



# AIB Group Plc

September 2023

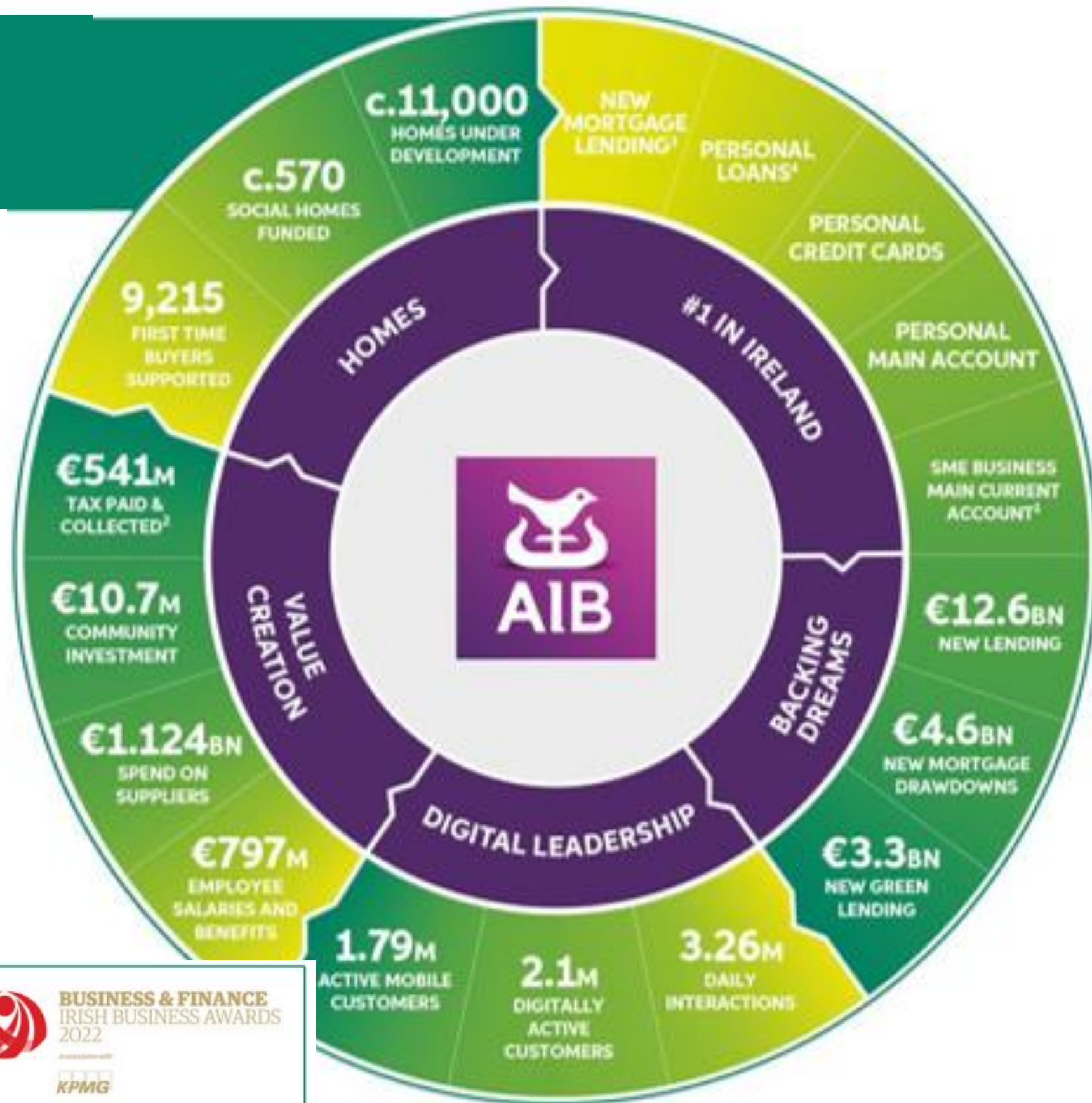
Green Bond Framework

# Sustainability at AIB



# Backing a Sustainable Future – FY2022

Helping to deliver a more sustainable future for all is at the heart of AIB's agenda.



As a recognised leader of sustainability in Ireland and through our Pledge to Do More, we are committed to building long-term resilience and sustainability for our business, economy and society.

- As Ireland's biggest bank, we have significant reach into the heart of society, creating value and making impact through our activities – enhancing livelihoods, supporting homemakers, promoting job creation, and enabling communities and society to flourish.
- Our scale and reach confer upon us a responsibility and duty of care towards our customers and the communities we serve. It challenges us to set the pace of a sustainable low-carbon transition, while bringing our customers and stakeholders with us, supporting social and economic inclusion.
- Sustainable Communities is a key pillar of our Group strategy across our three areas of focus: Climate & Environment; Economic & Social Inclusion; and Future Proof Business.



ESG Company of the Year

ESG Investment Award at the Business & Finance ESG Awards

# Sustainable Communities – Targets, Performance and Progress



## CLIMATE & ENVIRONMENT

We're actively integrating risks and opportunities relating to climate change into our business to accelerate our understanding, strengthen our strategy and clarify our actions. We're reducing our own carbon footprint and committing to being Net Zero by 2030. We're supporting our customers and communities in their transition to a low-carbon economy with an ambition that green and transition products will account for 70% of all our new lending by 2030.

### TARGETS

2023	2030	2040
<b>€10bn CLIMATE ACTION FUND</b>	<b>NET ZERO IN OUR OPERATIONS</b>	<b>NET ZERO AMBITION</b>
In new green & transition lending (€2bn per year)	Ambition of 70% of new lending to be green	Customer portfolio lending (Agri. 2050)

### 2022 PERFORMANCE

<b>€7.9bn Green lending since 2019</b>	<b>10% reduction in operational emissions<sup>3</sup> in 2022</b>	<b>FINANCED EMISSIONS TARGETS SET FOR 75% OF LOAN BOOK<sup>4</sup></b>
€3.3bn green lending in 2022	40% reduction since 2019 26% of new lending was green	

### PRIORITIES FOR 2023

- Continue to support all AIB customers in the transition to a low-carbon future through product & proposition development and engagement
- Complete the energisation of our Power Purchase Agreement with NTR plc, with energy generation due to commence in Autumn 2023
- Continue to execute AIB operational emissions reduction programme
- Ongoing focus on embedding Climate Risk management into the business



## ECONOMIC & SOCIAL INCLUSION

We recognise the responsibility that comes with the scale and impact of our business. We aspire to contribute and advocate for a fairer society that is socially and economically inclusive. We do this by investing and raising awareness in access, education and innovation for our customers, our colleagues and our communities.

### TARGETS

2024	2023	ONGOING
<b>€800M</b>	<b>500K</b>	<b>AIB in our community</b>
Finance for social housing	Customers supported financial literacy	Ongoing strategic focus

### 2022 PERFORMANCE

<b>€437m Allocated against target since 2020</b>	<b>341k</b>	<b>€10.7m</b>
€91m in 2022	Secondary schools programme since 2021	Supporting community causes in 2022

### PRIORITIES FOR 2023

- Deliver further progress towards our 2024 target for social housing construction
- Deepen our community support through the AIB Community €1 Million Fund and partnerships including TASC, GOAL & FoodCloud
- Continue progress to embed identified AIB salient human rights impacts into relevant processes
- Enhance focus on the delivery of financial literacy through current customer activities



## FUTURE PROOF BUSINESS

Our future sustainability depends on our ongoing investment in our business, people and processes. We want to give our customers the best possible banking experience – we're always learning and improving. In an increasingly digitalised world, we are focused on keeping our systems resilient and our data secure.

