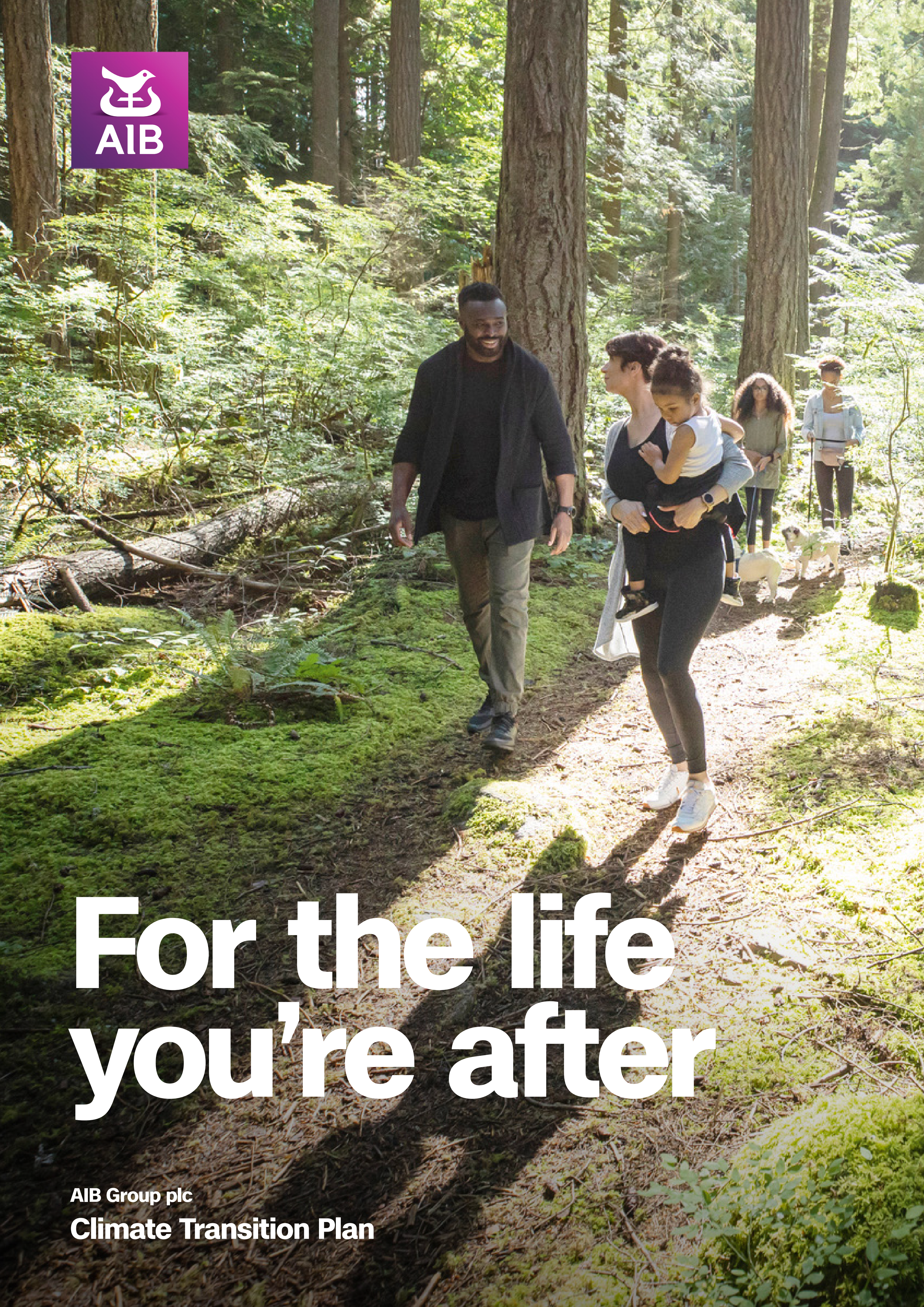


AIB

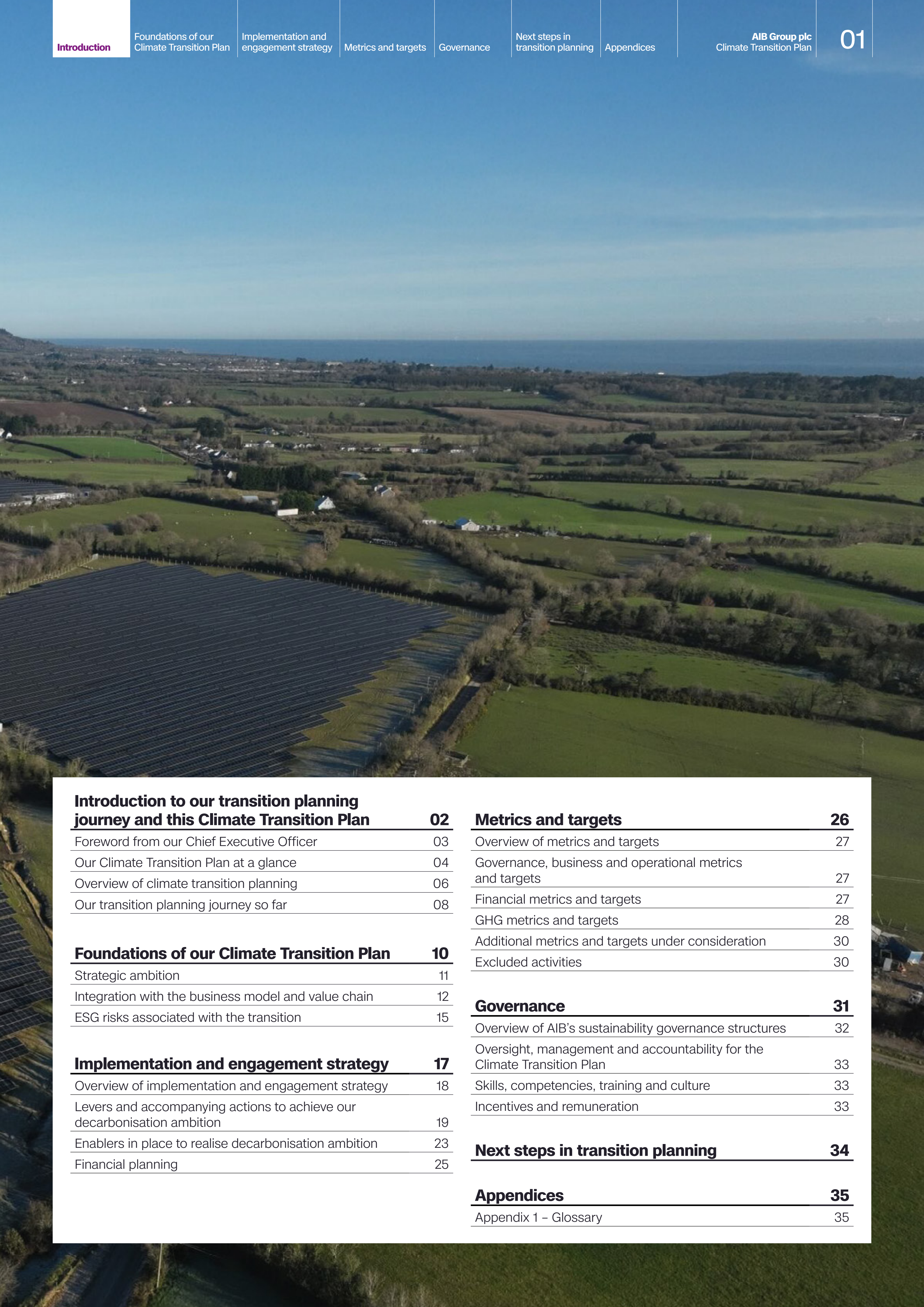
# For the life you're after

AIB Group plc

## Climate Transition Plan

# Welcome to our Climate Transition Plan

**This Climate Transition Plan looks to bring together all elements of our evidence-based climate journey into a blueprint for action for the coming years. It charts how we can achieve our ambitions, based on our record, our resolve and the systems we have in place.**



# Introduction

## Our transition planning journey and this Climate Transition Plan

# Foreword from our Chief Executive Officer

## A blueprint for further action

Greening our business is one of AIB's three strategic priorities and sustainability is at the heart of everything we do. This is AIB's first stand-alone Climate Transition Plan, which brings together all the elements of our evidence-based climate journey so far into one consolidated, forward-looking blueprint for action for the coming years.

Colin Hunt, Chief Executive Officer

Since 2016, when we started on our sustainability journey, we have set out a bold ambition to decarbonise our operations and our lending portfolio. We were the first bank in the world to put in place validated and internationally recognised Science Based Targets initiative (SBTi) maintenance targets for our electricity generation portfolio and we also have put in place SBTi emissions reduction targets for our other key loan portfolios.

This foundation gives us clarity on our future direction. Against current uncertainties, AIB is fast-tracking our transition to decarbonisation.

As a more sustainable organisation we believe we will not only thrive economically, we will also contribute positively to society and reduce our impact on the environment, helping to ensure a better future for everyone.

Conversely, not acting on sustainability and climate – not having a plan – makes acting on everything else that matters to us, like health, housing, education or equality, much harder to achieve.

This Climate Transition Plan also comes at a critical juncture, half-way through what the UN has called the 'Decade of Action' for sustainable solutions to some of the world's biggest challenges. The financial sector has a pivotal role to play in enabling this transition, given the scale of investment needed.

We take this responsibility seriously at every level of the organisation. Our governance framework provides watertight oversight and ownership of the Group's sustainability strategy and the management of Impacts, Risks and Opportunities (IROs) at Board and Executive levels.

Our ambition is that 70% of AIB's lending will be green or transition by 2030 and we are well over half-way to reaching our green and transition lending target of €30bn. In addition, we have continued to raise funds for the transition through green and social bonds, giving us the proceeds to support even more sustainable and social impact projects.

This first Climate Transition Plan charts how we can achieve our ambitions, based on our research, our record, our resolve and the responsible systems we have put in place.

It shows that sustainability isn't a side project at AIB. It's our strategy for a better future.

**Colin Hunt**
Chief Executive Officer

**"This first Climate Transition Plan charts how we can achieve our ambitions, based on our research, our record, our resolve and the responsible systems we have put in place"**

1. Decade of Action | United Nations Development Programme.

# Our Climate Transition Plan at a glance

## Ambition & Commitments

### AIB became the first Irish bank to make decarbonisation commitments

Commitment to decarbonise our own operations by 2030 and our customer lending portfolio by 2050

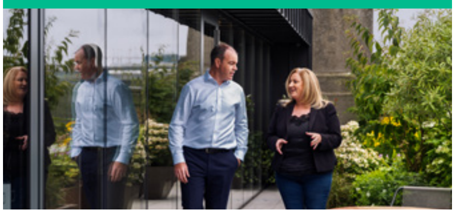
Set SBTi-approved financed emissions targets for 75% of our loan book

Read more on p23

## Levers & Actions to Achieve Ambitions

### Providing green and transition financing to support climate action

Read more on p19



### Offering green products and propositions to meet customers' needs

Read more on p20

### Scope 1 and 2 GHG emissions

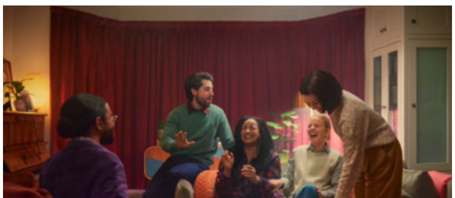
Reducing our direct emissions

### GHG Scope 3 financed emissions

Reducing the emissions of our value chain

Read more on p21

## Enablers (supporting measures)



### Educating

Educating our customers and our colleagues on their sustainability journeys

Read more on p23

### Engaging with our value chain

Read more on p23

### Collaboration

Collaboration, partnership and thought leadership to support change

Read more on p24

### Policies and frameworks guiding our Climate Transition Plan

Read more on p24

## Our Climate Transition Plan at a glance continued

# Metrics and Targets

Target of

**70%**

of new lending classified as green and transition by 2030

Read more on p27

Target to deploy

**€30bn**

of green and transition lending by 2030

Read more on p27

Reduce absolute Scope 1 GHG emissions by

**34%**

by 2027

Read more on p28

Increase the annual sourcing of renewable electricity to

**100%**

by 2030 from a 2019 baseline of 1%

Read more on p28

### Residential Mortgages

**Target of 58%**

reduction in emissions intensity required by 2030

Read more on p29

### Commercial Real Estate

**Target of 67%**

reduction in emissions intensity required by 2030

Read more on p29

### Electricity Generation

**Maintain target of 21g $CO_2$/kWh**

or below 21g $CO_2$/kWh

Read more on p29

### Corporate Portfolio Coverage

**Target to increase to 54% loan volumes covered by emission targets**

by 2030 from a 12% baseline

Read more on p29

# Overview of climate transition planning

## Over the past decade, governments around the world have committed to decarbonise by reducing greenhouse gas (GHG) emissions to zero, or close to zero, by mid-century.

