



# Responding

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# CLIMATE & ENVIRONMENT

In July 2021 the Climate Bill was passed into law, which requires a 51% reduction in national greenhouse gas emissions by 2030 and for Ireland to achieve Net Zero by 2050. In addition the Climate Action Plan was published in November 2021 which sets sector level reduction targets and outlines an action plan and set of initiatives to deliver the reductions required.

AIB had allocated €5bn to a climate action fund which was originally launched in 2019 with a target of lending €1bn per annum for green and transition lending over five years. In October AIB doubled the Climate Action Fund to €10bn in the same timeframe, given the increasing demand for green and transition finance.

THIS CHAPTER COVERS OUR CLIMATE & ENVIRONMENT RELATED DISCLOSURES AND OUR 2021 RESPONSE AND PROGRESS TO THE FOLLOWING MATERIAL TOPICS:

→ ENSURE A CLIMATE RESILIENT & RESPONSIVE MODEL

→ PRODUCTS AND SERVICES TO ADDRESS ENVIRONMENTAL ISSUES

→ RESPONSIBLE LENDING AND INVESTMENTS

## OUR TARGETS

2023

€10BN

IN NEW CLIMATE ACTION LENDING

2030

NET ZERO IN OUR OPERATIONS

AMBITION FOR 70% OF NEW LENDING TO BE GREEN OR TRANSITION

2040

NET ZERO AMBITION

CUSTOMER PORTFOLIO LENDING (AGRI 2050)

7 AFFORDABLE AND CLEAN ENERGY



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



12 RESPONSIBLE CONSUMPTION AND PRODUCTION



13 CLIMATE ACTION



# CLIMATE & ENVIRONMENT RELATED DISCLOSURES

AIB is a supporter of the Task Force for Climate-related Financial Disclosures (TCFD) since 2019. This is our second year in disclosing our progress against the TCFD recommendations. During 2021, we have continued our focus on climate and we have summarised what has been achieved in 2021 as well as the areas of focus over 2022 and beyond.

RECOMMENDED DISCLOSURE	2021 PROGRESS	LOOKING AHEAD	SECTION
<b>STRATEGY - THE ACTUAL AND POTENTIAL IMPACTS OF CLIMATE-RELATED RISKS AND OPPORTUNITIES ON AIB'S BUSINESS, STRATEGY AND FINANCIAL PLANNING</b>			
<p><b>Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material.</b></p>	<ul style="list-style-type: none"> <li>Integrated consideration of climate risks and opportunities in the <b>annual strategic planning process</b>.</li> <li><b>Review of climate action opportunities</b> and a number of areas prioritised for investment as part of strategy review.</li> <li>Undertook <b>initial climate risk quantification</b> - physical flood risk for our residential mortgage portfolio and transition risk for our high climate risk sectors.</li> </ul>	<p>Continue to review the strategy taking into consideration the outputs of the risk quantification and stress testing exercises, the progress required to achieve the reduction in financed emissions, as well as the growth in opportunities in certain sectors in financing the transition and continue to embed in our financial planning process.</p>	<p>Climate and Environmental Strategy p.23-25</p>
<p><b>Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.</b></p>	<ul style="list-style-type: none"> <li><b>New propositions launched</b> to support customers transition including joint venture with leasing company for electric &amp; hybrid vehicles (Nifti), Green Mortgage Top-up, and new green mortgage propositions across other AIB brands (in addition to existing Green Mortgage, Electric Vehicle proposition, Green Consumer Loan &amp; Sustainability Linked loans). Second issuance of <b>Green Bond</b> for €750m.</li> <li><b>Sustainable Lending framework</b> defined for categorisation of green &amp; transition lending and published externally.</li> <li>Work in progress to set <b>science based targets</b> and aim to disclose externally in 2022 with a number of sectors complete and internal targets set and integrated into financial plans.</li> </ul>	<p>Deliver a number of new propositions to maximise the opportunities to finance climate solutions, which are also critical in helping us to achieve our green and transition lending targets.</p> <p>Focus on delivering additional supports to customers to help them understand where they are on their own sustainability journey and actions they can take.</p> <p>Widen the focus beyond climate to look at other environmental considerations that need to be factored into our strategy in preparation for the Task Force for Nature Related Financial Disclosures.</p>	<p>Products and Services to Address Environmental Issues p.36-39</p> <p>Responsible Lending and Investments p.40-43</p> <p>Looking Forward p.50</p>
<p><b>Resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.</b></p>	<ul style="list-style-type: none"> <li><b>Partnerships to build awareness of climate change and promote action</b> to prevent food waste (FoodCloud), Biodiversity (Coillte) &amp; Community dialogues (TASC) in addition to Sustainability conference and events.</li> <li><b>AIB signed up to</b> Net Zero Banking Alliance, Equator Principles, WEF Stakeholder capitalism metrics and UN Global Compact in 2021.</li> </ul>	<p>Completion of the work in setting science based targets for our customer lending portfolio and externally disclose the targets and progress in our annual reporting following external validation.</p> <p>Further embed our Sustainable Lending framework and evolve it in line with the EU Taxonomy as this is developed out further and continue to address significant challenges related to the availability of granular customer data.</p>	
<b>GOVERNANCE – AIB'S GOVERNANCE AROUND CLIMATE-RELATED RISKS AND OPPORTUNITIES</b>			
<p><b>Describe the board's oversight of climate-related risk and opportunities.</b></p>	<ul style="list-style-type: none"> <li><b>Oversight of climate change at Board level</b> and material items reviewed at Board. Board and Executive Committee <b>oversight and review of climate related metrics</b> that appear on the AIB Group Scorecard.</li> <li><b>Enhanced ESG governance</b> with new Executive committee in addition to existing Sustainability Board Committee.</li> <li><b>Roles &amp; responsibilities and terms of reference</b> of Board and Executive committees updated to reflect consideration of climate risk.</li> </ul>	<p>Continue to oversee progress against AIB's climate ambitions and targets, particularly the long-term reduction in financed emissions and supporting our customers in the development of transition plans to achieve this.</p> <p>Continue to build knowledge at Board level and to support the directors in addressing and overseeing climate-related risks within AIB's overall business strategy and risk appetite.</p>	<p>Our Governance Structure p.11</p> <p>ESG Governance p.12</p> <p>Climate and Environment Governance p.26-27</p>
<p><b>Describe management's role in assessing and managing climate-related Risks and Opportunities.</b></p>	<ul style="list-style-type: none"> <li><b>Multi-year programme</b> in train and <b>sustainability working groups</b> in place across key business areas.</li> <li><b>Sustainability training</b> (including Climate Risk training) at Board, Executive Committee and Employee level.</li> <li><b>Mandatory Sustainability objectives</b> for all employees.</li> <li>First disclosures on <b>WEF Stakeholder Capitalism Metrics</b> (see our FY2021 Annual Financial Report) and continuing <b>CDP disclosures</b> (Leadership rated for 6 consecutive years).</li> </ul>	<p>Expand our governance of climate strategy development and transition plans across the newer parts of the Group (i.e. Goodbody's) and the business being migrated across from Ulster Bank.</p> <p>Continue to expand our Sustainability Investment programme which is a multi-year programme implementing changes to processes, systems and data infrastructure to integrate and truly embed ESG.</p>	<p>Looking Forward p.50</p>

RECOMMENDED DISCLOSURE	2021 PROGRESS	LOOKING AHEAD	SECTION
<b>RISK MANAGEMENT - HOW AIB GROUP IDENTIFIES, ASSESSES AND MANAGES CLIMATE-RELATED RISKS</b>			
<p><b>Organisation's processes for identifying and assessing climate-related risks.</b></p>	<ul style="list-style-type: none"> <li>Conducted <b>climate risk heat-mapping</b> to determine the most likely sectors with greatest exposure to physical and transition risks and developed a methodology to use <b>scenario analysis to quantify climate-related risks</b> for our commercial and retail customers.</li> <li>Introduced a new <b>ESG questionnaire to assess borrowers ESG risk</b>, the outputs of which feed into the credit assessment process.</li> <li>Detailed work on <b>ECB stress testing</b> (Modules 1, 2 &amp; 3) in progress.</li> </ul>	<p>Continue enhancements to our Enterprise Risk Management Framework to support identification and assessment of risk impact on other principal risks.</p> <p>Update Market Risk Trading and Banking Book policies to consider the impact of ESG factors on the current market position and future investments.</p>	<p>Climate &amp; Environment Risk Management p.28-35</p> <p>Looking Forward p.50</p>
<p><b>Organisation's processes for managing climate-related risks.</b></p>	<ul style="list-style-type: none"> <li>In depth review of AIB Group's <b>Enterprise Risk Management Framework</b> with respect to climate risk and areas for enhancement identified, with a number of gaps closed in 2021 including updates to a number of <b>policies</b>.</li> <li>Climate risk has been recognised as a key risk driver within <b>Material Risk Assessment</b> &amp; updates made to AIB's <b>Risk Appetite Statement</b> relating to business model risk and credit risk.</li> <li>An <b>assessment of climate-related risks</b> over short, medium and long-term was performed and linkage to existing risk categories developed.</li> </ul>	<p>Enhance the climate risk appetite statement, determining the level of risk which the various policies seeks to operate within and expand the Key Risk indicators for managing climate related risk.</p> <p>Deepen expertise in scenario analysis and stress testing capabilities across the 3 LODs.</p>	
<p><b>Processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.</b></p>	<ul style="list-style-type: none"> <li><b>Data &amp; Systems programme</b> of work in train to capture required data fields for climate risk quantification and emissions reduction measurement.</li> </ul>	<p>Continue reviewing the operational risk processes to embed ESG considerations further, including supplier management.</p> <p>Continue to evolve our credit risk frameworks to incorporate climate risk.</p>	
<b>METRICS &amp; TARGETS - THE METRICS AND TARGETS USED TO ASSESS AND MANAGE RELEVANT CLIMATE-RELATED RISKS AND OPPORTUNITIES WHERE SUCH INFORMATION IS MATERIAL</b>			
<p><b>Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.</b></p>	<p>We continued to develop and enhance capabilities to measure our carbon footprint in relation to our own operational footprint as well as financed emissions:</p> <p><b>Progress made on 2020 climate ambition announcements including:</b></p> <ul style="list-style-type: none"> <li>19% reduction in <b>Scope 1 &amp; 2 emissions</b> year-on-year for 2021</li> </ul>	<p>Further develop metrics and measurement capabilities to monitor and manage climate-related risks and opportunities during 2022.</p> <p>Scale up the Data &amp; Systems programme of work to capture the suite of ESG related information required, combined with a Data Quality programme to address data issues.</p>	<p>Climate &amp; Environment Metrics and Targets p.44-49</p> <p>Looking Forward p.50</p>
<p><b>Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.</b></p> <p><b>Organisation's processes for identifying and assessing climate-related risks.</b></p> <p><b>Organisation's processes for managing climate-related risks.</b></p>	<ul style="list-style-type: none"> <li>€2bn of <b>green financing</b> accounting for 19% of new lending (excludes transition finance)</li> <li>Issuance of second <b>Green Bond</b> - €750m</li> <li>Tendering for a <b>power purchase agreement</b> for 100% certified solar renewable energy</li> <li><b>Climate Action lending target doubled</b> from €5bn over 5 years to €10bn in same period.</li> <li><b>Emission reduction targets set</b> for a number of key sectors (Residential Mortgages, Commercial Real Estate and Electricity generation) covering 63% of lending balance sheet, with internal measurement processes in place to track progress.</li> </ul>	<p>To support our commitments, we will align to the Science Based Targets initiative's (SBTi) definition in determining our emission reduction targets.</p> <p>Submit our 2030 sector emissions reduction estimates to SBTi for validation and will continue our work to enhance availability of data to support future calculations of financed emissions and emissions intensities</p>	
<p><b>Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.</b></p>		<p>Continue to monitor our performance against our climate-related targets and ambitions and revise as appropriate.</p> <p>Build out the data infrastructure to enable the required disclosures in relation to EU Taxonomy eligibility &amp; alignment and the calculation of the Green Asset Ratio as well as other regulatory requirements.</p>	

# ENSURE A CLIMATE RESILIENT & RESPONSIVE MODEL

## 1.1 CLIMATE & ENVIRONMENT STRATEGY

### OUR APPROACH

The climate challenge is unlike anything any of us have encountered in our lifetime, therefore AIB's ambition remains steadfast to its continued sustainability leadership. The importance that we place on the environmental agenda, and also our commitment to be embedded in the communities that we serve, was reflected with the addition of Sustainable Communities to our strategic pillars at the end of 2019. We have a stated clear ambition for 70% of our new lending to be green or transition by 2030 and have a target to achieve Net Zero in our financed emissions by 2040 for our lending portfolio (2050 including Agriculture).

