



CLIMATE & ENVIRONMENT

We're actively integrating climate change considerations into our business to accelerate our understanding, strengthen our strategy and clarify our actions.

This chapter covers our climate & environment related disclosures and our 2022 response and progress on the following material topics:

- Ensure a climate-resilient & responsive business model
- Products and services to address environmental issues
- Responsible lending and investments



OUR TARGETS

2023
€10bn
IN GREEN AND
TRANSITION LENDING

2030
NET ZERO
IN OUR OPERATIONS
INCLUDES SCOPE
1 & 2 EMISSIONS

2040
**NET ZERO
AMBITION**
CUSTOMER PORTFOLIO
LENDING (AGRI 2050)



CLIMATE & ENVIRONMENT - 2022 PROGRESS

Ensure a climate-resilient and responsive business model

- The AIB Loan Book covers key sectors including Residential Mortgages, Commercial Real Estate, Corporate Portfolio Coverage and Electricity Generation.
- Aligned to Net Zero target in our own operations by 2030, committing to reducing absolute Scope 1 GHG emissions to 34% by 2027 and increasing annual sourcing of renewable electricity to 100% by 2030.
- Appointment of NTR plc for the development of a Corporate Purchase Power Agreement (CPPA) to source energy generated from two dedicated solar farms to be built in Co Wexford, Ireland. AIB is the first Irish company to conclude such an agreement which, once operational, will provide up to 80% of our electricity needs
- Reviewed and updated 18 key policies/frameworks for ESG factors as part of the ongoing integration of climate risk into our overall approach to Risk Management.
- Development and internal publishing of the AIB ESG Framework to further underpin and embed our approach to ESG Risk across the AIB business.

→ **Read more:** Ensure a climate resilient and responsive business model

Products and services to address environmental issues

- Enhanced our Green Mortgage offering across our Group Brands to include EBS, further developed our AIB mortgage 'Top Up' for home improvements.
- Continued growth of AIB's Energy, Climate Action and Infrastructure portfolio with a net balance sheet growth of c.40% in 2022. Clear focus on renewable energy projects which accounts for c.€1.25bn of our loan book.
- Continued to actively promote adaptation to lower-carbon business models across all our key sectors including housing, transport, agriculture, manufacturing and leisure industries.
- Extensive stakeholder engagement through 2022, culminating in our 2022 Annual Sustainability Conference – No Time To Waste – which attracted over 6,000 attendees.
- Development of relevant business and sector specific guides to support our customers in the transition to a low-carbon economy. AIB continued to support the Dublin Chambers Sustainability Academy with over 700 participants – the academy is focused on improving knowledge and understanding of sustainability matters.

→ **Read more:** Products and services to address environmental issues

Responsible lending and investments

- Delivered €3.3bn of green lending against our agreed €10bn climate action fund, supporting our customers in their transition to a low-carbon future.
- Issued €1.5bn in two separate Green Bonds in 2022 as well as issuing our inaugural €1bn social bond – the first Irish Bank to do so. We issued a second social bond in January 2023 bringing our cumulative total of Green and Social Bonds to €5bn since we launched our programme in 2020. Our bond frameworks are guided by industry experts including commissioning of second party opinions on both.
- Approval from the Central Bank of Ireland for Goodbody Asset Management Funds UCITS Funds to be classified as Article 8 under the Sustainable Finance Disclosure Regulation (SFDR). Services offered through Goodbody were extended in 2022 to include advisory services to corporate clients on ESG debt/sustainable finance.

→ **Read more:** Responsible lending and investments

TARGETS

€10bn in climate and environment lending

2022 PROGRESS



○ On target ● In progress ○ Achieved

TARGETS

Net Zero in our operations

2022 PROGRESS



○ On target ● In progress ○ Achieved

TARGETS

Net Zero Ambition: Customer portfolio lending (Agri. 2050)

2022 PROGRESS



○ On target ● In progress ○ Achieved

CLIMATE & ENVIRONMENT
ENSURE A CLIMATE RESILIENT AND RESPONSIVE BUSINESS MODEL

Global climate and environmental challenges are unlike anything any of us have encountered in our lifetime, therefore AIB’s ambition remains steadfast to its continued sustainability leadership. The importance that we place on the climate and environmental agenda was reflected with the addition of Sustainable Communities to our strategic pillars at the end of 2019.

OUR TARGETS

**NET ZERO
2030 – OWN
OPERATIONS**

**NET ZERO
2040 – LENDING
PORTFOLIO
(EXCL. AGRICULTURE)**

**NET ZERO
2050 – LENDING
PORTFOLIO
(INCL. AGRICULTURE)**

STRATEGY

In 2020, we set some very ambitious goals for the future of our own operations, the emissions relating to our loan portfolio and to provide our customers with access to the finance they need to support their own ambitions. To that end, we have made significant progress and have set Financed Emissions Targets covering 75% of customer loans (as at 31.12.2021).

The Group strategic planning process incorporates five key elements as part of formulating the strategy:

1. The Group strategic ambition remains customer-focused, reflecting shareholder expectations, responsive to competitive realities and cognisant of our regulatory and environmental responsibilities. The ambition for sustainable communities as a fifth pillar of our Group strategy remains for AIB to play a leadership role in creating innovative propositions and partnerships to help our customers in the transition to a low-carbon economy, and making a meaningful contribution to the sustainability of the societies in which we operate.
2. A review of the external environment was undertaken, incorporating analysis of customer needs, Irish economic and societal outlook, regulatory and legislative horizon and the Irish competitive landscape.
3. As part of the strategic options and evaluation stage, all strategic items being considered for investment were assessed using a weighted scoring system where Sustainability was a key factor. In advance of the evaluation stage, a review of the climate opportunities was undertaken to strategically review and assess the areas of focus over the short, medium and long term. This exercise involved stakeholders from across the Group to agree the prioritised list of opportunities for consideration, to help provide climate solutions for our customers.

4. As part of the integrated strategic and financial plan, ESG considerations were a key part in formulating the financial plans. The annual financial planning methodology outlined elements for each business area in considering the ESG risks and opportunities. There was a specific focus on integrating Financed Emissions Targets in Financial Planning. Financed Emissions Targets were set for the Residential, Commercial real estate, Electricity Generation and Corporate Other portfolios and were integrated into the Financial Plans over the next three years. This involved providing targets on the percentage of green lending required as part of new lending for each portfolio.

5. In terms of implementation and monitoring, the quarterly Group Balanced scorecard that gets reviewed by ExCo and Board was refreshed to monitor the delivery of the strategy against agreed targets. The Group scorecard presents a RAG status and commentary based on key milestones and KPIs. One of the additions to the Group scorecard in 2022 was the tracking of the Financed Emissions Targets for the Residential mortgage portfolio in particular.

The climate-related risks and opportunities we have identified are set out in our TCFD section in our Annual Report 2022, pages 30 – 41. The IMF estimate that the climate action agenda in Ireland alone will require an investment of €20bn per annum to 2030. In 2019, we launched our Climate Action Fund committing €1bn per year over five years to support Green and Transition lending. In 2021, we increased the fund to €10bn in total by 2023, to reflect the financial implications of this opportunity for our business (see page 29).

