

2. Climate & Environmental Action



2. Climate & Environmental Action

We provide responsible green finance, investments and advice to drive structural change and support the transition to a low-carbon future.

The following section contains details of AIB's Climate & Environmental Action Pillar. It will commence with details of our journey to net zero, and describe the efforts we are making in relation to our own carbon footprint and supporting our customers in their transition.



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Our awards:

IoB Future of Finance Award

Category: ESG

Chambers Ireland Sustainable Business Impact Awards

Category: Communication – Large Indigenous Company

GlobalCapital Bond Awards

Category: Most Impressive Financial Institution ESG Bond Issuer

ESG Measures:

€30bn

2030

€30bn for Climate Action Fund - 70% new lending to be green or transition

Net Zero

2030

In our own operations (includes Scope 1 & 2 emissions)

Net Zero Ambition

2040

Customer portfolio lending (Agriculture by 2050)

Climate & Environmental Action

The Journey to Net Zero

Introduction

The threat of climate change has become a reality. In 2023, the planet experienced its hottest day on record, as heatwaves, flooding, wildfires and storms affected livelihoods and industries, ravaging towns and countrysides around the world. Ireland experienced its hottest June, its wettest July, and its warmest year on record overall. For the first time ever, Ireland's average temperature for 2023 was above 11°C¹, while the temperatures in our waters reached dangerously warm and unprecedented levels.

Scientific evidence shows that time is rapidly running out to prevent the worst effects of human-caused climate change. The IPCC Synthesis Report, published in July – the final instalment of its Sixth Assessment Report – gave a stark warning: the earth is 1.1°C warmer now than before the industrial revolution and we are on track to surpass the Paris Agreement target of a 1.5°C warming limit during the 21st century. Indeed, the report found that, without deep, rapid and sustained reduction in greenhouse gas emissions, we will likely breach a 2°C increase, resulting in an environment that would wipe out a large number of species and significantly affect one-third of earth's human population.²

It is time for decisive action

Finance is an enabler of this decisive action, and is required to provide necessary funding for the accelerated climate action that is now vital. It is estimated that required capital spending on physical assets for energy and land-use systems in the net zero transition between 2021 and 2050 will amount to c. \$275tn, or \$9.2tn per year on average, representing an annual increase of as much as \$3.5tn from January 2022³. More locally, the Government's own White Paper on Ireland's Transition to a Low Carbon Economy 2015-2030 notes that the costs required for the energy transition will "primarily be funded by commercial

and household investment and charges on energy use"⁴. In this way, financial institutions are critical catalysts for action: funding the required broad infrastructural change as well as providing both the finance and incentive – by way of attractive propositions and/or pricing – for households and businesses to make lower-carbon choices. AIB will continue to be a leader in this endeavour.

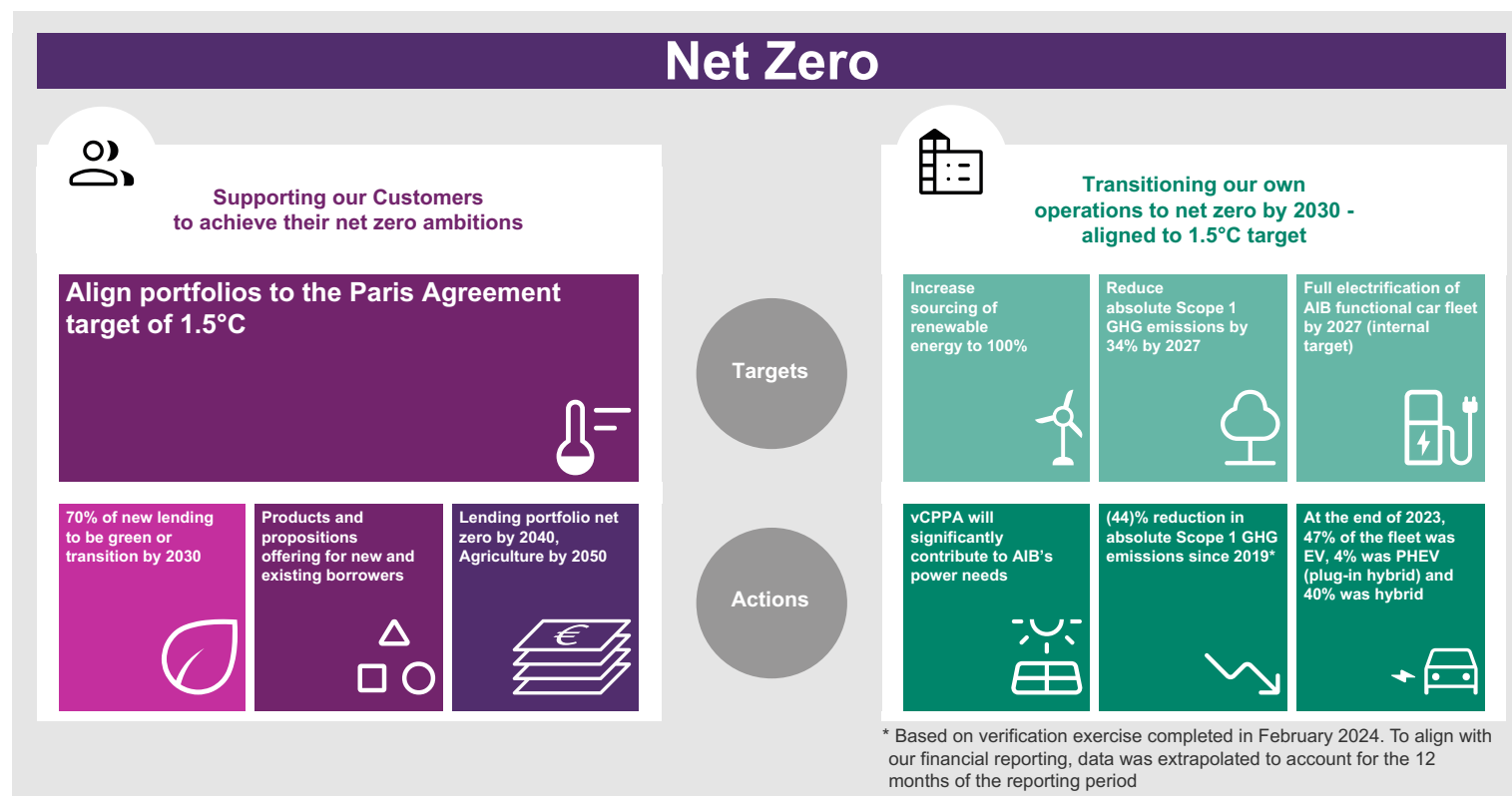
In 2020, AIB became the first Irish bank to pledge to operate as carbon neutral by 2030, using a net zero approach. Recognising that the majority of our carbon footprint comes from lending to support our customers; we also set an ambition that green and transition lending should account for 70% of our new customer lending by 2030, and that our entire lending portfolio should be net zero by 2040

(excluding Agriculture, where we strive to meet net zero by 2050 in line with the Irish Government's target for that sector). These targets are aligned with the Irish Government's plans as well as the EU's Green Deal.

Our sustainability strategy since 2020 has focused primarily on financing activities that will help decarbonise the economy and support our customers to transition to a low-emissions society. And thus began a review of our propositions, products and services, leading AIB Group to offer sustainable finance including Green Mortgages across our AIB, EBS and Haven brands. We also offer green loans for personal customers, and sustainability linked and green loans for corporates, regular issuances of Green and

Social Bonds for responsible investors, a deeper community connection and advisory services as our people developed their expertise in sustainable finance. All while continuously reducing emissions from our own activities, including the strategic step of entering into a virtual Corporate Power Purchase Agreement (vCPPA) with NTR plc in 2021. This resulted in the construction of two solar farms, helping AIB meet its target of delivering on its commitment to ensure 100% of its estimated electrical needs come from certified renewable energy sources by 2030.

As AIB Group embarks on our next three-year strategic cycle, sustainability is proudly part of our everyday, and delivering on our purpose is empowering people to build a sustainable future.



1. Met Éireann report 28 December 2023 on www.gov.ie
2. IPCC Synthesis Report.
3. The net-zero transition: Its costs and benefits, McKinsey & Company, 2022.
4. White Paper on Ireland's Transition to a Low Carbon Economy 2015-2030.

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The Journey to Net Zero

AIB is a founding signatory to the United Nations Environment Programme Finance Initiative (UNEPFI).

We began reducing emissions for our own operations in 2016 and, in 2020, AIB became the first Irish bank to make net zero commitments, including our commitment to be net zero in our own operations by 2030, and to reach net zero in our financed emissions by 2040 (2050 including our Agriculture portfolio).