### TARGETS

2023	2023	ONGOING
<b>+53</b>	<b>&gt;2.25m</b>	<b>GENDER BALANCED<sup>2</sup></b>
Transactional NPS <sup>1</sup>	Digitally active customers	All Management

### 2022 PERFORMANCE

<b>+39</b>	<b>2.1m</b>	<b>GENDER BALANCE MAINTAINED</b>
Transactional NPS 2022	Digitally active customers	

### PRIORITIES FOR 2023

- Deliver enhanced banking experiences, focusing on priority customer journeys
- Continue to embed Inclusion & Diversity through enterprise-wide campaigns, and partnerships including Open Doors and AsIAm
- Ongoing focus on compliance for incoming cyber legislation (DORA)
- Continued focus on gender balance throughout the organisation
- Ongoing focus on ESG governance

1. Transactional Net Promoter Score (NPS) is an aggregation of 20 customer journeys across Homes, Personal, SME, Digital, Retail, Direct and Day-to-Day Banking.  
 2. The Equileap annual Gender Equality Global Report & Ranking equates "gender balanced" with between 40% and 60% women.  
 3. Absolute Scope 1 & 2 GHG emissions.  
 4. As at 31.12.2021

# ESG Progress

		PLEDGE TO DO MORE 2019	NET ZERO TARGETS & AMBITIONS 2020	ESG LEADERSHIP RATINGS (MSCI, SUSTAINALYTICS & S&P) 2021	DELIVERING ON OUR STRATEGY 2022
<b>E</b>	OWN FOOTPRINT	<ul style="list-style-type: none"> <li>Property migration &amp; retrofit</li> </ul>	<ul style="list-style-type: none"> <li>Reducing energy - Heating, ventilation &amp; air conditioning programme</li> </ul>	<ul style="list-style-type: none"> <li>Group-wide LED lighting retrofit programme</li> </ul>	<ul style="list-style-type: none"> <li>Agreement for Corporate Power Purchase Agreement to support 80% of AIB energy needs</li> </ul>
	SETTING TARGETS	<ul style="list-style-type: none"> <li>€5bn Climate Action Fund</li> </ul>	<ul style="list-style-type: none"> <li>Net Zero commitment by 2030.</li> <li>70% new lending to be green or transition by 2030</li> </ul>	<ul style="list-style-type: none"> <li>Doubling to €10bn Climate Action Fund</li> <li>Internal emission reduction targets</li> </ul>	<ul style="list-style-type: none"> <li>Set Financed Emissions Targets for 75% of our loan book</li> </ul>
	GREEN PROPOSITIONS	<ul style="list-style-type: none"> <li>Green Mortgage</li> </ul>	<ul style="list-style-type: none"> <li>Electric Vehicle</li> <li>Sustainability Linked Loans</li> </ul>	<ul style="list-style-type: none"> <li>Green Consumer Loans</li> <li>Electric vehicle leasing</li> <li>Green Mortgage across brands</li> </ul>	<ul style="list-style-type: none"> <li>Expansion of Green Living Hub</li> <li>Dedicated sustainability sector guides</li> <li>SBCI Energy Efficient Loan Scheme</li> </ul>
	GREEN FINANCE	<ul style="list-style-type: none"> <li>€1.2bn Green lending</li> <li>Green Bond Framework</li> </ul>	<ul style="list-style-type: none"> <li>€1.5bn Green lending</li> <li>1st Irish Bank – Green Bond €1bn</li> </ul>	<ul style="list-style-type: none"> <li>€2bn Green lending</li> <li>2nd Green Bond issued - €750m</li> </ul>	<ul style="list-style-type: none"> <li>Issued 2 Green bonds, with a total of €3.25bn to date, to support green lending</li> <li>€3.3bn in new Green Lending</li> </ul>
<b>S</b>	HOUSING	<ul style="list-style-type: none"> <li>Redesign of Mortgage customer experience journeys</li> </ul>	<ul style="list-style-type: none"> <li>€300m Social Housing Fund</li> </ul>	<ul style="list-style-type: none"> <li>Social Housing fund committed - addl. €500m launched</li> <li>AIB Social Bond Framework launched</li> </ul>	<ul style="list-style-type: none"> <li>€91m invested in social housing projects enabling c.570 new homes</li> <li>Raised €1bn via first Irish Social Bond issuance</li> </ul>
	FINANCIAL LITERACY FOCUS	<ul style="list-style-type: none"> <li>Vulnerable Customer Programme</li> </ul>	<ul style="list-style-type: none"> <li>Secondary Schools Programme - focus on financial literacy</li> </ul>	<ul style="list-style-type: none"> <li>Secondary Schools Programme - focus on financial literacy</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing engagement and reach for AIB Future Sparks education programme to c.341K students</li> <li>Ongoing Vulnerable Customer engagement</li> </ul>
	BACKING ENTREPRENEURS	<ul style="list-style-type: none"> <li>Women in Enterprise Programme</li> <li>Brexit Advisors</li> </ul>	<ul style="list-style-type: none"> <li>Covid-19 Payment breaks &amp; supports</li> </ul>	<ul style="list-style-type: none"> <li>Covid-19 Payment breaks &amp; supports</li> </ul>	<ul style="list-style-type: none"> <li>Expansion of the Credit Guarantee Scheme</li> </ul>
	COMMUNITY PARTNERSHIPS	<ul style="list-style-type: none"> <li>Volunteering Programme</li> </ul>	<ul style="list-style-type: none"> <li>AIB Together Matched Funding</li> <li>€2.4m Covid-19 research</li> </ul>	<ul style="list-style-type: none"> <li>It's My Business JAI</li> <li>GOAL Mile partnership launched</li> </ul>	<ul style="list-style-type: none"> <li>€10.7m Community support, including launch of AIB Community €1 Million Fund to support 70 local charities</li> </ul>
<b>G</b>	GOVERNANCE COMMITTEES		<ul style="list-style-type: none"> <li>Continued Board focus via Board subcommittee</li> </ul>	<ul style="list-style-type: none"> <li>Establishment of Group Sustainability ExCo Committee</li> </ul>	<ul style="list-style-type: none"> <li>Approval for ESG Framework to detail our overall approach to ESG matters</li> </ul>
	STRATEGY & THOUGHT LEADERSHIP	<ul style="list-style-type: none"> <li>Sustainable Communities – embedded in strategy</li> </ul>	<ul style="list-style-type: none"> <li>Sustainability 101 Training</li> </ul>	<ul style="list-style-type: none"> <li>Climate Risk Training</li> </ul>	<ul style="list-style-type: none"> <li>6<sup>th</sup> Annual Sustainability Conference attracting over 6,000 attendees</li> </ul>
	COMMITMENTS	<ul style="list-style-type: none"> <li>Supporter of Taskforce on Climate-related Financial Disclosures (TCFD)</li> <li>Founding signatory of UNEP FI Principles for Responsible Banking (PRB)</li> </ul>		<ul style="list-style-type: none"> <li>UN Global Compact,</li> <li>WEF Stakeholder Capitalism Metrics.</li> <li>Net Zero Banking Alliance</li> <li>Equator Principles</li> </ul>	<ul style="list-style-type: none"> <li>2nd disclosures against voluntary commitments</li> </ul>
	REPORTING	<ul style="list-style-type: none"> <li>3rd Detailed Sustainability Report published</li> </ul>	<ul style="list-style-type: none"> <li>1st disclosures – TCFD and PRB</li> </ul>	<ul style="list-style-type: none"> <li>1st disclosures - EU Taxonomy,</li> <li>WEF metrics and UN Global Compact</li> </ul>	<ul style="list-style-type: none"> <li>Inclusion of enhanced TCFD disclosures within our Annual Financial Report for the 1st time</li> </ul>
	POLICIES & CODES	<ul style="list-style-type: none"> <li>Project Finance</li> </ul>	<ul style="list-style-type: none"> <li>Excluded Lending Activities</li> <li>Responsible Supplier Code</li> <li>Code of Conduct refreshed</li> <li>Human Rights Commitment</li> </ul>	<ul style="list-style-type: none"> <li>Sustainable Lending Framework</li> <li>ESG Questionnaire</li> <li>Initial Climate Risk Quantification</li> </ul>	<ul style="list-style-type: none"> <li>Salient Human Rights topics identified</li> <li>Enhanced ESG Questionnaire</li> </ul>
	INCLUSION & DIVERSITY	<ul style="list-style-type: none"> <li>Culture Programme</li> </ul>	<ul style="list-style-type: none"> <li>Gender balanced Board and ExCo</li> </ul>	<ul style="list-style-type: none"> <li>LEAD (Leaders Enabling A Difference) Programme</li> </ul>	<ul style="list-style-type: none"> <li>Gold 'Investors in Diversity' accreditation from Irish Centre for Diversity &amp; Inclusion</li> <li>Enhanced Inclusion and Diversity Strategy launched</li> </ul>