Understanding our Financed Emissions

In 2022 we developed our Financed Emissions Targets for c.75% of our group lending portfolio as at 31.12.2021 comprising Mortgages 50%, Commercial Real Estate (CRE) 10%, Electricity

generation 3% and the Corporate portfolio 12%. Under our planned decarbonisation scenario, we expect to see the following progress by 2030:

- a significant reduction in emissions intensity for Mortgages (58% per m²) and CRE (67% per m²); and
- loan volume covered by emissions targets in our Corporate Portfolio to increase from 12% to 54%.

Our Electricity generation portfolio is primarily comprised of renewable energy assets such as offshore wind and is therefore starting at a very low level of intensity of emissions (21g CO₂/kwh), which is already aligned to IEA decarbonisation pathways that deliver a 1.5°C outcome.

AIB has limited exposure to fossil fuels with <1% with less than of the loan book classified as fossil fuels (where a company is included as fossil fuels if more than 5% of revenues come from those activities).

The goals of the Paris Agreement are to limit global warming to well-below 2°C above pre-industrial levels and pursuing efforts to limit warming to 1.5°C. Our approach for Mortgages, CRE and Electricity generation is striving to limit warming to 1.5°C. For more detail on our targets and our methodology for developing them, see pages 25 - 27.

For each of the portfolios covered by the Financed Emissions Targets the business areas are required to develop transition plans considering the delivery of the targets within the business planning process. This includes ensuring appropriate products and services are in place to support customers to transition, education, training and customer engagement. We intend to report on our progress against our emissions targets in our 2023 reporting.





CLIMATE & ENVIRONMENT

ENSURE A CLIMATE RESILIENT AND RESPONSIVE BUSINESS MODEL

CONTINUED

Own operations

Over the last year we have made significant progress on our ambition to reach Net Zero in our own operations by 2030. Building on the work completed in 2021 to develop emissions targets for our operations, we modelled two targets committing to (from a 2019 base year):

- reducing absolute Scope 1 GHG emissions to 34% by 2027; and
- increasing annual sourcing of Renewable electricity to 100% by 2030.

Property strategy

We understand the contribution of buildings to carbon emissions, and in 2018 embarked on a rationalisation strategy of our operations starting with those based in older, inefficient buildings. Any new buildings we seek to occupy must have high energy efficiency and limited environmental impact. We are continuously improving our existing branch and office building estate to reduce its energy consumption and carbon footprint. Initiatives, including embracing the hybrid working model and, across our building estate in Ireland, UK and USA, upgrading lighting systems to LED, and replacing older, less efficient air conditioning systems, have helped to deliver significant benefits to date. To date 51 branches and two head office buildings have been upgraded. The expected completion date for the remaining locations is 2024.

We have also developed a Net Zero Strategy for the Group's remaining property portfolio and, as a pilot, we refurbished one of our main locations in Eyre Square, Galway and have completely eliminated fossil fuel use in this building.

Renewable electricity

While AIB purchases electricity on green tariffs from our utility suppliers, we recognise that this is not sufficient to ensure that we reach Net Zero or to provide traceability for the renewable electricity we purchase. In 2022 we completed a Corporate Power Purchase Agreement (PPA) with NTR plc. Under the agreement, we will source renewable electricity generated from two solar farms in Wexford, Ireland. This partnership

will help us to deliver on our commitment to source 100% of our power requirements from certified renewable energy sources by 2030. It is expected the solar farms, once operational, will eliminate up to 80% of our Scope 2 emissions and provide additional renewable energy on the electricity grid. In addition, we continue to invest in energy efficiency projects. Initiatives underway for 2023 include the development of our strategy to transition our corporate fleet to electrical vehicles.

Water and waste management

We have a keen eye to all aspects of our operations, including water use and waste management although, due to the nature of our business, they are not material considerations for AIB.

Water is one of Earth's most important natural resources. Under our water management programme we apply good practices to optimise water use and have installed water saving infrastructure to improve the efficiency of our water consumption across our buildings. In our newer buildings we established grey water systems to reuse water for landscaping and cleaning external surfaces. We monitor consumption trends to identify possible leaks, preventing excessive use.

Our approach to waste management prioritises waste prevention and reduction, in line with the waste hierarchy. Our philosophy is that valuable materials can be reused, recovered or recycled. To support this, our aim is to increase the quality of our segregated materials, reduce our waste volumes and tackle single-use plastics.

Ireland is moving to a circular economy, where resources are reused or recycled as much as possible, and the generation of waste is minimised. AIB's Waste Action Plans prioritise waste prevention and reduction. Our current focus is to further embed circular economy actions in our Waste Management Programme and increase awareness among staff on how to manage waste responsibly.

The return scheme for reusable take-away containers was fully operational in three of our

seven head office catering facilities. Our plans are to launch this circular initiative in 2023 in two buildings that have full catering and we are exploring its feasibility in the remaining two office locations which have a café-style catering.

Biodiversity and ecological sensitivity

Awareness around biodiversity loss and the declining environmental condition of the planet is higher than ever before. Conscious of our responsibility to nature in the communities in which we operate, we analysed our building estate (in Ireland, the UK and the USA) to determine whether we have any sites in/ adjacent to protected or Key Biodiversity Areas (KBA) and, if so, whether our sites represent heightened risk of adverse impacts on biodiversity.

In 2021 our analysis included our properties in Ireland and Northern Ireland, and in 2022 we expanded it to cover our full property estate. Based on our analysis, we have one site adjacent to a KBA, however our operations do not represent a heightened risk of adverse impacts on biodiversity. See ESG Supporting Data (Operations Data) for more details.

Green procurement

We strive to source paper products that are recycled or certified to the Forest Stewardship Council (FSC) or the Programme for the Endorsement of Forest Certification (PEFC). In 2022 11% of paper products were recycled, 74% were FSC certified and 11% were PEFC certified.

Stakeholder interaction

We engage with our stakeholders to ensure we are building a climate-responsive and responsible business model.

In 2022, regulatory engagement included the completion of the ECB 2022 Climate Risk Stress Test analysis which was based on the scenarios of the Network for Greening the Financial System (NGFS). These included quantitative forecasts for short and long term transition risk,

short term drought/heat risk and short term flood risk.

We support and participate in key national and international commitments that align with our strategy.

Task Force on Climate-related Financial Disclosures (TCFD)

The Financial Stability Board created the Task Force on Climate-related Financial Disclosures (TCFD), to improve and increase reporting of climate-related financial information. AIB is actively implementing the recommendations of the TCFD, disclosing how we mitigate and govern the risks of climate change in AIB. We became a TCFD supporter in 2019 and since 2020 have reported annually on our implementation of its recommendations. For our most recent TCFD report, see our Annual Financial Report 2022 pages 30 – 41.