We launched our Green Mortgage product in 2019 followed by our green personal loan in 2021.

We were the first bank in the world to get SBTi approved maintenance targets for electricity generation in April 2023 and have set SBTi approved financed emissions targets for 75% of the AIB loan book.

To support our customers, in 2019 we launched our Climate Action Fund with an ambition to lend €5bn over a five-year period. Due to exceptional demand, this doubled to €10bn in 2021 with an increase to €30bn by 2030.

In 2019, AIB was the first Irish Bank to publish a Green Bond Framework and, in 2020, AIB was the first Irish Bank to issue a Green Bond for €1bn. Over the last four years, AIB has raised a combined €4bn from the issuance of Green Bonds.



SCIENCE
BASED
TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

2022

During 2022

- Issued 2 Green Bonds totalling €1.5bn.
- Successful launch of SBCI Energy Efficient Loan Scheme



Signed the virtual Corporate Power Purchase Agreement to support AIB energy needs.

€3.3bn in green
lending in 2022



Pictured on site at the solar farm in Gorey, Co. Wexford, are NTR CEO Rosheen McGuckian with AIB CEO Colin Hunt

2023



75%

SBTi validated targets for Residential Mortgages, Commercial Real Estate, and Electricity Generation, which cover 75%* of loan book.

* As at baseline of 2021

Timeline continued
on next page

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The Journey to Net Zero continued

Timeline continued from previous page



Acquired Clearstream (Ireland's leading corporate climate and sustainability services provider) to enable us to further support our customers in their transition



During 2023

€3.7bn in green lending in 2023

30% of new lending 2023

€11.6bn in green lending since 2019

2023

€30bn Climate Action Fund



Increased our Climate Action Fund to €30bn

Bonds



€4bn

AIB has raised €750m during 2023 from the issuance of its fifth Green Bond, the proceeds of which will contribute to the financing of projects with clear environmental and climate action benefits, while further strengthening the Bank's capital position. Since 2020, AIB has issued five Green Bonds, totalling €4bn.

Own operations



Net zero in our own operations by 2030

Lending



70% of new lending to be green and transition by 2030



Net Zero

AIB is committed to achieving net zero emissions by 2040 (2050, including Agriculture)

2030

2040

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Net Zero in Our Own Operations

While we are supporting our customers in the transition to a low-carbon economy, AIB Group is ever mindful of our own carbon footprint, with a clear ambition to reach net zero in our own operations by 2030.

This demands that we accept responsibility for the direct impact of our own operations on the environment. While we have been on a journey for years to reduce our Scope 1 & 2 emissions and use our resources responsibly, the establishment of this ambition has put a sharp focus on all of our efforts – across our buildings, our partners and our colleagues.

Through our environmental and energy policies, we specify how we will meet our responsibility to protect the environment, increase our energy efficiency and tackle our operational emissions. And although the nature of the Group's activity is not harmful to the environment, we ensure we take environmental protection into account in accordance with ISO international standards.

In 2014, we achieved our first certification to ISO 14001 and 50001 for our previous company headquarters in Bankcentre, Dublin. A Group-wide certification was then achieved in 2018, and in 2023, re-certified for another three years.

This approach has enabled us to manage our estate in a sustainable manner by proactively implementing best-in-class environmental and energy practices, with homogeneous processes and indicators for rigorous monitoring.

Emissions Targets

The emissions targets we have set and validated for our own operations are (using 2019 as our baseline):

- Reduce our absolute Scope 1 GHG emissions by 34% by 2027¹; and
- Increase our annual sourcing of renewable electricity to 100% by 2030.

And, since 2019, we have:

- Reduced our absolute Scope 1 GHG emissions by (44)%; and
- Reduced our overall Scope 1 & 2 emissions by (49)%².

Absolute GHG Emissions (tCO ₂ e) ^a		2023	2022	2021	Baseline Emissions	Baseline Year
Scope 1:	Direct emissions	2,670	3,200	3,978	4,784	2019
Scope 2 ^b :	Indirect emissions	4,909	5,963	5,945	10,025	2019
Total Absolute Scope 1 & 2 GHG emissions		7,579	9,163	9,923	14,808	2019
Scope 3 ^c :	Category 1 - Purchased goods & service		2,584	2,319	488	2019
	Category 2 - Capital goods		1,045	926	129	2019
	Category 3 - Fuel & energy-related activities		3,342	3,906	5,512	2019
	Category 5 - Waste generated in operations		35	39	199	2019
	Category 7 - Business travel		1,556	342	3,845	2019
	Category 8 - Employee commuting		5,346	2,008	4,287	2019
	Category 15 - Investments (Financed Emissions) ^d		2,200,000	2,570,000	2,570,000	2021

a. For more details on our GHG emissions, see Supporting Information on page 100.

b. Scope 2 emissions are location-based.

c. Scope 3 emissions are reported one year in arrears - 2022 data is the most recent information available.

d. For more information on our Category 15 Financed Emissions, see pages 22-23.

While to date we have been purchasing electricity on green tariffs, our vCPPA with NTR plc is a clear sign of intent. We took action in 2022 to create two new solar farms in Co. Wexford, to be owned by NTR plc. Construction began swiftly, and the first solar farm commenced energisation in February 2024.

They will deliver certified renewable energy to the Group along with supplying the national grid with 21.4 Gigawatt-hour (GWh) of new renewable energy. These solar projects will produce enough clean energy to power over 5,000 Irish homes³ annually.

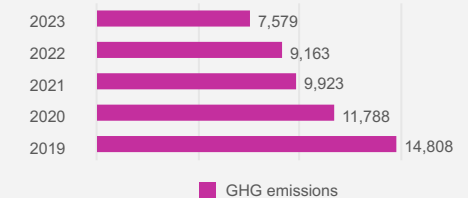
This agreement will contribute to the delivery of the Irish Government's Climate Action Plan, which has set a target of 15% of all electricity demand being met by renewable generators contracted under Corporate Power Purchase Agreements by 2030. The agreement also ensures the Group has a sustainable and secure energy supply at a fixed price for 15 years.

1. In line with SBTi criteria, the target boundary includes CO₂ emissions from the combustion, processing and distribution phase of bioenergy – as well as the land use emissions and removals associated with bioenergy feedstocks.
2. Emissions data based on verification exercise conducted in February 2024.
3. Based on the P50 (expected annual average level of generation) and the Commission for Regulation of Utilities (CRU) figures for annual average consumption of Irish households.



Operational emissions progress

Scope 1 & 2 GHG emissions tCO₂e



AIB's carbon footprint, as verified in February 2024, showed a significant 49% reduction in Scope 1 & 2 emissions from 2019 to 2023. This includes a year-on-year reduction of 17% in operational emissions across the estate. Fleet emissions reduced by 14%. In addition, electricity, gas and oil consumption showed 18%, 20% and 19% reductions respectively, helped by changes made to the estate under our Net Zero Property Strategy. Additionally, COVID-19 had an impact on our Scope 1&2 emissions reduction, as staff moved to remote working and buildings were closed or had reduced operational capacity. Working from home emissions are currently excluded from our Scope 3 reporting. AIB is evaluating how to report these emissions in future years.

[For more detail on our GHG emissions, see Supporting Information on page 100.](#)

[We also report on the energy we consume in our business, the water we use and the waste we generate \(see page 101\).](#)

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Net Zero in Our Own Operations continued

As a bank, our building network spans Ireland, as well as having a presence in the UK and the USA. While we are not operating in an emissions-intensive sector, we recognise our property portfolio nonetheless could have a significant footprint if not actively managed. Since 2018, we have embarked on a strategic review of our operations starting with those based in older, inefficient buildings – and any new buildings we intend to occupy must have high energy efficiency and limited environmental impact.

The Group has considered energy efficiency and energy saving as key elements in reducing CO₂ emissions. Key initiatives to meet these targets are incorporated in our property and fleet strategies, our energy purchasing decisions (such as our vCPPA), and actions taken to continuously increase our energy efficiency (e.g. increasing our real-time energy monitoring capabilities).

In relation to our property, we are continuously improving our existing branch and office building estate to reduce its energy consumption, carbon footprint and reliance on fossil fuels.

Lighting across our estate is set to be more efficient through a multi-year LED upgrade programme. Installations on a broad spectrum of lighting infrastructure will bring energy and cost reduction – typically, LEDs provide an energy reduction of 40-60% – in addition to a better operating environment for staff and customers, and a lower maintenance requirement. In 2023, we extended our LED programme to 73 locations, including 71 branches.

