

Sustainability in AIB

Our Approach to Sustainability

With a new segment dedicated to Climate Capital from 2024, sustainability remains at the very core of AIB Group’s strategy.

Sustainable Communities continues to be a foundational pillar of our Group strategy and aligns strongly with our wider business strategy. AIB continues to support the transition to a low-carbon future, building long-term resilience and sustainability for our business, economy and society through our purpose of empowering people to build a sustainable future.

Sustainable finance is a recognised key enabler of climate action and has a pivotal role to play in building a more sustainable economy and society. Financial institutions can offer both the means and the motivation for people to make greener choices at home, in the workplace and in our communities. With the International Monetary Fund (IMF) estimating that Ireland alone will require an investment of €20bn per annum to meet its net zero transition requirements to 2030, we continue to pledge to do more in this space.

We have endeavoured to be a leader in the sustainability agenda in Ireland, including our

ambition for our own operations to be net zero by 2030 and our lending portfolio to be net zero by 2040, excluding Agriculture which is aligned to the Government’s own target for the sector in Ireland to be net zero by 2050. As such, throughout our previous three-year strategic cycle we set about transforming our business operations to better align the Group to best-in-class ESG practices, ensuring sustainability practices are embedded across our business and that we can continue to support our customers throughout their own sustainability journeys.

Our Refreshed Sustainability Strategy

We have reviewed and evolved AIB’s ESG strategy in line with the Group’s strategic ambition, best practice and aligned to requirements of the new Corporate Sustainability Reporting Directive (CSRD) as well as material topics identified through a stakeholder materiality assessment.

Our three-pillar ESG strategy has evolved: Climate & Environmental Action, Societal & Workforce Progress, and Governance &

Responsible Business. Funding renewable energy and infrastructure projects forms an important part of our proposed strategy along with ongoing education and supporting our wider customer base. Our evolved sustainability strategy sharpens our focus across the environmental, social and governance pillars and aligns strongly with our wider business strategy.

Our 2030 €30bn Climate Action Fund supports our customers in the transition to a low-carbon economy, and provides products and services to help make a positive environmental impact which ranked highly across all of our stakeholders in our materiality exercise. A suite of green products is already in place, including our green mortgage offerings across AIB, EBS and Haven, the AIB green personal loan, along with green CRE lending and renewables lending delivered by AIB, as well as EV car leasing options through Nifti.

Our Purpose	Empowering people to build a sustainable future		
ESG Strategic Pillars	 Climate & Environmental Action	 Societal & Workforce Progress	 Governance & Responsible Business
ESG Principles	<ul style="list-style-type: none"> We will provide responsible green finance, investments and advice to drive structural change and support the transition to a low-carbon future. 	<ul style="list-style-type: none"> We will strive to make a positive economic contribution and to be a positive influence on society, improving the lives of people and their communities and helping to build a brighter and fairer future. 	<ul style="list-style-type: none"> We will pride ourselves on acting responsibly, with integrity and transparency, while embedding ESG capabilities and measures at the heart of our business.
Areas of Focus	<ul style="list-style-type: none"> Lend responsibly and steer our portfolios towards net zero by 2040 (Agriculture by 2050). Reach net zero in our own operations by 2030. Increase consideration and management of climate and environment related risks. Contribute to protecting nature and safeguarding natural ecosystems/habitats. 	<ul style="list-style-type: none"> Continue to proactively contribute to a robust and sustainable future economy and society. Put our customers first, always treating them fairly and with respect. Empower own workforce and foster a safe, inclusive and supportive work environment. Positively support sustainable communities and local initiatives. 	<ul style="list-style-type: none"> Facilitate a culture that promotes our values and fosters engagement. Board and management to work to the highest standards to deliver long-term value. Operate responsibly at all levels, while managing cyber security, data security and operational resilience risks.
Some Key Examples of How We Bring Our ESG Strategy to Life	<ul style="list-style-type: none"> We have increased our existing Climate Action Fund from €10bn (by end-2023) to cumulative €30bn by 2030. We aim to have 70% of new lending to be green or transition by 2030. 	<ul style="list-style-type: none"> We will build a brighter and fairer future for our customers by lending more than €6bn to first time buyers by 2026. We will continue to support sustainable communities and local initiatives through AIB’s community fund and charity donations. 	<ul style="list-style-type: none"> We will act responsibly and build an inclusive workforce that reflects our culture and promotes our values. We will further improve our efforts to manage cyber security, data security and operational resilience risks, protecting customers and bank.