→ [Read more: TCFD report in our Annual Financial Report 2022](#)



CLIMATE & ENVIRONMENT

ENSURE A CLIMATE RESILIENT AND RESPONSIVE BUSINESS MODEL

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United Nations Environment Programme Finance Initiative Principles for Responsible Banking (UNEP FI PRB)

The UNEP FI PRB is a sustainable banking framework which encourages banks to align their core strategy, decision-making, lending and investments with the UN Sustainable Development Goals and international agreements such as the Paris Climate Agreement. AIB is a founding signatory. PRB requires banks to align their strategy to support challenges for the societies in which they operate, with a focus on the areas where they can have the most significant impact. For Ireland, the location of our most significant operations, the main challenges for society, and the areas where AIB can make the most significant impact, include climate change and housing (for the latter see Housing on pages 43 – 45).

We report annually on our progress implementing the PRB – see pages 80 – 90.

Net-Zero Banking Alliance (NZBA)

In 2021 AIB joined the NZBA, which is driving a climate initiative to accelerate climate target setting and develop common practice. NZBA is the banking alliance within the global efforts on net zero across the finance industry. Members commit to aligning their lending and investment portfolios with net zero emissions by 2050.

RISK MANAGEMENT

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.

Our Material Risk Assessment (MRA), which is completed at least annually, identifies the Principal Risks and emerging risks facing the Group, the assessment considers the impact of climate risks for AIB, our customers and the societies in which we operate and determines a suitable risk appetite. The MRA is a key input into the Group's risk management processes including the Risk Appetite Statement (RAS), which sets out the maximum amount of risk the Group is willing to accept. ESG risks continue to be identified as key risk drivers impacting all of the Group's principle risks, especially Credit Risk.

Climate stress testing

We commenced development of our Climate Stress Testing capabilities in 2021, focusing initially on short and long term transition risk credit stress tests and a short term physical risk credit stress test.

The scope for the initial internal stress testing calculations was based on the outcome of internal heat maps which identified the lending portfolios within the Group most exposed to transitional and physical risk. In addition, early development work took place in 2022 on Climate Risk Stress Testing for market risk and liquidity risk.

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. For more on AIB's participation in the three modules see page 38 in the TCFD section of our Annual Financial Report 2022.

Physical risks

We have taken steps to develop our understanding of flood risk for AIB owned operations across the ROI and UK. Based on 2020 flood data, c.22% of properties (out of 284 properties in our building estate) are in higher flood risk areas and this increases to 24% by 2080 under Representative Concentration Pathways (RCP) 8.5. The relatively high percentage is due to AIB-owned operations being located in town centres (the majority in Dublin and Cork, both located near rivers which have a high flood risk score). AIB has a comprehensive Property Damage Insurance programme (which covers the buildings and contents) insuring the premises owned and operated by AIB Group against loss or damage caused by flood, which mitigates this risk for the Group. We expect an update to this exercise to be completed in 2023 based on latest industry developments which continue to evolve.

We continue to be focused on flood risk as the most significant physical risk for our own portfolio and have developed initial metrics to track and to better understand this risk for our property-related exposure in both Ireland and the UK. Our approach is subject to further evolution based on industry developments and as supervisory and regulatory expectations continue to evolve over time.

Transition risks

Transition risk categories include policy, legal, technology, market and reputational risks. The severity and timing of the transition risk will depend upon the nature and speed of transition within different sectors based upon underlying variables and drivers. Some key examples of transition risk include increases in carbon taxes and adoption of often competing new low-carbon technologies. For more detail see our TCFD disclosures in our Annual Financial Report 2022, pages 33 – 34.

**40%
REDUCTION
SCOPE 1&2 GHG EMISSIONS
(SINCE 2019)**

**26%
NEW GREEN LENDING
2022**



CLIMATE & ENVIRONMENT

ENSURE A CLIMATE RESILIENT AND RESPONSIVE BUSINESS MODEL

CONTINUED

2022 METRICS

Emissions Targets

In an enhancement to our Greenhouse Gas (GHG) emissions reporting to date, AIB will report on financed emissions relating to our lending portfolio in this year's reporting.

Financed emissions are reported under Scope 3 Category 15 ('Investments') of the GHG Protocol. 'Investment' includes both lending activities and investment activities. We are reporting financed emissions at a Group level, and reported for FY2021 as our Scope 3 GHG emissions data is reported one year in arrears.

There is a detailed methodology in place for setting emissions targets. See page 27 for more on this.

Our Financed Emissions Targets provide a clearly defined pathway for how we plan to reduce GHG emissions in line with a 1.5°C scenario.

The emissions targets we have set and validated for our Own Operations are:

- i. reducing absolute Scope 1 GHG emissions by 34% by 2027; and
- ii. increasing annual sourcing of renewable electricity to 100% by 2030.

We selected a 2019 baseline for our operational emissions targets as neither 2020 or 2021 reflected a standard year's operation due to pandemic-related reductions.

We selected a 2021 baseline for our Financed Emissions Targets as we report information on financed emissions one year in arrears and 2021 emissions data is our most recent information.

The Financed Emissions Targets we have adopted for our Financed Emissions, are set out page 26 of this report.

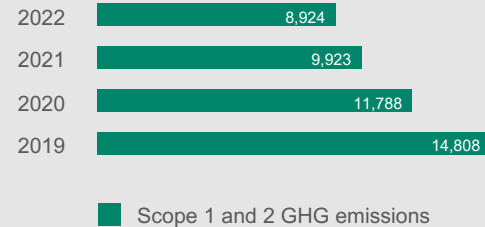
We intend to commence reporting on our progress against these targets in our FY2023 reporting.

We monitor and regularly report on our Greenhouse Gas (GHG) Emissions for our own operations.

Absolute GHG Emissions (tCO2e)	2022	2021	2020	Baseline Emissions	Baseline Year
Scope 1: Direct emissions	3,004	3,978	4,213	4,784	2019
Scope 2: Indirect emissions	5,920	5,945	7,575	10,025	2019
Total Absolute Scope 1 and 2 GHG emissions	8,924	9,923	11,788	14,808	2019
Scope 3:					
Category 1 - Purchased goods & service		2,319	2,422	488	2019
Category 2 - Capital goods		926	3,557	129	2019
Category 3 - Fuel & energy-related activities		3,906	2,410	5,512	2019
Category 5 - Waste generated in operations		39	106	199	2019
Category 7 - Business travel		342	884	3,845	2019
Category 8 - Employee commuting		2,008	2,360	4,287	2019
Category 15 - Investments (Financed Emissions)		2,570,000	NR	2,570,000	2021

Net zero target

Scope 1 and 2 GHG emissions tCO2e







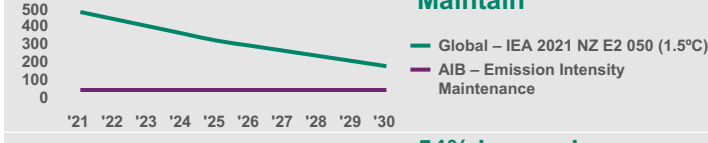

In 2020 we announced our target of Net Zero in our operations by 2030. Our property strategy and energy efficiency investments have been instrumental in reducing our GHG emissions to date. By 2022 we have already delivered a 40% reduction in absolute Scope 1 and 2 GHG emissions from a 2019 Baseline of 14,808 tCO2e:

For more detail on our GHG Emissions, see ESG Supporting Data on page 99.