BY 2030  
**70%**  
OF NEW LENDING TO BE  
GREEN OR TRANSITION

**NET ZERO**  
IN OUR OPERATIONS BY 2030

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

We are fundamentally committed to supporting the transition to a low-carbon economy, reducing our own carbon footprint and helping our customers to do the same. AIB is a supporter of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) and this is our second year of disclosure aligning to the TCFD recommendations. AIB has further reinforced its commitment and ambition in signing up to the Net Zero Banking Alliance, Equator Principles, WEF Stakeholder Capitalism metrics and UN Global Compact in 2021, and this report provides updates on our progress in meeting these commitments. We continue to believe that comprehensive, robust and comparable disclosures are essential to enabling stakeholders to understand our activity and progress in managing our climate-related opportunities and risks. In our report this year, we are pleased to have been able to enhance our level of disclosure – further meeting the recommendations and demonstrating an evolution in our response to climate change.

A climate resilient and responsive business must consider the double materiality aspect of climate risk – financial materiality (how climate change impacts on AIB) and economic and social materiality (what impact AIB has on climate) and provide appropriate products and services to direct the flow of finance to sustainable activities. We have continued to make progress in building a climate resilient business and expanding our range of products to address environmental issues. Our 2021 ESG independent ratings reflect the progress we have made with leadership scores across three of the key ESG ratings, and we are working to sustain and where possible improve our performance further in 2022.

Sustainable Communities is a fifth pillar in AIB's overall Group Strategy. The focus within Sustainable communities covers three key areas; Climate & Environment, economic & social inclusion and ensuring a future-proof business. Significant progress has been made this year in further embedding Climate & Environment considerations into our strategy. This includes considering the Climate & Environment risks and opportunities for our business, introducing new frameworks to support how we categorise what we finance and expanding our green propositions.

Given the investment required to finance the transition to a low-carbon economy is estimated at c.€50 billion for Ireland (Source: **Goodbody**), banks have a crucial role to play in supporting individuals and businesses to make the transition. AIB has been accelerating the rollout of products and services that assist customers in reducing their carbon emissions, with green lending accounting for 19% of our new lending in 2021. When considered at a sector level, there is a material financing opportunity for AIB from the provision of new products and propositions in areas such as domestic retrofitting, commercial buildings, the provision of Sustainability Linked Loans and SME lending, including the agriculture sector.

We also reviewed our strategy against the materiality assessment where Climate & Environment were ranked as the top three issues for stakeholders and also assessed these strategic areas of focus against the national needs through our work under the UNEP FI Principles for Responsible Banking.

### INTEGRATING CLIMATE RELATED RISKS AND OPPORTUNITIES IN OUR STRATEGY

In 2020, we set some very ambitious goals for the future of our own operations, the emissions relating to our loan portfolio and to provide our customers with access to the finance they need to support their own ambitions. To that end, we have made significant progress on setting science based targets; we have benchmarked and set internal science based targets for key sectors (Residential Property, Commercial Real Estate and Electricity Generation) covering over 60% of our Loan Portfolio, based on climate scenarios with outcomes below two degrees. See p.45.

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

1. The **group strategic ambition** was refreshed ensuring that the fundamentals of the ambition remain customer-focused, are flexed to reflect shareholder expectations, responsive to competitive realities and cognisant of our regulatory and environmental responsibilities. The ambition for sustainable communities as a fifth pillar of our group strategy remains for AIB to play a leadership role in creating innovative propositions and partnerships to help our customers in the transition to a low-carbon economy, and playing a meaningful contribution to the sustainability of the societies in which we operate.
2. A detailed **review of the external environment** was undertaken incorporating analysis of customer needs, Irish economic and societal outlook, global economic outlook, European banking landscape, regulatory and legislative horizon and the Irish

competitive landscape. There were also insights in relation to the customer attitudes towards sustainability in terms of their climate awareness and bias to action and attitudes post COVID-19.

- As part of the **strategic options and evaluation stage**, all strategic items being considered for investment were assessed using a weighted scoring system where Sustainability was a key factor. In advance of the evaluation stage, an in-depth review of the climate opportunities was undertaken to strategically review and assess the areas of focus over the **short, medium and long-term**. This exercise involved stakeholders from across the Group to agree the prioritised list of opportunities for consideration, to help provide climate solutions for our customers.

The **short-term** opportunities related to:

- » Retrofitting of residential, commercial buildings and public buildings
- » Electric vehicles for consumers
- » Renewable heavy goods vehicles and buses
- » Solar rooftops – commercial, business & residential
- » Public charging infrastructure
- » Sustainable farming
- » Diversification of customers' business models

- As part of the **integrated strategic and financial plan**, ESG considerations were a key part in formulating the financial plans. The annual financial planning methodology outlined elements for each business area in considering the ESG risks

and opportunities. There was a specific focus on integrating **emission reduction targets in Financial Planning** - Internal emission reduction targets that were set for the residential, commercial real estate and energy portfolios were integrated into the financial plans over the next three years. This involved providing targets on the percentage of green lending required as part of new lending for each portfolio.

- In terms of **implementation and monitoring**, the Group Balanced scorecard that gets reviewed by ExCo and Board was refreshed to monitor the delivery of the strategy against agreed targets. The group scorecard presents a RAG status and commentary based on key milestones and KPIs. One of the additions to the Group Scorecard for 2022 will be the tracking of the emission reduction targets on the three portfolios where targets have been set.

One of the ways in which we measure our progress on climate action, is via the amount of green and transition lending we provide. To enable clarity and transparency on our disclosures related to green lending, (in advance of the EU Taxonomy being fully developed) we defined a **new Sustainable Lending Framework** which has been published externally on our website.

#### UNDERSTANDING CLIMATE-RELATED RISK

Our Material Risk Assessment process, which is completed at least annually, considers the impact of climate change for AIB, our customers and the societies in which we operate, helping us to identify the material risks to the Group and then determine a suitable risk appetite for them. In our most recent process, we continued to identify climate risk as a key driver of each of AIB's material risks.

The principal risks facing the Group are identified through the annual Material Risk Assessment (MRA) which also identifies the key emerging risk drivers. The MRA is a key input into the Group's risk management processes including the Risk Appetite Statement (RAS), which sets out the maximum amount of risk the Group is willing to accept. See p.28.

Our loan portfolio by sector shows our exposure to carbon-related sectors. Through the work we have undertaken to assess transition and physical risk, we have deemed the following sectors / sub-sectors to be most prone to transition risk. These sectors are estimated to account for 4.8% of AIB Group's loan book:

- i. **Agriculture** - Dairy & Cattle Farming,
- ii. **Manufacturing** - Food Processing,
- iii. **Transport** - road, rail & water transport; or airlines, aircrafts and airports,
- iv. **Non-renewable Energy** - electricity production & supply; or oil and petrol related.

It should be noted that AIB has limited exposure to the fossil fuel industry and that as such, compared to a number of peer banks, our back book is relatively clean.

We also undertook an exercise to begin the quantification of physical risk. We focused on flood risk and commenced with assessing our residential property portfolio, which accounts for 51% of our loan book. See p.31-32 for more details.

We have undertaken initial risk quantification exercises incorporating scenario analysis which builds on the assessment of risks which we disclosed in last year's report.

This year's exercise has helped us to further understand climate risks and prepare for the ECB's stress testing exercise, which will provide additional

LOAN PORTFOLIO AS OF 31.12.2021	GROSS CARRYING AMOUNT (BN)	% OF AIB LOAN BOOK
<b>NON PROPERTY BUSINESS:</b>	<b>18.7</b>	
AGRICULTURE	1.7	3%
ENERGY	2.2	4%
MANUFACTURING	2.6	4%
DISTRIBUTION	4.7	8%
TRANSPORT	2.2	4%
FINANCIAL	0.5	1%
OTHER SERVICES	4.8	8%
<b>PROPERTY &amp; CONSTRUCTION</b>	<b>7.4</b>	13%
RESIDENTIAL MORTGAGES	29.4	51%
OTHER PERSONAL	2.7	5%
<b>TOTAL</b>	<b>58.2</b>	100%

insight into the quantum of climate risk AIB and other banks face. As the quantification of climate risk matures over the next six months and beyond, the implications for our strategy will be considered through our ESG governance framework.

#### DELIVERING GREEN PROPOSITIONS

We have continued to deliver on expanding our green propositions through the year. In 2021, we introduced our Green Consumer Loan for retrofitting, expanded the Green Mortgage across a number of our other brands including the broker channel, and entered a joint venture with a leasing company to support customers in the migration of vehicles to electric. This is in addition to providing finance to produce renewable energy through our multi-disciplinary Energy, Climate Action & Infrastructure team and supporting sector-specific initiatives to aid carbon transition, like the Teagasc Grass10 multi-year initiative for farmers, and the Signpost programme which promotes 100 demonstrator farms and their sustainable farming practices.

#### SUSTAINABLE LENDING FRAMEWORK

In 2021, AIB developed a Sustainable Lending Framework (SLF) to enable the classification of

customer loans as green, transition and also social. The SLF is based on industry best practice and is largely aligned, where applicable, to the EU Taxonomy regulation. Within sectors such as agriculture, the EU Taxonomy does not provide specific criteria for classification of activities, and therefore, a combination of industry best practice and sector expertise was utilised in developing appropriate criteria for the framework.

The framework adopted an approach to split lending between **Use of Proceeds**, which is for a particular activity e.g. lending for an electric vehicle, a wind farm or a high energy efficiency building, and **General Purpose**, which is not tied to a particular activity or purpose. The SLF contains clear criteria by sector for each of AIBs lending activities, to assess whether or not a loan can qualify as green or transition. The same approach for use of proceeds and general purpose lending is adopted for social lending, with key social areas classified within the framework. These include providing finance to healthcare, education, affordable and social housing and also financing for disadvantaged groups e.g. SMEs providing services to economically deprived communities. The SLF was launched in July, initially within AIB Capital Markets and will be rolled out across AIB to capture all of our new lending. The SLF will be reviewed on an annual basis to ensure the criteria used are still appropriate, and to align it as the EU Taxonomy evolves.

### EU TAXONOMY

AIB carefully monitors its progress towards the EU Taxonomy. In our Annual Financial Results, we have outlined the breakdown of Taxonomy-eligible assets on the balance sheet in line with disclosure requirements for 2022. We will continue to develop our disclosures over the coming years as requirements increase and data availability improves. Our proportion of total assets exposure to taxonomy eligible economic

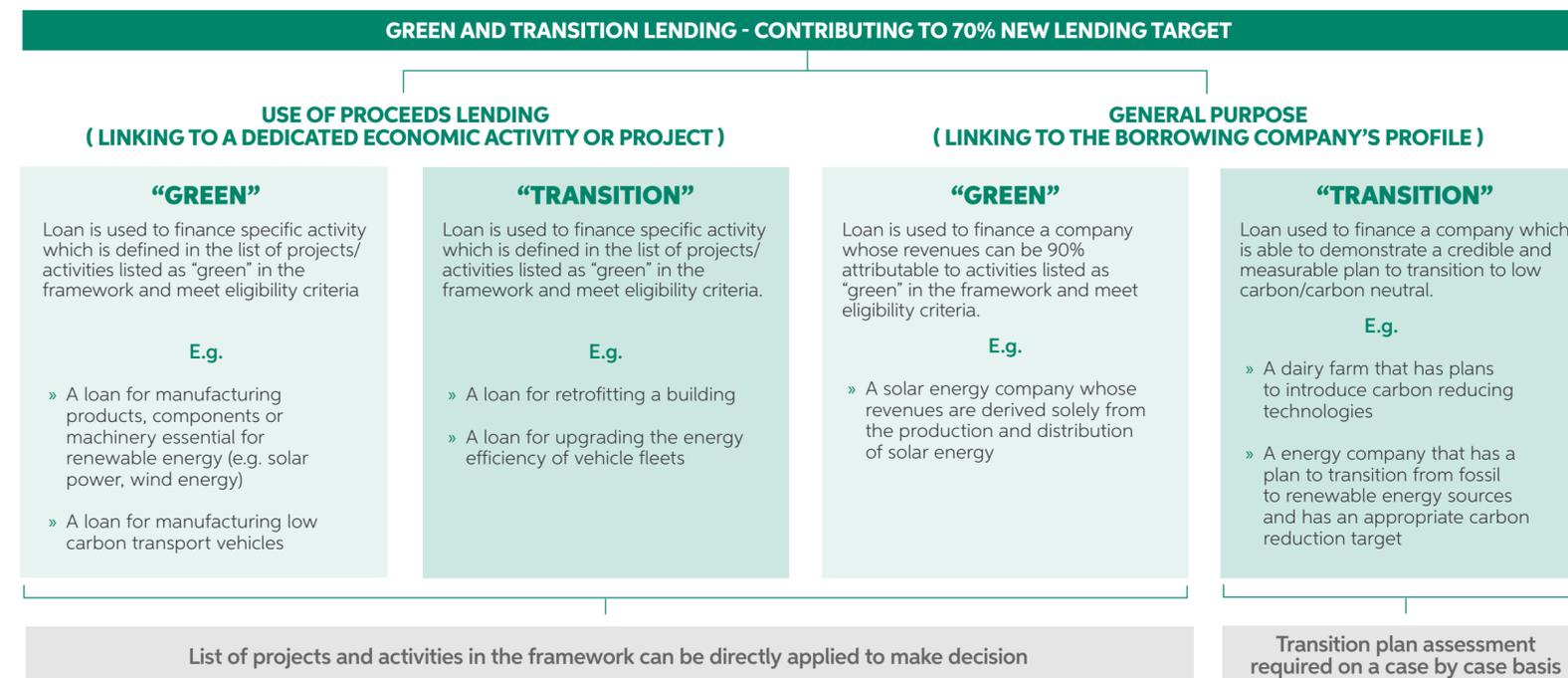
activities is ~38% which is driven by the proportion of retail mortgages on our balance sheet and the fact that the acquisition and ownership of buildings is an eligible activity under climate change mitigation and climate change adaptation.