Enhanced risk management of climate, environmental and wider ESG risks is an important component of the sustainability strategy. As part of the Material Risk Assessment (MRA) process, Climate and Environmental Risk was approved as a material risk for AIB Group plc and Allied Irish Banks plc. For more information on Climate and Environmental Risk, see pages 193 to 196.

To oversee and embed sustainable practices across our business, an integrated approach is in place through our in-flight ESG Transformation Programme delivering on our regulatory, strategic and customer enablement objectives. The programme includes delivery of key strategic objectives and regulatory expectations and is supported by teams across the business with regular updates provided to ExCo, the Sustainable Business Advisory Committee (SBAC) and the Board.

Over the next number of decades climate transition financing represents a significant growth opportunity as the global economy seeks to decarbonise and invest in green infrastructure. As a result, we have reorganised our business to establish a new, dedicated Climate Capital segment, creating a step change in AIB's ability to finance energy transition and ESG infrastructure and building on our strong track record in Energy, Climate Action and Infrastructure (ECAI) lending.

The threat of climate change to our entire planet has become a reality, and so we must think globally. Our new Climate Capital segment will maintain a global outlook, focusing on established renewables technology in the European, UK and North American markets.

Recognising the scale of our ambition, we are increasing our existing Climate Action Fund from €10bn (by end 2023) to a cumulative €30bn by 2030. This fund is an important statement of intent to the market and our customers. These funds will be made available for green and transition financing activities as defined within AIB's Sustainable Lending Framework.

Over the short-term time horizon (0-3 years), across the Climate Capital, Retail Banking, Capital Markets and UK segments of our business, we intend to broaden our green product suite for personal, SME and corporate customers to include new lending opportunities and extend some of our current offerings in this space. An enhanced suite of green products will support our customers in their transition and also help to deliver our sustainability targets. Over the medium-term horizon (3-7 years), we will need to steadily increase new green and transition lending to reach the 70% target by 2030 by offering green finance propositions and products, and through improved data capture. Understanding our green and transition lending will support long-term management of climate related and credit risk in our lending portfolio and reduce the risk of adverse selection.

Capacity building and education are also of central importance for both colleagues and customers with a range of supports in place and/or under development including dedicated AIB Sustainability Champions throughout the Group, an in-house ESG research function, our regular customer publications, events and webinars and an enhanced advisory service offering via Goodbody and through the acquisition of Clearstream. AIB facilitates ESG knowledge transfer to our SME customers through our support of programmes such as Enterprise Ireland's Plan it with Purpose and the Dublin Chamber Sustainability Academy, while also providing direct guidance through the online AIB Green Living Hub, our Sector Sustainability Guides and informational webinars.

We have continued to grow our green lending, to provide support for the transition, working alongside key stakeholders.

Meeting Our Net Zero Ambitions

We have a strategy in place to ensure we meet our emissions targets across Scope 1, 2 and Scope 3 financed emissions via the annual business planning process feeding into the three-year strategy planning cycle. Annual Financed Emissions Targets for 75% of our

lending portfolio (as at 31 December 2021) outline what we need to achieve by 2030 in terms of a reduction in emissions relating to our lending portfolio, and have been adopted by the Board and externally validated. These targets are integrated into sustainability planning outputs with progress against these targets monitored on a regular basis. Levels of green and transition lending are included within business planning (% of total new lending) to provide AIB with increased visibility on the trajectory to achieve our 2030 target that 70% of total new lending should be green or transition.