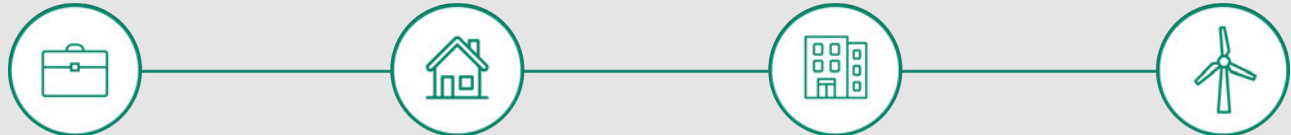
We also report on the energy we consume in our business, the water we use and the waste we generate (see page 100).

CLIMATE & ENVIRONMENT
ENSURE A CLIMATE RESILIENT AND RESPONSIVE BUSINESS MODEL
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Targets for Financed Emissions

	Financed Emissions Targets – AIB Group Portfolio	31.12.2021 Loans	31.12.2021 Loans (%)	Decarbonisation Scenario	2021 Baseline Financed Emissions (Megaton CO2e)	2021 Baseline Emission Intensity/ target coverage		
	Residential Mortgages	€29.4bn	50 %	IEA 2021 NZE2050 (1.5°C)	1.3	40 kgCO ₂ e/m ²	<p>% Reduction in Emissions/Financed Emissions Targets coverage required by 2030</p> 	
	Commercial Real Estate	€5.6bn	10 %					1.2
	Electricity Generation	€1.6bn	3 %	Maintenance Target	0.07	21 gCO ₂ e/kWh		<p>Maintain</p> 
	Corporate Portfolio Coverage	€6.9bn	12 %	Emissions Targets coverage	N/A	12% loan volume covered by emissions targets		

75% LOAN BOOK COVERAGE

Corporate Portfolio Coverage 54%
Increase loan volume covered by emissions targets from 12% to 54% by 2030

Residential Mortgages (58%)
Reduction in emissions intensity required by 2030

CRE (67%)
Reduction in emissions intensity required by 2030

Electricity Generation Maintain

Notes:
 It should be noted that the approach to setting Financed Emissions Targets and associated data collection is still evolving and is subject to change over time. As such, the figures disclosed may evolve in line with industry best practice. AIB Group plc's portfolio targets cover 36% of its total investment (Balance Sheet) and lending activities as of 2021. Within its loan portfolio, AIB's portfolio targets cover 75% of its lending activities as of 2021. Outside of the loan book coverage AIB does not have material investments. Total listed equities / bonds of €0.5bn (0.3% of B/S), not proposing to disclose this target for 2022 year-end reporting 2022.



CLIMATE & ENVIRONMENT

ENSURE A CLIMATE RESILIENT AND RESPONSIVE BUSINESS MODEL

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Methodology for setting Financed Emissions Targets

There is a detailed methodology to be followed to set Financed Emissions Targets. The first step is to combine actual AIB and wider market data with a set of assumptions and decarbonisation levers to provide a baseline financed emissions position and associated emission reduction targets. Subsequent steps include:

- calculation of each lending portfolio's baseline emissions in line with Partnership for Carbon Account Financials (PCAF) Global GHG Accounting and Reporting Standard for the Financial Industry
- calculation of absolute and intensity requirement based on standardised industry (IEA) decarbonisation pathways
- determination of AIB and national decarbonisation 'levers' to reduce emissions, e.g. decarbonisation of the electricity system as a national 'lever' and continued leading "Green mortgage" market proposition as an AIB-specific lever
- quantification of the impact of each 'lever' on emissions across counterparty Scope 1, 2 and 3 emissions
- internal governance and approval of portfolio targets and the relevant business metrics and actions
- short term (annual) portfolio level Financed Emissions Targets set in-line with medium term Net Zero ambitions regularly monitored.

In addition, measurable business actions and metrics have been put in place that will be monitored to ensure progress is made towards achieving them. For property-based lending, the emission reduction metric for measurement purposes is the proportion of new lending to properties with Building Energy Rating (BER)/Energy Performance

maintenance target focuses on emission intensity and ensuring that new lending is primarily to renewable electricity projects.

To set emissions reductions targets covering 75% of our loan book Cross Cutting Assumptions and Portfolio Assumptions were made (see across) and decarbonisation levers applied. A significant proportion are outside of AIB's direct control and rely on, amongst others, regulation, policy, technology adoption, market trends and consumer behaviours.

Data quality considerations

As part of the emissions target setting process, baseline financed emissions must be calculated according to the PCAF GHG guidance. Given the significant data challenges for financed emissions calculations, it is acknowledged that proxies are required when direct customer emissions data is not available. The PCAF guidance includes a data quality matrix where 1 is certain and 5 is uncertain and enables financial institutions to develop a strategy to improve their data quality over time.

For each asset class, there are various approaches when selecting the data used to calculate baseline financed emissions, with each having an associated PCAF data scores. For example, property-based emissions can be calculated using official EPC/BER certificates which would be classified as a PCAF score of 3, whilst assigning the average based on property attributes such as location or type would correspond with a PCAF score of 4.

It should be noted that PCAF data scores haven't yet been fully integrated into AIB's Financed Emissions calculation methodology, but an assumed score has been provided based on the data sources used for each asset class. Work is ongoing to embed these data scores in line with PCAF guidance so that official scores can be published in the future.

Note: Because methodologies, data quality and reference scenarios are always evolving, figures presented here may change over time.

Sector	Cross Cutting Assumptions
Market	AIB maintains natural market share as a pillar bank and achieves fair share of green and transition lending
	AIB is not moving materially ahead of the speed of decarbonisation in the wider market
Technology & Renewables	New technologies will be adopted by consumers and deployed at scale e.g. electric vehicles and rooftop solar
	Increase in the share of renewables on the electricity grid is a key assumption for all sectors, and especially property. Target is for 80% of the grid to be renewable by 2030
Other	The data required to measure emissions is not complete and industry proxies have been used to develop Emissions Baselines e.g. BER certificates
	Speed of decarbonisation is aligned to the Irish Government's Climate Action Plan and relevant UK plans
	Governments consistently focus on the transition to a low carbon economy and steadily increase the price of carbon

Portfolio	Portfolio Assumptions	Control
Residential Mortgages	There is enough supply chain capacity and finance to deliver c.350k cumulative deep domestic retrofits by 2030	3
	Housing stock up 0.5% at c.38k homes p.a. in line with national housing plans	2
Commercial Real Estate	1/3 of the building stock in Ireland will be A+B rated building energy rating by 2030	3
	By 2030 on average the rate of retrofit for commercial buildings will be 3% of market stock p.a.	2
Electricity Generation	80% of the electricity grid will be renewable energy by 2030	3
	AIB will increase the Renewable book at historical levels to 2030	1
Corporate Other Portfolio	Key sectors will decarbonise in line with the Government's Climate Action Plan	3
	Corporate counterparties with >500 FTEs will set their own emissions targets in the medium term	2

Portfolio	Assumed Data Quality Score (1 is high, 5 is low)	Key Comments & Limitations
Residential Mortgages	3	Building energy certificates only available for c.40% of Irish properties
Commercial Real Estate	4	
Electricity Generation	2	Granular emissions data at asset level, internal AIB measurement to be further automated
Corporate – Portfolio Coverage	N/A	Data score does not apply as methodology is not emissions based

It should be noted that the greening of the national grid, so that 80% will be renewable energy by 2030, is a key assumption across both the Residential Mortgage and Commercial Real Estate portfolios. In addition, the delivery of c.350k cumulative domestic retrofits in RoI by 2030 is also a key assumption for the delivery of the Residential Mortgage targets.