As committed to in Ireland's Programme for Government and set out in the Climate Act 2021, the Climate Action Plan sets out 2030 targets in both energy efficiency and carbon reduction, both of which the LED programme will deliver on. In addition, this programme aligns with the continual improvement of energy efficiency as per the ISO 50001 International Standard and fully supports our Net Zero Operational ambition by reducing Scope 2 GHG emissions.

To date, an investment of c. €2.4m has been allocated to this programme in order to enhance

the working environment of the upgraded locations, and reduce operational costs, energy consumption and related carbon emissions.

In 2023, two Galway city centre properties, Lynch's Castle and Eyre Square, underwent extensive sustainability refurbishments. All fossil fuel-based systems were replaced with more energy-efficient, carbon-free alternative technologies. Lynch's Castle's status as a national monument, and its unique and historical features, were to the forefront of designs and were fully preserved for future generations. As a result, AIB's operations in Galway city centre are free of fossil fuel emissions. You can read more about the Eyre Square property, which is presented as a case study on page 21.

We also extended our metering and monitoring infrastructure. Submetering is being installed across the estate, with the consumption data available to view in real time. Access to this data will help us to track and identify trends and patterns in consumption, allowing for the identification of areas of inefficiency. In particular, gas metering will allow us the opportunity to recognise CO₂ reduction possibilities on the metered buildings by reducing fossil fuel consumption through improved management of heating and hot water requirements.

Real-time energy metering can optimise energy use by up to 10% and has a key role towards achieving our net zero 2030 target. In 2023, we committed to increase the number of properties with this type of infrastructure by 25%, by allocating additional investment funds to support this initiative.

We are also conscious of the impact our fleet of vehicles has on the environment. To that end, we are continuing our phased approach to transitioning our 138-vehicle corporate fleet, which is on track for full electrification by 2027. In 2023, we switched a further 44 vehicles to EVs. As such, at the end of 2023, 47% of the fleet was EV, 4% was PHEV (plug-in hybrid) and 40% was hybrid, with the remaining 9% being petrol- or diesel-fuelled.



Image above is of our Eyre Square retrofitted building in Co. Galway

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Net Zero in Our Own Operations Case Study

Case study:



The Transformation of Our Regional Office in Galway's Eyre Square

Taking place over two phases in 2022 and 2023, the refurbishment of our building on Eyre Square in Co. Galway has resulted in AIB's first large net zero¹ building that has benefits across sustainability, connectivity, employee wellbeing and community engagement.

The refurbished building had to satisfy an energy-efficiency requirement while also increasing capacity to accommodate an amalgamation with another location close by.

The refurbishment of our 1,300 sq. m., four-storey-over-basement office building in Eyre Square, which was originally constructed some 50 years ago, took place over two phases in 2022 and 2023.

Internally, the building was stripped back to a 'grey box', and all services and internal finishes were replaced. The upper floors of the building were in use as office spaces, while the ground floor and basement – forming the former retail bank space – had been closed and unused for approximately two years.

Externally, the walls were insulated, the windows were replaced, and the roof finish was replaced, insulated and reinstalled to improve the carbon footprint of the building. The legacy oil boiler heating system was replaced with a more energy-efficient heating and cooling system. The lighting system was upgraded to an LED installation, with improved controls, including motion sensors.

Accommodating staff from a nearby location that was being amalgamated, the redesigned interior provided 116 workstations and collaboration spaces on the upper floors and 20 'hot desks'.

The basement was repurposed to become a staff canteen with additional facilities such as showers and a drying room for staff who prefer to walk, run or cycle to work. Visually the internal appearance was greatly improved with the installation of open plan layouts and ceiling rafts (exposing the concrete structure).

The project involved a significant proportion of recycled or locally sourced materials, focusing on principles of the circular economy, recovering and integrating existing equipment into the new design.

There was also a focus on social impacts. Accessibility was improved, a new Local Working Hub (LWH) provides employees with an alternative working option, and parking facilities were forgone in favour of facilities encouraging active transportation.



Image above with AIB colleagues taken in our Eyre Square retrofitted building

Investment in the Eyre Square building upon completion of the project covered construction works, life cycle investment and sustainability items while, overall, the refurbishment will reduce its energy consumption compared to the pre-refurbishment period. Indeed, the energy and carbon savings achieved (including the building amalgamation) at the end of 2023 were: 95,228 kWh of electricity and 65,762 kWh of fossil fuel energy, saving a total 40 tCO₂e annually.

1. Net Zero will be confirmed once operation of the virtual Corporate PPA solar farm commences and AIB can benefit from the Guarantees of Origin (GoOs) to demonstrate full traceability of renewable energy purchase.

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Financed Emissions

AIB has publicly communicated ambitions to achieve net zero and increase our proportion of sustainable lending in our customer lending portfolio. In 2022, we set financed emissions targets for three sectors using a Sector Decarbonisation Approach (SDA) – i) Residential Mortgages; ii) Commercial Real Estate; and iii) Electricity Generation, and a fourth Corporate Portfolio Coverage Target all of which have been validated by SBTi.

A significant proportion of the Decarbonisation Scenarios are outside of AIB's direct control, and, as such, we rely on regulation, policy, technology adoption, market trends and consumer behaviours.

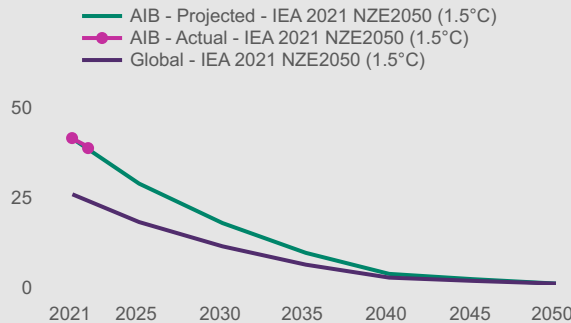
Targets and baselines were set using Partnership for Carbon Accounting Financials (PCAF) Greenhouse Gas (GHG) guidance in relation to data.

Given the data availability challenges for financed emissions calculations, there is an acknowledgement that proxies are required when direct customer emissions data is not available. We are continuing to put measures and actions in place enhance our data across our lending portfolio.

Progress towards the achievement of our targets will help us mitigate Climate & Environmental risks and achieve our ambition of net zero and increase our sustainable lending. We measure, monitor and report the targets and associated business actions whilst acknowledging that progress may not be linear on a year-on-year basis given the reliance on external developments.

As we move into 2024, we will validate our Science Based Targets as a result of the growth in inorganic loans during 2023 following the Ulster Bank acquisition.

Group Residential Mortgages Book



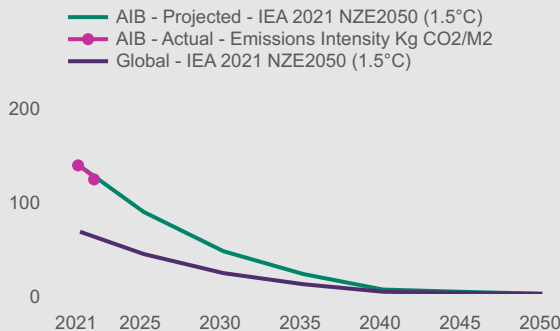
Residential Mortgages

In 2021, we set a baseline emissions intensity/target coverage of 40 kgCO₂e/m² and used the International Energy Agency (IEA) 2021 NZE2050 1.5°C SDA Scenario to form the basis for the physical emissions intensity reduction of 58% required by 2030.

Our Residential Mortgages portfolio comprised 50% of total lending at €29.4bn in 2021. In 2022, the portfolio remained at 50% and total lending increased to €30.3bn. Between 2021 and 2022, there has been a 5% reduction in emissions intensity, now standing at 38 kgCO₂e/m².

AIB will continue to invest in residential mortgage product and propositions to support the achievement of our targets.

Group Commercial Real Estate Book



Commercial Real Estate

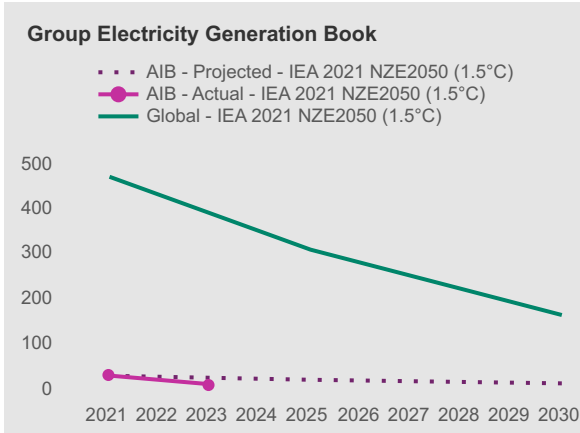
In 2021, we set a baseline emissions intensity/target coverage of 135 kgCO₂e/m² and used the International Energy Agency (IEA) 2021 NZE2050 1.5°C SDA Scenario to form the basis for the physical emissions intensity reduction of 67% required by 2030.