We have made significant progress in reducing our own carbon footprint, with a further 17% reduction in 2022 as confirmed at the end of 2023. From a Scope 1 and 2 perspective, AIB modelled two new targets, committing to reduce absolute Scope 1 GHG emissions by 34% by 2027 from a 2019 baseline year and to increase annual sourcing of renewable electricity to 100% by 2030. The first of two solar farms constructed in Co. Wexford by NTR as per our vCPPA in 2022 has been energised, ready to significantly contribute to the Group's power requirements. That is a significant step in reaching our ambition to be net zero in our own operations by 2030.

Below: AIB was one of the official sponsors of Kaleidoscope 2023 with our AIB Green Living Challenge, which had over 2,000 participants.



Sustainability in AIB continued

As a Group, we have over 4,000 active suppliers on our database, and we transacted with 2,527 of these in 2023. Our Responsible Supplier Code sets out our expectations of suppliers, and includes the responsible and ethical behaviours we look for in the companies with whom we do business. Based on our Code of Conduct, the Responsible Supplier Code also references our Anti-Bribery and Corruption policy, Conflicts of Interest policy, Human Rights Commitment and our Speak-Up policy. We will only do business with suppliers that adhere to this Code. We require evidence that our suppliers have an ESG plan in place or are working towards putting one in place, and all successful suppliers are required to join the Supplier Financial Qualification System (FSQS). We also encourage our suppliers to report their carbon emissions through the CDP (Carbon Disclosures Project).

From a Scope 3 financed emissions perspective, we have set Financed Emissions Targets covering 75% of our Group loan portfolio as at 31 December 2021, based on decarbonisation scenarios with outcomes to 1.5°C. We were delighted in 2023 to receive validation from the SBTi for our financed emissions targets, and in so doing, AIB became the first bank in the world to secure a scientifically validated electricity generation maintenance target. The attainment of these targets remains a central tenet of our strategy, and at the business level we will continue to use identified drivers to support delivery against them throughout our lending portfolio:

- For **Residential Property** and **Commercial Real Estate (CRE)**, these emissions reduction targets have been translated into what would need to be achieved in terms of new lending to energy-efficient buildings. For Residential Mortgages and Commercial Real Estate, the reduction target set for financed emissions is 58% and 67%, respectively, in emissions intensity by 2030.
- Given the already low emissions from our renewable-focused **Electricity Generation** portfolio, the target is a maintenance target range.
- For **Corporate Lending**, the required emissions reduction targets relate to larger entities with over 500 employees which have themselves set and obtained externally approved SBTi. For the Corporate Portfolio Coverage, an increase in loan volume covered by emissions targets from 12% to 54% is targeted by 2030.



Above: Colin Hunt, AIB Group Chief Executive Officer, and Mary Whitelaw, Chief Strategy & Sustainability Officer, at Kilmahon, The Nature Trust, Co Longford.

Business and Financial Planning

The financial impacts of climate and environment are considered within two key processes. Firstly, the financial impact associated with our net zero targets is a formal part of business and financial planning. Business areas are required to consider the impact on projected revenues, costs and margins associated with meeting these targets over the period of the plan and outlook to 2030. Secondly, within the European Central Bank (ECB) 2022 Climate Risk Stress Test, analysis was completed based on the scenarios of the Network for Greening the Financial System (NGFS). These included quantitative forecasts for short- and long-term transitional risk, short-term drought/heat risk and short-term flood risk.

Some examples of key opportunities aligned to the strategic and investment planning process include residential and commercial retrofits, lending for sustainable farming measures, sustainable lending for corporates that commit to ESG targets, EV financing, ESG advisory, research and customer supports.

Within the business and financial planning process, climate and environmental issues have been considered as a key input to the allocation of capital for each of the key business segments. Financed Emissions Targets covering Retail Banking, Capital Markets, our new Climate Capital segment and AIB UK were included in the process and were a key parameter within planning, for example, funding to propositions supporting green financing in support of achievement of the emissions targets.

Transitioning to a lower-carbon economy will entail extensive policy, legal, technology, regulatory and market changes to address mitigation and adaptation requirements related to climate change.



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Climate Capital segment