CLIMATE & ENVIRONMENT
ENSURE A CLIMATE RESILIENT AND RESPONSIVE BUSINESS MODEL
 CONTINUED

CASE STUDY:

POWER PURCHASE AGREEMENT

AIB has a target to reach Net-Zero in our own operations by 2030. While we continue to make progress, we know we must do more to meet our target. Following a review of international best practice, we identified a solution to the development of our own renewable energy supply.

NTR CEO Rosheen McGuckian & AIB CEO Colin Hunt announcing AIB CPPA



Following a tender process, we entered into a Corporate Power Purchase Agreement (CPPA) with NTR plc to source energy generated from two dedicated solar farms. AIB is the first Irish company to conclude such an agreement, helping us to deliver on our commitment to source 100% of our power requirements from certified renewable energy sources by 2030.

Q. How is this topic connected to the Sustainable Communities Strategy?

Delivery of this agreement is an enabler of our strategic target and proves to our customers and stakeholders our commitment to making the necessary transition ourselves to renewable energy. This partnership demonstrates innovative thinking – enabling two new solar farms to be built, guaranteeing that AIB’s electricity will be certified to a fully traceable, renewable energy source.

Q. Key activities undertaken to deliver the project?

AIB issued a tender for the supply of renewable energy via a power purchase agreement in 2020. A dedicated, specialist cross-functional working group was established to run the project from tender issuance to final selection process. The project had full executive oversight throughout.

Q. What was the impact/result?

The two solar farms will result in 21.4 GWh of new renewable energy being placed in the Irish grid. This will provide up to 80% of AIB’s electricity needs while providing additional generation capacity into the national grid. This agreement supports the delivery of the Irish Government’s Climate Action Plan which has set a target of 15% of all electricity demand being met by renewable generators contracted under CPPAs by 2030. The agreement also ensures AIB has a sustainable and secure energy supply at a fixed price for 15 years, contributing to our long-term cost management agenda.

Q. Were there lessons learned from the work?

AIB is the first Irish company to conclude a CPPA agreement. As such, this project required collaboration across the group with in-house experts and leading external advisors to ensure a successful conclusion. Further learnings will be sought through 2023 as construction commences and energy is generated.

Q. What’s next as a result of the project?

Construction will commence in early 2023 with expected energisation in Autumn 2023.

LOOKING AHEAD

In 2023, our focus will include the following:

- In our business operations, a key focus in 2023 is on the progress on our Corporate PPA and to further progress the existing branch and office building estate to reduce its energy consumption and carbon footprint programme with our branch and office building estate.
- In relation to Scope 3 emissions, we will also progress work to capture the recent acquisitions.
- AIB will prepare for reporting against the mandatory reporting of the European Sustainability Reporting Standards and the Corporate Sustainability Reporting Directive, which are expected to apply for reporting periods commencing on or after 1 January 2024.
- Continued integration of climate risk management into our risk management framework
- Transition planning for our emissions reduction targets
- Further deepening our understanding of physical risk.



CLIMATE & ENVIRONMENT

PRODUCTS AND SERVICES TO ADDRESS ENVIRONMENTAL ISSUES

Providing products and services to help make a positive environmental impact ranked highly across all of our stakeholders in our materiality exercise.

OUR TARGETS

2023
€10bn
CLIMATE ACTION FUND
(€2BN PER YEAR)

2030 AMBITION
70% NEW
LENDING
TO BE GREEN AND
TRANSITION

28%
GREEN MORTGAGE
LENDING
2022

STRATEGY

We have a key role to play in helping to address the environmental issues where we operate. We do this through many ways, including:

- providing finance to renewable energy generation through our multi-disciplinary Energy, Climate Action & Infrastructure team
- providing finance for energy efficient homes, through our Green Mortgage products
- supporting sector-specific initiatives to aid carbon transition, such as the Teagasc Grass10 multi-year initiative for farmers, and the Signpost programme which promotes 100 demonstrator farms and their sustainable farming practices. These programmes support primary producers to transition to net zero by 2050 and AIB has been proactive and engaged in them, being a key sponsor/partner in a number of industry initiatives
- through our Sustainability Linked Loans, actively encouraging our corporate customers, through a small margin incentive in new financing contracts, to progress their own sustainability and transition actions
- providing finance for retrofitting less energy efficient homes through our Green Consumer Loan and mortgage options
- providing access to energy efficient loans for SMEs via the SBCI scheme launched in 2022
- supporting customers to move away from transport options reliant on fossil fuels.

Green Living Hub

Interest in sustainability matters continues to grow amongst our stakeholders. Our Green Living Hub sets out some practical tips as well as information on products and grants available for sustainable lending and home improvements.

Climate action fund

We recognise we have a long-term role to play in providing the finance for Ireland's transition to a low-carbon economy. In 2019, we launched our Climate Action Fund committing €1bn per year over five years to support Green and Transition lending. Following strong demand, in 2021 we increased the fund to €10bn in total by 2023.

Across the Retail, Capital Markets and UK segments of our business, we provide a comprehensive range of products and services to address environmental issues.

Green mortgages

The AIB Green Mortgage was introduced in November 2019, and subsequently we launched our EBS and Haven Green Mortgages. Green Mortgages are available to customers who have invested or are investing in a home that has a BER energy rating of B3 or higher. They are a key product for our business and collectively account for 20% of mortgage drawdowns in 2021 in Ireland (up from 14% in 2020).

Energy efficient homes have an immediate positive environmental impact on GHG emissions and the lower interest rates of our Green Mortgage products can also provide positive impact for our customers' economic position through the lower financing and running costs associated with energy efficient homes.

Green personal loans

The AIB Green Personal Loan, launched in 2021, is relevant to consumers looking to purchase a new electric/hybrid vehicle or make green home improvements to increase the energy rating of their home. Amounts of between €3,000 and €60,000 (over 1 to 10 years) are available.

Other Retail initiatives in 2022

AIB launched the Strategic Business Corporation of Ireland (SBCI) Energy Efficiency Loan Scheme (EELS) in September 2022. This is a low-cost loan scheme that aims to help eligible SMEs and farmers reduce their carbon

emissions and cut their energy bills by investing in energy-saving measures

Through our Nifti offering, we provide a fleet management proposition for AIB business customers. This will help them transition from reliance on fossil fuels by providing affordable solutions for electric and hybrid vehicles.

In Q4, a new preferred finance partnership with Electric Ireland Superhomes was launched to support customers deep retrofitting their homes.

Renewable energy finance

AIB is an active lender to renewable energy projects across Ireland, UK, Europe and most recently the USA. Technologies supported include Onshore and Offshore wind, Solar and Battery Storage. Renewable energy has a significant positive impact as it displaces the need for fossil fuels, mitigating climate change, as well as supporting security of energy supply in each country where the generation capacity is located. We have provided lending to renewables generation projects for a number of years now, so are well-established in this area and continue to have, we believe, the largest and most active renewable energy teams in the Irish market.

