AIB Green Bond

Impact Report – FY2021

March 2022

AIB Green Bond Impact Report

In accordance with the ICMA Harmonized Framework for Impact Reporting[1]
(based on the portfolio approach)

Portfolio Date: 31 December 2021

In accordance with the AIB Green Bond Framework[2] dated December 2021, this document provides:

1. A description of the Eligible Green Projects;
2. The breakdown of the Eligible Green Projects by nature of what is being financed;
3. Metrics regarding Eligible Green Projects' environmental impacts.

1. Description of Green Projects

AIB, at its discretion but in accordance with the ICMA Green Bond Principles[3], will allocate the net proceeds of the Green Bonds issued under the Framework, to a loan portfolio of new and existing loans in certain Eligible Green Categories.

➢ **Eligible Green Categories**:

- **Green Commercial Buildings:** Loans to finance or refinance development, construction, operation, and maintenance of:

  Green Commercial Buildings in Ireland:

  a) Existing commercial buildings built up to and including 31st December 2020, belonging to the top 15% low carbon buildings in the local context[4];

  b) New commercial buildings built from 1st January 2021 onwards, that have a primary energy demand at least 10% lower than what is required by the local Nearly Zero-Energy Building (NZEB) regulation[5] [6];

  c) Refurbished commercial buildings with at least a 30% improvement in energy efficiency[7]:
  When such an improvement is derived from BER labels, a minimum floor of a "C3" BER label will be implemented.

  Green Commercial Buildings in the UK:

  a) New or existing commercial buildings in the UK, belonging to the top 15% low carbon buildings in the local context (i.e. England & Wales, Scotland and Northern Ireland)[8] [9];

[1] https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Handbook-Harmonised-Framework-for-Impact-Reporting-June-2021-100621.pdf
[2] https://aib.ie/content/dam/frontdoor/investorrelations/docs/debt-investors/green-bonds/aib-green-bond-framework.pdf
[3] https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/
[4] Based on publicly issued governmental statistical data, Irish commercial buildings with BER rating of A, B1 and B2 are in scope (see methodology document here). Buildings purchased or leased in Ireland from 2015 by a public body are also considered part of the top 15%, as these are required by regulation to have BER label "B2" and better.
[5] For the acquisition of buildings where the building is a large non-residential building with an effective rated output for heating systems, systems for combined air conditioning and ventilation of over 290 kW it is efficiently operated through energy performance monitoring assessment. And for the construction of new buildings larger than 5000m2, upon completion, the building resulting from the construction undergoes testing for air-tightness and thermal integrity, and any deviation in levels of performance set at the design stage or defects in the building envelop are disclosed to investors and clients. As an alternative; where robust and traceable quality control processes are in place during the construction process this is acceptable as an alternative to thermal integrity testing. Also for the construction of new buildings larger than 5000m2, the life cycle Global Warming Potential of the building resulting from the construction has been calculated for each stage in the life cycle and is disclosed to investors on demand.
[6] In line with the EU EPBD directive, Ireland carries out a cost optimal analysis to define NZEB requirements. AIB will calculate the NZEB-10% threshold as per the official cost optimal analysis, as published by the Department of Housing, Local Government and Heritage. At the time of writing, the cost optimal analysis for residential and non-residential buildings can be found here and here, respectively.
[7] Or alternatively, renovation complying with applicable requirements for major renovations as set in the applicable national and regional building regulations for 'major renovation' implementing Directive 2010/31/EU.
[8] Based on publicly issued governmental statistical data, English and Welsh commercial buildings with EPC rating of A+, A and B are in scope. Scottish commercial buildings with EPC rating of Climate Neutral ("CN"), A and B are in scope. See methodology document here.
[9] In accordance with the EU Climate Delegated Act, buildings built from the 1st January 2021 should meet the 'NZEB – 10%' criterion, meaning that the net primary energy demand of the buildings must be at least 10% lower than the primary energy demand resulting from the relevant NZEB requirements. In the UK, a definition for what constitutes a 'NZEB' is unclear currently; this is likely to remain the case in the future, given the UK has left the EU.

b) Refurbished commercial buildings in the UK with a least a 30% improvement in energy efficiency[10]:
When such an improvement is derived from EPC labels, a minimum floor will be implemented for the considered building. The floor will be one step below the lowest defined threshold to be part of the top 15% in the local context[11].