Given this is the first year of reporting, published counterparty data was limited by the 10th of February 2022. For this reason, financial corporations, and Non Financial Corporations were excluded from eligibility considerations. As data availability improves, we will look to include these assets in our calculation (numerator). Please see EU Taxonomy Disclosures [https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/eu-taxonomy-sustainable-activities\\_en#relatedlinks](https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/eu-taxonomy-sustainable-activities_en#relatedlinks)

### PROGRESS MADE OVER LAST 12 MONTHS (CLIMATE & ENVIRONMENT STRATEGY):

- » We have continued to grow our green lending, totalling €2bn in 2021 accounting for 19% of all new lending in 2021 (up from €1.5bn in 2020).
- » Review of climate action opportunities and a number of areas prioritised for investment as part of strategy review.
- » New propositions launched to support customers transition.
- » In July 2021, we raised €750m from our second green bond issuance, following on from €1bn issued in Sept 2020. The amount raised represented a major vote of confidence from investors in our commitment to a green transition.
- » Sustainable Lending framework defined for categorisation of green & transition lending and published externally.

Figure 1 – Overview of approach to Green and Transition Lending Categories



- » Work in progress to set science based targets and aim to disclose externally in 2022 with a number of sectors complete and internal targets set and integrated into financial plans.
- » Partnerships or collaboration to build awareness of climate change and promote action (Preventing food waste (FoodCloud), Biodiversity (Coillte) & Community dialogues (TASC) in addition to Sustainability conference and events. See Sustainable Community Support p.65-67.
- » In October 2021, we hosted our fifth annual Sustainability Conference as part of Ireland’s Climate Finance Week 2021, hosting 41 events with over 5,500 attendees over five days.
- » AIB signed up to Net Zero Banking Alliance, Equator Principles, WEF Stakeholder Capitalism metrics and UN Global Compact in 2021.

**€2BN**  
GREEN LENDING

**€750M**  
GREEN BOND

**3,900**  
ATTENDEES AIB  
SUSTAINABILITY CONFERENCE

# 1.2 CLIMATE & ENVIRONMENT GOVERNANCE

The Sustainability Governance structure includes our Sustainable Business Advisory Committee which is a Board committee comprising of four non-executive directors, member of the Executive Committee and Senior Management. See *Corporate Governance Structure and ESG Governance* on p.11-12 for more information.

## BOARD OVERSIGHT

The Sustainable Business Advisory Committee (SBAC) is an advisory committee that provides direction and guidance on the sustainability strategy and implementation throughout the year. Topics presented to one or more of ExCo, SBAC, Board Risk Committee and Board include:

- » The Board Risk Committee was updated on the outputs of climate risk quantification covering transition risks for high risk sector and physical flood risk (reference Climate Risk Quantification on px-y);
- » The Board Risk Committee approved the revised Group Credit Risk Policy which included updates reflecting the incorporation of ESG considerations into credit assessment;
- » SBAC and Board reviewed and challenged the self-assessment and plan for ECB guidelines on climate-related and environmental risk and the subsequent regulatory feedback;
- » SBAC reviewed the new Sustainable Lending Framework in advance of finalisation;
- » SBAC reviewed the outputs of the science based targets work for key portfolios and the internal targets being set and integrated into financial plan;

- » SBAC was updated on the forward looking climate opportunities and areas of focus;
- » SBAC was provided with quarterly updates on sustainability propositions development status and propositions plan including peer reviews;
- » Board and Executive Committee (ExCo) Training – Two quarterly training sessions held – Sustainability & Climate Risk, Regulatory Requirements & Stress Testing.

## REVIEWING PROGRESS

Sustainability is a core element of the bank's strategy. AIB's key targets in this space are:

- » €10bn in Green finance by 2023;
- » Net Zero in our own operations by 2030 (Includes Scope 1 & 2 emissions);
- » Ambition for 70% of new lending to be Green or Transition lending;
- » We are aiming to achieve Net Zero in our financed emissions by 2040 for our full lending portfolio with the exception of agriculture.

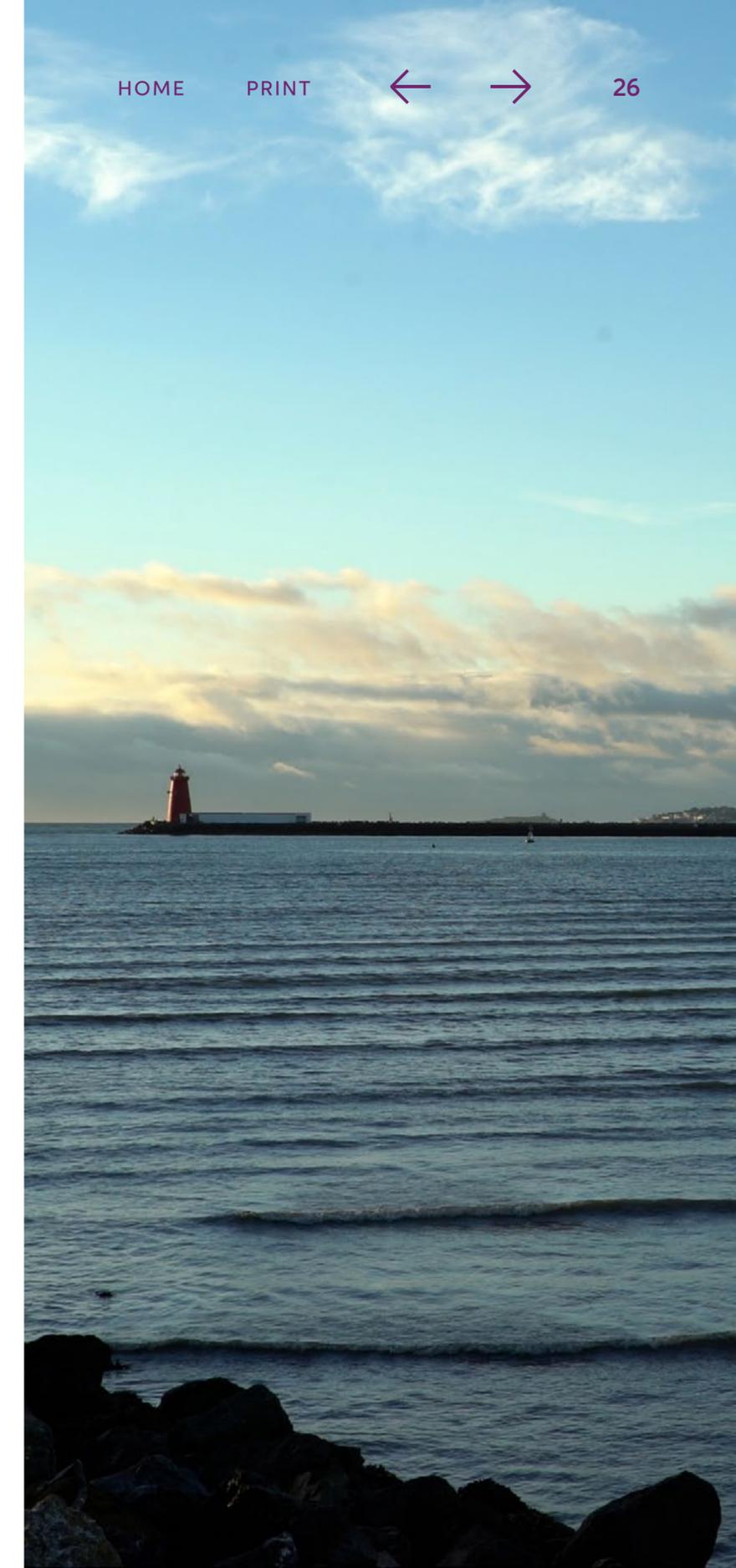
Sustainability targets and KPIs for external disclosures are approved by the Group Disclosures Committee and Board. The internal ESG targets that were recently set for Emission reduction targets were agreed and reviewed at the respective Business function management meetings, and then reviewed and approved by the Group Sustainability Committee for onward approval at Board.

## SUSTAINABILITY COMMITTEE

Internal Sustainability related metrics such as Lending for climate change are included within the ExCo and Board Group Balanced Scorecard, which are reviewed by the ExCo and Board on a quarterly basis to track performance, and actions agreed to address any areas that require attention. On an annual basis the metrics contained within the Group Balanced Scorecard, including those for Sustainability, are reviewed, assessed and updated, taking account of the external environment and ExCo and Board governance requirements. The metrics will be enhanced for 2022 to include the emission reduction targets for key portfolios. See *Metrics & Targets* on p.44 and p.50.

## PERFORMANCE INCENTIVES

AIB does not provide variable pay or long-term incentives to senior management and therefore climate related incentives are not factored into pay and reward. However, a number of Sustainability targets and measurements appear on the Group Balanced Scorecard which is regularly reviewed and challenged quarterly by ExCo and at scheduled Board meetings. In addition, following approval in 2021, senior executives have ESG performance objectives in their scorecards and a mandatory sustainability objective is in all employee performance reviews for 2022.



## 1.2 CLIMATE & ENVIRONMENT GOVERNANCE

### CLIMATE-RELATED RESPONSIBILITIES

The Director of Corporate Affairs, Strategy & Sustainability is accountable for leading overall group sustainability strategy development and delivery and chairs the Group Sustainability Committee. This includes including delivery of the requirements under TCFD, ECB Guidelines on Climate Risk, UNEP FI Principles for Responsible Banking, and other sustainability-related regulatory requirements.

The accountability for the identification and assessment of climate risk, and risk measurement and monitoring lies with the Managing Directors of each of our Business divisions – Retail, Capital Markets and the UK.

The Chief Risk Officer is responsible for risk monitoring and reporting and our Chief Financial Officer is responsible for the integration of climate risk into our capital management processes. The Board will continue to have ongoing visibility of risks and opportunities through the Board Risk Committee (BRC).

Enhancements have been made in accountabilities of the CRO in relation to Climate & Environmental risk. Responsibility has been assigned to the senior executive responsible for the Enterprise Risk Management (ERM) Framework covering the following:

- » Ensuring climate & environmental risk is defined and implemented in the Risk Management Framework (RMF);
- » Advising, supporting and ensuring that material risk type teams work on the measurement of climate & environmental risk;

- » Managing supervisory requests and interactions with regards to climate & environmental risk (in close collaboration with the Sustainability team and Regulatory Affairs team);
- » Providing advice on the treatment of climate & environmental risks;
- » Coordinating across different risk types to ensure that climate & environmental risks are appropriately identified, measured and monitored;
- » Providing information to the Board & ExCo about climate & environmental risk when required

Group Internal Audit (GIA) undertakes an annual risk assessment across all areas of the Bank, and the outputs from it drive the annual audit plan which is approved by the Board Audit Committee. In 2021 GIA completed an audit of sustainability, which reviewed the core activities being implemented as part of our Sustainability Regulatory Programme, as well as the governance structures in place to oversee sustainability. A further audit looking at the embedding of ESG factors across the organisation is on the plan for delivery in 2022. In addition work has commenced on an ESG strategy for GIA, which will identify the areas of the Bank most impacted by ESG risks and how GIA will provide coverage over those risks over a three year cycle.

### REVIEW OF RISK MANAGEMENT FRAMEWORK

In 2021, AIB carried out a thorough review of its' Risk Management Framework (RMF) to assess what enhancements were required to enable effective management of climate and environmental risk and to ensure compliance with regulatory requirements.

The review identified a number of areas of focus to strengthen the embedding of climate and environmental risk in the RMF.

In H2 2021, significant progress has been made to address gaps identified in particular in relation to governance with roles and responsibilities for the Board and Senior Management updated to reflect climate and environmental risk.