# ESG Customer Propositions and Commitments



## Propositions



**Green Mortgage** for energy efficient homes across AIB, Haven, EBS brands & UK



Widescale lending for projects in **Renewables, Housing, Healthcare, Education**

**Green Personal Loans**



Get our new Green Personal Loan at a lower rate of 6.4% APR. Apply now on the AIB app.

**Green Personal Loan** for retrofitting homes and Electric Vehicles

**LOW COST FLEXIBLE FINANCE FOR BUSINESS CUSTOMERS**



**Sustainability Linked Loans** for Corporate customers who commit to ESG targets



**Green & Social bonds** to fund domestic and international projects aimed at emission reduction & social improvement



**1<sup>st</sup> CPPA with NTR plc** places AIB as a corporate leader in Ireland to leverage decarbonisation capabilities & expertise

**Nifti Business Nifti**



**NiftiBusiness & Nifti Personal Leasing** to provide more sustainable car leasing options to businesses and personal customers



**SBCI SME Sustainability focused loans**

**Goodbody**

**ESG Advisory & thought leadership**

## Commitments



**Task Force on Climate-Related Financial Disclosures**



**UNEP FI – Principles for Responsible Banking**



**UN Global Compact**



**NZBA - Net Zero Banking Alliance**



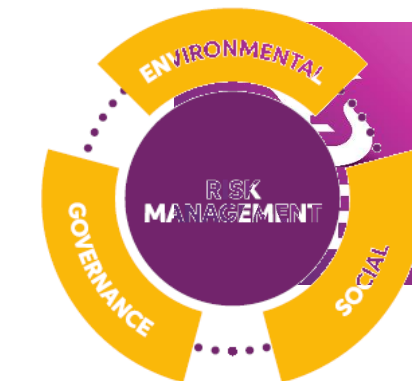
**WEF Stakeholder Capitalism Metrics**



**Equator Principles**

# Climate Risk Update

## Significant steps taken to analyse Physical & Transition Risks in 2022:



The management of climate risk is integrated into our overall approach to risk management, as set out in our TCFD disclosures in our Annual Financial Report 2022.

**Climate Stress Testing:** We commenced development of our Climate Stress Testing capabilities in 2021.

In 2022, AIB was one of 41 institutions which completed all three modules of the ECB 2022 Climate Risk Stress Test, out of a total of 104 participating institutions. Early development work also took place on Climate Risk Stress Testing for market and liquidity risks.

**Physical Risk:** We continued to focus on flood risk as the most significant acute and chronic physical risk for our own portfolio and have developed initial metrics to track and better understand this risk for our property-related exposure in ROI and the UK. AIB has Non Financial Corporate (NFC) exposures secured on immovable property of €8.4bn in 2022, in which €0.27bn (3.2%) is sensitive to Physical Flood Risk\*.

**Transition Risk:** We require all new lending over £/€300k in high transition risk sectors to complete our ESG Questionnaire. We have deemed the following sectors/sub-sectors as most prone to transition risk (combined exposure ~8% of new lending in 2022):

- i. Agriculture – Dairy and Cattle Farming
- ii. Manufacturing – Food Processing
- iii. Transport – Road, rail and water
- iv. Non-renewable energy.

**ESG Questionnaire:** The questionnaire was incorporated into credit applications in 2021; In 2022, work commenced to further enhance and refine this tool, broadening the scope of coverage at counterparty and sector level. We will consider implementation of changes in our credit risk management process over 2023.

\*The physical flood risk is aligned with our CRR449a Pillar 3 disclosure showing “sensitivity” to physical risk for NFC’s secured by immovable property under an adverse climate scenario. Adverse climate scenario is defined as: RCP 8.5 to 2035, and a 1:100 risk of a flood event. The threshold of risk for sensitive is set at a 1% flooding risk (1:100) and the adverse climate change scenario to 2035. This approach aligns to the EBA 2021 ESG Risk Management guidance in so far as there is prescriptive guidance. AIB Group plc Annual Financial Report 2022

# ESG Ratings

**MSCI**  
ESG RATINGS



CCC B BB BBB A **AA** AAA

Rated as AA – on 11 Oct 2022, MSCI confirmed AIB’s Leader Rating, up from A (Average) in 2019\*

**S&P Global**

2022: 69/100 (2021: 70/100)  
94<sup>th</sup> percentile of banks, as at 21 Jul 2023, (2021: 87th percentile)

Listed as member of the S&P Global Sustainability Yearbook 2023 (top 15% of industry)



May 2023 ESG Risk Rating: 12.7 (Low Risk); 62/987 Banks

ESG Industry Top Rated and Regional Top Rated company for 2023\*\*



- Global leader in corporate climate action
- Leadership rating in place since 2016
- Only bank in Ireland or the UK to make the Global A list in 2020
- AIB response to the CDP Climate Change questionnaire: Click [here](#) to view our 2021 response



**FTSE4Good**

- Member of the FTSE4 Good Index Series (since July 2020)
- Identifies companies demonstrating strong E, S and G practices measured against globally recognised standards, you can find out more [here](#)

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# AIB Green Bond Framework



# Green Bond Framework 2023



## Rationale

- To align our funding strategy within our sustainability strategy - funding projects or assets that mitigate climate change by reducing emissions, protecting ecosystems, or having a positive environmental impact.
- Green bond issuances serve as a testament to AIB's leadership and commitment to sustainability and society.

1

### Use of Proceeds



- AIB allocates the net proceeds of the Green Bonds to a loan portfolio of new and existing loans, the "Eligible Green Loan Portfolio"
- ✓ Green Commercial and Residential Buildings
- ✓ Renewable Energy
- ✓ Clean Transportation

2

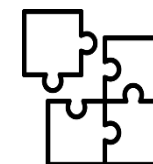
### Project Evaluation & Selection



- Loans financed and/or refinanced are evaluated and selected based on compliance with the Eligibility Criteria, described in Use of Proceeds (UoP) section of the Green Bond Framework.
- A core team will assess project eligibility and allocation of proceeds to Eligible Green Loans

3

### Management of Proceeds



- The net proceeds from the Green Bonds will be managed by AIB on a portfolio basis, with loans selected in accordance with UoP criteria and the evaluation and selection process.
- AIB will track investments in eligible loans.

4

### Reporting



- Allocation reporting: AIB prepares an annual report with the status of the allocation of AIB's Green Bond proceeds (at least at category level).
- Impact reporting: AIB reports annually on the impact of the Eligible Green Loan Portfolio in terms of estimated avoided CO2 emissions and avoided energy consumption (MWh), in conjunction with Carbon Trust.