Ireland's Climate Action and Low Carbon Development (Amendment) Act 2021[2] set the country on a binding path to decarbonisation by 2050 and a 51% reduction in emissions by the end of this decade, in line with EU commitments. The Act provided the framework for annual Climate Action Plans, economy-wide carbon budgets, sectoral emissions ceilings, and national strategies in areas from offshore wind to biodiversity, to meet our commitments.

The UK jurisdiction, within which AIB also operates, has a similar strategy and targets in place. Collectively, these strategies outline approaches to reduce emissions across the economy and provide guidance on supporting the transition through innovation, green investments and embedding sustainability ambitions.

### High Ambitions. Global Challenges & Uncertainty.

The path to decarbonisation was never going to be linear. However, challenges have arisen in recent years and progress globally towards the Paris Agreement is lagging behind targets, with consequences for society and for the environment. Our own progress towards decarbonisation targets in our portfolios is broadly on track and we are increasing the comprehensiveness of our approach.

Despite targets, global agreements and nationally declared ambitions, the United Nations Environment Programme's (UNEP) 2024 Emissions Gap Report indicates that GHG emissions have reached unprecedented levels, with projections suggesting a potential global temperature rise of 3.1°C by the end of the century if current policies persist. This trajectory significantly exceeds the 1.5°C target set by the Paris Agreement, highlighting the need for immediate and substantial actions to reduce emissions.[3] In Ireland, a recent report by the Environmental Protection Agency (EPA) indicates that Ireland is also significantly off track for its 2030 climate targets.[4]

### Cleaner Energy. Smarter Lending. Real Impact.

While challenges exist, there is also a lot of progress happening across the globe, particularly with regard to the increasing investment and deployment of renewable energy, which can power a lower-carbon economic model.

The financial sector has a pivotal role to play in enabling the transition to a more sustainable economy, given the scale of investment required. Governments cannot make the transition alone and financial institutions can support the realisation of national emission reduction targets in different ways: investing in renewable energy projects; financing energy efficiency measures such as retrofitting homes or commercial buildings; providing competitive loans to enable businesses and households to make the switch to a low-carbon economy; and supporting and advising customers as sustainability leaders.

The Irish Government's Climate Action Plan (CAP) underscores the importance of the financial sector's positioning and has said previously that there must be a "focus on steering investments towards sustainable and green initiatives, away from those inconsistent with Ireland's emission ceilings".[5]

**1.5°C**
target set by the Paris Agreement

**3.1°C**
projected global temperature rise

**"Focus on steering investments towards sustainable and green initiatives, away from those inconsistent with Ireland's emission ceilings"**

2. Climate Action and Low Carbon Development (Amendment) Bill 2021.
3. Climate Action Plan 2025.
4. EPA Projections Show Ireland off Track for 2030 Climate Targets | Environmental Protection Agency.
5. Climate Action Plan 2024.

# Overview of climate transition planning continued

## Measurement means management

It is in this context that AIB embarked on our own transition planning journey for climate mitigation. Our emissions targets span our most material sectors, and we will continue to decarbonise across all sectors on our loan book in line with the Government's CAP. However, to do this effectively and as quickly as possible, we need a clear action plan.

Our first stand-alone Climate Transition Plan will help our journey. It brings all elements of our climate-focused transition planning journey to date into one consolidated and forward-focused plan for future action. This is based on a strong foundation of measurement, evidence, transparency and disclosure, with a clear eye on what must happen next.

Over the coming pages, we outline our strategic ambitions; environmental, social and governance (ESG) risks associated with transitioning and how we will manage them; levers and enablers in place to realise our decarbonisation ambitions; our metrics and targets across governance, operations and finance; and how we will ensure oversight, management and accountability for this Climate Transition Plan.

In this way, we aim to reach our important sustainability Key Performance Indicators (KPIs) and maintain a leading sustainability role, so we can support and empower more people to build a more sustainable future.

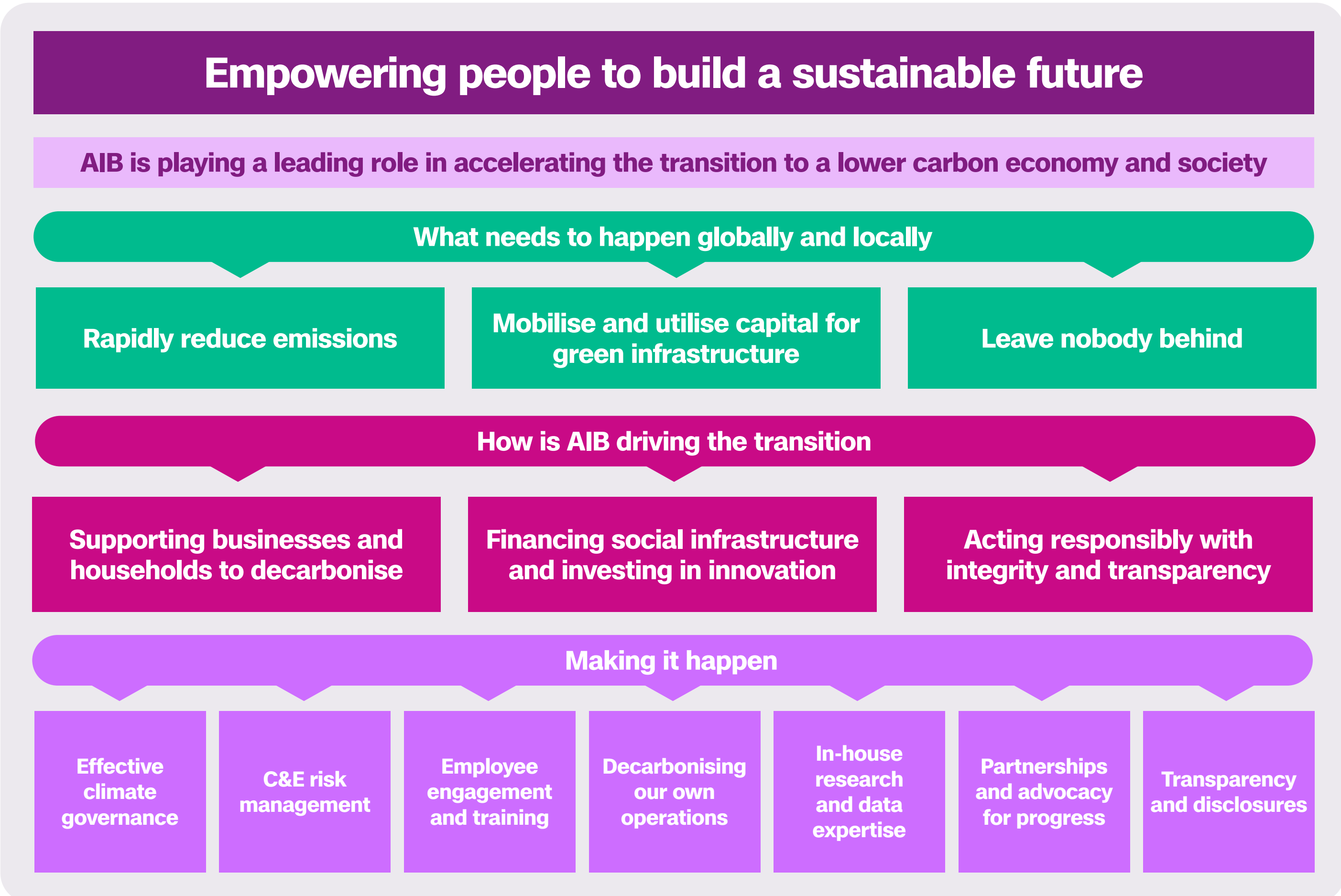
## Governance is the driver

Materiality assessment is central to all our plans. This means that we assess what is most important to our sustainability strategy and business to guide the transition for our five key sectors – Energy, Transport, Housing, Food/Agri Manufacturing and Agriculture.

Our governance framework provides oversight and ownership of the Group's sustainability strategy and the management of material IROs at Board and Executive levels.

In addition, management of Climate & Environmental (C&E) Risk is embedded into our organisational structure and governance processes. AIB uses thresholds to support management of material C&E Risks, with a clear approach for credit management of risks that are, or likely to become, material, including customer due diligence. C&E Risk is embedded into broader risk management activities including consideration of Operational Risk, Market Risk and Reputational Risks. Capital adequacy for C&E Risks is considered as part of our Internal Capital Adequacy Assessment Process (ICAAP).

We are internationally recognised as a sustainability business and banking leader, strengthened by our range of international commitments, partnerships and ratings record from agencies like Morningstar Sustainalytics, Carbon Disclosure Project (CDP) or S&P.



# Our transition planning journey so far

**Through our purpose of empowering people to build a sustainable future, we are committed to building long-term resilience and sustainability for our business, economy and society. We want to ensure that our stakeholders are aware of our decarbonisation ambition to transition to a sustainable future and we will support them to join us on this journey.**

We're aligned with global banking best practice and the Paris Agreement target to limit the global average temperature increase to 1.5°C above pre-industrial levels. In doing so, we have a number of validated targets in place for our key sectors through the SBTi.

## Decarbonisation Journey

### 2022

**€3.3bn** in green and transition lending in 2022

- Totalling **€1.5bn** Issued two Green Bonds
- Successful launch of the Strategic Banking Corporation of Ireland (SBCI) Energy Efficient Loan Scheme
- Signed the Virtual Power Purchase Agreement (VPPA) to support our energy needs

### 2023

**€3.7bn** in green and transition lending in 2023

- Covered **75%** of the lending portfolio as of 2021 SBTi-validated targets for Residential Mortgages, Commercial Real Estate, Electricity Generation and a Portfolio Coverage Target
- Acquired Clearstream (a corporate climate and sustainability services provider) to enable us to further support our customers in their transition
- AIB Raised **€750m** during 2023 by issuing its fifth Green Bond

### 2024

**€5.1bn** in green and transition lending in 2024

**€4.65bn** Since 2020, AIB has issued six Green Bonds, totalling €4.65bn

**€2.67bn** The Socially Responsible Investment Bond Portfolio reached €2.67bn

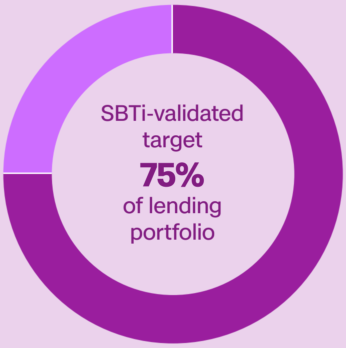
- 35% of new lending was classified as green or transition
- €16.6bn of green and transition lending has been deployed since 2019
- Began purchasing certified renewable energy via two newly constructed solar farms in Co. Wexford
- Launched a strategic investment programme in our network, investing in a range of upgrades to branches and ATMs

# Our transition planning journey so far continued

## Sustainability leader

We began reducing our own operational emissions in 2016 and, in 2020, AIB became the first Irish bank to make decarbonisation commitments, including our commitment to decarbonise our own operations by 2030 and our customer lending portfolios by 2050.