At the start of 2022, the Group Risk Committee (GRC) and Board Risk Committee (BRC) roles were enhanced to incorporate their oversight of climate & environmental risk. Accountabilities include:

- » Annual review of the Climate Risk Management section of AIB's Sustainability Report;
- » Annual review of the Sustainable Lending Framework;
- » Undertaking annual climate risk training.

### PROGRESS MADE OVER LAST 12 MONTHS (CLIMATE & ENVIRONMENT GOVERNANCE):

- » Continued oversight of climate change at Board level and material items reviewed at Board. Board and Executive Committee oversight and review of climate related metrics that appear on the AIB Group Scorecard.
- » Enhanced ESG governance with new Executive committee in addition to existing Sustainability Board Committee.

- » Multi-year programme in train to continue to embed ESG within our business and sustainability working groups in place across key business areas.
- » Roles and responsibilities and terms of reference of Board and Executive committees updated to reflect consideration of climate risk.
- » Introduction of a number of new KRIs incorporating a lens on activity to customers in high risk sectors.
- » Mandatory sustainability training to upskill our employees across the organisation – 3 modules of 1 hour each (including Climate Risk training launched in December 2021) at Employee level with 94% completion rate. Two Board and Leadership training sessions.
- » Mandatory Sustainability objectives for all employees.
- » First disclosures on WEF Stakeholder Capitalism metrics (see our FY2021 Annual Financial Report) and continuing CDP disclosures (Leadership rated for 6 consecutive years).

It is expected that further KRI's will be identified for monitoring and reporting as scenario stress testing models for transition and physical risk are developed and expanded across different sectors. The embedding of climate and environmental risk will continue in 2022 with a focus on updating all relevant policies to include climate risk management principles and rules, and further develop and increase the bank's climate stress testing model capabilities across other sectors.

# 1.3 CLIMATE & ENVIRONMENT RISK MANAGEMENT

Climate has the potential to impact our business, through transition and physical risks, and we have the ability to negatively impact climate through our behaviour. We recognise the need to take decisive, precautionary measures to anticipate, prevent or minimise the causes of climate change and mitigate its adverse effects. This is why we have put a multi-year programme in train to ensure the appropriate level of organisational focus and resources are in place and have sustainability working groups in place across key business areas to truly embed consideration of ESG risk from the bottom up.

We are focused on how we support our customers through their own sustainability journey. On the following pages, we also set out how we consider Climate & Environment related risk for our business. We will work in partnership with our customers to help finance the transition and play a leadership role in supporting innovation to generate new solutions to mitigate the climate related risks.

## CLIMATE RISK HEATMAPPING

## NEW ESG CUSTOMER QUESTIONNAIRE

### MANAGING CLIMATE-RELATED RISK

Our Material Risk Assessment process, which is completed at least annually, considers the impact of climate change for AIB, our customers and the societies in which we operate, helping us to identify the material risks to the Bank and then determine a suitable risk appetite for them. In our most recent process, we continued to identify climate risk as a key driver of each of AIB's material risks.

Our Risk Appetite Statement, where we set out the Bank's appetite for taking risk, has qualitative statements for credit risk in relation to the excluded business activities which we no longer provide lending for. It also includes taking key ESG considerations into account in our material lending decisions, and for business model risk, when formulating and implementing our strategy.

### MATERIAL RISK ASSESSMENT (MRA) & RISK APPETITE STATEMENT (RAS)

The Group has implemented a robust risk management approach to protect its customers and safeguard the Group against the risks identified. The Group's Risk Management Framework ensures tools are in place to identify, assess and manage these risks.

The description of the Risk Management Framework is set out in the 2021 Group Annual Financial Report on p.26. This provides more detail on how the Group identifies and manages risks, including an overview of the three lines of defence model, the risk committee structures, and the setting of our risk appetite.

The Principal Risks facing the Group are identified through the annual Material Risk Assessment (MRA) which also identifies the key emerging risk drivers. The MRA is a key input into the Group's risk management processes including the Risk Appetite Statement (RAS), which sets out the maximum amount of risk the Group is willing to accept.

The Group's risk taxonomy consists of the Principal Risks, the associated sub risks and the risk drivers that may impact these risks. The Group's Principal Risks and how they are managed are set out in the 2021 Annual Financial Report on p.28.

Both transition and physical climate change risks were identified in the MRA process during 2021 as a risk driver of the Group's material risks. A risk driver is an external risk that should it occur, will materially impact on one or more of the Principal Risks. The table below sets out the Group's definition for the climate changes risk drivers.

The 2021 MRA identified 10 Principal Risks, for each of these the key emerging risks were identified. The table on p.29 outlines below how the climate change risks have been mapped to the Principal Risks. The Principal Risks that were not identified as being impacted was generally due to other emerging risks being identified as higher priority at this point.

RISK DRIVERS	DEFINITION	EXAMPLE
CLIMATE CHANGE (TRANSITION RISKS)	Transitioning to a lower-carbon economy may entail extensive policy, legal, technology, regulatory and market changes to address mitigation and adaptation requirements related to climate change.	Providing credit to sectors or borrowers who are not transitioning to greener processes, risks an increased set of losses as these counterparties may struggle with extra costs such as government taxes and lower sales as a result of changing buyer behaviour. This could increase the potential likelihood of customer default ultimately impacting the level of credit losses and capital requirements.
CLIMATE CHANGE (PHYSICAL RISKS)	Physical risks resulting from climate change that are event driven (acute) or longer-term shifts (chronic) in climate patterns.	Providing lending to customers in flood plains may result in a reduction in collateral value for commercial and residential units from extreme events. There is also the potential for damage to physical assets or disruption to business operations and third party providers.

**The Group has updated its qualitative Risk Appetite Statements for Business model risk and Credit risk in relation to Environmental, Social and Governance (ESG) factors. These set out that the Group will take ESG considerations into account when formulating and implementing the Group's strategy and in material lending decisions to customers assessed as being high ESG risk.**

The Group updated its credit sanctioning policies for all sectors, requiring consideration of ESG factors in the credit process at origination. These new policy requirements were implemented through the development and rollout of a sectoral heatmap to identify the high climate risk sectors (both transition and physical risk), and an ESG questionnaire to assess the ESG risk of customers in the high risk sectors during the lending process. This assessment of ESG risk has been implemented for customers both in Ireland and the UK. There will be further embedding and refinement of these credit processes in 2022, and the Group will incorporate further ESG requirements into the risk policies and processes for the other Principal Risks impacted by climate risk.

**RISK IDENTIFICATION**

In 2021, AIB took significant steps in the development of our climate risk quantification capabilities to better understand the impact of physical & transition risk for our business and customers. This section summarises some of the risks we have identified by undertaking

forward-looking climate scenario analysis for both physical risk and transition risk.

**Physical climate risks** can be either acute or chronic. Acute risks include droughts, floods, extreme rainfall, and wildfires. Chronic risks involve longer term shifts in climate patterns, for example higher temperatures that may cause a rise in sea levels or chronic heat waves. AIB is focussing on **flood risk** as the most significant physical risk. In a review of the likely severity of the risks, from an Irish & UK perspective, flooding was identified as the most material risk for the Group. The first phase of the risk quantification work focusses on ROI residential property assets which are used as security for 48% of AIB Group's loan book.

Transition risks arise from the transition to a low-carbon economy and include policy, legal, technology, market, and reputational risks. Examples of transition risk include emissions caps, carbon taxes, changes in consumer behaviour and disruptive low carbon technologies. A climate risk heat-mapping exercise was completed to assess the most significant transition risk impacts across the sectors. The high risk sectors identified by AIB as the most prone to climate risk are; (i) **Agriculture** - Dairy & Cattle Farming, (ii) **Manufacturing** - Food Processing, (iii) **Transport** - Road, Rail & Water Transport; or Airlines, Aircrafts & Airports &, (iv) **Non-renewable energy** - Electricity Production & Supply; or Oil and Petrol-related. These sectors are estimated to account for 4.8% of AIB Group's loan book.

**HEATMAPPING OF CLIMATE RISKS**

In Q1 2021, AIB undertook a climate risk heat-mapping exercise to identify the priority areas (e.g. sectors and risks) for a climate change impact assessment. These were undertaken for AIB Group as a whole and also separately mapped out for the UK business. The heatmaps serve as a qualitative approach to identify:

- » Relative risk levels of different sectors (e.g. high risk sectors, high-mid risk sectors, Medium & Low);
- » Relevant risks for each sector (e.g. transition risks - technology risk, policy risk, reputational risk, regulatory risk, legal risk).

The heatmaps were used to:

1. Guide the bank's view on where the most material risks lie;
2. Select the sectors to focus the risk quantification/ scenario analysis on for both transition and physical risks;
3. Inform which sectors the new ESG Borrower Questionnaire would be applied to.

The heatmap was based on the perceived risks and information available, from AIB data, expert opinion, literature and public sources, prior to undertaking the scenario analysis. The heatmap will be further refined as the bank gets more experienced in climate risk – this will be an iterative process going forward.

The heat-mapping process involved a number of steps:

**1. Determined an appropriate taxonomy**

AIB sector experts used the TCFD taxonomy to categorise key physical and transition risks

**2. Applied to portfolio**

AIB sector experts conducted internal risk identification workshops using TCFD framework for each of the portfolios

**3. Validated with external view**

External sources have been used as triangulation points with expert guidance from external advisors

**4. Created a cross sector perspective**

Developed visual heat-maps to identify and prioritise key sectors and risks

**5. Adjusted with expert input**

Internal iteration with key subject matter experts over a series of 4 workshops to converge on one view.

RISK DRIVERS	BUSINESS MODEL RISK	CREDIT RISK	OPERATIONAL RISK	REGULATORY COMPLIANCE RISK	MODEL RISK	FUNDING & LIQUIDITY RISK	FINANCIAL RISK	PEOPLE & CULTURE RISK	CAPITAL ADEQUACY RISK	CONDUCT RISK
CLIMATE CHANGE (TRANSITION RISKS)	✓	✓	✓	✓	✓	✓	✓	N/A	N/A	N/A
CLIMATE CHANGE (PHYSICAL RISKS)	✓	✓	✓	N/A	✓	N/A	N/A	N/A	N/A	N/A

**TRANSITION RISK – CLIMATE RISK HEATMAP**

The exercise highlighted that the potentially most material financial risk on sectors from transition risks are in:

- » Agriculture: Dairy & Cattle Farming. The largest part of Irish GHG emissions arise from Agriculture (60% of which stems from enteric fermentation<sup>1</sup>) and the transition to a Net Zero economy will expose this sector to risk;
- » Manufacturing: Food Processing;
- » Transport: Road, rail & water transport; or Airlines, aircrafts and airports;
- » Energy: Electricity production & supply; or Oil and petrol related.

The time horizons of the most material transition risks, in the table *Profile of Transition Risks over the short, medium and long-term horizons* below, has been determined based on a combination of literature review (for example, Moody’s 2020 ESG Heat map), internal and external expert assessment (for example AIB’s expert workshops), as well as the outcomes of scenario analysis. AIB will review and update this view of time horizon as required where new information becomes available.

1. In ruminants, methane is produced mostly by enteric fermentation where microbes decompose and ferment plant materials in their digestive tract or rumen. Enteric methane is one by-product of this digestive process and is expelled by the animal through burping.

**Transition Risk Heatmap**

RISK CATEGORY	HOME LOANS	CONSTRUCTION & PROPERTY	DISTRIBUTION	MANUFACTURING	TRANSPORT	AGRICULTURE	ENERGY & INFRASTRUCTURE
<b>FY 21 GROSS CARRYING AMOUNTS (€BN)</b>	<b>29.4</b>	<b>7.4</b>	<b>4.7</b>	<b>2.6</b>	<b>2.2</b>	<b>1.7</b>	<b>2.2</b>
<b>TRANSITIONS RISKS</b>	Carbon pricing & other GHG emissions regulations	High	High	High	High	High	High
	Transportation emissions reductions regulations	Low	Low	Low	High	High	Low
	Increased competition from low carbon and/or energy efficient technologies	Low	High	High	High	Low	High
	Global trade policies	Low	Low	Low	High	High	Low
	Increase in energy, water and insurance costs	Low	High	Low	High	High	High
	Increase in costs of raw materials	Low	High	Low	High	Low	High
	Removal of non-renewable energy subsidies	Low	Low	Low	Low	Low	Low
	Changing consumer behaviour	High	High	High	High	High	High
	Reputational risk	High	High	Low	High	High	High
	Exposure to litigation	Low	Low	Low	High	Low	High

- High climate risk sector for AIB
- Material financial impact on sector from transition risk
- Moderate financial impact on sector from transition risk
- Low financial impact on sector from transition risk

**Profile of Transition Risks over the short, medium and long-term horizons**

SHORT-TERM	MEDIUM-TERM	LONG-TERM
Increase in costs of raw materials	Carbon pricing & other GHG emissions regulations	Global trade policies
Changing consumer behaviour	Transportation emissions reduction regulations	Increase in energy, water and insurance costs
Reputational risk	Increased competition from low carbon alternatives	
Exposure to litigation	Removal of non-renewable energy subsidies	

### PHYSICAL RISK - CLIMATE RISK HEATMAP

From a physical risk perspective, following a review of the relevant risks for Ireland and the UK (covering drought, fire, water stress, hurricanes and flooding), flood risk was deemed highest risk. Given the percentage of property related loans that AIB holds, (62% for residential mortgages and commercial real estate combined), this was agreed as the appropriate starting point for quantifying physical risk.