Our Corporate Real Estate portfolio comprised 10% of total lending at €5.6bn in 2021. In 2022, the portfolio comprised 12% and total lending increased to €7.5bn. Between 2021 and 2022, there has been a 9.6% reduction in emissions intensity, now standing at 122 kgCO₂e/m².

We are competitive in the Commercial Real Estate sector in our home market and our focus on sustainability in this sector is a key differentiator. Commercial Real Estate is also an important sector to us because of the social impact of our business. We work with developers and housing schemes and through the provision of finance, we have a positive social impact by increasing the housing supply in Ireland.

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Financed Emissions continued



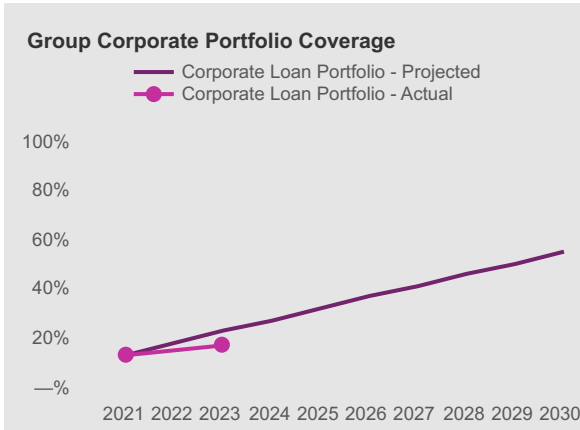
Electricity Generation

In 2021, we set a baseline maintenance target of 21 gCO₂e/kWh, vs Global 2023 463.7 gCO₂e/kWh.

Our Electricity Generation portfolio comprised 3% of total lending at €1.6bn in 2021. In 2023, the portfolio increased to 4% and total lending increased to €2.6bn.

AIB's Electricity Generation portfolio has a very low emissions intensity relative to the global average for power, given the high share of renewable energy assets such as offshore wind. As such, our Electricity Generation portfolio is already aligned to International Energy Agency (IEA) Decarbonisation pathways that deliver a 1.5°C outcome. Our commitment is to maintain the existing intensity levels of 21g CO₂e/kWh of our Electricity Generation portfolio through 2030 by keeping the portfolio focused on renewable electricity generation projects.

We intend to grow AIB's business in renewable energy infrastructure to support the broader transition to net zero.



Corporate Portfolio Coverage

In 2021, we set a target to increase Corporate Portfolio loan volumes covered by emission targets from 12% to 54% by 2030.

Our Corporate Portfolio Coverage comprised 12% of total lending at €6.9bn in 2021. As of 2023, we have increased our Portfolio Coverage to 16% representing an increase of c.4% from 2021. This metric includes corporate counterparties with > 500 Employees in line with the Non-Financial Reporting Directive (NFRD) definition by loan value that have SBTi validated targets.

The proportion of customers with SBTi validated science based targets set is expected to steadily increase in the coming years as new rules around transition plan disclosures come into force. Key sectors will decarbonise in line with the Government's Climate Action Plan 2023 and corporate counterparties with >500 Employees will set their own emissions targets in the medium term.

<h1>75%</h1> <p>SBTi validated targets for Residential, Commercial Real Estate, and Electricity Generation which cover 75% of loan book.</p>	<h2>Corporate Portfolio Coverage 54%</h2> <p>Increase loan volume covered by emissions targets from 12% to 54% by 2030*</p>	<h2>Residential Mortgages (58)%</h2> <p>Reduction in emissions intensity required by 2030*</p>	<h2>CRE (67)%</h2> <p>Reduction in emissions intensity required by 2030*</p>	<h2>Electricity Generation Maintain</h2>
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* From a baseline of 2021

Climate & Environmental Action

Net Zero Lending Portfolio

Informing Agri Sector

We know the challenges facing farmers in Ireland can feel daunting. We have set a target for our Agri portfolio to be net zero by 2050, which is in line with the Irish Government's own ambition. While our target may be many years away, we are acting and supporting farmers and the food industry now, working with the Government, Agri partners and through initiatives around the country to collectively meet Ireland's low-carbon ambitions for this vital sector. From "farm-gate" to industry operating at global scale in the agriculture and food supply chain, our teams engagement with stakeholders affords unique insight into sustainable farming, nutrition and food production developments. When it comes to this support in particular, we know that information is key.

Our specialist Agri team comprises 15 people based around the country, including a Head of Sustainability for Agriculture, Food & Fishing, who was appointed in May 2023. This team has the experience, understanding and track record of supporting the sector so it can continue to develop and thrive sustainably. It provides strong, objective farm financial and technical analysis on individual farm cases as needed.

AIB produces a biannual ezine for our customers interested in the latest developments and news from Ireland's agriculture sector. Delivered straight to the mailboxes of 25,000 customers and Agri industry personnel, Agri Matters is intended to bolster our support of this sector, offering tailored economic and investment information, while profiling customers with interesting success stories. We also share information from our partners, including Teagasc, which is currently running a regular feature on its Signpost programme, an advisory programme supporting climate and sustainability actions on farms.

In 2023, we partnered with Ipsos, conducting fieldwork with a nationally representative sample of more than 1,000 farmers, to compile the AIB Agri Tracker assessing farmers' outlook for the future. This survey found that optimism is on the rise, with 38% of respondents very or fairly optimistic, up from 31% the previous year. The survey also found confidence in

the move towards sustainability; 60% of respondents agreed that improving the environmental sustainability of their farm would have a positive economic impact on their income, with 16% saying it would have a very positive impact, 44% saying it would have a quite positive impact, and 16% unsure. 20% of those farmers surveyed felt that improving environmental sustainability would have a quite negative impact on farm income and just 4% said it would have a very negative impact.

A Focus on Agri Collaboration

Given our ambition for our Agriculture portfolio to be net zero by 2050, aligned to the Irish Government's target, along with our deep appreciation for the recognised leadership and heritage of the farming community in Ireland, AIB is particularly keen to partner with like-minded organisations in this area for the benefit of our customers and communities in this industry.

In July, AIB became the exclusive financial institution partner with the Farm Zero C project, based in Shinagh, outside Bandon, West Cork. Farm Zero C, a joint project with Carbery, the West Cork-based international food ingredients company, and BiOrbic, Ireland's National Bioeconomy Research Centre, aims to create an economically viable, climate neutral model for Irish dairy farming. Agriculture has been at the heart of the Irish economy for centuries and, at AIB, we see the dedication to sustainability that Irish farmers demonstrate every day from dawn to dusk. This project brings together a group of research and industry experts in a world-first attempt to come up with a farm-level solution for a global problem, and we will support it every step of the way.

AIB has had a long-standing partnership with Teagasc, the state agency providing research, advisory and education in agriculture, horticulture, food and rural development in Ireland. While profiling Teagasc's Signpost programme, AIB also sponsors Teagasc's Grass10 initiative, which focuses on increasing grass utilisation across livestock production systems, thereby improving economic, social and environmental agricultural sustainability. Every year, Grass10 names an



[Read the latest edition of our Agri Matters ezine here.](#)

overall 'Grassland Farmer of the Year', recognising a farmer who is achieving high levels of grass utilisation in a sustainable manner, along with five other categories of sustainable and innovative farming. In May, the accolade went to Diarmaid Fitzgerald, a dairy farmer from Cratloe, Co. Clare. AIB also sponsored the Teagasc National Dairy Open Day in July, with a theme of 'Securing a Sustainable Future'.

In January, the AgTechUCD Innovation Centre announced its winners of University College Dublin's (UCD) second annual accelerator programme dedicated to early-stage AgTech and Agri-food start-ups with global potential. Following a final pitching event, held at UCD Lyons Farm, in front of a judging panel, MyGug was named the AIB and Yield Lab AgTech Start-up 2023. Based in Clonakilty, Co. Cork, MyGug developed a micro-scale anaerobic digester that turns food waste into a green renewable energy source, suitable for homes, schools and small food businesses.