We launched our green mortgage product in 2019. We have set SBTi-validated targets for 75% of our loan book and in April 2023 were the first bank in the world to receive SBTi-approved maintenance targets for electricity generation. AIB was the first Irish bank to enter the Green Bond market in 2019 and, in 2020, we were the first Irish Bank to issue a Green Bond, for €1bn.




## Beyond environment and climate

We know that sustainability extends beyond the environment – it's about social progression and resilient, transparent governance.

We put people at the centre of everything we do by ensuring that our colleagues feel supported and empowered at work, with strong gender balance and universal inclusion. We promote financial wellbeing by continually adapting our services and products to meet the needs of all our customers throughout their life stages. We are also supporting more people to have a home: 52% of our mortgages in 2024 were green and €2.7bn in new lending in 2024 went to first time buyers in Ireland.

We support communities through our AIB Community €1 Million Fund. Please read more about our impact in the community and an overview of the initiatives we're funding and supporting at https://aib.ie/sustainability.

# Ambition

## 2024

- Developed our new Transition Finance Guidance to enhance our transition finance proposition for our corporate and business customers
- Announced that we will invest over €20m in sustainability education and research, with €10m allocated to a new AIB Trinity Climate Hub in Trinity College Dublin and a €10m commitment as a founding partner of Innovate for Ireland
- Established AIB's Sustainability Academy, a hub for ESG learning, research and training support for all colleagues
- Developed our 'SME Steps to Sustainability', a go-to resource for SME businesses, designed to guide them to take sustainable action
- AIB launched new shorter-term green mortgage products with rates starting from 3% for higher energy efficient homes. The launch of these new Green Fixed Rates followed a number of cuts to mortgage rates by AIB Group throughout the year

## 2030

Decarbonise our own operations across Scope 1 and 2 emissions by 2030


## 2050

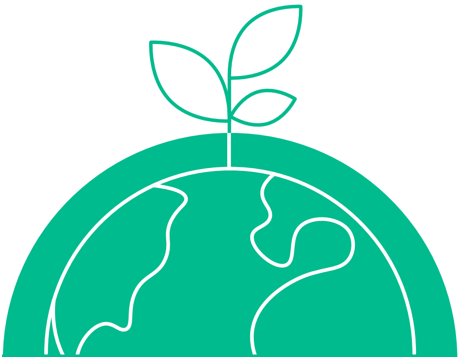
Decarbonise our customer lending portfolio

# Foundations of our Climate Transition Plan

# Strategic ambition

## Overarching business strategy

In recent years, our sustainability strategy has helped to guide the transition planning journey in AIB. This sustainability strategy is integrated with our overall Group strategy. It aligns with AIB's three strategic areas of focus, which place an enhanced focus on serving our customers across the Group, greening our business, and driving greater operational efficiency and resilience. It is also embedded within the financial planning process (detailed further in the 'Financial planning' section).



**Three strategic areas of focus**

### Customer First

We will develop deeper, more enduring relationships with our customers by better serving their financial needs through integrated propositions.

### Greening our Business

We will mobilise capital to support climate action, be a catalyst for positive change and continue to build on our sustainability leadership.

### Operational Efficiency & Resilience

We will ensure the appropriate capability, capacity and resilient platforms are in place to support the Group's strategic ambition.

As a financial institution, we also have a role to play in combatting climate change through our lending and investment activities, recognising that significant investments are required globally to finance the green transition. The implementation of our strategy is supported by our operating segments:

- **Retail Banking**
- **Capital Markets**
- **Climate Capital**
- **AIB UK**

We continue to support the low-carbon transition, empowering people to build a sustainable future, and have made ambitious commitments to play a central role in supporting our customers, colleagues, and many other stakeholders on this journey.

## Key assumptions and external factors

Many decarbonisation levers in our lending portfolio (such as Government policy and the speed with which the electricity grid transitions to renewables) are outside our direct control and so we do not expect to make linear progress towards our targets each year.

For example, when setting decarbonisation reference scenarios and targets for our Commercial Real Estate and Residential Mortgages portfolios, we have relied on the projections set out in the Irish Government's Climate Action Plan regarding building stock shifts from C+ rated properties to A- or B- rated properties through obsolescence, new builds and retrofit. We have also considered the projected decarbonisation of the Irish energy grid and the decrease in building energy-related emissions. We also recognise the challenges of implementing our strategy due to the evolving policy landscape, stringent regulatory requirements, ESG data limitations and the global struggle to stay on track for limiting long-term global warming to 1.5°C.

## Strategic ambition of this Climate Transition Plan

Through our Climate Transition Plan, we aim to realise our 2030 and 2050 sustainability ambitions, which will further the transition towards a low-GHG emissions, climate-resilient economy.

It details how we will pursue our objectives and priorities, in a manner that tries to capture opportunities and aspires to safeguard the natural environment.

This Climate Transition Plan forms part of our sustainability reporting suite, which also includes our Annual Financial Report (AFR) Sustainability Statement, our Sustainability Disclosures Tables and our Pillar 3 reporting.

# Integration with the business model and value chain

Our ambition is to be a catalyst for positive change, building long-term value for stakeholders while protecting our planet and contributing to a better society.

In achieving this, our sustainability ambitions are to decarbonise our own operations by 2030 and our customer lending portfolio by 2050.

Elements of our business model and value chain interconnect with our sustainability strategy. The nature of our business means that we have a complex value chain: it encompasses a range of activities and stakeholder relationships, which we rely on to provide banking products and services, but extends beyond direct contractual business relationships. For example, in our role as a lender we have direct relationships with our personal and business customers.

## Our Sustainability Strategy

| | | | |
|---|---|---|---|
| **ESG strategic pillars** | **Climate & environmental action** | **Societal & workforce progress** | **Governance & responsible business** |
| **Our purpose** | **Empowering people to build a sustainable future** | | |
| **Guided by our ESG principles** | by providing responsible green finance, investments and advice to drive structural change and support the transition to a low-carbon future | by maximising positive outcomes for customers and colleagues, helping build a brighter and a more prosperous future for all | by acting responsibly, with integrity and transparency, while embedding sustainability capabilities and measures |
| **Our material sustainability topics (as per ESRS reporting)** | **Climate change** | **Financial wellbeing**<br>**Housing**<br>**Own workforce (Equal treatment & opportunities for all)** | **Governance, ethics & accountability**<br>**Culture & reputation**<br>**Cyber security & data protection** |
| | **ESRS E1 – Climate change** | **ESRS S4 – Consumers & end-users**<br>**ESRS S3 – Affected communities**<br>**ESRS S1 – Own workforce** | **ESRS G1 – Business conduct** |
| **Alignment with UN SDGs**[1] | 7 Affordable and clean energy<br>9 Industry, innovation and infrastructure<br>12 Responsible consumption and production<br>13 Climate action | 1 No poverty<br>4 Quality education<br>11 Sustainable cities and communities | 5 Gender equality |

1. While AIB supports all 17 United Nations Sustainable Development Goals (SDGs), we believe we can make the most sustained and scalable impact in those listed above.

# Integration with the business model and value chain continued

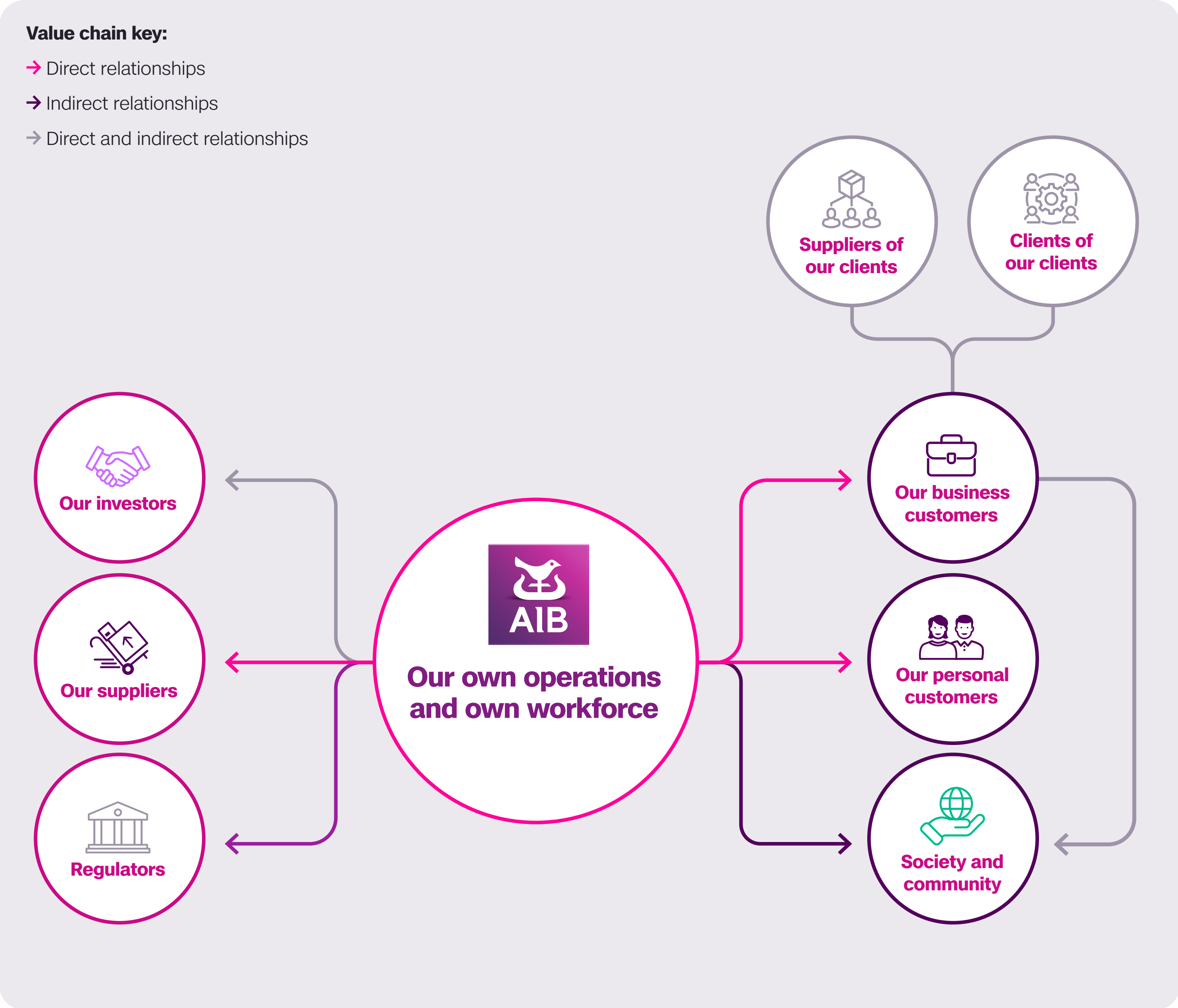
In addition to considering our sustainability strategy in the context of our Group strategy, it is also worth noting elements of our business model and value chain which are interconnected with our sustainability strategy.