5

### External Review



- AIB's Green Bond Framework has been reviewed by Sustainalytics, who has issued a positive Second Party Opinion.
- Sustainalytics have also performed an assessment of the framework in relation to the EU Taxonomy.  
 **SUSTAINALYTICS**
- Verification: Mazars has produced a limited assurance report for FY 22 Allocations.

# Use of Proceeds 2023



## Renewable Energy

### Use of Proceeds

- Financing and/or refinancing the generation, equipment, development, manufacturing, construction, operation, distribution and maintenance of renewable energy generation
- a) **Solar Energy:** Photovoltaics (PV), concentrated solar power (CSP) and solar thermal facilities
  - b) **Wind Energy:** Onshore and offshore wind energy generation facilities and other emerging technologies
  - c) **Geothermal Energy:** Geothermal power plants with life cycle emissions lower than 100g CO<sub>2</sub>e/kWh
  - d) **Power Storage Facilities:** Compressed air, flywheels, synchronous condensers, and batteries
  - e) **Energy Transmission Infrastructure:** Interconnectors between transmission systems within the interconnected European system

## Green Commercial Buildings

### Use of Proceeds

- **Green Commercial Buildings in Ireland**
  - New or existing commercial buildings:
    - Buildings built pre Jan 2021 belonging to the top 15% low carbon buildings in Ireland, BER Rated B2 or better
    - Buildings built from Jan 2021 with Primary Energy Demand = -10% vs NZEB regulation, BER Rated A1 or A2
    - Refurbished with ≥30% improvement in energy efficiency; minimum BER C3
- **Green Commercial Buildings in UK**
  - New or existing commercial buildings in the UK, belonging to the top 15% low carbon buildings in the local context (i.e. England & Wales – EPC “A+, A” and “B” and Scotland – EPC “A and B”)
  - Refurbished with ≥30% improvement in energy efficiency
- **Green Commercial Buildings in Ireland and the UK**
  - Commercial buildings classifications, such as:
    - BREEAM ‘Excellent’ or higher
    - LEED ‘Gold’ or higher
    - DGNB ‘Gold’ or higher

## Green Residential Buildings

### Use of Proceeds












- **Green Residential Buildings**
  - Buildings built pre Jan 2021 belonging to the top 15% low carbon buildings in Ireland (BER label of B2 or better, or built from 2015 and later)
  - Buildings built from Jan 2021 with Primary Energy Demand = -10% vs NZEB regulation
  - Refurbished with ≥30% improvement in energy efficiency; minimum BER C3

## Clean Transportation

### Use of Proceeds

- **Clean Transportation**
  - Fully electric, hydrogen or otherwise zero emissions vehicles for the transportation of passengers
  - Infrastructure to support zero emissions vehicles including but not limited to EV charging and hydrogen fuelling stations

## Alignment with international initiatives & involved parties

ICMA GBP category	UN SDG	EU Taxonomy Technical Screening Criteria	Consultants & Third Parties
Renewable Energy	 	<ul style="list-style-type: none"> <li>• Eligible by default (no life cycle emissions threshold applies for solar and wind power)</li> <li>• Geothermal eligible where life cycle emissions are lower than 100g CO<sub>2</sub>e/kWh</li> </ul>	
Green Buildings	  	<ul style="list-style-type: none"> <li>• Top 15% approach for buildings built up until end 2020</li> <li>• AIB has implemented NZEB –10% criteria for buildings built from 2021 in Ireland</li> <li>• ≥30% improvement in Primary Energy Demand for refurbishments;</li> </ul>	 
Clean Transportation	 	<ul style="list-style-type: none"> <li>• 2025 and 2026 thresholds guaranteed for fully electric vehicles</li> <li>• EV charging stations, hydrogen fuelling stations and electrified rail (not related to the transport or storage of fossil fuels) in line with TSC</li> </ul>	

# GBF Project Evaluation and Selection Process Overview



## Process for Project Evaluation and Selection

Compliance with ICMA Green Bond Eligibility Criteria (i.e. Use of Proceeds)

Alignment with AIB's sustainability strategy

Compliance with official and international environmental and social standards and local laws and regulation

»

»

»

Mitigation of DNSH  
& MS concerns



### Group Sustainability Committee

- Reviews and approves the GBF and eligible loan categories in accordance with AIB Sustainability Strategy and the AIB Sustainable Lending Framework, approves additional GBF specific loan exclusion criteria.

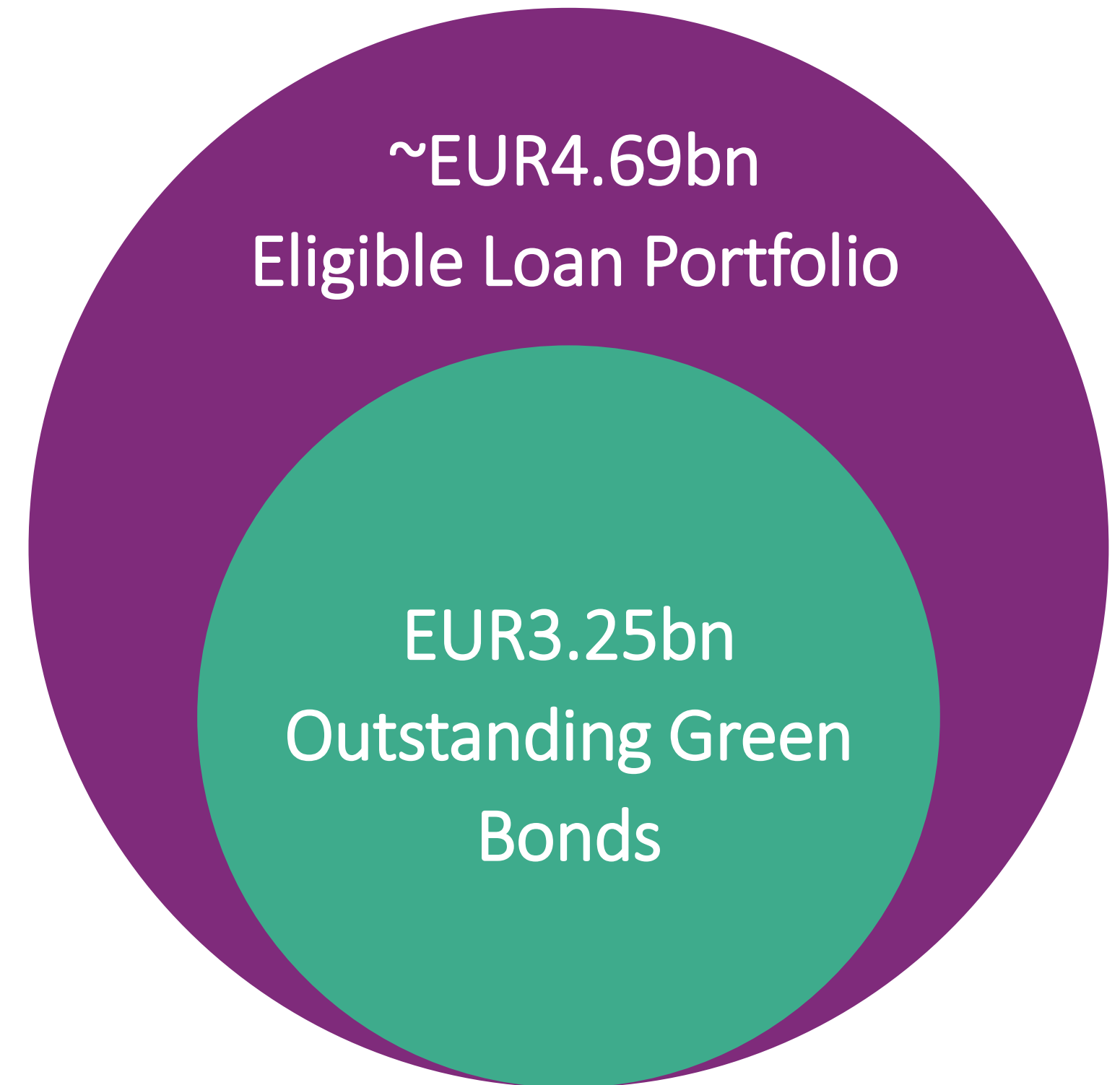
### ESG Working Group

- The group comprises of Group Treasury; Legal; Sustainability Team; Risk; and relevant business teams.
- The members of the ESG Bond WG apply the approved GBF (eligible categories, and exclusions) in terms of the population of loan templates, assessment of loan eligibility, and determination of impact for larger loans.