Meanwhile, AIB's dedicated Agri Advisors engage farmers throughout the year, supporting agricultural shows and related events up and down the country. One such event was the National



Ploughing Championships in September, a key festival on any farmer's calendar. We held AIB Shed Talks across the three days, with panels made up of key industry personnel including the presidents of the Irish Farmers' Association, the Irish Creamery Milk Suppliers Association and Macra na Feirme, along with representatives from Teagasc, the Department of Agriculture, Food and the Marine, Bord Bia and Farm Zero C.

Agri Matters Audience

25,000

customers and Agri industry personnel receive our Agri Matters ezine twice a year.

Climate & Environmental Action

Responsible Lending and Investment

**Material Topic: Responsible Lending and Investment**

We have set a new, increased Climate Action Fund, aiming to provide a total of €30bn to aid national and global efforts to realise a necessary lower-carbon economy by the end of 2030. To ensure real, transformative action, our dedicated green financing division, Climate Capital, will complement our other segments – Retail Banking, Capital Markets and AIB UK – and focus on establishing renewables technology in North America, UK and Europe.

We recognise we have a long-term role to play in providing the finance for Ireland's transition to a low-carbon economy. This fund is realised through the Group's various green and transition products for personal, SME and corporate customers in Ireland, the UK and further afield, and focuses on energy, climate and infrastructure projects.

Supporting Our Customers in the Transition to a Low-Carbon Economy

We want to encourage our customers to go green. As we aim to reach net zero across our customer portfolio, we can do this by providing a range of products and services that will enable our customers to reduce their own carbon emissions.

Our stakeholders have informed us through the latest materiality assessment that ensuring the Bank considers ESG issues when making lending and investment decisions, and supports customers who want to transition to the low-carbon economy, is as important as ever.

Climate and Environmental Risk became a material risk for AIB in 2023. 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.

For example, the Group's ESG Questionnaire is currently incorporated into credit applications for customers in high-risk transition sectors where new lending is over €1300k.

Our excluded activities list sets out a range of business activities that are considered to be incongruent with Group strategy. The excluded activities include exploration, extraction and upgrading of oil sands projects; nuclear power generation; nuclear waste transportation, and 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 their subsidiaries, involved in the excluded business activities. This rule currently applies to all new business customers with a Gross Connected Exposure of >€1300k in high transition risk sectors and that are relationship managed.

For more details on excluded activities, please visit www.aib.ie/corporate/excluded-activities

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.

Products That Enable Greener Homes

At AIB Group, we offer Green Mortgages across AIB, EBS and Haven, which means our lowest mortgage interest rates are available for energy-efficient homes. All three entities provide Green Mortgages to homes with a BER rating of between A1 and B3, (or an *Energy Performance Certificate (EPC) rating of A+ (non-domestic only), A or B in the UK*) to new, switching and existing mortgage customers.

As for customers looking to retrofit their homes, AIB ROI offers a preferred finance partnership with Electric Ireland Superhomes, Ireland's leading retrofit one-stop-shop, as well as a green loan (see below – Products That Enable Greener Lifestyles). AIB also maintains representation on the Steering Committee for Enabling Commercial Retrofit (ENACT), the national initiative supported by the Sustainable Energy Authority of Ireland (SEAI), which is focused on exploring the challenges customers face with commercial retrofitting.

In terms of large-scale housing development, we offer discounted loans to residential developers who adhere to an Irish Green Building Council (IGBC) benchmark that sets higher green building

standards than are required under current building regulations. The IGBC's Home Performance Index (HPI) sets a standard that takes account not only of the energy efficiency of a home but also of factors including air quality, water efficiency and the sustainability of the location in the context of factors such as transport links and community facilities. While aligned to Irish regulations, the HPI is also internationally recognised in line with the Global Rating ESG Benchmark for Real Assets (GRESB).

Products That Enable Greener Lifestyles

Through AIB, we offer green loans to personal customers, who are looking to make a lifestyle change in their home or transport options. Customers can borrow between €3,000 and €30,000 – or between €3,000 and €60,000 for joint applications – at a lower annual percentage rate (APR) rate for up to 10 years, with no penalties on extra or early repayments. Available conveniently through the AIB Mobile App, customers can also set their own repayment schedule: weekly, fortnightly or monthly.

In order to qualify for the green loan, customers must spend 50% or more of the money on a green initiative, including buying an electric or plug-in hybrid vehicle or upgrading a home, including insulation, solar panels, boilers and water systems.

Meanwhile Nifti, our joint venture with Nissan Ireland Ltd for both business and personal customers, offers an alternative to owning a car, with new car leasing options including electric and hybrid vehicles. Indeed plug-in hybrid and full battery electric vehicles now account for 23% of the Nifti fleet, up from 12% in 2022. To support our personal customers, AIB successfully launched a new Personal Leasing product in May: Personal Contract Hire, which is distributed through Nifti and supports our customers' transitions to more sustainable mobility solutions.

Products That Enable Greener Businesses

We are committed to supporting businesses of all sizes. Through AIB's continued partnership with the Strategic Banking Corporation of Ireland (SBCI), we offered the Energy Efficiency Loan Scheme (EELS) up until the end of 2023. The scheme was

aimed at reducing carbon emissions and cutting bills by investing in energy-saving measures.

In 2024, we will continue our partnership with the SBCI to offer the new Growth and Sustainability Loan Scheme (GSLs). GSLs offers lower-cost financing over a longer contractual maturity term to encourage the growth and resilience of enterprises and/or to invest in climate action and environmental sustainability measures designed to improve performance.

The NiftiBusiness offering is a dedicated fleet management service, which includes mapping customer fleet carbon emissions, planning for and supporting the transition to hybrid and electric vehicles, and installing office and home charger infrastructure.

For our larger corporate customers, our sustainable finance supports customers to achieve their own sustainability ambitions.

Products That Enable a Greener Tomorrow

Our Socially Responsible Investment (SRI) Bond portfolio funds domestic and international projects aimed at global sustainability, carbon emissions reduction and social improvement, all under the over-arching themes of Environmental, Social, and Governance (ESG). 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. The SRI Bond portfolio reached c. €2.0bn at year-end 2023.

In 2019, AIB was the first Irish bank to publish a Green Bond Framework and, in 2020, AIB was the first Irish bank to issue a Green Bond, raising €1bn. We have since issued another four Green Bonds, bringing the total raised to €4bn, of which €750m was issued in 2023. This supports the Group's Capital and Minimum Requirements for own Funds and Eligible Liabilities (MREL).

Green Bond proceeds are used exclusively to finance projects that have a positive environmental impact – renewable energy generation, transmission and storage projects, green commercial and residential buildings, and clean transportation.

Climate & Environmental Action

Responsible Lending and Investment continued

In 2021, AIB became the first Irish bank to publish a Social Bond Framework. In 2022, we became the first Irish bank to issue a Social Bond and have since issued another in January 2023, raising a total of €1.75bn. Social Bond proceeds are allocated to financing projects with clear social benefits, such as social and affordable housing and healthcare infrastructure.

Since 2020, AIB has raised a total of €5.75bn in Green and Social Bonds, funding projects in Ireland and abroad that support public and private activities in the transition to a lower-carbon society.

In June, AIB was recognised at the GlobalCapital Bond Awards, winning the 'Most Impressive Financial Institution ESG Bond Issuer' award.

Supporting Infrastructure Development

Given the growing importance and complexity of infrastructure and energy requirements in the transition to a low-carbon economy, AIB established our specialised Energy, Climate Action and Infrastructure (ECAI) team within the Capital Markets function in 2017 and this is now one of the largest such teams in Ireland, with extensive experience in non-recourse project finance and broader infrastructure finance. Similarly, we have the Energy & Infrastructure team operating in the UK. ECAI and the UK Energy and Infrastructure team have one of the fastest-growing balance sheets in the Bank, with a strong focus on renewable energy assets that displace fossil fuel-fired generating assets, which lead to carbon emissions. It is now planned that both ECAI and the UK Energy and Infrastructure team will become part of the new Climate Capital segment in 2024.

AIB now funds renewable energy assets either on a bilateral or co-funding basis. These assets are located across Ireland, the UK, the EU and North America, and include technologies such as onshore and offshore wind and solar generation. Financing to renewable energy projects that qualify under our Green Bond Framework increased from €1.98bn in 2022 to €2.41bn in 2023. As per our latest Green Bond Impact Report (December 2023), AIB's lending to Green Bond eligible renewable energy generation, storage and transmission projects displaced 1.56 million tonnes of CO₂ in 2023.

ESG Advisory Support Services

We know that sustainability is complex and everyone is just trying to make better choices when faced with lots of challenges, including the cost of living. That's why, at AIB, we're learning all the time and sharing our knowledge with our customers, while also ensuring we have the right credit and lending products in place.