Green Commercial Buildings in Ireland and the UK:

a) New or existing commercial buildings which received at least one or more of the following classifications:
   - BREEAM 'Excellent'' or higher
   - LEED 'Gold' or higher
   - DGNB 'Gold' or higher

- **Green Residential Buildings:** Loans to finance or refinance development, construction, operation, and maintenance of:

  Green Residential Buildings in Ireland:

  a) Existing residential buildings built up to and including 31st December 2020, belonging to the top 15% low carbon buildings in the local context[12];

  b) New residential buildings built from 1st January 2021 onwards, that have a primary energy demand at least 10% lower than what is required by the local Nearly Zero-Energy Building (NZEB) regulation[13] [14];

  c) Refurbished residential buildings with at least a 30% improvement in energy efficiency[15]:
  When such an improvement is derived from BER labels, a minimum floor of a "C3" BER label will be implemented.

- **Renewable Energy:** Loans to finance or refinance equipment, development, manufacturing, construction, operation, distribution and maintenance of renewable energy generation:

  Renewable Energy assets in Ireland, the UK and across the EU:

  a) Solar Energy: Photovoltaics (PV), concentrated solar power (CSP) and solar thermal facilities;

  b) Wind Energy: Onshore and offshore wind energy generation facilities and other emerging technologies;

  c) Anaerobic digestion of bio-waste[16]: treatment of bio-waste through anaerobic digestion (AD) with resulting production and energetic utilization of biogas (electricity/heat generation). Energy crops and non-waste feedstock are excluded.

- **Clean Transportation:**

[10] Or alternatively, renovation complying with applicable requirements for major renovations as set in the applicable national and regional building regulations for 'major renovation' implementing Directive 2010/31/EU.
[11] Based on publicly issued governmental statistical data, this would correspond to a "C" label in England & Wales and Scotland.
[12] Based on publicly issued governmental statistical data, Irish residential buildings with BER rating of A, B1 and B2 are in scope, corresponding to buildings completed from 2015 (see methodology document here).
[13] For the acquisition of buildings where the building is a large non-residential building with an effective rated output for heating systems, systems for combined air conditioning and ventilation of over 290 kW it is efficiently operated through energy performance monitoring assessment. And for the construction of new buildings larger than 5000m2, upon completion, the building resulting from the construction undergoes testing for air-tightness and thermal integrity, and any deviation in levels of performance set at the design stage or defects in the building envelop are disclosed to investors and clients. As an alternative; where robust and traceable quality control processes are in place during the construction process this is acceptable as an alternative to thermal integrity testing. Also for the construction of new buildings larger than 5000m2, the life cycle Global Warming Potential of the building resulting from the construction has been calculated for each stage in the life cycle and is disclosed to investors on demand.
[14] In line with the EU EPBD directive, Ireland carries out a cost optimal analysis to define NZEB requirements. AIB will calculate the NZEB-10% threshold as per the official cost optimal analysis, as published by the Department of Housing, Local Government and Heritage. At the time of writing, the cost optimal analysis for residential and non-residential buildings can be found here and here, respectively.
[15] Or alternatively, renovation complying with applicable requirements for major renovations as set in the applicable national and regional building regulations for 'major renovation' implementing Directive 2010/31/EU.
[16] Relevant EU Taxonomy criteria for AD projects will be respected.

Zero emissions vehicles and supporting infrastructure:

a) Fully electric, hydrogen or otherwise zero emissions vehicles for the transportation of passengers;
b) Infrastructure to support zero emissions vehicles including but not limited to EV charging and hydrogen fuelling stations.