The Energy, Climate Action and Infrastructure portfolio continued to be one of the fastest growing lending books in AIB, with net balance sheet growth of c.40% in 2022.

Energy efficient homes and offices

Our Capital Markets segment also provides financing for the development of energy efficient homes and offices.

In 2022, our Real Estate Finance team launched an initiative to incentivise developers to build homes that go beyond current regulations and take into account a broader range of sustainability factors. Our Sustainable Communities Offering rewards customers who build developments that meet the Irish Green Buildings Council's Home Performance Index or equivalent standard with discounted finance.



CLIMATE & ENVIRONMENT

PRODUCTS AND SERVICES TO ADDRESS ENVIRONMENTAL ISSUES

CONTINUED

Sustainability linked loans (SLLs)

AIB supported the first Sustainability Linked Loan (SLL) in the Irish market in January 2019. While SLLs are used for general corporate purposes, they are commonly aligned in the market with the sustainability-linked loan principles and enable lenders to incentivise the sustainability performance of the customer as well as support positive changes in environmental and/or social matters. Typically, SLLs incentivise customers to achieve their own predetermined sustainability performance targets, for example to use less energy or water or generate less waste. They do this as a small margin of the interest rate of the SLL is linked to the customer achieving the agreed sustainability targets/objectives set out at the start of the loan agreement. Performance against those targets/objectives is monitored through business as usual portfolio management activities. SLLs materially benefit both the bank and the customer as both proactively transition to a better, more resilient business and lending prospect. In 2022, we saw continued activity in SLLs to the Food and Agriculture, Healthcare, Manufacturing and Utilities sectors in particular but expanding across other sectors including Transport.

Monitoring and oversight

All Product areas are asked to consider sustainability across the product lifecycle. This is reviewed at governance stage, at Group Product and Propositions Committee, via a sustainability template, to ensure we align to our sustainability strategy, and continue to raise awareness across our stakeholder groups, and to accelerate the transition to a low-carbon economy. Our Board receives periodic Sustainability updates on the progress of our green products and utilisation of our Climate Action Fund via the Balanced Scorecard and updates on the Group Sustainability Programme.

No time to waste

The AIB Sustainability Conference is an annual event where the Bank hosts global and local leaders to share insights, learnings and best

practice with over 6,000+ attendees, about how business can address the issue of climate action as part of a broader Sustainability approach. During the event we heard from international environmental activists Cate Blanchett and Dr. Jane Goodall about the actions they have taken in their respective industries.

RISK MANAGEMENT

Sustainable Lending Framework

Our Sustainable Lending Framework (SLF) enables the classification of customer loans as green, transition or social. The SLF was developed to provide transparency on the criteria that AIB employs in reporting on green and transition lending to help us achieve our ambition that 70% of new lending should be green or transition by 2030. It is based on industry best practice and is aligned, where applicable, to the EU Taxonomy regulation and will evolve as the EU Taxonomy develops.

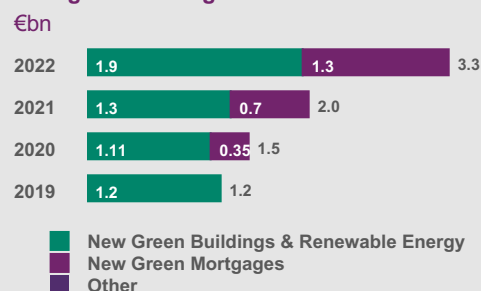
Equator Principles

The Equator Principles (EP) are a voluntary set of standards adopted by financial institutions for determining, assessing, and managing environmental and social risks in project-related transactions. In October 2021, AIB adopted a formal commitment to apply these principles to all applicable lending, which includes our Project Finance lending in Ireland, Europe, the UK and North America.

As a recent signatory to the Equator Principles, the Bank has a grace period to implement the EP across the relevant areas in the organisation. This involves training all applicable staff and updating procedures and processes where required. These steps will form part of our Implementation Plan, which is due to be submitted to the Equator Principles Association in July 2023.

2022 METRICS

New green lending



Note: Green lending figures are subject to rounding.

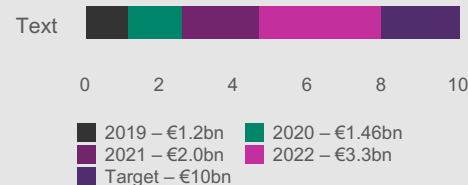
New green lending in AIB was €3.3bn in 2022 (2021: €2.0bn). It is primarily comprised of finance for new Green Buildings & Renewable Energy and new Green Mortgages.

In 2022 new Green Mortgages accounted for €1.3bn (2021: €0.7bn) and new Green Buildings & Renewable Energy for €1.9bn (2021: €1.3bn). New Green Mortgages represented 28% of all new Mortgage Lending across the Group. The increase in new Green Mortgages has been driven by our product offerings for EBS and Haven. For Renewables & Green Buildings we continue to see strong business momentum as demand for green finance grows.

Progress against our targets

Climate Action Fund

€10bn by 2023

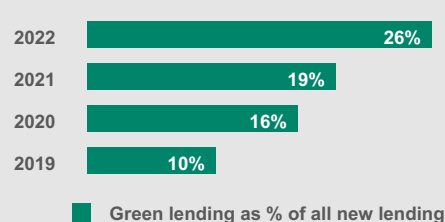


In 2019 we launched our Climate Action Fund, committing €1bn per year over five years to support green and transition lending. In 2021, we increased the fund to €10bn in total (€2bn per year) by 2023. In 2022, we exceeded the €2bn per year target for our Climate Action Fund.

Since our Climate Action Fund was launched in 2019, we have drawdown €7.9bn in new green lending, which has enabled us to make significant progress towards our 2023 target of €10bn.

New green and transition lending

70% by 2030



2022 represented a strong year for new green lending, with significant progress in both Green Mortgages and in finance for Green Buildings & Renewable Energy.

In 2022, new green lending represented 26% of all new lending in the Group (2021: 19%).



CLIMATE & ENVIRONMENT

PRODUCTS AND SERVICES TO ADDRESS ENVIRONMENTAL ISSUES

CONTINUED

CASE STUDY:

RENEWABLE ENERGY

AIB is a key provider of finance to support Enerpower, an Irish based company that delivers renewable energy solutions to a range of Irish and international businesses. One such project was to install a solar farm at the Cork base of Eli Lilly, a global pharmaceutical organisation based in Ireland since 1978, in order to reduce their energy consumption and carbon footprint. Lilly Kinsale is home to a unique 50-hectare manufacturing campus where the worldwide supply of active pharmaceutical ingredients for many of Lilly's innovative medicines is made.