Every year, employees must undertake the 'Sustainability and AIB' online course, which gives both context and colour to our sustainability strategy, with a completion rate of 97% in 2023. In 2023, we launched a new course developed with the Institute of Bankers (IoB¹): 'Understanding ESG for Business Customers', offering an overview of the particular challenges and opportunities facing businesses across five modules: Introduction; Environment; Governance; Social; and Reporting and Disclosures.

In 2023, we continued our partnership with the Northern Ireland Chamber of Commerce by delivering the Successful Sustainability with AIB programme. The programme supported the upskilling of more than 70 local businesses on topics such as sustainability in the supply chain and the circular economy.

Advisors

For direct, specialist advice, there are many advisors on our team across AIB Group who work with our customers on their own journey to sustainability, including:

- Mortgage Advisors across our network to talk about mortgage options for energy-efficient homes;
- Sector Specialists for our business customers, including dedicated Sustainability Specialists for SME and the Agricultural sector;
- ESG advisory consultancy services provided by Goodbody;
- Financial Advisors for investments and pensions, who can advise on sustainable fund options; and
- Goodbody Asset Management became a signatory to the UN Principles for Responsible Investment (UNPRI) in 2020. Goodbody has worked to embed ESG into business as usual whilst also continuously enhancing our advisory and product propositions.

1. IOB course details are available to AIB colleagues through their learning & development plan.

Clearstream Solutions

Clearstream Solutions, part of Goodbody, is one of Ireland's leading corporate climate, ESG and sustainability services solution providers with a blue-chip client base and deep practical domain knowledge and expertise. Clearstream assists organisations to measure, implement and report best-in-class sustainable practices in their businesses, products and supply chains.

A team of expert advisors guide our clients across four key services:

- Responsible business strategy and sustainability projects
- Climate change and carbon management: in organisations, products and supply chains
- ESG and sustainability reporting and disclosure
- Learning and development in sustainability, climate change, circular economy, ESG reporting and engagement.

Green Living

In 2022, we created the AIB Green Living website, housing information and advice on how to save energy and become more sustainable at home and in the office. Divided into three sections – Your Home, Your Lifestyle and Your Business – the website aims to provide information on both the big and small changes we can all make and the credit options available. It also offers the Going Green quiz as a starting point to guide readers on where they can start making a difference in their lives. [Visit the website at aib.ie/green-living/going-green](https://aib.ie/green-living/going-green)

Sustainability Guides

We carry out research both independently and partner with appropriate organisations to generate insights and tangible instructions specific to certain sectors and industries, which we can share with our customers to help them reduce their carbon emissions and wider environmental impact.

In addition to our first sector-specific Sustainability Guide, which was aimed at the Hospitality sector and launched at the end of 2022, in 2023, we published the following Sustainability Guides:

- Manufacturing
- Transport
- Hotel & Accommodation
- Nursing Homes

These guides were developed in conjunction with leading environment consultancy firm Mabbett & Associates and shared with customers and Key Business Influencers (KBIs).

Total ESG bonds issued

€5.75bn

raised from Green and Social Bond issuances since 2020.



Nicholas Reynolds, Head of ESG, O'Brien Fine Foods and John O'Brien, Managing Director, O'Brien Fine Foods

Climate & Environmental Action

Responsible Lending and Investment continued

Research and Thought Leadership

There is much about climate change that is still uncertain. At AIB, we want to further the necessary research and analysis required to understand its potential implications and impacts along with, importantly, the mitigating actions we can take – and support our customers to take – today.

In 2023, we established an ESG Research team, to further AIB's thought leadership in sustainability and support the Group's activities across key operational areas and sectors. Research will be produced for a variety of audiences with the intention of supporting customers and wider stakeholders as part of the transition to net zero.

We partnered with Amárach again in 2023 to conduct two surveys of 1,000 adults on general sustainability topics, complementing similar surveys conducted in 2019-2021. The results of this AIB Sustainability Index in July showed that cost-of-living challenges and the energy crisis were impacting consumers' appetite for taking greater sustainable action in their personal lives. More recently, in January 2024, the results of our second survey, conducted at the end of 2023, showed some improvement on this sentiment, with 45% of respondents stating that they are being personally affected by climate change. We will continue to monitor our communities' attitude to sustainability.

In July, University College Cork announced the appointment of Professor Valeria Andreoni as the AIB Professor in Sustainable Business, a new position in the university – and the first of its kind in Ireland – that will play a pivotal role in advancing research, education and engagement initiatives that focus on promoting sustainability within the business sector.

This initiative joins the many connections AIB maintains across the universities of Ireland.

Industry Collaboration

The necessary transition to a low-carbon economy requires leadership, partnership and innovation from all sides. While providing direct support to our customers, AIB is also building relationships with industry and innovative organisations to achieve our common goal.

In 2023, we continued our partnership with TASC, the Think-tank for Action on Social Change, to deliver "The People's Transition". Based on the principles of community-led local development, community ownership and community wealth-building, The People's Transition seeks to support the co-creation of solutions that have a local, tangible benefit, addressing a challenge that has been identified by community members, and that has a wider environmental benefit. In the summer of 2023, TASC launched reports from the first two communities it has been working with: Enniscorthy in Co. Wexford and Mountbellew in Co. Galway.

In June, AIB announced a new partnership with GreenTechHQ, an entrepreneurial hub in Enniscorthy, Co. Wexford, to support start-ups, scale-ups and companies that aim to develop sustainable solutions through technology, brands and services. The partnership will help GreenTechHQ support hundreds of businesses with collaborative workspaces, events, programmes, investment, mentoring and support services in thought leadership, communication, innovation, training, incubation and pilot projects. We look forward to witnessing the innovative initiatives that will be nurtured through this process. We can also use our brand recognition to promote sustainability across all sectors in Ireland, by way of proactive and intentional sponsorships. Some examples include:

- AIB sponsored the Sustainability / Leading Green Hotel Award at the Virgin Media Business Gold Medal Awards in January.
- In June, we brought our 'Pledge Tree' to the UCD Festival 'A Day of Discovery', inviting attendees to make their own pledges to be more sustainable.
- That same month, we brought our AIB Green Living Challenge to Kaleidoscope, Ireland's annual family-focused festival, offering hints and tips for more sustainable living.
- AIB continued our industry engagement in conjunction with University College Cork (UCC) supporting the Sustainable Food and Beverage Finance Summit for second year running.



- In July, we sponsored the Mary Robinson Climate Conference in Ballina, Co. Mayo, working with the organisers to invite TASC to speak at the event.
- AIB sponsored the Irish Tourism Industry Confederation Conference in September entitled 'Big Impact, Small Footprint' focused on how Irish tourism can deliver its ambitious future while delivering on its sustainability obligations.
- In November, AIB, along with our joint venture partner Nifti, sponsored the EV Summit.
- AIB participated in the Irish Banking Culture Board (IBCB) working group, aimed at increasing financial awareness among Agri customers. The outputs included the creation of a video series for social media, a podcast and media articles in the *Irish Farmers Journal*. The topics included financial products for the agriculture sector, applying for bank finance, building a relationship with your bank, and banking support for this growing but changing sector.

AIB Sustainability Conference – Join the Conversation!

The seventh AIB Sustainability Conference, entitled *It's Time to Act*, opened Climate Finance Week Ireland in November 2023. With +9,200 attendees, it was the largest event to date, hosting impactful conversations with global figures Trevor Noah and the Rt. Hon. Dame Jacinda Ardern. AIB customer panel discussions also provided an opportunity for our customers and other attendees to understand how they can take action, regardless of size or industry, and be part of the solution.

AIB Sustainability Conference

+9,200

Attendees at the AIB Sustainability Conference in 2023

Climate & Environmental Action

How Green Finance Works

By setting a new target for our Climate Action Fund aiming to provide a total of €30bn in funding by 2030, we are continuing to support our customers in the transition to a low-carbon economy.

1. Funding

AIB has a long-term role to play in providing the finance for Ireland's transition to a low-carbon economy. In 2019, we commenced our first Climate Action Fund.

AIB's Climate Action Fund

€30bn

To achieve our net zero ambitions, AIB's €30bn Climate Action Fund supports lending through a range of green and transition products and propositions, enabling customers to reduce their own carbon emissions.

Certain sectors will have higher transition risks and costs and we recognise that our support will be particularly important to help finance their transition.