AIB Group operates predominantly in Ireland and the United Kingdom. Our shares are quoted on the Irish and London stock exchanges, and we are a member of the FTSE4Good Index. Our four core operating segments are Retail Banking, Capital Markets, Climate Capital and AIB UK, while our brands encompass AIB, EBS, Haven, Goodbody, Payzone, AIB Life and Nifti.

Our value chain encompasses a range of activities and stakeholder relationships, which we rely on to provide banking products and services. We've identified our key stakeholder groups along the upstream, own operations and downstream of our value chain.

Our business customers have their own value chains, through which we may be associated with impacts on wider society and the environment. As an employer, we have a direct relationship with our own workforce, who are part of our own operations; as a regulated business, funded by debt and equity, and as a procurer of goods and services, we are connected to stakeholders in our upstream value chain, such as our regulators, investors and suppliers.

Our value creation model depends on inputs across our three strategic priorities, including key intangible resources such as brand reputation, employee expertise, intellectual property, and technology innovation. These key intangible resources drive strong relationships with our customers and other stakeholders. By leveraging these key intangible resources, we strive to empower people to build a sustainable future, while driving our business growth and competitive advantage.



# Integration with the business model and value chain continued

The diagram below includes a non-exhaustive list of the key inputs that we rely on to deliver value for our stakeholders, in the form of outputs and outcomes.

**With three strategic areas of focus**

| Customer first | Greening our business | Operational efficiency & resilience |
|---|---|---|

**Inputs include the resources and relationships we rely on to operate our business and deliver value for our stakeholders[1]**

| | | |
|---|---|---|
| **€110bn** Customer accounts | **€30bn** Green and transition lending by 2030 | **10,469** Employees (actual full-time equivalent) |
| **236** 170 AIB branches and 66 EBS offices in ROI | **100%** Sourcing of renewable energy for our own operations by 2030 | **€4.93bn** Total operating income[2] |

**Our business model includes the activities, products and services through which we deliver value for our stakeholders**

**Our purpose**
Empowering people to build a sustainable future

**Our Values**
- Put customers first
- Be one team
- Show respect
- Own the outcome
- Drive progress
- Eliminate complexity

**Our operating segments**
- Retail Banking
- Capital Markets
- Climate Capital
- AIB UK

**Our material topics**
- Climate change
- Own workforce (Equal treatment & opportunities for all)
- Housing
- Financial wellbeing
- Governance, ethics & accountability
- Culture & reputation
- Cyber security & data protection

**Supported by our relationships with key stakeholders across the value chain**
- Our customers
- Our colleagues
- Our investors
- Our suppliers
- Regulators
- Society and community

**Outputs include the results our business activities create for our stakeholders**

| | | |
|---|---|---|
| **€14.5bn** New lending | **€16.6bn** Cumulative green and transition lending by end of FY2024 | **89%** People satisfaction rate (H2 2024) |
| **2.27m** Digitally active customers | **84%** of renewable energy achieved from VPPAs | **10.33%** Cyber security spending of overall IT spend |

**Outcomes include the longer-lasting impacts and benefits for our stakeholders**

Developing deeper, more enduring relationships with our customers by better serving their financial needs through integrated propositions.
- Know our customers
- Respond to their needs
- Deliver service excellence
- Invest for the future

Mobilising capital to support climate action, being a catalyst for positive change and continuing to build on our sustainability leadership.
- Grow green
- Support transition
- Enable sustainable practices
- Educate and innovate

Ensuring the appropriate capability, capacity and resilient platform are in place to support the Group's strategic ambition.
- Resource efficiency
- Process efficiency
- Measure and manage
- Harness new technology

1. Figures included are for FY2024.
2. The figure used for Total Operating income is sourced from the Financial Statements section of the AFR.

# Risks associated with the transition

## Through our purpose of empowering people to build a sustainable future, we are committed to building long-term resilience and sustainability for our business, economy and society.

This will enable us to realise our ambitions of decarbonising across our Scope 1 and 2 emissions, meeting our target for 70% of new lending to be green or transition by 2030, and our 2050 ambition to decarbonise our customer lending portfolio.

Before detailing the implementation roadmap for this Climate Transition Plan, it is important to note elements relating to risks that have the potential to impact the realisation of our decarbonisation ambition.

As part of the overarching risk management process described in the Risk Management section of our Annual Report from page 179, AIB identifies top and emerging risks that have the potential to increase in significance and could have a material impact on the Group's strategy, operations and customers over the short, medium and long term. Climate & Environmental Risk is identified as a Principal Risk for the Group through the risk management processes such as the MRA, and climate change is also identified as a material topic through our Double Materiality Assessment (DMA) process, from both an impact and financial materiality perspective.

## Climate and Environmental Risk

AIB has a robust approach to risk management and in FY2024 identified ten Principal Risks across our business, one of which is Climate & Environmental (C&E) Risk.

C&E Risk encompasses the financial and non-financial impacts on the Group arising from climate change, environmental change and the transition to a sustainable economy. These risks can affect the Group directly through our operations, or indirectly through our relationships with customers and third party suppliers.

Articulation of the Group's C&E Risk appetite and tolerance is expressed through the qualitative statements about the nature and type of risk that the Group is willing to accept, as well as quantitative Risk Appetite Statement (RAS) metrics that define the range of acceptable risk. Qualitative statements and quantitative metrics are linked to material C&E Risk drivers as identified through the Group's materiality assessment. The 2024 materiality assessment showed that the main impacts are expected to materialise in the areas of Credit Risk and Operational Risk. This has been reflected in the development of RAS metrics.

C&E Risk RAS metrics for 2025 include three C&E qualitative statements that help articulate appropriate areas of climate-related risk appetite. In addition to this, for 2025 the Group approved six new quantitative C&E RAS metrics, ensuring coverage across physical, transition and environmental risks (bringing the total number of C&E-related metrics to nine). We've cascaded RAS metrics to segments and subsidiaries as appropriate.

- Material Risk Assessment (MRA): an annual top-down process to identify, assess, manage, monitor and report upon our material risks in line with our Risk Management Framework. It forms a key input into our risk management processes, including the RAS.
- Risk and Control Assessment (RCA) process: a detailed bottom-up risk assessment identifying the risks arising from the Group's processes and business activities.
- Our other risk management processes include the Internal Capital Adequacy Assessment Process (ICAAP) and the Internal Liquidity Adequacy Assessment Process (ILAAP): both consider climate-related factors in assessing capital adequacy and liquidity adequacy.

# Risks associated with the transition continued

## Managing C&E Risk

AIB conducts a number of exercises to analyse C&E Risk. These include: Business Environment Scan, RCAs, C&E Risk Heatmaps, Sector Deep Dives, Transmission Channel Analysis and Climate Stress Tests as part of ICAAP.

We also conduct scenario analysis relating to future possible climate change outcomes, which includes quantitative forecasts for short- and long-term transition and physical risk.

Transmission Channel Analysis is completed annually and is used to analyse how different C&E Risk drivers transmit through micro and macroeconomic factors and impact the Group's material risks. These are broken down into physical and transition risks categories, as follows:

- Climate (Physical Risk) – Includes flooding, rising sea levels and heatwaves/droughts.
- Environmental (Physical Risk) – Includes water availability, biodiversity and raw material availability.
- Climate (Transition Risk) – Includes consumer and investor behaviour, regulatory requirements, litigation and technological improvements.
- Environmental (Transition Risk) – Includes enhanced regulations.

The risk drivers are informed by the business environment scan.

As an official supporter of the Task Force on Climate-Related Financial Disclosures (TCFD), we provide details on Transition and Physical Risk in our AFR (a key TCFD metric).

- Physical risk: Flood risk is our most significant acute and chronic physical risk, and we have developed initial metrics to better understand this risk for our property-related exposure. These metrics support the tracking of physical risk for our key property portfolios. Our approach is subject to further evolution based on industry developments and supervisory and regulatory expectations.
- Transition risk: we require the completion of an ESG Questionnaire for all new lending over €/£/$1m in high and moderate transition risk sectors, and for all annual borrower reviews with an exposure over €/£/$10m in high and moderate transition risk sectors. We also require a completed ESG Questionnaire for material waiver requests for borrowers with limits over €/£/$1m in high transition risk sectors.

Our risk management process outcomes are an important input factor in our DMA process and inform the alignment and calibration of results. We work continuously to integrate our DMA process, including identifying risks and opportunities, in our overall planning, risk management and internal controls.

## Double Materiality Assessment

The DMA process is the starting point for preparing our Sustainability Statement, which is reported annually within our AFR. It is carried out to identify and assess our material sustainability matters from an impact and financial materiality perspective.

- Impact materiality: we define impacts as the positive or negative effects we have or could have on people and the environment, connected with our own operations and our upstream and downstream value chains across the short, medium or long term. We've linked impacts to our products and services, as well as to our direct and indirect business relationships, for example through our clients' value chains.
- Financial materiality: we define risks and opportunities as the financial effects that affect, or could reasonably be expected to affect, our financial position, financial performance, cash flows, access to finance or cost of capital over the short, medium and long term.

As a result of our DMA, we identified seven material topics and corresponding impacts, risks and opportunities (IROs). Our material topic climate change has two such risks.

- Physical climate-related risks can have a negative financial impact on the Group. These risks can arise from extreme events such as droughts, floods and storms, and from progressive shifts such as increasing temperatures, sea level rises, water stress, biodiversity loss, land use change, habitat destruction and resource scarcity. This can directly result in negative outcomes, such as damage to property or reduced productivity, or indirectly lead to outcomes such as the disruption of the Group's supply chains.[1]
- Transition climate-related risks are also a threat. These risks can arise from the process of transitioning to a lower-carbon and more environmentally sustainable economy. They could be triggered by technological progress, changes in laws or regulations, or changes in customer demands and preferences.[1]

A full list of IROs can be found in our Annual Financial Report for FY2024 from page 59.

1. We manage these risks through our C&E Risk Framework as detailed in the AFR.

# Implementation and engagement strategy

# Overview of implementation and engagement strategy

We have made good progress towards our decarbonisation ambition in recent years, driven by a number of our decarbonisation levers and accompanying transition actions.

Supporting measures (enablers) enable the implementation of our levers and actions, which together will continue to be the primary drivers to help us meet our 2030 and 2050 ambitions, reduce our exposure to C&E Risk and support the transition to a more sustainable economy.

## Levers

**Providing green and transition financing to support climate action** See page 19

**Offering green products and propositions to meet customers' needs** See page 20

**Reducing our direct emissions (Scope 1 and 2 GHG emissions)** See page 21

**Reducing the emissions of our value chain (GHG Scope 3 financed emissions)** See page 21

## Enablers

**Educating our customers and our colleagues on their sustainability journeys** See page 23

**Engaging with our value chain** See page 23

**Collaboration, partnership and thought leadership to support change** See page 24

**Policies and frameworks guiding our Climate Transition Plan** See page 24

# Levers and accompanying actions to achieve our decarbonisation ambition

## € Providing green and transition financing to support climate action

Recognising the importance of climate finance in funding the transition, we've rapidly grown our green lending portfolio and have established a Climate Capital segment. Established in 2024, Climate Capital enhances our capability, supports business growth, and demonstrates our position as a driving force in the transition to a sustainable future.

Climate Capital is a fast-growing segment of our lending book. With a strong focus on renewable energy assets that displace fossil fuel-fired generating assets, it is helping to deploy our €30bn goal in new green and transition lending and plays a key role in underpinning our Green Bond offerings.