- **Contribution to EU Environmental Objectives**:

Eligible Projects substantially contribute to the achievement of the **EU Environmental Objective n. 1: Climate Change Mitigation**, via improving energy efficiency in all sectors, except energy generation using solid fossil fuels, and at all stages of the energy chain, in order to reduce primary and final energy consumption (sub-objective 1.b), generating, storing, distributing or using renewable energy in line with the Renewable Energy Directive, including through using innovative technology with a potential for significant future savings or through necessary reinforcement of the grid (sub-objective 1.a) and increasing clean or climate-neutral mobility (sub-objective 1.c).

- **Alignment with the UN Sustainable Development Goals (UN SDGs):**

Green Bonds issued under this Green Bond framework directly advance the following SDGs:

- SDG 7: Affordable and Clean Energy (Target 7.2, 7.3)
- SDG 9: Industry, Innovation and Infrastructure (Target 9.4)
- SDG 13: Climate Action (Target 13.1)

2. Breakdown of Green projects by nature of what is being financed

AIB Eligible Green Project Portfolio is composed by financial assets (eligible loans), selected in accordance with the Eligibility Criteria set out in the Framework.

3. Metrics regarding projects' environmental impacts: Portfolio based green bond report in accordance with the ICMA Harmonized Framework for Impact Reporting (June 2021)

AIB has relied on models and methodologies created by specialised consultant Carbon Trust[17] to assess the impact of the Eligible Green categories, together forming the Eligible Green Project Portfolio.

The Eligible Green Project Portfolio is assessed regarding the following environmental impacts:

- **Green Buildings**:
  - Estimated annual energy consumption (in KWh/year) and estimated annual avoided energy consumption (in KWh/year)
  - Estimated annual avoided emissions (in tons CO_2/year)

- **Renewable Energy**:
  - Total installed capacity (in MW)
  - Estimated annual avoided emissions (in tons of CO_2/year)

- **Clean Transportation**:
  - Annual GHG emissions avoided (in kg CO_2/year)
  - Number of battery electric vehicles (BEVs) deployed

[17] The Carbon Trust Impact Methodology can be found at: https://aib.ie/investorrelations/debt-investor/green-bonds/supporting-documents

Portfolio Date: 31 December 2021[18]

Eligible ICMA Project Category	Number of Eligible Projects / Buildings	Eligible portfolio (EUR)	Share of Total Financing	Eligibility for Green Bonds	Est. annual avoided emissions (tCO_2/year)	Total installed capacity (MW)	Est. annual energy consumption (kWh/year)	Est. annual avoided energy consumption (kWh/year)
a/		b/	c/	d/	e/	f/	g/	h/
Green Buildings	53	1,227,017,798	48%	100%	37,973	-	94,953,032	145,190,907
Renewable Energy	49	1,318,796,083	51%	100%	1,152,404	814	-	-
Clean Transportation	783	20,735,377	1%	100%	779	-	2,201,691	-
Total	*885*	*2,566,549,258*	*100%*	*100%*	*1,191,156*	*814*	*97,154,723*	*145,190,907*

Portfolio based green bond report in accordance with the ICMA Harmonized Framework for Impact Reporting (version June 2021)
a/ Eligible Category
b/ Signed amount represents the amount legally committed by the issuer for the portfolio or portfolio components eligible for Green Bond Financing
c/ This is the share of the total portfolio cost that is financed by the issuer per Eligible Category
d/ This is the share of the total portfolio costs that is eligible for Green Bond issuances
e/ f/ g/ h/ Impact indicators

- Estimated annual avoided emissions (tCO2/year)
- Total installed capacity (MW)
- Estimated annual energy consumption (kWh/year)
- Estimated annual avoided energy consumption (kWh/year)

[18] Combined impacts of operational and non-operational projects portfolio, as of December 31, 2021.

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