### PHYSICAL RISK QUANTIFICATION

The physical risk quantification exercise focused on AIB's ROI residential mortgage book (51% of the Group's loan book) to begin to quantify the effect of flood risk, and went onto assess the commercial real estate book and AIB's own properties.

A physical risk prototype has been developed to convert climate scenarios into scenario adjusted LTVs to understand the impact on house prices as a result of increased flooding frequency. As part of the physical risk scenario analysis, two Representative Concentration Pathways (RCPs)<sup>2</sup>, RCP 8.5 and RCP 2.6, have been applied to the ROI residential collateral data representing the ROI mortgage portfolio. The RCPs map to both CO<sub>2</sub> and temperature anomalies up to 2100. The RCPs selected by AIB represent bookends to a range of possible climate scenarios, and are closely aligned to the Network for Greening of the Financial System (NGFS) scenarios being used by regulators for climate stress testing. RCP 8.5 is a hot house scenario whereas RCP 2.6 has a lower amount of CO<sub>2</sub> emissions representing an Orderly scenario.

The physical risk prototype's methodology included the following steps:

(i) **Geolocation of the AIB residential mortgage book** using latitude and longitude. Properties were matched to building, street, village, townland etc. based on address data available;

(ii) **Flood data level projections** (river, coastal, pluvial flooding, baseline & various RCPs) were obtained for each geo-location for a range of flood severities or "return periods" (e.g. flood projections for a 1-in-75 return period characterise flood levels that would occur with a 1-in-75 year frequency). The flood data provided is on an undefended basis (other than standard sewage defences); the Office of Public Works (OPW) currently only permits members of the Insurance Institute of Ireland access their defended areas data. The flood projections for this range of return periods are then used to calibrate probability distributions with respect to flood levels for each property;

(iii) **Determining the property type** (detached, semi-detached, bungalow etc);

(iii) "Vulnerability Functions"<sup>3</sup> were then used to **translate flood level distributions into probability distributions for "damage-ratios"** (i.e. the cost of repairing flood damage, as a percentage of house prices).

In the model, the insurance coverage ratio is set to 94%, so that when a flood event occurs, 94% of the damage to the property is assumed to be covered by the insurer, and only 6% of the damage will cause a loss in the property value. This assumption is based on the discussions with the internal insurance team and market practices.

The scenario analysis was repeated for each scenario, for a selection of future horizons out to 2080. The analysis focused on less frequent but more severe flood events i.e. to calibrate flood probability distributions, higher frequency events were not considered as these would not tend to be characterised by flood levels that are too low to damage property. This approach was informed by guidance from the expert external provider of flood risk data, with regard to insurance industry practice.

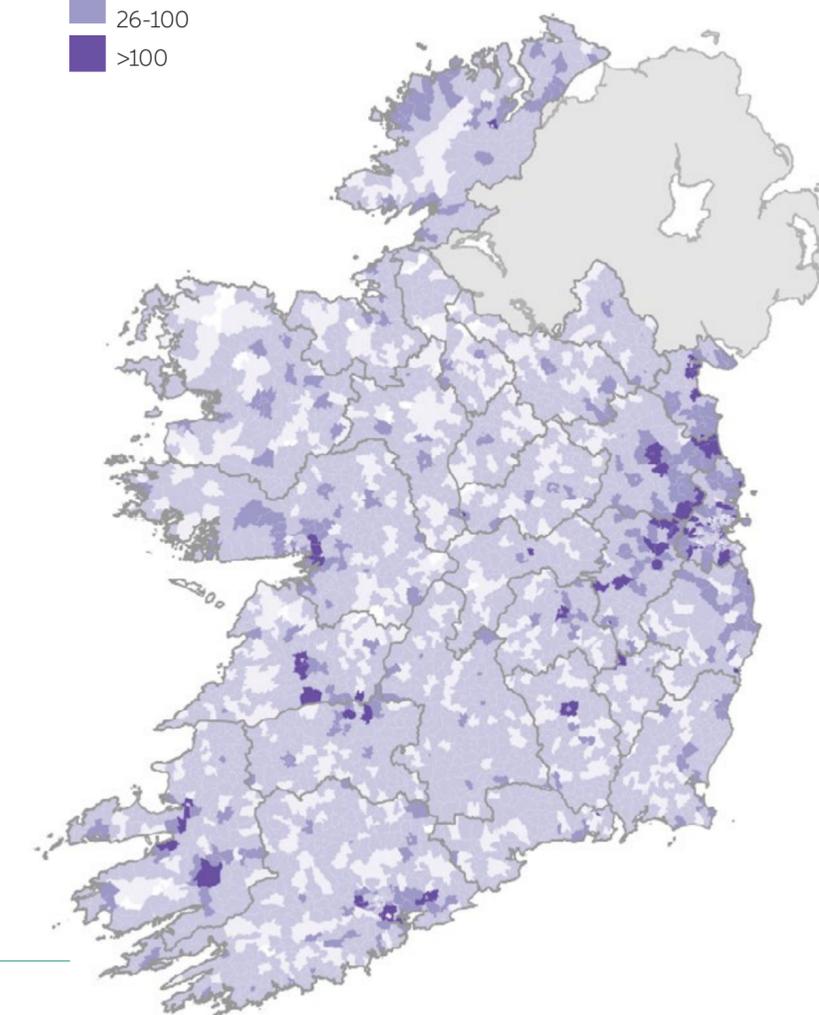
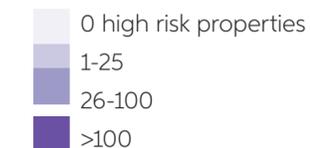
Based on this approach, analysis indicates that (as we might expect) various locations will be subject to higher levels of flooding, more frequently in the future and that the severity/ frequency of flooding is more adverse under the "hot house" RCP 8.5 scenario. Under a hot house scenario every location will have higher flooding risk, however, based on the way data has been aggregated in the analysis and flood depth thresholds that have been applied, only 143 out of 3,400 electoral districts show higher flood risk.

With respect to understanding the current flood zone, AIB mortgage lending process requires all properties to be insured, and, flood risk is assessed as part of the insurance process which mitigates AIB's exposure in the main. Insurance cover can be provided with no flood risk cover, however in these instances, both the bank and the customer accept no flood risk cover is in place.

*Note – this is an undefended view of risk and will change when additional data on flood defences and infrastructure mitigants are incorporated. As data improves to include these mitigants and as additional flood defence infrastructure is put in place, the overall flood risk should reduce.*

**Map 1:** High level overview of Electoral Divisions ("ED") with significant flood risk (i.e.>25cm) in 2080 RCP 8.5 1-in-200 year return period

# AIB properties per ED with high flood risk



2. RCP scenarios were initially used in the Intergovernmental Panel on Climate Change (IPCC) Fifth Assessment Report (AR5 - 2013). These have been further refined as Shared Socio-economic Pathway (SSP) scenarios in the IPCC Sixth Assessment Report (AR6 - 2021). SSP scenarios use the same reference numbers as RCPs, including 2.6 and 8.5, in order to provide read across to RCP scenarios. Overall, SSP scenarios remain broadly aligned to corresponding RCP scenarios in terms of amount of warming to 2100. From a climate modelling perspective, the World Climate Research Programme (WCRP) Coupled Model Intercomparison Project 5 (CMIP5) uses RCP scenarios and

3. Vulnerability Functions used in the scenario analysis are constructed and provided by JBA. JBA is a leading provider of flood risk data & models in the Republic of Ireland & UK. JBA data is used extensively in the insurance sector to price property insurance premiums. They are validated from a variety of sources, including insurance claims histories (segmented across building types and flood type), academic/scientific literature and post-flood loss site surveys which are used to accurately assess and calibrate the level of damage caused by flooding. Coupled Model Intercomparison Project 6 (CMIP6) uses SSP scenarios. The modelling committee is almost universally using CMIP5 and RCP scenarios.

A peer review of the physical risk prototype was carried out by an independent third party, and a number of findings were noted in their review for AIB to consider for future iterations of the physical risk model development. Key findings for future improvements relate to limitations associated with current flood data and some of the underlying assumptions in the Aggregate Damage Ratio (ADR) calculation and insurance assumptions. The physical risk model relies on expert judgement parameters to translate physical risk measures into property valuation impacts which is a common approach across the industry. The physical risk approach and methodology is consistent with approaches being taken across the industry and limitations are largely driven by data challenges which are not unique to AIB.

The development of the physical risk stress testing<sup>5</sup> model capabilities will continue in 2022 with a focus on the ECB climate stress testing submission in June 2022. As part of the development of AIB's climate risk modelling capability, further work, as noted above, will need to be undertaken and the outputs and findings from the scenario analysis carried out to date will be used to inform the next iteration of the model. We will continue to refine the forecasting models, data and assumptions with the aim of improving our understanding of how extreme weather events impacts on our property portfolio as climate risk and assessments tools improve and evolve.

With regards to **ROI Commercial Real Estate (CRE)**, initial steps have been taken to develop our understanding of flood risk for this portfolio. AIB has acquired flood data for the ROI CRE loan book.

However, data challenges with respect to postcode data means that there is a low match rate to building level. As part of our data programme of work, steps will be taken to apply postcodes, and at that point further work will be undertaken to understand the flood risk score for the ROI CRE portfolio.

The bank has taken initial steps to develop our understanding of flood risk for the **UK CRE portfolio**. In order to do this, properties have been geo-located and a flood score applied based on known flood risk. These initial steps have enabled us to identify high risk assets in the UK CRE portfolio. The match rate achieved for the UK CRE loan book is >90% due to high data quality of postcodes. The highest concentration of UK CRE portfolio is located in London, representing c.9% of the UK CRE portfolio. The rest of the portfolio is dispersed across the UK with no material concentrations in any particular region/area.

In addition, AIB has taken steps to develop our understanding of flood risk for **AIB owned operations** across ROI & UK. Based on 2020 flood data, c.22% of properties (out of 284 properties) are in higher flood risk areas and this increases to 24% in 2080 under RCP 8.5. The relatively high percentage is due to location of AIB owned operations being located in town centres (majority in Dublin & Cork both located near rivers which have a high flood risk score). AIB has a comprehensive Property Damage Insurance programme which covers the building and contents of premises owned and operated by AIB Group against loss or damage caused by flood which mitigates this risk for the Group.