# GBF Management of Proceeds – FY22



- Aggregated portfolio approach used to manage proceeds.
- Additional eligible green projects are added to the eligible green loan portfolio to the extent required.
- Any assets that become ineligible are removed and replenished where necessary
- The allocation of assets that are eligible for both Green and Social project Portfolio's will be considered in terms of their impactfulness and the requirements of each framework
- AIB intends to be fully allocated at issuance for new green bonds, as well as having an over-collateralized green portfolio.



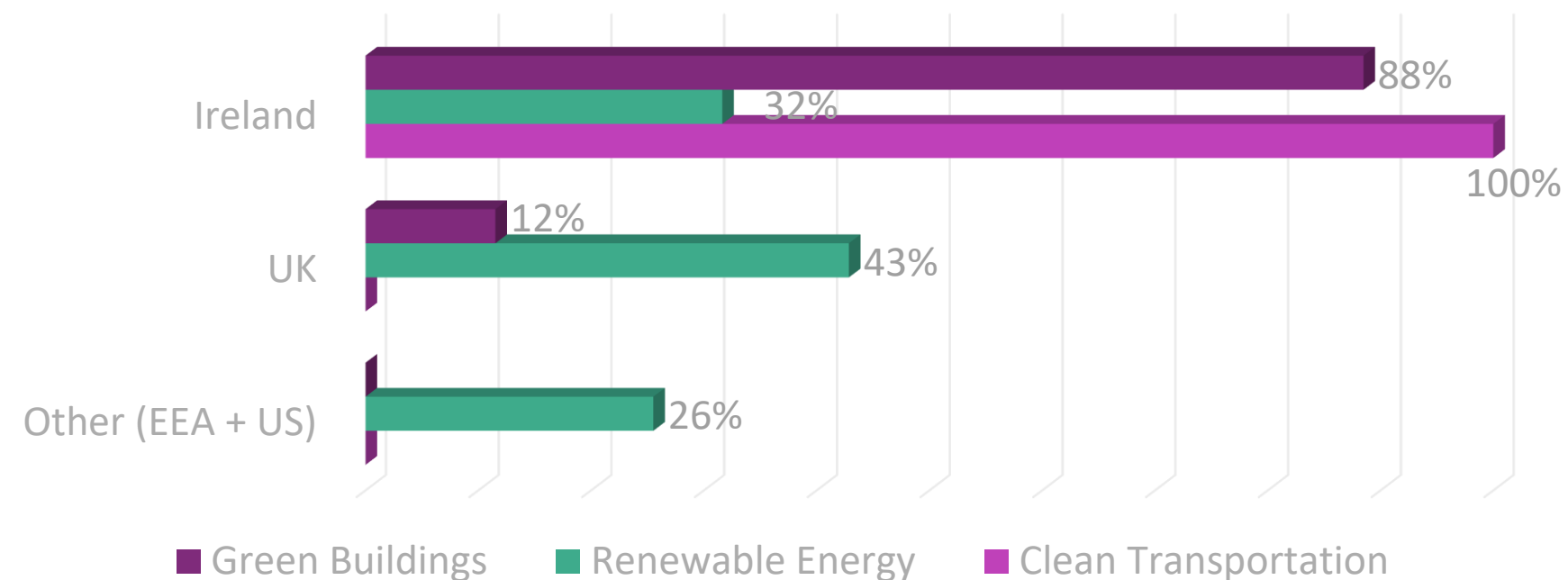
# Green Bond Portfolio & Impact FY22



## AIB Green Bond Portfolio FY22

	#	€	%
<b>Renewable Energy</b>	159	1,977m	c. 42%
<b>Green Buildings</b>	4,577	2,677m	c. 57%
<b>Clean Transportation</b>	1,327	33m	c. 1%
<b>Total</b>	<b>6,063</b>	<b>4,687m</b>	<b>100%</b>

### Geographic/Sector Split



## Impact Reporting FY22

<b>Total Portfolio Size</b>	€4,687m
Total Est. Avoided Emissions (tCO2e/year)	1,136,405
Total Est. Avoided Energy Consumption (MWh/year)	133,111
<b>Renewable Energy</b>	€1,977m
Est. Avoided Emissions (tCO2e/year)	1,095,536
Avoided Emissions per €m invested in Renewables	<b>554 (tCO2e/year)</b>
<b>Green Buildings</b>	€2,677m
Est. Avoided Emissions (tCO2e/year)	40,375
Est. Avoided Energy Consumption (MWh/year)	133,111
Avoided Energy Consumption per €m invested in Green Buildings	<b>50 (MWh/year)</b>
<b>Clean Transportation</b>	€33m
Est. Avoided Emissions (tCO2e/yr)	493

Pre-issuance Allocation & Impact Reports:

<https://aib.ie/investorrelations/debt-investor/green-bonds/impact-and-allocation-reports>

# Second-Party Opinion



- Sustainalytics has issued a positive SPO on AIB's Green Bond Framework,
- SPO includes an EU Taxonomy Alignment Assessment

Updated – Aug 2023

## Second-Party Opinion AIB Green Bond Framework

### Evaluation Summary

Sustainalytics is of the opinion that the AIB Green Bond Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2021. This assessment is based on the following:



**USE OF PROCEEDS** The eligible categories for the use of proceeds – Green Buildings, Renewable Energy and Clean Transportation – are aligned with those recognized by the Green Bond Principles 2021. Sustainalytics considers that the provision of financing in the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDGs 7, 9 and 11.



**PROJECT EVALUATION / SELECTION** AIB's Group Sustainability Committee will be responsible for overseeing the process of selecting eligible green loans according to the criteria set in the Framework prepared by the AIB ESG Bond Working Group. AIB has a dedicated environmental and social risk assessment and mitigation process that is applicable to all allocation decisions made under the Framework. Sustainalytics considers the project selection process to be in line with market practice.



**MANAGEMENT OF PROCEEDS** AIB intends to manage the net proceeds in a portfolio approach and allocate the proceeds from the green bonds to the Eligible Green Loan Portfolio. Pending allocation, AIB will hold or invest in its treasury liquidity portfolio in cash or other short term and liquid instruments or pay back a portion of its outstanding indebtedness. AIB intends to allocate the proceeds at issuance. Sustainalytics considers this to be in line with market practice.



**REPORTING** AIB intends to report on the allocation of proceeds to the Eligible Green Loan Portfolio on an annual basis, to be renewed every year until maturity of the instruments or full allocation. In addition, where feasible, AIB intends to report on the impact of the Eligible Green Loan Portfolio at least at category level, including relevant quantitative metrics, calculated by third-party consultants. Sustainalytics views AIB's allocation and impact reporting as aligned with market practice.