Lilly chose Enerpower to carry out an audit of their energy consumption, who suggested that a solar farm would be the best option based on the results of the energy audit. The development was completed over two phases and in total AIB provided funding of c.€2.25m to support the delivery of the project. Enerpower specialise in the provision and maintenance of energy efficient technologies for industrial, commercial, agricultural, and domestic customers. They offer a complete service involving assessment, design, supply and installation of Wind Turbines, Biomass Boilers, Fuel Supply, District Heating and Solar panels. They have a wide range of experience in projects large and small - ranging in scale from Ireland's largest Solar PV system at the time for Ely Lilly Pharma in Cork, to Lidl in Newbridge, to a Wind Turbine and Solar Photovoltaics for Flahavan's Porridge.

Q. How is this topic connected to the Sustainable Communities Strategy?

The commercial funding of this environmentally sustainable project is aligned to our sustainability strategy. Our aim is to support our customers and communities in their transition to a low-carbon economy. Furthermore, the funding of this development supports our ambition that green and transition products will account for 70% of all our new lending by 2030.

Q. Key activities undertaken to deliver the project?

AIB worked with Enerpower during the development and execution of the project via the supply of capital through the cycle. Through our Finance & Leasing team we financed over

12,600 individual solar panels as well as the inverters for the solar farm. Business Banking provided core funding with the balance funded from equity and SEAI grants.

Q. What was the impact/result?

The project produces up to 5.6MW of power – allowing Eli Lilly to reduce its annual use of electricity from carbon sources by almost 6,000 MWH. In turn, its carbon footprint was reduced by over 2,300 tonnes. The second phase adds an additional 5.1MW to the project and effectively doubled the size of the project.

Q. Were there lessons learned from the work?

The collaborative approach between AIB and our customers to achieve such a project with clear benefits provides a template for AIB to use in further opportunities.

Q. What's planned as a result of the project?

AIB will continue to identify opportunities to support our customers in their transition to a low-carbon economy through the provision of green lending.

LOOKING AHEAD

- We are collaborating with an international third party to explore how we can provide more informed support to our Commercial Real Estate customers who require funding to retrofit their buildings, making them more energy efficient.
- A Sustainability Linked Loan Governance Framework is under development, due to be completed in 2023.
- More lending for renewable energy in Ireland and the UK to support the decarbonisation of the energy section and the transition to a low carbon economy.
- Supporting innovations to make it easier for customers to finance a green home.
- Develop sector specific supports and continue to build out our sector expertise and ESG insights.
- Continue to provide education and support for our customers, leveraging platforms such as the Green Living Hub to enable and support their transition.



CLIMATE & ENVIRONMENT RESPONSIBLE LENDING AND INVESTMENTS

Ensuring responsible lending and investment through the integration of ESG considerations into the Bank’s risk management and decision-making frameworks is important to our stakeholders.

€1bn
FIRST SOCIAL BOND
2022

€1.5bn
2 GREEN BOND ISSUANCES
2022

STRATEGY

Integration of ESG considerations into our risk management and right across our business is critical for the success of our sustainability strategy and the future of our business. As part of this we ensure that customer considerations are at the heart of business decision-making.

Responsible lending

Our Credit Risk team develops and maintains policies designed to establish responsible lending practices. Core principles are also enshrined in our policy for customers in arrears and the management of distressed credit to ensure that customers are treated fairly, objectively, sympathetically, and consistently.

Our Excluded Activities list sets out a range of business activities that are considered to be incongruent with Group Strategy, and relate to the following sectors:

- energy and climate action
- animal welfare
- ecosystem protection
- healthcare/genetic engineering
- surveillance/arms-related/military (including 'any activity that adversely impacts Human Rights defined by the UN' as listed on the UN website: <https://www.un.org/en/universal-declaration-human-rights/>)
- adult entertainment

For climate and environmental matters, the excluded activities include exploration, extraction and upgrading of oil sands projects; nuclear power generation; nuclear waste transportation, decommissioning and/or final disposal of high-level nuclear waste. The policy rule prohibits providing new money for any term lending facilities to businesses, or any of its subsidiaries, involved in the excluded business activities. This rule applies to all business customers with a Gross Connected Exposure of >€£300k and are relationship managed.

Lending related 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. Lending for renewable energy generation is a key strategic priority for AIB (see page 29 for more information).

→ [Read more: Excluded Activities List](#)

Residential mortgages represent the highest proportion of our lending portfolio, and therefore we can play a significant role in helping to address environmental issues through providing Green mortgages particularly in the Irish market (see page 29).

We incentivise our personal customers to purchase energy efficient homes and through our Sustainability Linked Loans (SLLs) we incentivise our corporate customers to achieve their own predetermined sustainability performance targets (see page 30 for more details).

Responsible investments SRI Bond Portfolio

The purpose of our Socially Responsible Investment (SRI) Bond Portfolio is to fund domestic and international projects aimed at global sustainability, carbon emission reduction and social improvement. We favour issuers with strong governance structures and frameworks in place, and who continually strive to improve and progress in areas including board diversity, transparency, accountability, audit practices, executive pay and business ethics.

Wealth management

In 2022, the Goodbody Asset Management UCITS Funds received Central Bank approval to be classified as Article 8 under the Sustainable Finance Disclosure Regulation (SFDR). Article 8 Funds are defined as 'Funds which promote, among other characteristics, environmental or social characteristics, or a combination of those characteristics, provided that the companies in which the investments are made follow good governance practices'. This reclassification

represents a clear investment offering for new and existing clients. We expect increased demand in ESG investments and Goodbody offers an Article 8 investment fund to clients.

Investment Banking services offered through Goodbody were extended in 2022, and now include advisory services to corporate clients on ESG debt/sustainable finance.

We have had an ethical investment portfolio available to our private banking customers since 2016 and launched dedicated ESG portfolios for this client cohort in 2021.

Supporting wider society

With a focus on supporting communities, for the vulnerable across society and job creation, AIB provides lending for healthcare, (including residential care, hospitals, intellectual disability services and primary care), education, student accommodation social housing and SMEs.

Support for SMEs

SMEs are considered to be the lifeblood of every economy. AIB provides SMEs with access to payment services and to finance. We are also focused on providing support to SMEs operating in disadvantaged areas and fostering innovation. We support SMEs in Ireland and in Northern Ireland.

In 2022 we provided a cornerstone investment of €30m to the AIB Foresight SME Impact Fund, which aims to raise €75m to stimulate job creation and ensure a greener future across the island of Ireland. The Fund will typically provide equity investments of €2m to €5m but it will have the ability to make larger or smaller investments.



CLIMATE & ENVIRONMENT

RESPONSIBLE LENDING AND INVESTMENTS

CONTINUED

Microfinance refers to lending developed for those who cannot access the traditional banking channels. Microfinance supports social and financial inclusion because it enables entrepreneurs and very small businesses to benefit from access to credit outside mainstream banking. When business credit applications meet our credit criteria, we provide finance through our own network. For those cases that we cannot support, and who meet the criteria for micro finance, we refer them to Microfinance Ireland (MFI) as appropriate. Microfinance Ireland, through its funding of business, seeks to create and grow jobs across Ireland.

Financing healthcare

Healthcare is a sector of strategic and social importance to AIB with dedicated healthcare teams in our ROI and UK businesses. Regularly publicly awarded and recognized for excellence in healthcare financial services delivery, our teams are focused on providing financial solutions that are helping to address healthcare needs and service access within our communities.