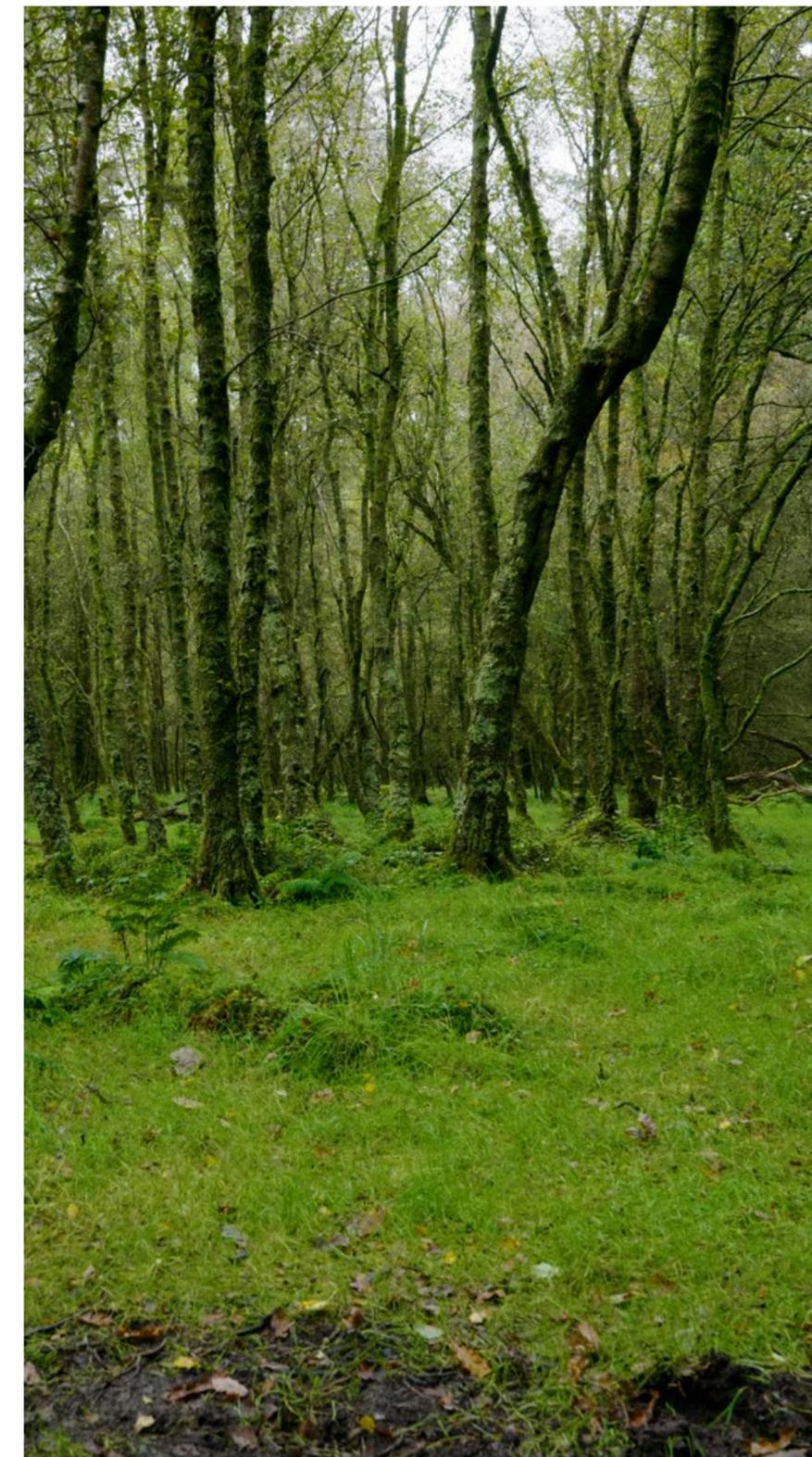
In the next phase of work, further work will be carried out to (i) improve flood data, (ii) improve address data challenges on geo-location of properties and (iii) develop model assumptions for CRE portfolio and impact on loan values.

### TRANSITION RISK QUANTIFICATION

The climate risk heat-mapping exercise identified a number of high risk sectors for inclusion in the transition risk quantification analysis. High risk sectors identified include (i) Agriculture - Dairy & Cattle Farming, (ii) Manufacturing - Food Processing, (iii) Transport - road, rail & water transport; or airlines, aircrafts & airports and, (iv) Non-renewable Energy - electricity production & supply; or oil and petrol related.

In 2021, AIB commenced the development of its climate risk capabilities to fulfil its ambition to be a sustainable finance leader and to provide best-in-class responses to the expanding regulatory agenda. Two transition risk prototypes have been developed, a sector specific Agriculture prototype and an emissions based prototype.

Both prototypes assess the credit risk of a sample of AIB counterparties covering some of our largest exposures in ROI & UK under different climate transition scenarios. This emissions-based prototype comprises of three high transition risk sectors (transport, manufacturing, and energy) which are not covered by the sector-specific agriculture model. In order to provide a portfolio-wide view of transition risks, the prototype uses an industry specific carbon intensity approach to project company-level impacts.



The prototypes use the Network of Central Banks and Supervisors for Greening the Financial System (NGFS) scenarios which test a range of possible climate scenarios. AIB's scenario analysis focused on NGFS scenarios over a 30 year horizon;

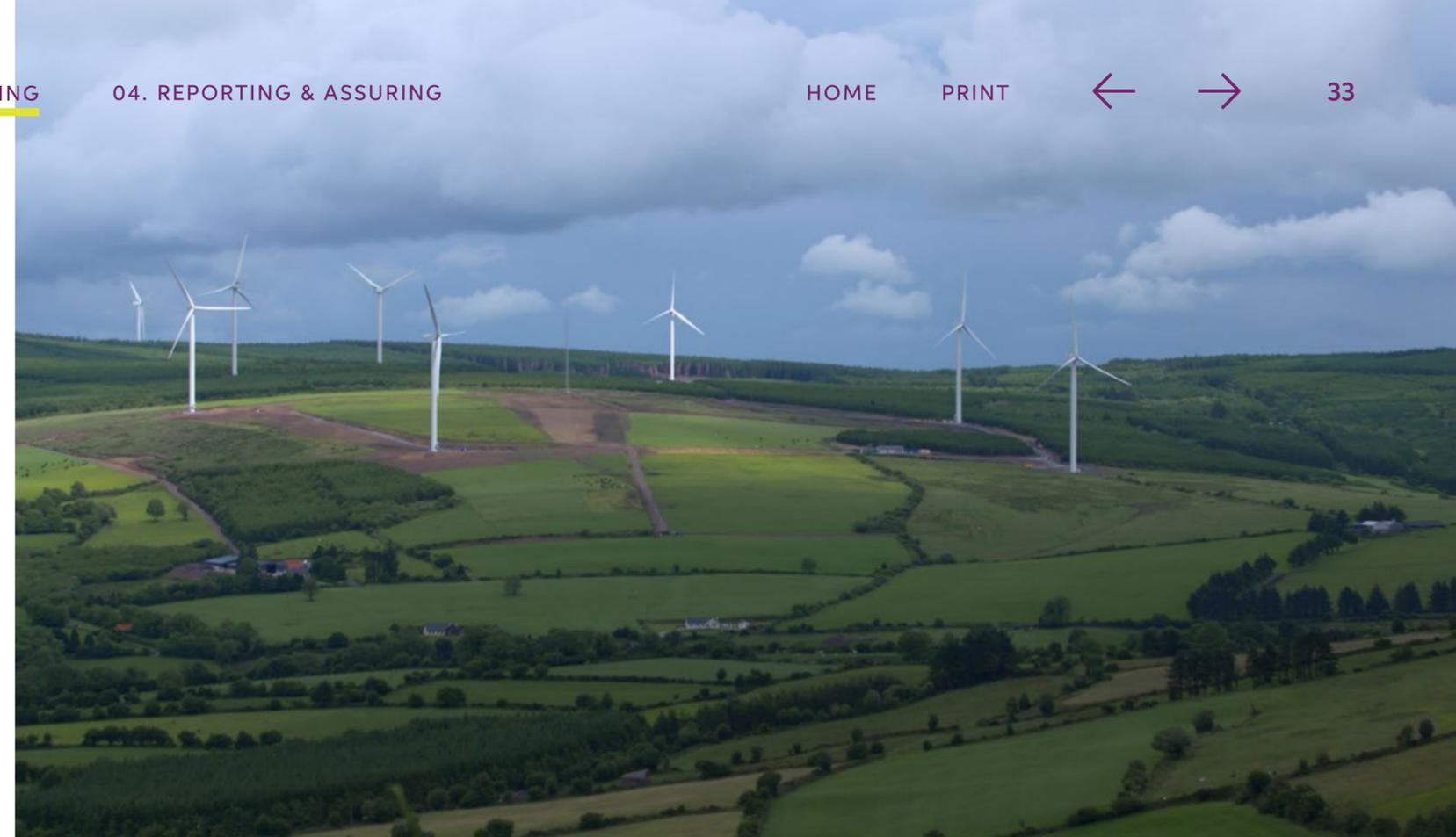
- a. Hot House - this scenario assumes currently implemented policies are preserved. Emissions grow until 2080 leading to 3°C or more of global warming and subsequent severe physical risks.
- b. Orderly transition - this scenario assumes early introduction of climate policies that gradually become more stringent. Net Zero CO<sub>2</sub> emissions will be achieved before 2070, giving 67% chance of limiting global warming and subsequent severe physical risks.
- c. Disorderly transition – this scenario assumes climate policies are not introduced until 2030. Late introduction and limited available technologies mean emissions reductions need to be sharper, which will drive increased transition risks.

The scenario analysis considered a number of different parameters to explore the impact on the same debtors. Parameters included carbon prices, emissions intensity, emission changes over time, output growth, pass through rates, costs of abatement and carbon sequestration. The prototypes use industry-specific emissions data and industry-specific elasticities and emissions pathways to estimate the financial impact on a company.

The impact of transition risk on a given counterparty is driven primarily by (but not limited to) two main factors: the emissions intensity of the sector they operate in, and the industry “pass-through” rates for that customer. Price elasticities of supply and demand are sourced and matched to each sector. Sector-specific pass-through rates are then calculated based on the implied competitive market pass-through rate. Assumptions were used around cost pass through rates across the sectors. In the case of the Agriculture prototype, adjustments for input variables like carbon abatement measures or sequestration credits can be made to assess the financial impact on the counterparty.

The scenario analysis is based on a number of modelling decisions, as shown the table below *Assumptions & Impact (Agricultural Model)*. Based on these assumptions, the financial impact has been calculated for each debtor under different scenarios.

The *Model Framework Overview* figure on p.34 provides an overview of our model framework. Illustrative examples of the drivers that were used for a cattle farm are mapped into the framework. The approach described here was also applied to other high risk sectors identified by AIB (Manufacturing, Transport and Non-renewable energy), although with a different level of granularity. We have tested the framework end-to-end using some case study examples. This is currently being industrialised internally as part of the ECB stress testing.<sup>4</sup>



### ASSUMPTIONS & IMPACT (AGRICULTURAL MODEL)

DRIVERS	ASSUMPTIONS
<b>A</b> Gross output	Calculated on export-adjusted GDP expectation (32% growth across the scenario time horizon)
<b>B</b> Direct payments	Calculated from average direct payment per hectare
<b>C</b> Off-farm income	Off-farm income is 0% of revenues
<b>D</b> Emissions costs pass through	Considers the adjustment in price that would occur due to increased emission costs (87% of the emissions costs has been reflected in revenue)
<b>E</b> Feed costs	Aligned with gross output growth rate
<b>F</b> Emissions costs	Calculated emissions costs from carbon price per year, farm size, emissions per hectare, gross output growth rate, NGFS methane trend
<b>G</b> Fuel & electricity costs	Calculated from average cost structure by farm size (Teagasc 2019), oil price growth, gross output growth rate

4. The European Central Bank (ECB) launched a supervisory climate risk stress test to assess how prepared banks are for dealing with financial and economic shocks stemming from climate risk. The exercise will be conducted in the first half of 2022 after which the ECB will publish aggregate results.



Overall, the scenario analysis shows that for the sample selected the more disorderly transition, the greater the transition risk. The initial analysis indicates that Dairy is more impacted and the potential to default is higher (more than twice as high) for Agriculture than the other high risk sectors (i.e. Transport, Manufacturing & Energy). The primary reason for Dairy being particularly impacted is due to lower cost past through rates in this subsector.

AIB will continue to work with our customers in the Agriculture sector in supporting them through the transition and building on the significant progress already made in this sector. In relation to sustainability, research from the EU Commission shows our livestock sector performs very well with Irish milk production the most carbon efficient in Europe with beef in the top five and the industry has a roadmap for the Agri sector to help transition to Net Zero by 2050.<sup>5</sup> Over fifty thousand farmers are members of Bord Bia sustainability programmes which aims to improve the sustainability of the products they produce and our support of Teagasc on various sustainability programmes are important initiatives in making the transition to Net Zero. See p.39 for more details on our supports for customers.

The development of the transition risk stress testing model capabilities will continue in 2022 with a focus on the ECB climate stress testing submission in June 2022. Further development of models in 2022/23 will enable better understanding of potential Expected Credit Loss (ECL) impact, RWA and CET1 impacts, as well as refinement of assumptions. Learnings and findings from scenario analysis undertaken to date will form part of future model development. This exercise represents a critical first step towards setting key

climate risk targets which can form the basis of climate risk appetite. In parallel, an ESG data programme has been mobilised to focus on the data required for risk quantification to capture additional information from customers as well as identifying where data quality may need to be improved.