We plan to provide green and transition financing to support climate action through the following:

### Action: Provide sustainability-related financing through green and transition lending

| Details | Overview of what AIB has done so far | Action priorities |
|---|---|---|
| **Establish and deploy green and transition lending** | Our green and transition lending supports customers to reduce emissions and help make a positive environmental impact. We aim to lead by example and to support customers along their transition pathways by financing energy efficiency measures and providing loans to businesses and individuals transitioning to a low-carbon economy.<br><br>Between 2019 and 2024, €16.6bn was deployed, of which €5.1bn was drawn down in 2024*.<br><br> | Continued deployment in green and transition lending, supported by our green products and propositions, will keep AIB on track to meet our cumulative drawdown target of €30bn by 2030.<br><br>**€30bn**<br>2030 target of a cumulative drawdown |

* See the 'Metrics and targets' section for further details regarding new green and transition lending.

### Action: Providing bond offerings that contribute towards financing

| Details | Overview of what AIB has done so far | Action priorities |
|---|---|---|
| **Issue ESG Bonds** | In recent years, the Group's ESG Bond issuance has supported €6.4bn of green and social collateral. Of the €6.4bn in ESG Bonds issued to date (to the end of FY2024), €4.65bn of these were Green Bonds. | Contribute proceeds to financing projects with clear environmental and climate action benefits, while further strengthening our capital position. |
| **Issue Socially Responsible Investment (SRI) Bond** | Our SRI Bond portfolio funds domestic and international projects aimed at global sustainability, carbon emissions reduction and social improvement.<br><br> | AIB promotes and supports the transition to a more sustainable global economy and contributes to positive environmental and social change via investment in green, social and sustainable bonds.<br><br>The SRI Bond portfolio reached<br>**€2.67bn**<br>at year-end 2024 |

# Levers and accompanying actions to achieve our decarbonisation ambition continued

## Offering green products and propositions to meet customers' needs

We want to encourage our customers on their transition journey. We do this by providing a range of products and services that will enable our customers to reduce their own carbon emissions and help AIB deliver its purpose of empowering people to build a sustainable future. In this regard, AIB has a suite of green products and propositions that support our customers in building a sustainable future, including the following:

### Action: Products that enable greener homes

| Details | Overview of what AIB has done so far | Action priorities |
|---|---|---|
| **Green mortgages, with favourable interest rates available for energy efficient homes** | All three entities of AIB, EBS and Haven provide green mortgages for homes with a Building Energy Rating (BER) of between A1 and B3 to new, existing and switcher mortgage customers.<br><br>The majority (52%) of our new mortgage lending in Ireland was to energy efficient homes in 2024, underpinned by the launch of two new green fixed rate mortgage products and a range of green mortgage rate reductions.<br><br> | We will continue to offer competitive green mortgages to homes with an A1 and B3 BER. |
| **Participating in the Home Energy Upgrade Loan Scheme (HEULS)** | In 2024, the Government, in partnership with the Strategic Banking Corporation of Ireland (SBCI), launched the new low-cost HEULS for homeowners.<br><br>AIB is one of the finance providers approved to participate in HEULS. Through this, customers can borrow between €5,000 and €75,000 per property, for up to three properties, up to a maximum of €225,000 in total. Furthermore, up to 25% of the loan can be used for non-energy upgrades. | HEULS will be available up to 31 December 2026 or until the scheme is fully subscribed. |

### Action: Products that enable greener businesses

| Details | Overview of what AIB has done so far | Action priorities |
|---|---|---|
| **Two loans through the Growth and Sustainability Loan Scheme** | Through work with the SBCI, we offer the Growth and Sustainability Loan Scheme, which is a long-term, low-cost loan scheme to support our customers in business and agriculture. There are two loans offered under the scheme, the Climate Action & Environmental Loan and the Growth & Resilience Loan. | Both loans will continue to be offered in 2025. |

In addition, we support SMEs through our Steps to Sustainability Programme, an accessible, online guide to help businesses develop a tailored sustainability plan. We also provide specific help and sustainability expertise through our advisers in communities around the country, as well as a practical online course and sector specific guides which delve deeper into the actions that businesses in different sectors can take to green their business and save money.

Access Steps to Sustainability Programme

# Levers and accompanying actions to achieve our decarbonisation ambition continued

## Reducing our direct emissions (Scope 1 and 2 GHG emissions)

In 2020, we announced an ambition to decarbonise our own operations by 2030. This target is relative and measured as a percentage reduction in emissions. We measure and report our operational emissions according to the Greenhouse Gas Protocol, where we cover Scope 1 and Scope 2 emissions (see the 'Metrics and targets' section for further details regarding Scope 1 and Scope 2 progress). Our strategy to decarbonise our own operations by 2030 spans key implementation actions:

### Action: Sourcing renewable energy

| Details | Overview of what AIB has done so far | Action priorities |
|---|---|---|
| **VPPA with NTR plc to create solar farms in Co. Wexford** | In 2022, we entered into a VPPA with NTR plc to create two new solar farms in Co. Wexford to replace electricity previously purchased on green tariffs. The agreement also ensures that the Group has a sustainable and secure energy supply at a fixed price for 15 years and will continue to reduce our operational carbon emissions.<br><br>In 2024, 84% of AIB's own electrical energy needs was produced from these solar farms. | These two solar farms are delivering certified renewable energy to the Group. This will be instrumental in meeting our renewable electricity sourcing target of 100% by 2030. |


### Action: Greener branches refurbishment programme

| Details | Overview of what AIB has done so far | Action priorities |
|---|---|---|
| **Investment in our branch network** | We are continuously upgrading our branch and office buildings to improve their energy efficiency, for example by investing in our branch network through the Greener Branches Refurbishments Programme. | Continue to invest in our Greener Branches Refurbishments Programme in 2025. |

These actions have supported us in reducing our Scope 1 emissions and in greening our Scope 2 emissions.

## Reducing the emissions of our value chain (GHG Scope 3 financed emissions)

In 2020, we set a financed emissions target to decarbonise our customer lending portfolio (Scope 3 GHG emissions) by 2050. For this, we have set financed emissions reduction targets, based on a 2021 baseline for our three most material sectors – Residential Mortgages, Commercial Real Estate (CRE) and Electricity Generation – which are the loan portfolios with the highest transition risk.

In addition to the above financed emissions targets, we also have a Corporate Portfolio Coverage target, an engagement target, which aims to drive the adoption of science-based targets and emissions reductions across all sectors. Further details of these are as follows (also note the 'Metrics and targets' section beginning on page 26):

# Levers and accompanying actions to achieve our decarbonisation ambition continued

## Action: Reducing residential mortgage emissions intensity

| Details | Overview of what AIB has done so far | Action priorities |
|---|---|---|
| **Reducing residential mortgage emissions intensity** | In 2021, we established a baseline physical emissions intensity of 40 $kgCO_2e/m^2$ for our Residential Mortgages portfolio, using the International Energy Agency (IEA) 2021 NZE2050 1.5°C SDA Scenario to reduce our mortgage portfolio GHG emissions 58% per square metre by 2030 from a 2021 base year.<br><br>In 2024, the physical emissions intensity of our Residential Mortgages portfolio decreased by approximately 5.6%, compared with our 2021 baseline. Total lending within our Residential Mortgages portfolio was €36.3bn in 2024, representing 51% of the Group's total lending. | AIB remains committed to investing in residential mortgage products and propositions to support the achievement of our targets. |

## Action: Reducing CRE emissions intensity

| Details | Overview of what AIB has done so far | Action priorities |
|---|---|---|
| **Reducing CRE emissions intensity** | In 2021, we established a baseline physical emissions intensity of 135 $kgCO_2e/m^2$, using the IEA 2021 NZE2050 1.5°C SDA Scenario to reduce GHG emissions from the CRE sector within our corporate loan portfolio by 67% per square metre by 2030 from a 2021 base year.<br><br>Throughout 2024, we undertook a process to enhance the quality of our data, which resulted in revising our 2021 baseline from 135 $kgCO_2e/m^2$ to 116 $kgCO_2e/m^2$, while maintaining our current IEA pathway. In 2024, our CRE portfolio accounted for 8% of the Group's total lending, with total lending at €5.6bn. In 2024, the physical emissions intensity of our CRE portfolio reduced by approximately 8% compared with our 2021 restated baseline. | We will continue to invest in green products and propositions which support the achievement of our targets. |

## Action: Maintain Electricity Generation emissions at or below 21 $gCO_2e/kWh$

| Details | Overview of what AIB has done so far | Action priorities |
|---|---|---|
| **Reduce Electricity Generation emissions** | In 2021, we established our baseline maintenance target to maintain the emissions intensity of our electricity generation project finance portfolio at or below 21 $gCO_2e/kWh$ from 2021 through 2030 and only finance 1.5°C aligned electricity generation projects.<br><br>Since setting our maintenance target, waste to energy has been excluded from the Electricity Generation target scope, following bilateral guidance received from the SBTi. This is primarily due to the fact that waste-to-energy facilities are not based on fossil fuels, and electricity generation is not their main purpose or revenue source. Consequently, the baseline emissions intensity decreased significantly from 21g $CO_2e/kWh$ to 0.01 $gCO_2e/kWh$. Note that, financed emissions related to waste to energy will continue to be tracked against our maintenance target internally. In 2024, the portfolio was 5% of total lending €3.6bn with an emissions intensity of 0.97 $gCO_2e/kWh$. | We are committed to maintaining the emissions intensity level of the Electricity Generation portfolio below 21 $gCO_2e/kWh$ through 2030 by keeping the portfolio focused on renewable electricity generation projects. |

## Action: Increasing Corporate Portfolio Coverage

| Details | Overview of what AIB has done so far | Action priorities |
|---|---|---|
| **Increase Corporate Portfolio Coverage** | Our Corporate Portfolio Coverage target considers large corporations with >500 employees that have SBTi-validated targets. In 2021, we established a target to increase our corporate portfolio loan volumes covered by emission targets from 12% to 54% by 2030 from a 2021 baseline.<br><br>In 2024, we increased our Corporate Portfolio Coverage to 27%. | The percentage of customers with SBTi-validated targets set is expected to increase in the coming years, as new regulations around transition plan disclosures come into force. Key sectors should decarbonise in line with the Government's Climate Action Plan 2024, and corporate customers with >500 employees are expected to set their own emissions targets in the medium term. |

We expect these actions will help us to achieve our financed emission reduction targets, as well as reducing C&E Risk, and support the transition to a more sustainable economy.

# Enablers in place to realise decarbonisation ambition

## Our ambition is to be a catalyst for positive change, building long-term value for stakeholders while protecting our planet and contributing to a better society. To support the levers we have in place, we also have a number of supporting measures or enablers as described below.

Through our commitment to building long-term resilience and sustainability for our business, economy and society, we want to ensure that our stakeholders are aware of our decarbonisation ambitions and join us on our journey.

Engagement with all our stakeholders is a high priority. Stakeholder views, interests and expectations are integral to our strategy and business model, and the Board considers them in all its deliberations. To understand our stakeholders' views and best serve their interests, we engage through regular engagement channels, including due diligence processes, as well as through industry representative groups. Throughout 2024, the Board engaged directly with key stakeholders, including our colleagues, customers, suppliers, investors, regulators and the wider society and community, and the Board received management reports and updates on stakeholder matters.

## Educating our customers and our colleagues on their sustainability journeys

We believe that educating customers is central to supporting their transition. We have dedicated educational resources on our website, to support our customers in building a more sustainable future, such as Sector Sustainability Guides and the AIB Green Living Hub. Additionally, we have developed an 'SME Steps to Sustainability' resource for SME businesses, following conversations with SME customers and in partnership with AIB colleagues and Goodbody Clearstream supporting SMEs.