<b>Evaluation Date</b>	August 29, 2023 <sup>1</sup>
<b>Issuer Location</b>	Dublin, Ireland

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**Use of Proceeds:** The eligible categories for the use of proceeds are aligned with those recognized by the Green Bond Principles 2021. Sustainalytics considers that the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDGs 7, 9 and 11



**Project Evaluation and Selection:** Sustainalytics considers the project selection process to be in line with market practice



**Management of Proceeds:** AIB intends to manage the net proceeds in a portfolio approach and allocate the proceeds from the green bonds to the Eligible Green Loan Portfolio. Pending allocation, AIB will hold or invest in its treasury liquidity portfolio in cash or other short term and liquid instruments or pay back a portion of its outstanding indebtedness. AIB intends to allocate the proceeds at issuance. **Sustainalytics considers this to be in line with market practice.**



**Reporting:** AIB intends to report on the allocation of proceeds to the Eligible Green Loan Portfolio on an annual basis, to be renewed every year until maturity of the instruments. In addition, where feasible, AIB intends to report on the impact of the Eligible Green Loan Portfolio at least at category level, including relevant quantitative metrics, calculated by specialist third-party consultants. **Sustainalytics views AIB's allocation and impact reporting as aligned with market practice**

### EU Taxonomy

Sustainalytics has assessed AIB's Green Bond Framework for alignment with the EU Taxonomy. The Framework's three use of proceeds categories map to 12 EU activities. Sustainalytics is of the opinion that nine activities align and three partially align with the applicable technical screening criteria for substantial contribution (SC) to an environmental objective of the EU Taxonomy. Eight activities align and four partially align with the relevant "do no significant harm" (DNSH) criteria. Sustainalytics is also of the opinion that the activities and projects to be financed under the Framework will be carried out in alignment with the EU Taxonomy's Minimum Safeguards.

# SPO – EU Taxonomy Assessment

Performed by  SUSTAINALYTICS



Eligible Green Category	Green Buildings (Residential & Commercial)	Renewable Energy (Energy Generation, Storage & Transmission)		Clean Transportation (Electric Vehicles)
Geography	Ireland & UK	Ireland & UK 74% of Renewables <sup>5</sup>	Other (EEA & US) 26% of Renewables <sup>5</sup>	Ireland
Technical Screening Criteria	Partial Alignment <sup>1</sup>	Partial Alignment <sup>3</sup>		Aligned
Do No Significant Harm	Partial Alignment <sup>2</sup>	Partial Alignment <sup>4</sup>		Aligned
Minimum Social Safeguards	Aligned	Aligned		Aligned

<sup>1</sup>Partial Alignment is considered for buildings selected via certification schemes (e.g. LEED/BREEAM) - these certifications are currently not considered under the EU Taxonomy. We expect the certification schemes to publish information relating to the extent of alignment to the EU Taxonomy in the near future.

Separately, ≥2021 built buildings have been confirmed to have met the relevant NZEB-10% threshold in the Irish context via BER labels. Sustainalytics note that the criteria for NZEB is currently undefined in the UK context, hence there is no practical method for verifying compliance with the EU Taxonomy for these buildings.

<sup>2</sup> For buildings built ≥2021 that are >5000m<sup>2</sup>, the EU Taxonomy describes extra requirements relating to i. ensuring such buildings retain suitable thermal integrity via ‘robust and traceable quality control processes’, and ii. the calculation of a ‘Global Warming Potential’ for each life cycle stage of the building (expressed as kgCO<sub>2</sub>e/m<sup>2</sup>). AIB’s Green Portfolio partially conforms with these requirements. AIB currently lacks the relevant data needed to prove this GWP requirement and is in the process of obtaining it for relevant buildings.

<sup>3&4</sup> Full alignment is achieved for ~95% of the renewable energy assets in the Green Portfolio. Partial alignment for US based Renewable assets.

The above matrix relates only to the Eligible Green Assets included in the Green Bond Portfolio as of FY22. For Sustainalytics’ assessment on EU Taxonomy alignment for all Use of Proceeds categories contained within the Framework, see Sustainalytics’ SPO [here](#).

<sup>5</sup> of Renewables reflects portion of year end 2022 allocations.



# External Review: Independent Limited Assurance

For the year ended 31 December 2022



## Independent Limited Assurance Report to AIB

AIB engaged Mazars<sup>1</sup> to provide a limited assurance report<sup>2</sup> in respect of Reported Information, pertaining to the allocation to eligible assets of an amount equal to bond proceeds of €3.25bn of Green Bond issuance, as provided for in AIB's Green Bond Framework for year ended 31 December 2022.

## Mazars' Responsibilities

Mazars are responsible for:  
Planning and performing the engagement to obtain limited assurance about whether the 'Reported Information' for the year ended 31 December 2022 has been prepared, in all material respects, in accordance with Section 6 (Reporting) of AIB's Green Bond Framework; Forming an independent conclusion, based on the procedures performed and evidence obtained; and Reporting conclusion to AIB.

## Work Performed

Mazars were required to plan and perform work in order to consider the risk of material misstatement of Reported Information. In doing so, they:  
Conducted interviews with management and examined relevant documentation to obtain an understanding of the key processes, systems and controls in place over the preparation of the Allocation Report.  
Performed selected substantive testing of project files against eligibility criteria.  
Performed selected substantive testing of accounting and other relevant records.  
Reviewed the extraction of Allocation Report information from the Green asset portfolio.  
Reviewed the Allocation Report for consistency with relevant bond issuance documentation.  
Reviewed listing of assets used in the Impact models for consistency with the Green asset portfolios.

## Conclusion

Based on procedures performed and evidence obtained, nothing has\* come to the attention of Mazars that causes them to believe that the 'Reported Information' for year ended 31 December 2022 has not been prepared, in all material respects, in accordance with Section 6 (Reporting) of AIB's Green Bond Framework. This conclusion is to be read in the context of what is stated in the remainder of our report.

**mazars**

<sup>1</sup>Mazars are a leading international audit, tax, advisory and consulting firm. Based in Dublin, Galway and Limerick, Mazars in Ireland is part of an internationally integrated partnership.

<sup>2</sup>The full report can be found at <https://aib.ie/investorrelations/debt-investor/green-bonds/impact-and-allocation-reports>