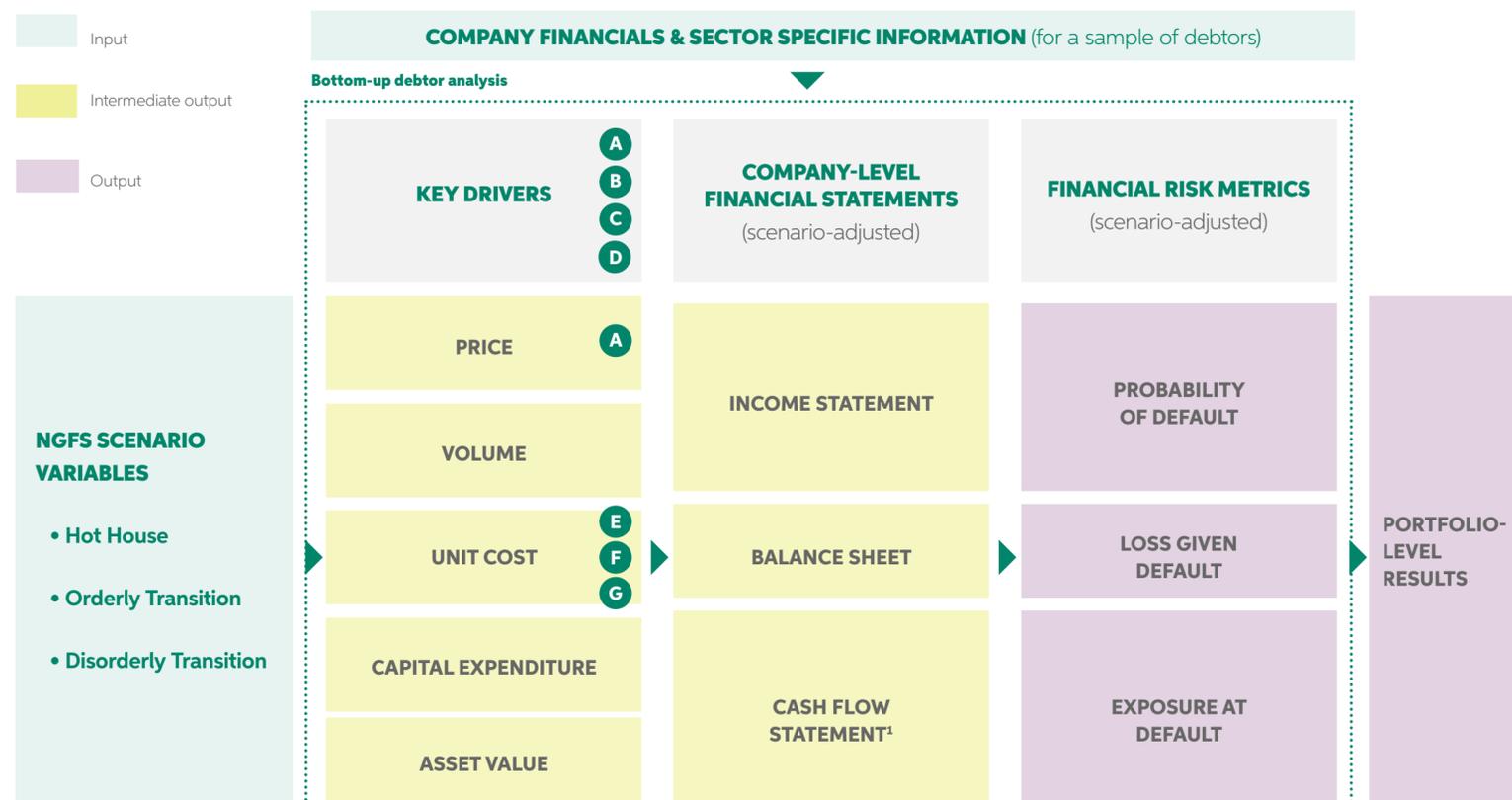
In order to support our customers and understand the risks to which our balance sheet is exposed, it is important that we better understand the physical and transition risks relating to climate risk. That's why we have taken a significant first step in our climate risk scenario analysis for physical and transition risk. This is an area where we are all learning. The approach, methodology and data will continue to evolve and improve as we refine our quantitative analysis and reporting. These scenarios will help us to better understand which customers / sectors need greater support in the transition to a low carbon economy.

**EMBEDDING ESG POLICIES**

Our group-wide Energy, Environmental, Group Credit Risk and Project Finance policies are the key policies for embedding ESG in AIB.

Our Energy and Environmental Policies, sets out our commitment to energy efficiency and environmental protection, and guide the decisions we make in relation to our internal operations. AIB group is certified to ISO 14001 Environmental Management standard. Operational environmental risks related to water, noise, biodiversity and waste are identified, assessed and mitigation plans agreed. External certification audits are undertaken annually. Environmental Risks related to energy are managed via ISO 50001, energy management standard. AIB's environmental and energy policies are published on our website.

**MODEL FRAMEWORK OVERVIEW**



5. <https://www.teagasc.ie/media/website/publications/2019/Bord-Bia-Dairy-Carbon-Navigator-LR5.pdf>.

## EMBEDDING ESG IN PROCESSES

- » **New ESG Questionnaire** for material lending: A new ESG questionnaire has been incorporated into credit applications for borrowers in high climate risk sectors where new lending is over €300k / £300k. The heat mapping exercise identified a number of SME sectors as high risk from a transition perspective (Agriculture – Dairy/ Cattle, Energy, Food Processing & Transport), and the questionnaire was introduced to ensure a better understanding of the ESG risk associated with the borrower. The questionnaire incorporates both generic and sector specific questions to determine an ESG risk rating. The risk rating and assessment must then be considered as part of the credit assessment and recorded in the credit application system. For example, in the case of the Agri Sector, lenders might consider: current levels of on-farm efficiency, the borrowers focus on on-farm sustainability or whether there are other available cash flows / revenue streams on-farm which could grow and potentially mitigate any ESG related Risk over the term of loan proposed etc. The questionnaire was implemented for new applications in the second half of 2021 and early indications indicate a good awareness of and understanding of the impact of ESG risk factors in their business.

In addition, ESG Commentary was introduced as a requirement for credit papers in Capital Markets from January 2021, regardless of whether the borrower is in a high risk sector or not.

- » **Employee training:** In 2020, we developed sustainability training which is mandatory for all employees and is focused on ensuring an understanding of sustainability and its importance

for business and for AIB. This is in addition to an existing mandatory training module on energy and environment awareness. At the end of 2021, we launched additional training on Climate Risks and Opportunities, taking a sector by sector look at those most relevant to each. It also covers what AIB is doing to understand and manage climate risks and opportunities and is a good foundation for our customer facing employees to become more comfortable with engaging with customers on ESG related matters.

- » **Product governance:** ESG considerations have been integrated into our Group Product & Proposition Approval Process governance lifecycle and the templates for new product approval and post implementation reviews were updated in March 2021.
- » **Due diligence:** Our published Excluded Activities list has been incorporated into due diligence conducted at all loan originations.
- » **Supplier decision-making:** We launched our Responsible Supplier Code in October 2020 which sets out our expectations of suppliers across a range of responsible business areas, and we have begun to integrate these principles into our supplier decision making processes. See p.91.

## MONITORING CLIMATE & ENVIRONMENTAL RISK

Our Key Risk indicators (KRIs) have been enhanced to provide a view on those credit risk metrics relating to High Risk Sectors, noting data enhancements are required to improve accuracy of sector data in terms of reflecting climate risk. A number of additional KRIs are being built out to provide a view on the property portfolio split into higher energy rated homes versus

others, and portfolio concentration in flood risk areas over the different flood risk scenarios. The build out of these metrics is being incorporated into our Enterprise Data Warehouse in a production environment so that information integrity, tracking and trending will be enabled.

Business Model Risk: We will assess the feasibility of adding a climate risk RAG as a component of the Business Model Risk profile for inclusion in future CRO Reporting.

## CONSIDERING EXISTING & EMERGING REGULATORY REQUIREMENTS

We have a multi-annual Sustainability Regulatory programme in place which is responsible for implementing all ESG related regulatory requirements governed by a Steering group of senior Business stakeholders.

Our Regulatory Compliance team is responsible for independently identifying and assessing current and forward looking compliance obligations, including regulation and guidelines in relation to climate change.

Our Sustainability and Energy and Environment teams monitor regulatory and market sustainability updates to ensure that we are keeping pace with the rapidly evolving ESG landscape.

In addition, in terms of our lending portfolio, our sector, corporate and ECAI teams monitor the landscape at sectoral level, ensuring that we understand the environment in which our customers are operating, enabling us to engage with them in relation to the transition to a lower carbon economy.

## PROGRESS MADE OVER LAST 12 MONTHS (CLIMATE & ENVIRONMENT RISK MANAGEMENT):

- » Climate risk has been recognised as a key risk driver within our Material Risk Assessment and updates made to AIB's Risk Appetite Statement relating to business model risk and credit risk. See p.28.
- » An assessment of climate-related risks over short, medium and long-term was performed and linkage to existing risk categories developed.
- » In depth review of AIB Group's Enterprise Risk Management Framework with respect to climate risk and areas for enhancement identified, with a number of gaps closed in 2021 including updates to a number of credit risk policies. See p.27.
- » Conducted climate risk heat-mapping to determine the most likely sectors with greatest exposure to physical and transition risks and developed a methodology to use scenario analysis to quantify climate-related risks for our commercial and retail customers. See p.29-31.
- » Introduced a new ESG questionnaire for borrowers in high climate risk sectors, the outputs of which feed into the credit assessment process.
- » Detailed work on ECB stress testing (Modules 1, 2 & 3) in progress.
- » Data & Systems programme of work in train to capture required data fields for climate risk quantification and emissions reduction measurement, including flood risk data for our property portfolios.

# PRODUCTS AND SERVICES TO ADDRESS ENVIRONMENTAL ISSUES

## OUR APPROACH

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

2023 TARGET

**€10BN**  
CLIMATE ACTION FUND

We have a key role to play in helping to address the environmental issues where we operate.

We do this through:

- » Providing finance to renewable energy generation – through our multi-disciplinary Energy, Climate Action & Infrastructure team;
- » Providing finance for energy efficient homes, through our Green Mortgage products;
- » Supporting sector-specific initiatives to aid carbon transition, like the Teagasc Grass10 multiyear initiative for farmers, and the Signpost programme which promotes 100 demonstrator farms and their sustainable farming practices;
- » Providing finance for retrofitting less energy efficient homes through our Green Consumer Loan and forthcoming SBCI retrofitting loan in 2022;
- » Supporting customers to move away from transport options reliant on fossil fuels.

In addition, in 2021 we launched our Green Living Hub, where we provide visitors with information on how they can reduce their negative impacts on the environment and increase their positive impacts, as well as profiling the products and services we provide to support them.

## CLIMATE ACTION FUND

We recognise we have a long-term role to play in providing the finance for Ireland's transition to a low-carbon economy.

In 2019, we launched our Climate Action Fund committing €1bn per year over 5 years to support Green and Transition lending. In 2021, we increased the fund to €10bn in total by 2023, to reflect the financial implications of this opportunity for our business. Since the launch of the fund, we have continued to expand our sustainable finance products and service offerings and in 2021 we introduced our Green Consumer Loan for retrofitting, expanded the Green Mortgage to our Haven brand, reduced our AIB Green mortgage fixed interest rates and entered a joint venture with a leasing company to support customers that want to change to electric vehicles.

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

## RETAIL BANKING

The Retail business has brought a number of sustainable finance propositions to market including: AIB Green mortgage (BER rating B3 or better) launched in November 2019; AIB Green Personal Loan launched in February 2021; and the Haven Green Mortgage (BER rating B3 or better) launched in July 2021 which extended our sustainability propositions to the mortgage broker market.

## GREEN MORTGAGE

The AIB Green Mortgage was introduced in November 2019, and subsequently we launched our EBS and Haven Green Mortgages.

Green Mortgages are available to customers who have or are investing in a home that has a BER energy rating of B3 or higher. They are a key product for our business and collectively account for 20% of mortgage drawdowns in 2021 in Ireland (up from 14% in 2020).

## GREEN CONSUMER LOAN

AIB has committed to 70% of all new lending to be green or transition by 2030. The Green Personal Loan was delivered in two phases during 2021, with phase 1 launching via our mobile channel with a second phase offering the AIB Green Personal Loan via our staff assisted channels (Direct Banking). The AIB Green Personal Loan is relevant to consumers looking to purchase a new electric / hybrid vehicle or make green home improvements in order to increase the energy rating of the home.

## NIFTI

In December 2021, AIB announced its intention to enter a joint venture with Autolease Fleet Management Limited to provide car leasing solutions to businesses and personal customers to support them in the transition to a lower carbon future. The partnership aligns with our strategy to offer innovative financial solutions to our 2.8 million customers and to grow our green lending, including to customers who want to make the switch to electric and hybrid vehicles.

NiftiBusiness provides fleet management solutions to business customers and is committed to supporting businesses who want to transition to a sustainable fleet. It is forecasting strong volume growth based on increasing demand from businesses for cost and risk management, and for expert advice and support in making the transition to sustainable fleet solutions. Nifti Personal Leasing offers personal leasing products to consumers, enabling them to lease a new, lower emissions car for a fixed monthly payment with no balloon or residual payments at the end of the lease term. The flexible consumer offer has transformed the market and is set to increase consumer demand for electric and hybrid vehicles over the next decade. The proposition also enables the customer to continue to transition to lower emitting vehicles in the future as they are protected from residual value risk at a time when technologies and batteries are developing at pace. NiftiBusiness and Nifti Personal Leasing have ambitious plans for growth and project that not less than 60% of its overall fleet will be hybrid or fully electric vehicles by 2030. The partnership closes a product gap in our current offering and will enable AIB to provide an alternative mobility solution to our customers, together with new and more meaningful ways to respond to buying behaviours as the market evolves. The transaction is currently going through the CCPC regulatory approval process and pending finalisation of same we expect to launch the first in a suite of new propositions later in 2022.