For our colleagues, we offer Continuing Professional Development (CPD) Certificates on ESG, accredited by the Institute of Bankers (IOB), such as 'Understanding ESG for Business Customers', which empowers our client-facing colleagues to act and builds their ESG knowledge. Our colleagues have access to the AIB Sustainability Academy, a hub for all ESG learning, signposting sustainability resources and education opportunities. It aligns with our purpose to empower colleagues to build a sustainable future, and equips them to more effectively engage with and support customers and suppliers as they navigate their sustainability journey.

## Engaging with our value chain

**Supplier Relationship Management (SRM) standard:**
Our SRM standard encapsulates best practice SRM, which promotes mutually beneficial relationships, coupled with effective risk management, to deliver the following objectives:

- Identifying where to focus SRM resources to maximise the benefit for us.
- Introducing a consistent and systematic approach to SRM across AIB.
- Encouraging cross-functional communication and knowledge sharing to drive productive supplier relationships.
- Applying best practice SRM techniques through practical approaches and relevant training for Accountable and Business Owners, such as recent training on their obligations under changing regulations.

In November 2024, we welcomed our top 100 suppliers to a Supplier Summit in Molesworth Street. The purpose of the Summit was to strengthen collaboration, align our suppliers with our purpose, and reinforce their critical role in helping us achieve our strategic goals across 'Customer first', 'Greening our business' and 'Operational efficiency'.

**Responsible Supplier Code:**
Our Responsible Supplier Code sets out our expectations of our suppliers and the minimum standards they must meet regarding human rights, health and safety, supply chains, inclusion and diversity, and responsible and sustainable business. The Code uses the term 'Supplier' to refer to the suppliers, vendors, contractors, consultants, agents and other providers of goods and services who do business with us, or who seek to do business with us as part of our upstream value chain. We will only do business with suppliers that adhere to our Code. We require evidence that they have an ESG plan or are working on putting one in place, and require all successful suppliers to join a Supplier Financial Qualification System, which provides a standardised process for collecting and managing their compliance and assurance information. We also encourage our suppliers to report their carbon emissions through the CDP. In 2024, the number of suppliers who participated in reporting to the CDP was 65, which represented 50% of the AIB suppliers invited.

**Supplier ESG Questionnaire:**
In this regard, ESG factors are increasingly important for our own performance, and for our relationships with suppliers. The ESG Questionnaire covers a broad range of ESG areas, and requires responses and evidence from suppliers on their:

- journey to establishing or achieving their decarbonisation targets;
- annual sustainability reports;
- Scope 1, 2 and 3 GHG emissions;
- consideration of physical risks from climate change;
- policies on discrimination, inclusion & diversity, health & safety, modern slavery, vulnerable persons, greenwashing and speaking up;
- Code of Conduct and their Responsible Supplier Code for their own supply chain; and
- commitment to ongoing ESG-related training in their organisation.

By engaging with our suppliers through the ESG Questionnaire during the selection process, we benefit in the following ways:

### 1. Aligning our Values and expectations

Asking suppliers to complete an ESG Questionnaire communicates our ESG standards and expectations to them, and ensures that we work with partners that share our Values. This can help to build trust and reputation, and avoid potential conflicts or controversies.

### 2. Identifying risks and opportunities

The Questionnaire helps us to assess the ESG performance and risks of our suppliers and their supply chains, such as their environmental impact, social responsibility, human rights, labour practices, ethics and governance. This helps us to identify and mitigate ESG risks, such as regulatory fines, reputational damage, operational disruptions or legal liabilities. It also helps us to identify and leverage ESG opportunities, such as innovation, cost savings, customer loyalty or market differentiation.

### 3. Providing a baseline and a roadmap

The Questionnaire provides a baseline for measuring and monitoring suppliers' ESG performance and progress, as well as a roadmap for improvement. By using a standardised ESG Questionnaire, we can benchmark and compare our suppliers, and track their ESG performance over time. It also allows us to provide feedback and guidance to our suppliers and encourages them to adopt best practices and achieve continuous improvement.

**Suppliers Portal:**
Our Suppliers Portal creates transparency by providing information on how to become a supplier. It includes our policies, procedures and our standard terms of purchase, which explains our payment terms for suppliers.

# Enablers in place to realise decarbonisation ambition continued

## Collaboration, partnership and thought leadership to support change

We publish reports on our website of research carried out, such as the AIB Homes Retrofit Report, which highlights retrofit options, generous grants and competitively priced loans available to consumers wishing to improve their homes' energy efficiency.

We also participate in and provide thought leadership and knowledge-sharing sessions. We have an annual AIB Sustainability Conference, which has been in operation since 2016 and which has grown in scale year-on-year. AIB's customer panel discussions also provide an opportunity for our customers and other attendees to understand how they can act, regardless of size or industry, and be part of the solution.

AIB will continue to support transition efforts that are aligned with our strategy and decarbonisation ambitions and engage with organisations to ensure that we can support positive change. To help drive this agenda, we have joined a multitude of voluntary organisations, including the CDP, SBTi, Net Zero Banking Alliance (NZBA), UN Global Compact and World Business Council for Sustainable Development (WBCSD).

## Policies and frameworks guiding our Climate Transition Plan

To support our decarbonisation transition, we have two primary sustainable financing frameworks in place:

- The Sustainable Lending Framework (SLF) provides transparency on the criteria that we employ when classifying and reporting on green, transition and social lending, to help us achieve our ambition that 70% of new lending should be green or transition by 2030.
- The Green Bond Framework (GBF) enables AIB to fund projects that support climate change mitigation and the transition to a circular economy.

As well as the above, AIB has a number of supporting internal policies to manage this transition:

- Our Group Energy Policy outlines how we conduct our business and operations as energy efficiently as possible, striving to achieve continual improvement in our energy performance and Energy Management System.
- Our Group Environmental Policy aims to support us to meet our current needs without compromising the ability of future generations to meet their own needs. The policy also commits us to supporting initiatives aimed at mitigating, adapting or responding to climate change.

These polices and frameworks help in ensuring that there is appropriate accountability in place as we aim to meet our decarbonisation ambition.

The overarching policy that plays a significant role in the management of C&E Risks in AIB is the C&E Risk Policy. This sets out how AIB Group defines, manages, mitigates and measures C&E Risk (physical and transition) and details the roles and responsibilities for identifying, assessing, managing, monitoring, reporting and overseeing C&E Risk. This policy is a component part of the C&E Risk Framework and has been prepared in line with the Group's Risk Policy Governance Framework (PGF) requirements.

# Financial planning

## In line with our Group strategic priorities, new green and transition lending in 2024 was €5.1bn, bringing the total drawdown in green and transition lending to €16.6bn.

We achieved this through continued growth in green finance, delivered by robust performance in mortgages to energy efficient homes, green mortgage products and lending for green buildings, and renewable energy projects. We plan to steadily increase new green and transition lending to reach our target of 70% of all new lending by 2030.

We consider the financial impact associated with our decarbonisation strategy as part of our business and financial planning, ensuring that our strategy and business model are compatible with the transition to a sustainable economy and are in line with the Paris Agreement aim to limit global warming to 1.5°C. We require each AIB business area to consider how meeting our targets will impact projected revenues, costs and margins.

**"We consider the financial impact associated with our decarbonisation strategy as part of our business and financial planning, ensuring that our strategy and business model are compatible with the transition to a sustainable economy and are in line with the Paris Agreement aim to limit global warming to 1.5°C."**

# Metrics and targets

# Overview of metrics and targets

We are driving positive change through our ambition to decarbonise our own operations by 2030 and our customer lending portfolio by 2050, while protecting our planet and contributing to society. We are also aiming for 70% of our new lending to be green or transition by 2030.

Progress towards our targets will also help us mitigate C&E Risks and reach our decarbonisation ambition, which is part of our overall strategy and embedded in our financial planning process.

To support our transition planning and help achieve our objectives, we have established a range of metrics related to climate and environmental action:

- Governance, business and operational metrics and targets
- Financial metrics and targets
- GHG emissions metrics and targets
  - Own operations targets (including Scope 1 and 2 GHG emissions)
  - Financed emissions targets (including Scope 3, Category 15 GHG emissions)
- Additional metrics and targets

We publish our progress against metrics and targets in our AFR and integrate our performance measures into our Sustainability Dashboard, Strategic Outcomes Report, Chief Financial Officer (CFO) and Chief Risk Officer (CRO) reports and Group Sustainability Committee (GSC) reporting.

This ambition and the accompanying metrics and targets, as detailed below, take into account the overall Group strategy and are embedded in our financial planning process.

## Governance, business and operational metrics and targets

Key Performance Indicators (KPIs) monitor the C&E Risk drivers aligned to the C&E materiality assessment. The materiality assessment focuses efforts on managing C&E Risks with particular regard to Credit and Operational Risk. These are reported and monitored via the Strategic Outcome Report, Sustainability Dashboard and Executive Committee Scorecards. The KPIs are cascaded to business lines and subsidiaries as appropriate. The KPIs sit on the Sustainability Dashboard, roll up into the Strategic Outcomes Report and cascade to the ELT Scorecards. The Group actively monitors the progress of achieving the Board-approved sustainability targets via the Sustainability Dashboard. The metrics contained in the dashboard are reported in the CRO report, to the GSC and the Sustainable Business Advisory Committee (SBAC).

Additionally, further work is being undertaken regarding environmental, social and governance (ESG) risk management across the Group. This is a detailed process that will be documented within our internal Prudential Transition Planning Document to be considered in 2025 in line with EBA Guidelines on the management of ESG risk.

# Financial metrics and targets

To realise our green and transition customer lending ambition, we have the following metrics and targets:

**METRIC: Green and transition lending drawdown**

**Amount of new green and transition lending**

**€16.6bn**

Against the cumulative green and transition lending target of €30bn by 2030

We measure our total cumulative drawdown in green and transition lending over the period of 2019-2030. Our definition of green and transition lending adheres to criteria outlined in the Sustainable Lending Framework.

The target for this metric is a cumulative target of €30bn by 2030. €16.6bn has been deployed between 2019 and 2024.

**METRIC: % of new lending classified as green and transition**

**% of new lending in 2024 that is classified as green and transition**

**35%**

Target 70% by 2030

Delivering for our customers whilst steering finance towards green and transition activities is an important way in which we can support the transition to a more sustainable future. Our validated SBTi targets set a trajectory linked to our green lending ambition and science-based target requirements.

Over time, we will steadily increase our new sustainable lending activities to reach 70% green and transition lending by 2030. 35% of new lending was classified as green and transition in 2024.

# GHG metrics and targets

## Our own operating emissions targets: Scopes 1 and 2

**METRIC: Scope 1 emissions reduction**
Our SBTi-validated interim target is to reduce absolute Scope 1 GHG emissions by 34% by 2027, using a 2019 baseline of 4,784 $tCO_2e$. In 2024, our cumulative reduction in Scope 1 emissions was 40%.

**METRIC: Scope 2 emissions**
For Scope 2 emissions, due to the nature of our business, we have set an SBTi-validated target to increase our annual sourcing of renewable electricity needs. In this regard, our Scope 2 target is to increase the annual sourcing of renewable electricity to 100% by 2030, from a 2019 baseline of 1%. We are enabling progress through energy produced from the solar farms in Co. Wexford, starting in February 2024 through our VPPA with NTR plc.