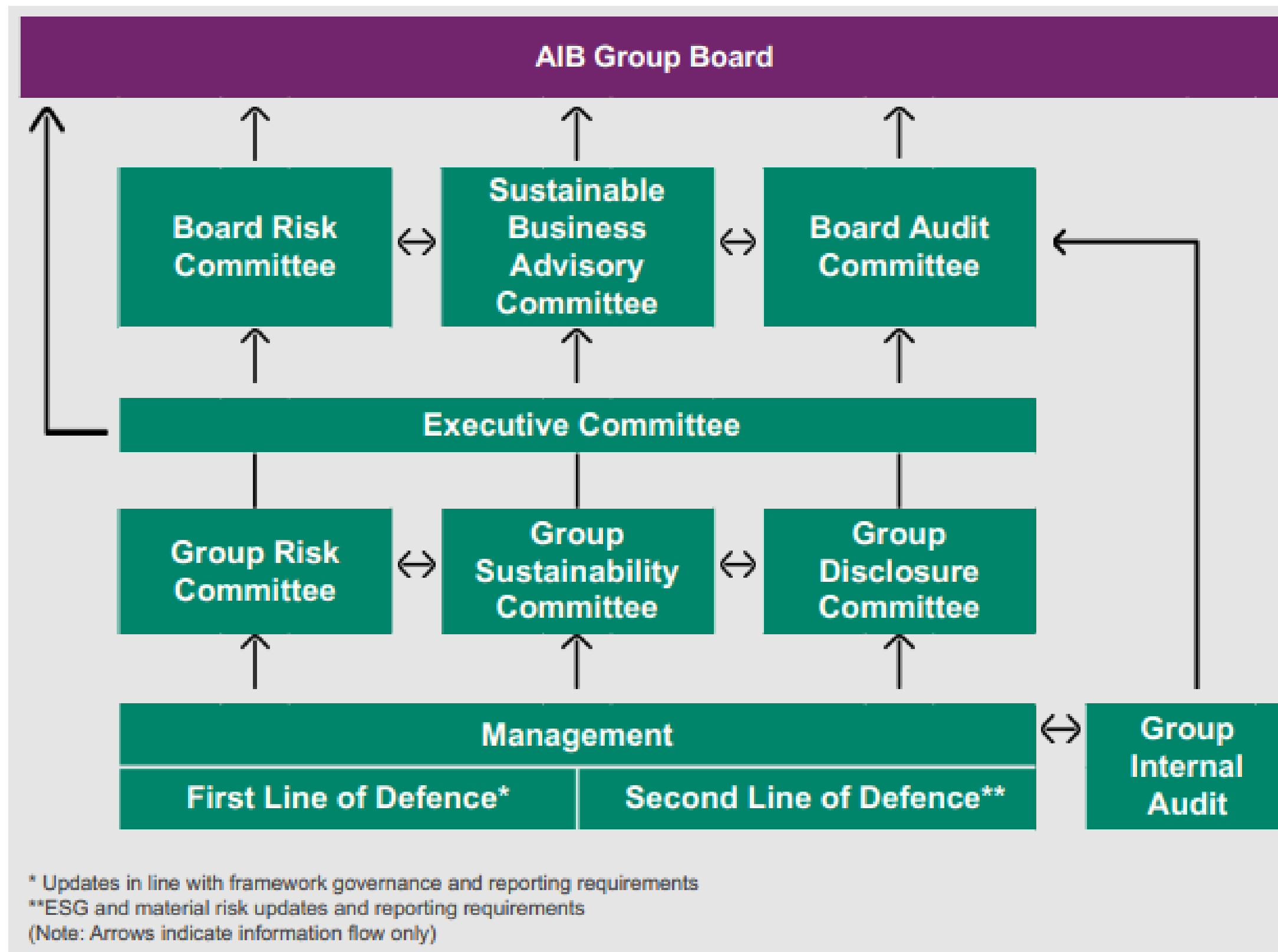
# Appendix



# ESG Governance at AIB



The responsibilities for the management and oversight of ESG activities are organized according to the Bank's governance and function structures.



**Board and Board Committees** The Board is responsible for promoting the long-term sustainable performance of the Group, setting the Group's strategic aims and risk appetite to support the strategy. The Board is responsible for approving the Group's strategic plans, capital investments and financial plans which includes the considerations of ESG and climate factors. The board ensures that an appropriate system of internal controls is maintained and appointed the Sustainable Business Advisory Committee (SBAC) to assist it in fulfilling its independent oversight responsibilities in relation to ESG matters.

## Sustainable Business Advisory Committee (SBAC)

The SBAC oversees the Group's performance as a sustainable business and delivery of AIB's sustainability strategy and is the overarching Board Advisory Committee responsible for the guidance of our sustainability agenda. It is chaired by an independent non-executive Director of AIB Group and meets at least four times in every year and also convenes at regular intervals for ESG training.

## Group Sustainability Committee (GSC)

The GSC is a sub-committee and comprises of members of the Executive Committee in addition to senior stakeholders from across the business. It is tasked with the approval and oversight of aspects of the Group's Sustainable business strategy, including ESG activities, and how the Group responds to our ESG commitments. A key role of the committee is to review and assess current and emerging ESG risks and trends that may materially affect the business, operations, performance or reputation of the Group, and make recommendations to the SBAC on any matters requiring escalation. The GSC is chaired by the Chief Sustainability & Corporate Affairs Officer who is the bank's executive sponsor for Sustainability.

# COMMITMENTS, MEMBERSHIPS & PARTNERSHIPS



AIB also partners with various community organisations on an ongoing basis



The below outlines a table of the key voluntary commitments made by AIB as relevant to our sustainability strategy and reporting.



	DATE OF COMMENCEMENT	STAKEHOLDERS	COUNTRIES APPLIED	WEBSITE
World Economic Forum (WEF) Stakeholder Capitalism Metrics	2021	All	Group-wide	<a href="http://www.weforum.org">www.weforum.org</a>
Equator Principles	2021	All	Group-wide	<a href="http://www.equatorprinciples.com">www.equatorprinciples.com</a>
Net Zero Banking Alliance	2021	All	Group-wide	<a href="http://www.unep.org/net-zero-banking">www.unep.org/net-zero-banking</a>
UN Global Compact	2021	All	Group-wide	<a href="http://www.unglobalcompact.org">www.unglobalcompact.org</a>
Task Force on Climate-related Financial Disclosures (TCFD)	2019	All	Group-wide	<a href="http://www.fsb-tcf.org">www.fsb-tcf.org</a>
The Valuable 500	2019	All	Group-wide	<a href="http://www.thevaluable500.com">www.thevaluable500.com</a>
United Nations Environment Programme Finance Initiative (UNEP FI) Principles for Responsible Banking	2019	All	Group-wide	<a href="http://www.unep.org/banking/bankingprinciples">www.unep.org/banking/bankingprinciples</a>
Low Carbon Pledge	2018	All	Ireland	<a href="http://www.bitc.ie/the-leaders-group-on-sustainability/low-carbon-pledge/">www.bitc.ie/the-leaders-group-on-sustainability/low-carbon-pledge/</a>
Global Reporting Initiative (GRI)	2017	All	Group-wide	<a href="http://www.globalreporting.org">www.globalreporting.org</a>
Carbon Disclosures Project (CDP)	2014	All	Group-wide	<a href="http://www.cdp.net/en">www.cdp.net/en</a>
ISO 50001 (energy) and ISO 14001 (environmental) management	2014	All	Group-wide	<a href="http://www.iso.org">www.iso.org</a>
National Energy Efficiency Action Plan	2010	All	Group-wide	<a href="http://www.gov.ie/neeap">www.gov.ie/neeap</a>
Business in the Community Ireland	2002	All	Ireland	<a href="http://www.bitc.ie">www.bitc.ie</a>
ICMA Principles	2023	All	Group-wide	Principles membership » ICMA ( <a href="http://icmagroup.org">icmagroup.org</a> )