AIB provides loans and services to support hospitals, primary care centers, residential care for the elderly and citizens with challenged healthcare needs.

Funding and liquidity

Our Green and Social Bond programmes support the bank's Capital and Minimum Requirements for own Funds and Eligible Liabilities (MREL) issuance programmes - aligning our funding and liquidity plans with the bank's sustainability agenda and having a Debt Capital Markets offering for socially responsible investors.

In 2022, AIB issued two Green bonds - both €750m Senior Non-Preferred transactions - bringing the total green bonds in issue to EUR3.25bn across four transactions. In addition, in March 2022, we issued our inaugural Social Bond - a €1bn transaction. The overwhelmingly positive feedback from ESG analysts was

reflected early in the orderbook, with interest from over 20 different countries. In January 2023, we issued an exceptionally successful second Social bond, a €750m transaction that marked the largest orderbook of all AIB's outstanding Senior debt. Since this issuance in January, AIB's total ESG-formatted issuance now stands at €5bn.

The Green and Social Bond Frameworks commit that an amount equal to the net proceeds from Green and Social Bond instruments issued by AIB will be used to finance and/or refinance a portfolio of eligible loans as defined by the eligibility criteria of each framework respectively. Management are responsible for the annual review of frameworks and the underlying programme.

RISK MANAGEMENT

Our Risk Appetite Statements for Business model risk and Credit risk reflects set out that the Group will take ESG considerations into account when formulating and implementing the Group's strategy and in material lending decisions to customers assessed as being high ESG risk.

In 2022, our credit processes were further enhanced and ESG requirements included in the risk policies and processes for the other Principal Risks impacted by climate risk in particular.

Frameworks, policies and codes

Green and Social Bond Frameworks

Our Green and Social Bond Programmes are underpinned by comprehensive Green and Social Bond Frameworks (GBF and SBF).

The eligibility criteria, used to define the Green Loan Portfolio, is based on the International Capital Market Association (ICMA) Green Bond Principles, as well as best market practice. The eligibility criteria also takes into account EU Taxonomy regulation, and the EU Taxonomy

Climate Delegated Act, both of which are reflected within our framework to the greatest possible extent. This was verified in our most recent Second Party Opinion (SPO) from Sustainalytics, where an EU Taxonomy alignment exercise was also completed.

In 2021, we published our Social Bond Framework. This remains the only such framework produced by an Irish institution. The eligibility criteria, used to define the Social Loan Portfolio, is based on the International Capital Market Association (ICMA) Social Bond Principles, as well as best market practice. The framework is opined on in our latest SPO from ISS ESG, where alignment to the Sustainable Development Goals is considered.

The eligible categories for our Green Bond and Social Bond pools are clearly set out in each of our frameworks. Both are updated annually, with complete pool replenishment and published allocation and impact reports. We also complete and publish independent assurance reports, for our allocation reports, with an independent third party.

We review, challenge and, where required, update the composition of our pools, to align with evolving standards. This can result in assets that would have previously qualified for our Green/Social pools, being removed as the qualifying criteria has become more stringent. An example of this is the tightening criteria in the area of energy efficient buildings. For buildings built prior to 2021 the top 15% criteria applies. However, the top 15% becomes more restrictive as more energy efficient buildings are built and join the top of the market. Therefore, previously qualifying building loans may no longer be eligible and would be removed from the pool.

SRI Bond Framework

The SRI Bond Portfolio is underpinned by our SRI Bond Framework. In our SRI Bond Framework we explicitly set out our minimum investment criteria when considering bonds in the ESG space. The criteria ensures that only high quality issuers, measured on key

sustainability metrics, qualify for consideration in our SRI Bond Framework. Our SRI Bond Framework is a live document and will continue to evolve in response to market changes in what is a new but rapidly expanding sector.

→ Read more:

[Green Bond Framework](#)

[Social Bond Framework](#)

[SRI Bond Framework](#)

2022 METRICS

AIB issued €1.5bn in Green Bonds during the course of 2022, as well as issuing our inaugural €1.0bn Social Bond. This brought our cumulative total of Green and Social Bonds issued to €4.25bn since we commenced our programme in 2020.

For more information on our Green and Social Bond issuances, and on up to date information on Bond allocations, see our ESG Supporting Data (Sustainable Finance) on page 98.

 **CLIMATE & ENVIRONMENT**
RESPONSIBLE LENDING AND INVESTMENTS
 CONTINUED

CASE STUDY:

SOCIAL BOND

AIB's Inaugural Social Bond Issuance

Following the success of AIB's Green Bond Programme, we were once again at the forefront as the first Irish bank to issue a social bond. Planning commenced in April 2021 and the first major milestone was reached in the following July when we launched Ireland's first and only 'Social Bond Framework' (SBF). A key consideration underpinning the SBF was connecting AIB's Sustainability Strategy with our activity in debt capital markets, building on the success of our Green Bond Framework. Following an intensive round of engagement with investors, including ESG focused investors, the bond was issued in March 2022.



Q. How is this topic connected to the Sustainable Communities Strategy?

Social bond proceeds are used to finance the healthcare, education, social and affordable housing sectors, and to provide loans to SMEs in socioeconomically disadvantaged areas in communities across Ireland. AIB believes that social bonds offer a way to create transparency around this type of financing that contributes to a fairer society which is socially and economically inclusive.

Q. Key activities undertaken to deliver the project?

The SBF was prepared by a cross functional Working Group comprising relevant business areas within AIB. With our aspiration to support a fairer society at the forefront of our thinking, an important area of focus was ensuring the social impact of the eligible financing makes a meaningful contribution by reaching target populations. These include individuals with specific physical and/or mental health conditions, the elderly, students and low-income individuals.

The SBF was verified by second party opinion provider ISS-ESG, which assessed alignment with the International Capital Market's Association (ICMA) Social Bond Principles and confirmed that the use of proceeds contributes 'significantly' to the relevant UN Sustainable Development Goals (SDGs).

Q. What was the impact/result?

Our inaugural social bond was very well received by investors and raised €1bn in March of 2022.

Q. Were there lessons learned from the work?

Our Social Bond Programme has enhanced AIB's ability to attract ESG focused investors. The quality of the investor base of our inaugural social bond issuance was very satisfying with excellent participation by ESG focused investors.

Q. Is there a Phase 2?

At the end of 2022, AIB's Green and Social bonds totalled €4.25bn raised. These Bond Programmes emphasise our steadfast commitment to the creation and delivery of sustainable economic, social and environmental development in towns and communities across the country. We anticipate a continued strong presence in the Green and Social Bond markets in 2023 and beyond.

LOOKING AHEAD

- We are introducing a number of dedicated Sustainability resources across the business, including a Head of Sustainability in Corporate Banking and Real Estate Finance and in the SME and Agri space, to increase the level of customer and market engagement and support the delivery of key strategic initiatives in 2023.
- Additional disclosures under the Sustainable Finance Disclosure Regulation (SFDR), which come into effect from 1 January 2023, were finalised during 2022, with further reporting (Principal Adverse Impact Statement) required by June 2023 based on FY2022.
- We are now reviewing our medium-term target for SRI Bond Portfolio and will incorporate an upwardly revised target in our SRI Bond Framework.