## Financed emissions targets

Our GHG metrics and targets will help to drive the realisation of our strategic and sustainability ambitions, with progress reported in our AFR.

To steer our business to more sustainable financing activities, our SBTi-validated targets set a 1.5°C trajectory linked to our green lending ambition and science-based target requirements. Across our portfolio, our SBTi-validated targets use physical emissions intensity and engagement metrics, in line with the SBTi's Sectoral Decarbonisation Approach (SDA) and Portfolio Coverage Approach (PCA) best practice target-setting methodologies. We set SDA and PCA targets aligned to the 1.5°C scenario for 75% of our loan book in 2021. In 2023, our targets were validated by the SBTi. We were the first bank globally to have an Electricity Generation maintenance target validated by the SBTi. Across our portfolio, our SBTi-validated targets use physical emissions intensity and engagement metrics, in line with the SBTi's SDA and PCA best practice target-setting methodologies. In addition, we set our targets and baseline emissions using the Partnership for Carbon Accounting Financials (PCAF) GHG guidance. The metrics and targets that have been set for our financed emissions portfolio are detailed further below.

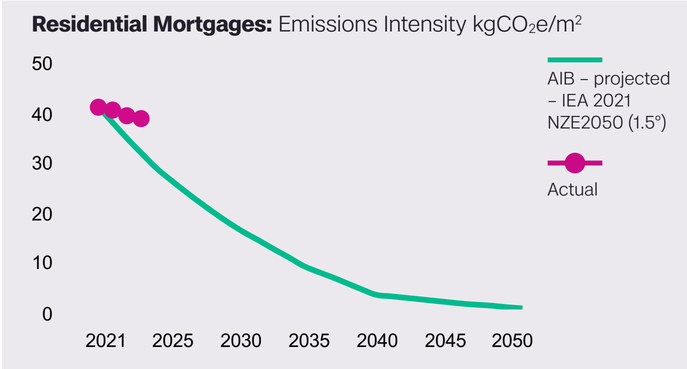
We do not expect progress against targets to be linear on a year-on-year basis, given the reliance on external factors such as policy, regulation, market trends and consumer behaviours. We measure, track and disclose progress as per our SBTi commitments.

In 2024, working closely with key stakeholders from relevant business areas across AIB through internal workshops and regular communication, we reviewed our decarbonisation reference scenarios to take account of external factors, the latest climate science and internal data enhancements, and to incorporate recent inorganic growth by AIB through the acquisitions of new loan books. We have made significant progress in setting and reviewing our decarbonisation reference scenarios and targets, and we are now further maturing the operationalisation of the process across the Group to support the climate transition.

In accordance with the SBTi SDA target-setting methodology, we aim to roughly halve absolute emissions by 2030 and reduce emissions as far as possible by 2050. We are prioritising measuring and reducing our emissions as far as possible, as per SBTi best practice. Over time, we will develop a carbon removal strategy for remaining unavoidable emissions to achieve our decarbonisation ambition.

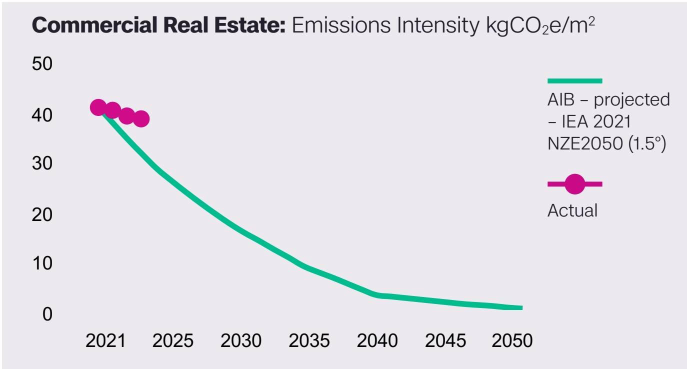
## Financed emissions portfolio

**Metrics and targets for our financed emissions portfolio are detailed below:**




In 2021, we established a baseline physical emissions intensity of 40 $kgCO_2e/m^2$ for our Residential Mortgages portfolio, utilising the International Energy Agency (IEA) 2021 NZE2050 1.5°C SDA Scenario to reduce our mortgage portfolio GHG emissions 58% per square metre by 2030 from a 2021 base year.

The scope of our target reflects the total lending within our Residential Mortgages portfolio, which was €29.4bn in 2021, representing 50% of the Group's total lending at that time.

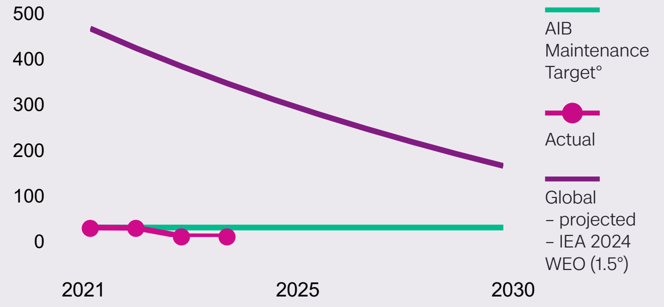



In 2021, we established a baseline physical emissions intensity of 135 $kgCO_2e/m^2$, utilising the International Energy Agency (IEA) 2021 NZE2050 1.5°C SDA Scenario to reduce GHG emissions from the CRE sector within our corporate loan portfolio 67% per square metre by 2030, from a 2021 base year.

The scope of our target reflects the total lending within our CRE portfolio of €5.6bn in 2021, 10% of the Group's total lending. Throughout 2024, we undertook a process to enhance the quality of our data alongside our decarbonisation models and methodologies, reflecting our commitment to more accurately measure emissions. As a result of this effort, we have revised our 2021 baseline from 135 $kgCO_2e/m^2$ to 116 $kgCO_2e/m^2$, while maintaining our current IEA pathway. This adjustment allows us to present a more accurate representation of our progress to date, while retaining our emissions reduction target of 67% by 2030.

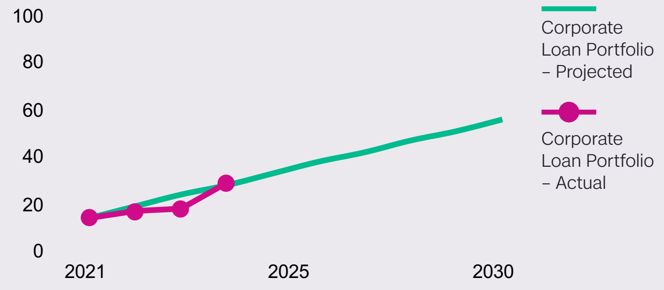
# **GHG metrics and targets** continued

**Electricity Generation:** Emissions Intensity $gCO_2e/kWh$




AIB's Electricity Generation portfolio has a significantly low emissions intensity relative to the global average for electricity generation (458 $gCO_2e/kWh$ in 2024), given the high share of renewable energy assets such as offshore wind energy. In 2021, we established our baseline maintenance target to maintain the emissions intensity of our electricity generation project finance portfolio at or below 21 $gCO_2e/kWh$ from 2021 through 2030 and only finance 1.5°C aligned electricity generation projects. The scope of our baseline and target reflects the total lending within our Electricity Generation portfolio of €1.6bn in 2021, comprising 3% of the Group's total lending. Since setting our maintenance target, waste to energy has been excluded from the Electricity Generation target scope, following bilateral guidance received from the SBTi. This is primarily due to the fact that waste-to-energy facilities are not based on fossil fuels, and electricity generation is not their main purpose or revenue source. Consequently, the baseline emissions intensity decreased significantly from 21 $gCO_2e/kWh$ to 0.01 $gCO_2e/kWh$. Note that, financed emissions related to waste to energy will continue to be tracked against our maintenance target internally. We are committed to maintaining the emissions intensity level of the Electricity Generation portfolio below 21 $gCO_2e/kWh$ through 2030 by keeping the portfolio focused on renewable electricity generation projects.

**Corporate Portfolio Coverage:**
% of corporate portfolio aligning with SBTi




Our Corporate Portfolio Coverage target considers large corporations with more than 500 employees that have SBTi-validated targets. In 2021, we established a target to increase our corporate portfolio loan volumes covered by emission targets from 12% to 54% by 2030, from a 2021 baseline.

## Calculations, judgements and estimates

The following are noted as sources of estimation and outcome uncertainty:

1. Corporate Portfolio Coverage targets are calculated by taking the sum of exposure of the Company, dividing it by exposures of all companies in scope (i.e. companies with >500 employees) and multiplying this by the SBTi indicator (i.e. 1 = SBTi targets, 0 = does not have SBTi targets). The data provided to AIB from external sources is confirmation of SBTi committed (Y/N) & >500 employees (Y/N) and Exposure (€m).
2. AIB Group Residential Mortgages financed emissions intensity targets: Residential Mortgages Portfolio GHG emissions are calculated by taking the sum of (Estimated $CO_2$ emissions of property X (Current Loan Outstanding/Original Property Value)) divided by the sum of (Floor Area of the Property X (Current Loan Outstanding/Original Property Value)). The estimations proxy information is: i) Property value: If the property value given is less than €20,000, AIB assigns the median value of all Residential Mortgages properties greater than €20,000. ii) Floor area: When the property floor area is unknown regarding the minimum threshold of 20 $m^2$ or above the cap of 500 $m^2$, apply the property area at the property sub- type level, calculated from the data provided by the Central Statistics Office (CSO). If the property sub-type level is unknown, blank, or if property sub-type cannot be mapped to CSO property categories, then apply the overall property average size. iii) $CO_2$ emissions (BER/EPC): When EPC is not known, assign the median of $kWh/m^2$ and $kgCO_2/m^2$ of properties by building type. When no other information is available, the 75th percentile of $kgCO_2/m^2$ is assigned to the Residential Sustainable Energy Authority of Ireland (SEAI) BER table. BER/EPC is assigned based on the $kWh/m^2$ ratio vs notional building (methodology used by SEAI).
3. AIB Group CRE Emission Intensity targets: CRE Portfolio GHG Emissions are calculated by taking the sum of (Estimated $CO_2$ emissions of property X (Current Loan Outstanding/Original Property Value)) divided by sum of (Floor Area of the Property X (Current Loan Outstanding/Original Property Value)). The following Estimations/Proxy Information is used: a) If the property value is unknown, AIB assigns average property value by property type and sub-type. b) Floor area: A cap of 88,156 $m^2$ and a minimum threshold of 30 $m^2$ are applied to the property floor area, based on the maximum and minimum property size registered in the SEAI database for non-residential buildings. Where $CO_2$ emissions (BER/EPC) are not known, AIB assigns median of $kWh/m^2$ and $kgCO_2/m^2$ of properties by dwelling type. When this data is unknown, AIB assigns the 75th percentile of $kgCO_2/m^2$ from the SEAI database.
4. Electricity Generation Maintenance targets: electricity production data is based on actuals where data is sourced directly from counterparties to understand the emissions intensity of our Electricity Generation portfolio. This has a very low emissions intensity overall, given the high share of renewables. Since the maintenance target was validated by the SBTi, Waste to Energy counterparties have been de-scoped as per SBTi guidance. The reason for this exclusion is that Waste to Energy facilities are not based on fossil fuels.

# Additional metrics and targets under consideration

## Nature and biodiversity play a crucial role in the health of our planet. Nature provides raw materials such as wood, minerals and food, as well as a range of services such as pollination, water purification and climate regulation.

In recent years, we have further developed our approach to C&E to more clearly articulate our nature strategy and to integrate nature considerations into both our business strategy and risk management approach. Nature considerations are location specific and often site specific. AIB has carried out detailed mapping exercises to identify any own premises located in areas of biodiversity sensitivity. In addition, a business environment scan has been carried out to understand risks to our business as well as areas where AIB and our customers have the greatest potential impact on nature and dependencies on specific ecosystem services (e.g. fresh water, soil quality). Understanding nature risks, impacts and dependencies is complex. Best practice continues to evolve, as will AIB's approach.

