, in whole or in part, Eligible Green Projects. As part of our investment process, we intend to calculate 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, which we refer to as CarbonCount®, we use emissions factor data, expressed on a CO₂ 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.

Management of Proceeds of the Notes

We intend to allocate an amount equal to the net proceeds from this offering to the financing and refinancing of recently acquired and future investments in Eligible Green Projects. As long as the Notes are outstanding, our internal records will show the allocation of the net proceeds from this offering to Eligible Green Projects. We intend to allocate the majority of net proceeds from this offering within two years following the issuance of the Notes. Net proceeds allocated to previously incurred costs associated with Eligible Green Projects will be available for repayment of debt or other uses.

Prior to the full investment of such net proceeds, we intend to apply the net proceeds to repay a portion of the outstanding revolving borrowings under the Existing Credit Facilities and, for any net proceeds from this offering not used to repay the Credit Facilities, we intend to invest such net proceeds in interest-bearing accounts and short-term, interest-bearing securities which are consistent with our intention to qualify for taxation as a REIT.

Reporting

During the term of the Notes, until such time as the net proceeds from this offering have been fully allocated to Eligible Green Projects, we will publish annual updates on our website detailing, at a minimum, the allocation of the net proceeds from this offering to specific Eligible Green Projects along with the associated CarbonCount®. Our updates will be accompanied by (i) an assertion by management that the net proceeds from this offering were invested in qualifying Eligible Green Projects and (ii) a report from an independent accountant in respect of the independent accountant’s examination of management’s assertion conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants.



Ernst & Young LLP
1775 Tysons Blvd
Tysons, VA 22102
Tel: +1 703 747 1000
Fax: +1 703 747 0100
ey.com

Report of Independent Accountants

To Hannon Armstrong Sustainable Infrastructure Capital, Inc.
and its consolidated subsidiaries:

We have examined management’s assertion, included in Exhibit A, that net proceeds from the Final Offering Memorandum dated July 2, 2019 for the 5.25% unsecured senior notes due 2024 (the “Notes”) and the further issuance from the Final Offering Memorandum dated September 12, 2019 (the “New Notes”) were fully allocated (the “Allocated Proceeds”) to qualifying Eligible Green Projects during the period July 2, 2019 to December 31, 2019 (the “Reporting Period”) that met the Eligible Green Projects criteria set forth in Table 1 of Exhibit A (the “Criteria”). Management of Hannon Armstrong Sustainable Infrastructure Capital, Inc. and its consolidated subsidiaries (“HASI”), on behalf of its subsidiaries HAT Holdings I LLC, and HAT Holdings II LLC (the “Issuers”), is responsible for the assertion and having a reasonable basis for its assertion. Our responsibility is to express an opinion on the assertion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether management’s assertion is fairly stated, in all material respects. An examination involves performing procedures to obtain evidence about management’s assertion. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of management’s assertion, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination was not conducted for the purpose of evaluating (i) the completeness of the amount allocated to Eligible Green Projects during the Reporting Period or the amount allocated to each category of Eligible Green Projects during the Reporting Period, (ii) the environmental benefits of the Eligible Green Projects, or (iii) conformance of any Eligible Green Projects with any third-party published principles, standards or frameworks, such as the Green Bond Principles, dated June 2018, published by the International Capital Market Association other than management’s assertion. Accordingly, we do not express an opinion or any other form of assurance other than on management’s assertion included in Exhibit A.

In our opinion, management’s assertion is fairly stated, in all material respects.

Ernst & Young LLP

March 31, 2020



Exhibit A
Management's Assertion

We assert that net proceeds from the Final Offering Memorandum dated July 2, 2019 for the 5.25% unsecured senior notes due 2024 (the "Notes") and the further issuance from the Final Offering Memorandum dated September 12, 2019 (the "New Notes") were fully allocated (the "Allocated Proceeds") to qualifying Eligible Green Projects during the period July 2, 2019 to December 31, 2019 (the "Reporting Period") that met the Eligible Green Projects criteria set forth in Table 1 below (the "Criteria"). Management of Hannon Armstrong Sustainable Infrastructure Capital, Inc. and our consolidated subsidiaries, on behalf of our subsidiaries HAT Holdings I LLC, and HAT Holdings II LLC (the "Issuers"), is responsible for this assertion, selection of the Criteria and the allocation, during the Reporting Period, of amounts to projects that meet the Criteria.

Table 1: Eligible Green Projects

Behind-the-Meter ("BTM")	Distributed building or facility projects that reduce energy usage or cost through the use of solar generation and energy storage or energy efficient improvements, including heating, ventilation and air conditioning systems ("HVAC"), lighting, energy controls, roofs, windows, building shells, and/or combined heat and power systems.
Grid-Connected ("GC")	Projects that deploy cleaner energy sources, such as solar and wind to generate power where the off-taker or counterparty is part of the wholesale electric power grid.
Other Sustainable Infrastructure	Upgraded transmission or distribution systems, water and storm water infrastructure, seismic retrofits and other projects, that improve water or energy efficiency, increase resiliency, positively impact the environment or more efficiently use natural resources.

Note 1: The Allocated Proceeds may include amounts allocated during the Reporting Period to new investments made by us during the Reporting Period, as well as to existing investments made by us up to 12 months prior to the date of issuance of our 5.25% notes due 2024.

Note 2: Proceeds are considered allocated when used to acquire or refinance, in whole or in part, Eligible Green Projects.

Note 3: The Allocated Proceeds associated with refinancing are calculated based on asset balances as of June 30, 2019. Asset balances are determined based on carrying value at June 30, 2019.

Note 4: The Allocated Proceeds associated with new projects are calculated based on the carrying value of the asset at the time of financing.

Note 5: Net proceeds allocated during the Reporting Period for eligible GC projects were applied to solar and wind energy projects.

Note 6: Net proceeds allocated during the Reporting Period for eligible Other Sustainable Infrastructure projects were applied to the financing of wetland mitigation credits used for ecological restoration projects in wetlands. Wetland or stream mitigation banks offer mitigation credits to offset ecological losses that occur in wetlands and streams. These are regulated and approved by the U.S. Army Corps of Engineers (USACE) and the U.S. Environmental Protection Agency (USEPA).