Part of this is funded through the issuance of Green Bonds

Green Bonds

Since 2020, AIB has issued 5 Green Bonds, totalling

€4bn



[See page 25 on Climate Action Fund](#)

[See Green Bond Framework, Green Financing | AIB Investor Relations for more detail on AIB's Green Bond Framework](#)

2. Loan/Project Evaluation

Sustainable Lending Framework

Our Sustainable Lending Framework (SLF) enables the classification of customer loans as green, transition or social, based on an agreed set of eligibility criteria.



AIBs Green Bond Framework

Our Green Bond Programme aligns our funding strategy with the Group's sustainability strategy. AIB issues Green Bonds to fund eligible projects or assets that mitigate climate change by reducing emissions, protecting ecosystems, or having a positive environmental impact.

- Renewable Energy
- Green Buildings
- Clean Transportation



3. Green Lending

Renewable Energy



Clean Transportation



Green Commercial Buildings



Green Residential Buildings



Waste & Water Management



Manufacturing



Forestry



Information & Communications Technology



4. Positive impact

Since 2020, our sustainability strategy has focused on green financing activities that help decarbonise the economy and support our customers to transition to a low-emissions and fairer society.



Chris Kelly, CEO of EasyGo

Climate & Environmental Action

Green Bond Case Study

Case Study:



Our Green Bond Framework

In 2019, AIB was the first Irish bank to establish a Green Bond Framework (GBF). Since then, we have completed four annual reviews of the framework, allocating proceeds to over €5.41bn of eligible lending and supporting the journey to net zero.

Our Green Bond proceeds are used to finance lending that mitigates climate change by reducing emissions, protecting ecosystems, and/or having a positive environmental impact.

The GBF is prepared by a cross-functional working group, and updated annually, taking into account best market practice and new regulation to the greatest extent possible. It is verified by second party opinion (SPO) provider Sustainalytics, who assesses alignment with the International Capital Markets Association (ICMA) Green Bond Principles, as well as carrying out an EU Taxonomy alignment exercise.

AIB works with expert consultant Carbon Trust to produce detailed impact methodologies for each of our Green Bond eligible loan categories, which are published on AIB's debt investor website. We also work with Carbon Trust to publish impact reports, on an annual basis, with a focus on carbon avoidance, energy avoidance, renewable installation capacity, energy generation, and the number of battery electric vehicles (BEVs) financed.

The Impact

Our Green Bond Programme has heightened AIB's ability to attract ESG-focused investors and enhanced the quality of investor participation. In 2023, AIB won the GlobalCapital Award for 'Most Impressive Financial Institution ESG Bond Issuer'.

In 2023, our fifth Green Bond raised €750m, bringing the total issued since 2020 to €4bn. Green Bond proceeds have been allocated to a portfolio of €5.4bn eligible loans across Ireland, the UK, the USA, and the EEA, including Green Commercial and Residential Buildings (55%); Renewable Energy Generation, Transmission and Storage Projects (44%); and Clean Transportation (1%).

Eligible projects contribute to the achievement of EU Environmental Objective 1: Climate Change Mitigation and are aligned with UN Sustainable Development Goal (SDG) 7: Affordable and Clean Energy, SDG 9: Industry, Innovation and Infrastructure, and SDG 13: Climate Action.



Journalist Dearbhail McDonald and Shane Caldwell, Head of Sustainability at IPUT Real Estate

In 2023, eligible lending resulted in c. 1.6 million tonnes of CO₂e avoided and 137,900 MWh of energy consumption avoided.

What's Next

AIB's Green and Social Bonds emphasise our steadfast commitment to the equitable transition to net zero, delivering sustainable economic, social and environmental development. We anticipate a continued presence in the Green and Social Bond markets in 2024 and beyond.

Green Bond

€750m

total raised in 2023

Climate & Environmental Action

Protecting and Safeguarding Nature

Invasive species, changes in land and sea use, climate change, pollution and direct exploitation of natural resources are the five direct drivers of biodiversity loss and ecosystem change. The prosperity and resilience of our society, economies and financial systems depend on taking combined action on climate- and nature-related issues to drive towards a net zero and equitable global economy.

Although at the early stages of a fast-evolving and complex biodiversity journey, the financial sector has a key role to play in providing responsible finance and investment to support nature-positive funding, while reducing the financial flows that harm nature and complying with nature-related standards and disclosure requirements. Protecting and safeguarding nature also requires a 'whole of society' approach underpinned by long-term and sustained Government commitment and leadership.

At AIB, we want to tackle nature alongside climate by actively engaging with the companies we support to better understand and increase our knowledge of nature-related issues, and further develop the ways in which we operate not only in relation to climate, but also to nature and biodiversity. AIB has deep relationships with customers, suppliers and partners across a broad range of sectors and regions, who face risks to their supply chains, operations and markets from the continued degradation of ecosystem services (which are defined as the direct and indirect contributions natural capital provides for human wellbeing and quality of life). Contributing to the preservation of nature is fully in line with our efforts to promote the environmental transition and achieve our net zero ambition.

Our Approach

When we set out our net zero ambition, we noted that our overall approach, target-setting and data-collection processes were still evolving, subject to change overtime and dependent on government policies needed to support the investment decisions in the transition to a lower-carbon economy. The same will be true when developing, agreeing and implementing our action on nature. We recognise that this is a fast-moving area and we will endeavour to regularly improve and evolve our strategy, which will mirror that for climate and

be underpinned by our ESG principles and overall purpose of empowering people to build a sustainable future.

Nature loss is a complex topic and the first step on our journey is to understand more clearly how our financing activities interact with nature and the ecosystem services it provides. We will continue to explore existing science and emerging frameworks to identify the most meaningful, comparable and robust strategy to report and measure our environmental impacts, dependencies, risk management of nature/biodiversity in our lending portfolio and corresponding opportunities.

AIB Group became the first Irish bank to adopt the Equator Principles in 2021. All transactions falling within scope are subject to a minimum standard for due diligence and monitoring to support responsible risk decision-making. We also have a list of Excluded Activities, which identifies those activities that we will not provide financial services to, including those that threaten nature and biodiversity.

As with our net zero strategy, we intend to take an holistic approach to nature and work with current and future partners to achieve our necessary and collective goal. We can engage credible organisations in a number of ways – from research and development to education and awareness. Through this, we can play an important role in shining a light on this issue, while also ensuring we operate in line with best practices for the benefit of all our stakeholders. For example, AIB with members across the Irish and global financial services sector participated in 'The Nature of Finance', Ireland's first study on nature-related risks and opportunities to the financial sector', which was supported by Skillnet Ireland and the International Sustainable Finance Centre of Excellence.

Waste and Resource Management

With circular economy principles in mind, our approach to waste management prioritises prevention and reduction, in line with the waste hierarchy, while increasing the quality of our segregated materials. We have made great strides in reducing single-use plastics, in particular, operating reusable take-away containers, including

coffee cups and food containers. Our paper use has also reduced significantly over the years, through the introduction of automated systems such as DocuSign for many of our internal and external process. In 2023, we printed 47 million fewer pages than in 2019 (our baseline), a 63% reduction.

Through our Environmental policy, we commit to preventing pollution activities and to reducing our environmental impact. As such, we're working to responsibly manage and reduce our water use. Our actions under our water management programme include optimising water use by installing water-saving infrastructure to improve the efficiency of our water consumption across selected buildings. In our newer buildings, we established grey water systems to reuse water for landscaping and cleaning external surfaces. And we monitor consumption trends to identify possible leaks, preventing excessive use.

Other examples of responsible resource management include the material used in our uniforms, which is a more eco-friendly polyester fibre produced from recycled PET bottles, and the installation of Tersano systems in our head offices, which is a sustainable alternative to traditional cleaning products that contains no toxic chemicals, prevents pollution and reduces plastic waste and supply chain emissions.

63%

fewer pages were printed in 2023 (compared to 2019 baseline)

c. 50,000

small actions were logged by colleagues to help reduce emissions.



Engagement

A large element of tackling our environmental impact is boosting employee awareness of sustainable practices and developing 'green skills' needed to bring positive changes across the organisation. This involves the education and motivation of colleagues. Awareness campaigns were held locally and Group-wide throughout 2023 with the overall aim to encourage individual responsibility in reducing waste, demand for natural resources and emissions. This included a Group-wide **Sustainability in Action Week** in September. Along with a general awareness campaign, teams of colleagues took part in The AIB Climate Challenge, making small changes to reduce their emissions. In total, nearly 50,000 activities – small actions such as turning off unnecessary lights, not wasting food and air-drying clothes – were logged, or roughly 4,100 activities a day, saving a combined 36,700 kgCO₂e, which is equivalent to travelling around the world 3.75 times.