With regard to the degradation of ecosystems and biodiversity loss, and their potential reflective influence with climate-related risks, we are also considering the development of metrics and targets that could further assist our focus in protecting nature and biodiversity.

# Excluded activities

## Regarding exposure to coal, oil and gas-related activities, and in the context of our mitigation efforts to achieve our SBTi-validated targets, we have had an excluded activities list in place since 2020, and which sets out a range of business activities that do not align with our Group strategy.

From a sustainability perspective, excluded activities include the exploration, extraction and upgrading of oil sands projects, nuclear power generation, nuclear waste transportation, and the decommissioning and/or final disposal of high-level nuclear waste.

Our rules prohibit us from providing customers with new money when their activities are covered by this list. Lending linked to fossil fuel-related activities (including coal, oil and gas-related activities) represents <1% of our lending activities, and is therefore considered immaterial for our business.

# Governance

# Overview of AIB's sustainability governance structures

## We have strong governance structures, frameworks and policies to ensure proper oversight of our sustainability activities, which are key to delivering our strategy and realising our ambitions. We aim to set the tone from the top and enable a sound and consistent risk culture, and mitigate and manage all ESG risks.

The Board oversees and challenges AIB's sustainability strategy and performance. It is responsible for promoting our long-term sustainable performance, ensuring a robust approach. As part of the strategic and financial planning process, it approves Group strategy, financial and investment plans (including sustainability factors), and sustainability targets across our core operating segments.

To ensure AIB has appropriate measures to promote knowledge of ESG factors and ESG risks, as well as awareness of our ESG strategic objectives and commitments, we have established committees to safeguard a robust and transparent approach. These Board and Advisory Committees support the Board and operate under Board-approved Terms of Reference.

The Sustainable Business Advisory Committee (SBAC) is a dedicated committee for sustainability. It assists the Board in overseeing sustainability matters and supports the execution of our sustainable business strategy, in accordance with our Strategic and Financial Plan. The SBAC receives updates on sustainability matters, including the sustainability strategy from management, following review and recommendation from the GSC (see below).

### AIB Group governance structure

**AIB Group Board**

- Board Audit Committee
- Board Risk Committee
- Remuneration Committee
- Nomination & Corporate Governance Committee
- Sustainable Business Advisory Committee
- Technology & Data Advisory Committee

**AIB Group Executive Committee**

- Group Sustainability Committee
- Group Conduct Committee
- Group Risk Committee
- Group Disclosure Committee
- Data, Analytics and Technology Committee

**Core operating segments**

- Retail Banking
- Capital Markets
- Climate Capital
- AIB UK

The Group Sustainability Committee (GSC), chaired by our Chief Strategy & Sustainability Officer:

- oversees the effective fulfilment of strategic objectives and regulatory obligations;
- reviews and assesses current and emerging ESG risks, interacting with the Group Risk Committee on relevant matters;
- maintains relationships with key sustainability stakeholders and ensures that our ESG product portfolio aligns to our sustainability agenda and strategy; and
- manages and oversees the DMA process, which takes place under CSRD reporting. Our DMA results, and any subsequent updates, are reported annually to both SBAC and BAC.

Sustainability is also considered by other Executive Governance Committees:

- The Group Risk Committee is the senior management risk committee and is accountable to the Executive Committee for setting policy and monitoring all risk types, including all ESG and Climate & Environmental (C&E) Risks.
- The Group Disclosure Committee (GDC) oversees material Group disclosures. The GDC reviews the key judgements and estimates applied to sustainability disclosures, following their consideration by the GSC, as well as the clarity and consistency of the GSC's recommended response to new legal and regulatory requirements impacting Group ESG disclosures.

# Oversight, management and accountability for the Climate Transition Plan

## As described above, the Board is responsible for promoting the Group's long-term sustainable performance. It approves the Group's strategy and our financial and investment plans, which includes considering sustainability factors.

The Board is supported in discharging its duties by a number of Board and Advisory Committees. Part of their role is to oversee and challenge the Group's sustainability strategy and performance, while the Board retains ultimate responsibility, ensuring a robust approach.

The Group Sustainability Committee (GSC) is chaired by our Chief Sustainability Officer. Its remit includes the effective fulfilment of strategic objectives and regulatory obligations, and our data strategy as it relates to ESG disclosures. It reviews and assesses current and emerging ESG risks, interacting with the Group Risk Committee on relevant matters.

Our Chief Strategy & Sustainability Officer is responsible for developing, monitoring and updating our Climate Transition Plan. The monitoring and implementation of this Climate Transition Plan is embedded into our formal review and planning processes, including the Annual Business Review, which forms part of our Strategic, Financial and Investment Planning processes.

From an oversight and governance perspective, our Climate Transition Plan's component parts are subject to review and approval through the governance structure detailed on the previous page. We will regularly update our Climate Transition Plan as necessary to take account of new materiality assessments of ESG risks; significant developments in portfolios or counterparties' activities; new scenarios; additional benchmarks or sectoral pathways; as well as impacts of new or upcoming regulation.

We will provide an annual update on progress in implementing our Climate Transition Plan in our Sustainability Statement in our AFR, in addition to regular updates to the GSC, SBAC and Board throughout the year. Our governance approach to sustainability reporting is aligned with financial reporting and is integrated within our internal control system.

We will continue our stakeholder engagement process in a responsible manner to build strong relationships and continuously inform our strategy, while delivering long-standing outcomes.

# Skills, competencies, training and culture

## A culture that prioritises sustainability can differentiate AIB, attract socially responsible customers, and strengthen stakeholder relationships.

Acquiring and maintaining knowledge on sustainability matters, including business conduct, is crucial to enable us to deliver on our sustainability commitments.

To ensure that the Board, its Committees and the Executive are equipped with the necessary skills and diversity to effectively guide the Group towards sustained success, we have a rigorous Director recruitment process, managed by the Nomination & Corporate Governance Committee. Similarly, the Group's Senior Selection Policy provides that all candidates for Executive Committee positions are assessed against key role criteria and capabilities in the job description.

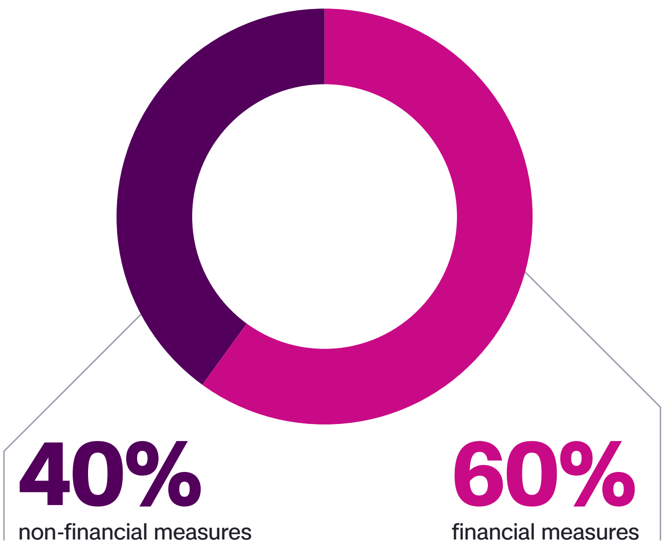
Our Board and Executive Committee have members with specialised knowledge and expertise in sustainability. The skills and expertise of each Board member are evaluated in relation to core skills, including Climate & Environmental (Sustainability) and Customer & Conduct, which covers business conduct. The Board is supported by SBAC, which includes members of the Executive Committee, including our Chief Sustainability Officer, and Head of Climate Capital.

Throughout 2024, several ESG-related training events took place to advance the Board's collective knowledge and skills. The training sessions were delivered by internal and external subject matter experts on topics including industry perspectives, emerging practices, challenges with data quality for climate-related disclosures and CSRD.

# Incentives and remuneration

## AIB operates a short-term variable remuneration scheme which focuses on delivery against Group performance measures. The scheme applies to all employees and has a Group Profit underpin, which is a minimum level of profit that must be achieved to trigger an award under the scheme.

The scheme comprises three financial measures, accounting for 60% of the award calculation, and three sustainability performance measures accounting for the remaining 40%. The sustainability performance measures relate to gender balance, customer satisfaction and green finance, and underline the importance placed on the ESG and customer agendas in line with the Group's strategy. Each sustainability performance measure has an equal weighting of 13.33%.



# Closing Statement

**Mary Whitelaw**
Chief Strategy and Sustainability Officer

## Next steps in transition planning

This first stand-alone Climate Transition Plan outlines what we have done at AIB to date to embed sustainability into everything we do.

Our approach centres on supporting businesses and households to decarbonise, financing social infrastructure, investing in innovation, and operating with integrity and transparency throughout our organisation.

We are making this happen through key action areas including: effective climate governance; C&E risk management; employee engagement and training; decarbonising our own operations; developing our in-house research and data expertise; developing strategic partnerships; and by supporting greater harmonisation and transparency through disclosures.

While progress towards our decarbonisation ambition is being made, we also acknowledge that more can be done to further enhance our climate transition planning journey and to further embed sustainable practices across our business.

We will continue to monitor our actions, targets and metrics to ensure effective implementation and alignment – not only with our transition plan, but also with our overarching strategy and validated financed emissions reduction targets.

This plan marks a milestone in our journey, but it is also just a starting point for deeper, more ambitious action and evidence-based progress to sustain our journey to being a climate leading financial institution for change.

# Appendices

## Appendix 1 – Glossary

| Abbreviation | Reference |
|---|---|
| AFR | Annual Financial Report |
| BER | Building Energy Rating |
| C&E | Climate & Environmental |
| CAP | Climate Action Plan |
| CDP | Carbon Disclosure Project |
| CEO | Chief Executive Officer |
| CFO | Chief Financial Officer |
| CPD | Continuous Professional Development |
| CRE | Commercial Real Estate |
| CRO | Chief Risk Officer |
| CSO | Central Statistics Office |
| DMA | Double Materiality Assessment |
| EPA | Environmental Protection Agency |
| ESG | Environmental, Social, Governance |
| GBF | Green Bond Framework |
| GDC | Group Disclosure Committee |
| GHG | Greenhouse Gas |
| GSC | Group Sustainability Committee |
| HEULS | Home Energy Upgrade Loan Scheme |
| ICAAP | Internal Capital Adequacy Assessment |
| IEA | International Energy Agency |
| ILAAP | Internal Liquidity Adequacy Assessment |
| IOB | Institute of Banking |
| IROs | Impacts, risks and opportunities |
| KPIs | Key Performance Indicators |
| MRA | Material Risk Assessment |
| NZBA | Net Zero Banking Alliance |
| PCA | Portfolio Coverage Approach |
| PCAF | Partnership for Carbon Accounting Financials |
| PGF | Policy Governance Framework |
| RCA | Risk and Control Assessment |
| SBAC | Sustainable Business Advisory Committee |

| Abbreviation | Reference |
|---|---|
| SBCI | Strategic Banking Corporation of Ireland |
| SBTi | Science Based Targets initiative |
| SDA | Sector Decarbonisation Approach |
| SLF | Sustainable Lending Framework |
| SRI | Socially Responsible Investment |
| SRM | Supplier Relationship Management |
| TCFD | Task Force on Climate-Related Financial Disclosures |
| UNEP | United Nations Environmental Programme |
| WBCSD | World Business Council for Sustainable Development |

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