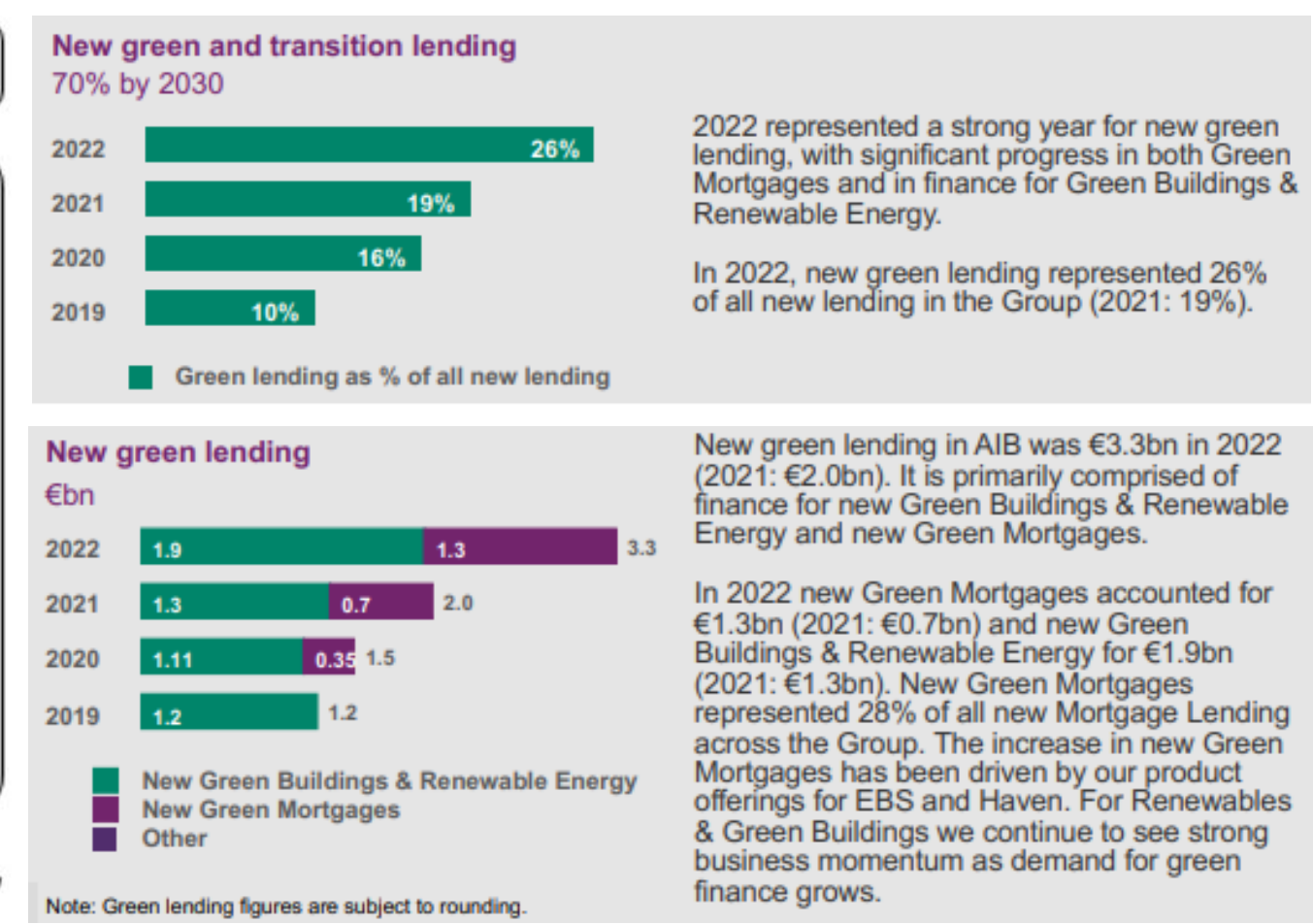
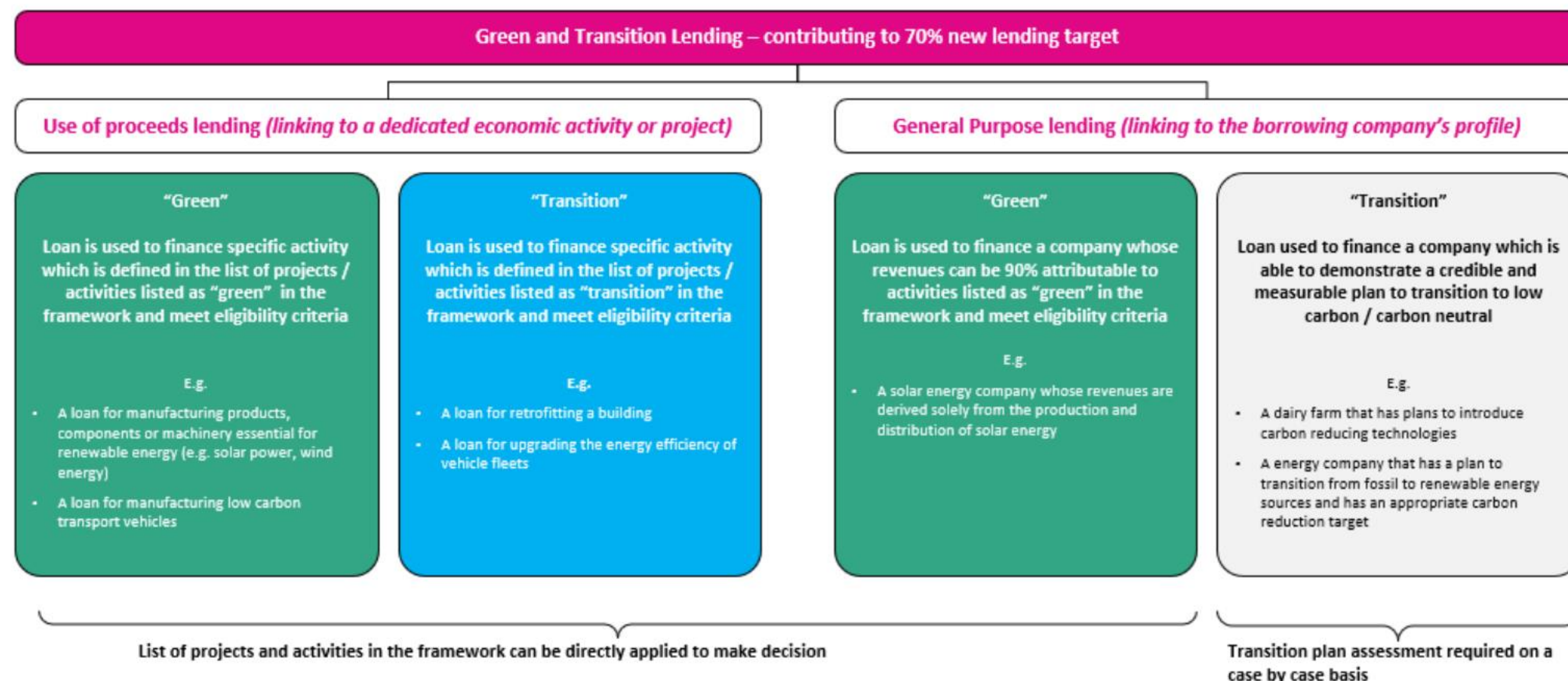
AIB also holds membership of the following, with roles and strategic relevance highlighted in the table

ASSOCIATION	GOVERNANCE POSITION	ACTIVE PARTICIPATION	FUNDING BEYOND MEMBERSHIP	STRATEGIC ALIGNMENT
Banking & Payments Federation of Ireland (BPFI)	Y	Y	N	Y
European Banking Federation (through BPFI)	N	Y	N	Y
Irish Business and Employment Confederation (IBEC)	N	Y	N	Y
Irish Paper Clearing Company (IPCC)	Y	Y	N	Y
Irish Payments Council (IPC)	Y	Y	N	Y

ASSOCIATION	GOVERNANCE POSITION	ACTIVE PARTICIPATION	FUNDING BEYOND MEMBERSHIP	STRATEGIC ALIGNMENT
UK Finance	N	Y	N	Y
UNEP Finance Initiative	N	Y	N	Y
30% Club	N	Y	N	Y
Open Doors	N	Y	N	Y
Institute of Bankers (IOB)		Y	N	Y

# Sustainable Lending Framework (SLF)

- Our SLF enables the classification of customer loans as green, social or transition. The SLF was developed to provide transparency on the criteria that AIB employs in reporting on green and transition lending helping us achieve our lending ambitions – **green and transition products will account for 70% of new lending by 2030**. It is based on industry best practice, and is aligned, where applicable, to the EU Taxonomy regulation and will evolve as the EUT develops.
- Benefits:
  - Enables governance structure around green product offerings & tagging green assets proactively as soon as they enter the balance sheet
  - Manage climate risks in a more targeted way, improving non-financial risk profile
  - Boost generation of green assets, as well as to institutionalise sustainable information gathering.



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