Climate & Environmental Action

Climate and Environmental Risk Management

Climate and Environmental Risk

Climate Risk continued to be a key area of focus in 2023. Recognising its importance as a key strategic pillar, its pervasiveness to other risks, regulatory developments, and shareholder and societal expectations, and its potentially significant impact over time on the Group and wider society, the Board Risk Committee reviewed Climate and Environmental Risk in detail, and recommended to the Board that it be considered as a material risk.

Climate Risk is defined as the potential negative impacts due to climate change on the Group. This includes risks posed by direct exposure to climate change, and indirect exposure through customers and suppliers. Climate Risk includes the impacts that the Group and its customers and suppliers have on the climate and the impact from the climate on the Group and its customers and suppliers. Further detail on Climate Risk can be found in pages 193 to 196 of the AIB FY2023 Annual Financial Report.

Environmental Risk is defined as the potential negative impact of the activities or actions of the Group, its customers or suppliers, directly or indirectly to the naturally occurring living and non-living components of the Earth, together constituting the biophysical environment. Changes in the state of nature (quality or quantity), may act as drivers on the Group's financial performance through risk events and could result in changes to the capacity of nature to provide social and economic functions. Further detail on Environmental Risk can be found in pages 193 to 196 of the AIB FY2023 Annual Financial Report.

The two principal strategies for managing Climate Risk are Climate Change Mitigation (CCM) and Climate Change Adaptation (CCA). Climate Change Mitigation is the process of holding the increase in global average temperature to well below 2°C and pursuing efforts to limit it to 1.5°C above pre-industrial levels, as laid down in the Paris Agreement.



Material Topic: Climate change adaptation

Climate Change Adaptation

The impacts of climate change on societies and ecosystems are already being felt and global warming is causing more extreme weather events, which are putting people and ecosystems at risk. Adaptation is a critical component of the long-term global response to climate change to protect people, livelihoods and ecosystems. To date, most efforts have been focused on climate action and businesses reducing their carbon footprint and, while positive, mitigation alone cannot reduce the adverse impacts the planet is now facing. Collective effort to build resilience for a new climate reality is becoming more urgent as seen from the recent meeting of the United Nations Climate Change Conference (COP28) where climate change adaptation took centre stage alongside mitigation as a global priority.

Alongside businesses, governments and international and non-governmental organisations, Banks have an important role to play in providing adaptation finance to help prevent, prepare for, and respond to climate-caused crises and make communities, economies and natural systems more resilient. In addition, Banks must adjust their business models, strategies, guidelines, and policies to prepare and manage the risks and opportunities that arise as a result of climate change to align with actual and expected climate change and its impacts over the short, medium and longer term.

For AIB, Climate Change Adaptation is a material topic and is defined as the process of adjustment to actual and expected climate change and its impacts on the business model of the Bank over the short, medium and long term. AIB faces climate-related financial risks in our business, which we actively manage through:

- The Group's material risk assessment process, which identified Climate and Environmental as a new Principal Risk for the Group approved by the Board in the second half of the year. Climate and Environmental Risk can arise from Physical,

Transition and Liability Risk. Physical Risk (chronic and acute) refers to the potential negative financial impact of a changing climate, including frequent extreme weather events and gradual changes to climate, as well as environmental degradation. Transition Risk occurs from the process of adjusting towards a lower-carbon and environmentally sustainable economy, and can include Policy, Legal, Technology, Market and Reputational Risks. Lastly, Liability Risk encompasses Physical Risk, Transition Risk and non-compliance with regulations, which could potentially lead to further financial exposure.

- The Group uses Physical Risk and ESG Sectoral Risk heatmaps to assess Climate and Environmental Risk. It serves as a visual tool to identify the physical impacts of Climate and Environmental Risks on the Group, including our own buildings and customers across ROI and the UK. Through this approach, the Group identified the increased frequency and intensity of flooding as the most material Physical Risk for AIB.
- The ESG Sectoral Risk heat-map is also used to identify the high risk sectors in scope for our ESG Questionnaire, used as part of our credit application process.
- The Group's climate stress testing approach and associated models, which consider the impact of Physical and Transition Risks across a number of scenarios on our lending exposures to enable us to plan and make better decisions.
- The resilience to climate change we build by investing in projects or businesses that promote sustainable practices or contribute to mitigating climate change impact. Please see page 25 for our approach to responsible lending and investment, a separate but interconnected material topic.



- The ESG Framework, launched in December 2022, which ensured that the Group's approach to the management of ESG was clearly defined and understood, from the Board and down through all operations. Other frameworks developed, (including our Environmental and Energy policies) enable us to carry out activities in our own operations taking environmental protection into account.
- The businesses and entrepreneurship in the wider economy we actively support including, for example, our sponsorship of the PorterShed and similar accelerators have led to growth and development of green tech companies which aim to tackle climate change within Ireland and abroad. See page 39 for more details.

Climate & Environmental Action

Climate and Environmental Risk Management Case Study

Case Study:



Understanding ESG for Our Business Customers

Knowing that an understanding of Climate Risk is integral to supporting our customers in their own sustainability journey, in 2023, AIB created a new internal training course in association with the Institute of Bankers.

'Understanding ESG for Business Customers' provides detailed content to empower AIB frontline teams in becoming champions for real customer action.

We recognise the important role AIB Group plays in supporting our customers and the wider economy. There is therefore an onus on us to upskill our colleagues in order to support our customers, in particular on the ESG agenda. For our business customers, this presents an opportunity for us to help them as they navigate the evolving landscape.

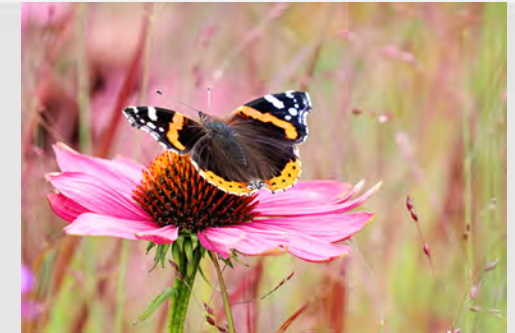
In 2023, we created a new Continuing Professional Development (CPD) Certificate in 'Understanding ESG for Business Customers' in association with the Institute of Bankers (IOB). The purpose of this training is to empower our colleagues to take action and build on their ESG knowledge.

The course covers ESG trends for businesses and provides an overview of the landscape domestically and internationally. It provides an overview of the Sustainable Development Goals (SDGs) and outlines how SDGs may be used to shape a business strategy. The training also provides further

insights on how ESG considerations may differ across key sectors such as Agriculture, Manufacturing, Energy, Transport, Property, Hotel and Leisure, and Healthcare and provides best practices on how business owners can approach E, S and G issues within their own sectors.

Course participants are empowered with information on how a business can initiate a climate action plan. Along with international standards for carbon footprinting, the training covers how a customer may conduct a materiality assessment to support and prioritise key sustainability topics for action, and includes a framework for businesses to structure sustainability efforts and the must-haves in a successful sustainability transformation approach.

On social issues, the course equips AIB teams with information on salient human rights considerations, social regulations and voluntary international standards, and explains how these topics may impact AIB customers.



It also provides insights on where a business can start with governance, with questions to be addressed that build a Governance Framework and highlights top governance issues. It also highlights the latest reporting trends and details the benefits, as well as challenges, when it comes to ESG reporting.

On this training, Cathy Bryce, AIB Group's MD of Capital Markets, commented: "The transition to low carbon presents an opportunity for us to be there for our customers, and to help them understand and support them as they navigate these evolving regulatory requirements and opportunities."

Climate & Environmental Action – Ambition



In 2024 and beyond, our focus will include the following:

- The two solar farms constructed as a result of our vCPPA with NTR plc will significantly contribute to AIB's electricity needs, helping us deliver our commitment to increase our annual sourcing of renewable electricity to 100% by 2030.
- Further deepening our understanding of our pathway to net zero through assessment and analysis of AIB's CRE portfolio.
- Continue to upgrade the AIB fleet to EVs; on track for full electrification by 2027.
- AIB will continue to identify opportunities to support our customers in their transition to a low-carbon economy through the provision of green and transition lending.
- Funding renewable energy and infrastructure projects form an important part of our next sustainability strategy cycle.
- Centralise all of our green capital related activity across the Group into a new Climate Capital segment to increase our capability, support business growth and demonstrate our position as a driving force in the transition to a zero-carbon future.
- Additional disclosure detail on climate and environmental risks and transition planning can be expected in future reports.