## CAPITAL MARKETS

### ECAI/Renewable Energy Finance

AIB is an active lender to renewable energy projects across Ireland, UK, Europe and the US. Technologies supported include Onshore & Offshore wind, Solar and Bioenergy.

AIB have provided lending to renewables generation projects for a number of years now, so we are well-established in this area and continue to have the largest and most active energy renewables team in the Irish market. The Energy, Climate Action and Infrastructure (ECAI) portfolio continued to be one of the fastest growing lending books in AIB, with net balance sheet growth of over 40% in 2021. It also continued being one of the best performing loan books in the bank with nearly 100% of the book fully performing demonstrating the resilience of the renewables asset class. The book also had no COVID-19 modification requests.

### Financing Energy-Efficient Homes and Offices

Our Capital Markets segment also provides financing for the development of energy efficient homes and offices. All new construction qualified as green under the Green Bond Framework. Capital Markets is the primary funder on current developments that will deliver c.10k housing units.

### Sustainability Linked Loans (SLLs)

AIB supported the first Sustainability Linked Loan (SLL) in the Irish market in January 2019. While SLLs are used

for general corporate purposes, they are commonly aligned in the market with the sustainability-linked loan principles and enable lenders to incentivise the sustainability performance of the customer as well as support positive changes in environmental and/or social matters. Typically, SLLs incentivise our customers to achieve their own ambitious, predetermined sustainability performance targets, by linking the interest rate of the SLL to the customer achieving agreed sustainability targets/objectives set out at the start of the loan agreement. Performance against those targets/objectives is monitored through business as usual portfolio management activities, in line with the contractual information and reporting conditions of each SLL.

We continue to see increased interest by our customers in Capital Markets to implement energy efficiency solutions and we have seen increased activity in 2021 in sustainable lending principally through SLLs to the Food and Agriculture, Manufacturing and Utilities sectors in particular. This kind of lending essentially incentivises companies to use less energy or water or generate less waste for a small margin incentive and materially benefits both the bank and the customer as both proactively transition to a better, more resilient business and lending prospect. This is an area we hope can gain further traction in 2022 as customers' awareness and education levels continue to increase on this topic and AIB is heavily engaging with its customer base on SLLs. We have a strong pipeline and strong momentum going into 2022 with strong

green activity expected in the year ahead. We are seeing that demand is progressing from Institutional/plc customers to larger and medium enterprise, and we are progressing enhancements to our governance infrastructure to ensure criteria on these Transition loans meet the levels of ambition being set by AIB and are in line with National Climate Action Plan ambitions.

### Project Finance

We provide project finance in both the Capital Markets and UK segments of our business and a significant proportion of the projects financed are renewable energy projects and support the transition to a low carbon economy. On the 20th of October 2021 AIB became a signatory of the Equator Principles (EP) making a formal commitment to apply these principles to all applicable lending which includes our Renewable Energy, Infrastructure and other Project Finance lending in Ireland, UK, Europe and North America. Having become a signatory to the EP we are, where necessary, upgrading our existing risk management policies and procedures and will, in line with this commitment, make the necessary disclosures in relation to our applicable lending to these areas. Applying the EP standards to our already robust risk management policy frameworks will provide strong independent comfort to our stakeholders of our commitments in this area. As part of our due diligence process external advisers verify that each project is compliant with the Equator Principles.

### MONITORING & OVERSIGHT

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

### OTHER INITIATIVES

#### Climate Finance Week 2021

Climate Finance Week Ireland (CFWI) is now in its fourth year, and once again is proudly sponsored by AIB. CFWI has developed into the landmark sustainable finance event covering broader environmental, social and governance (ESG) topics in Ireland. There were 41 events hosted, covering topics such as Green finance, Net Zero, ESG disclosures and reporting, talent and innovation and the launch of Ireland's Sustainable Finance Roadmap.

#### AIB Sustainability Conference

The AIB Sustainability Conference is an annual event where the bank hosts global and local leaders to share insights, learnings and best practice with over 3,900 attendees, about how business can address the issue of climate action as part of a broader Sustainability approach. Speakers at the 2021 conference included James Cameron, Dr Gro Harlem Brundtland and Professor Scott Galloway.

### LOOKING FORWARD

We are continuously working to expand our sustainable finance products and services for our customers. While we have made significant progress, there are still opportunities for us to progress.

Our Capital Markets segment will launch a Green Purpose Loan in 2022 which will provide funding to SME customers at competitive rates that can be offered to customers if the use of proceeds are for green or transition purposes. Our €50m SME Equity Fund, providing equity for €0.5m- €5m, will be launched in H1 2022.

We are also proposing to provide third party audits to some of our SME customers which will help them to set appropriate targets and measure success on their transition journey – this will in turn then help us to develop our SLL proposition for the SME market in the future.

We identified a gap to fill in the agri specific proposition space and are planning to identify a suitable partner to work with us on this. We are already very active and engaged with customers in this sector and are a key sponsor/partner in a number of industry initiatives aimed at supporting the transition of Irish farms. We are running Agri Clinics in select regional branches and featuring agri sustainability articles in specific publications.

We are also considering a proposition specifically in relation to office retrofits.

### For more information see:

#### Sustainable Lending Framework

<https://aib.ie/content/dam/frontdoor/personal/sustainability/aib-sustainable-lending-framework.pdf>

#### Responsible Supplier Code

<https://aib.ie/content/dam/aib/personal/docs/supplier/aib-responsible-supplier-code.pdf>

#### Green Living hub

<https://aib.ie/green-living>

**41**  
EVENTS IN CLIMATE  
FINANCE WEEK

**3,900**  
ATTENDEES AIB  
SUSTAINABILITY CONFERENCE



# PRODUCTS AND SERVICES TO ADDRESS ENVIRONMENTAL ISSUES

## CASE STUDY

### CASE STUDY

#### Oweninny Wind Farm Project – Phase 2

In September 2021, financial close was reached for Phase 2 of the Oweninny Wind Farm project with a total investment of €150m secured. The project was financed by a consortium of banks including AIB, BNP Paribas and the European Investment Bank. The 83MW project is owned via a 50:50 joint venture between ESB and Bord na Mona. Located c.20km west of Ballina in County Mayo, the development adjoins Phase 1 of the Oweninny Wind Farm Project (89MW) which was commissioned in 2019. Phase 2, comprising 31 Nordex turbines, began construction in February 2021 with the wind farm scheduled to go online at the end of 2022. More than 100 jobs will be sustained during the construction phase, with Roadbridge and H&MV providing the civil and electrical works respectively. A thorough due diligence process was undertaken as part of the financing process. The lenders were supported in this process by A&L Goodbody (Legal) and Everoze (Technical). Technical Due diligence included an assessment with respect to Equator Principles compliance. Power generated from the project will be sold through a PPA with Bord Gais Energy, supported by the Irish government's Renewable Energy Support Scheme (RESS). Phase 2 will supply clean energy to the equivalent of over 70,000 homes.

### AGRI PROPOSITIONS

#### Signpost Initiative

AIB is a proud sponsor of Teagasc's Signpost programme. The programme is a multi-annual campaign to lead climate action by all Irish farmers. It aims to lead and support the transition of Irish farming towards more sustainable farming systems; to reduce agricultural emissions; to improve water quality and biodiversity; and reduce costs and improve margins from farming.

This will be achieved by having a network of Signpost Farms, which will act as demonstration farms for the programme and will point the way forward towards climate smart farming. The Teagasc Signpost Advisory campaign will engage with all farmers and support them to move towards more sustainable farming systems.

#### Teagasc Grass10 Campaign – Phase II

We're continuing our partnership of the Grass 10 Campaign by signing up to Phase II of the campaign, for another four year period. The campaign will continue to focus on increasing grass growth and utilisation on Irish grassland farms, with the main objective of ensuring the long-term sustainability of Irish pasture-based dairy, beef and sheep production systems. The main areas of focus for phase II will

include increasing the level of pasture measurement and decision making with PastureBase Ireland, incorporating white clover into grassland swards and improving nutrient management on farms.



# RESPONSIBLE LENDING AND INVESTMENTS

## OUR APPROACH

This material topic involves ensuring responsible lending and investment through the integration of ESG considerations into the bank's risk management and decision making frameworks. Our involvement with the impact of this topic is cause.

**€750M**  
**SECOND GREEN BOND ISSUED**

**SOCIAL BOND FRAMEWORK PUBLISHED**

A key aspect of building a strong responsible culture is having the right risk culture. We define it as the values, behaviours, beliefs, knowledge, attitudes and understanding of risk shared by individuals and teams in our business. Our risk culture is supported by our risk management methodologies and structures which are aligned to the Three Lines of Defence (3LOD) model – the First Line (business) owns and manages the risk, the Second Line (Risk) sets the frameworks and policies for managing risk and the Third Line (Audit) provide independent assurance of the risk management activities of the First and Second line. To help to enhance understanding of risk, all our employees are required to complete risk e-learning.

### RESPONSIBLE LENDING

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

Our Group Credit Risk Framework sets out the principles and governance arrangements for the identification and management of credit risk within the Group. The framework helps us to formulate, communicate and implement our comprehensive credit risk strategy, put in place effective controls, and develop and reinforce a strong credit risk focused culture. It is supported by our Group Credit Risk Policy and a suite of individual Credit Risk Management and Sanctioning Credit Policies by asset and sub-asset class, collectively forming the Credit Risk Policy Architecture. These policies help us to manage all our lending activities – including personal

loans, finance for buyers securing their first home, our development finance for residential and commercial properties and finance to support small, medium and corporate businesses.

Our Group Credit Risk Policy includes a list of excluded business activities that are considered to be incongruent with Group Strategy in sectors such as energy and climate action; animal welfare; ecosystem protection; healthcare / genetic engineering; surveillance / arms-related / military and adult entertainment. In relation to climate and environmental related matters, the focus here includes: exploration, extraction and upgrading of oil sands projects; nuclear power generation; nuclear waste transportation, decommissioning and/or final disposal of high-level nuclear waste. The policy rule prohibits providing new money for any term lending facilities to businesses, or any of its subsidiaries, involved in the excluded business activities. This rule applies to all business customers with a Gross Connected Exposure of >€ / £300k and are relationship managed. In relation to human rights, the Excluded Activities list prohibits new term lending for excluded activities in the Surveillance/ Arms Related/Military sector including "any activity that adversely impacts Human Rights defined by the UN" as listed on the UN website: <https://www.un.org/en/universal-declaration-human-rights/>. Also see our Human Rights Commitment. [https://aib.ie/content/dam/frontdoor/personal/sustainability/aib\[1\]human-rights-commitment-final.pdf](https://aib.ie/content/dam/frontdoor/personal/sustainability/aib[1]human-rights-commitment-final.pdf)

### WAYS WE SUPPORT WIDER SOCIETY

#### Microfinance

Microfinance refers to lending developed for those who cannot access the traditional banking channels.

Microfinance supports social and financial inclusion because it enables entrepreneurs and very small businesses to benefit from access to credit outside mainstream banking.

AIB has been a funding partner of the Social Finance Foundation (SFF) since its inception. Through the Banking & Payments Federation of Ireland, we collaborated with other funding partners to agree to provide a substantial new tranche of low-cost funding to SFF, to support social and micro enterprises for the period 2021-2025

When business credit applications meet our credit criteria, we provide finance through our own network. For those cases that we cannot support, and who meet the criteria for micro finance, we refer them to MicroFinance Ireland (MFI) as appropriate. Microfinance Ireland through its funding of business seeks to create and grow jobs across Ireland.

#### Financing Healthcare

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

As outlined in our recently published Social Bond Framework (available at: <https://aib.ie/investorrelations/debt-investor/social-bond-framework>), AIB provides loans and services to support hospitals, primary care centres, residential care for the elderly and citizens with challenged healthcare needs.

Financing of new healthcare infrastructure and support for existing healthcare facilities helps increase access to quality, timely and accessible healthcare including specialist treatment to target groups and the vulnerable in our communities. AIB holds a strong market share in provision of lending and services activity to the sector.

## RESPONSIBLE INVESTMENTS

### Green and Social Bonds

Our Green and Social Bond programmes support the Banks Capital and Minimum Requirements for own funds and Eligible Liabilities (MREL) issuance programmes by aligning our funding and liquidity plans with the banks sustainability agenda and having a Debt Capital Markets (DCM) offering for socially responsible investors.

In 2021, we issued our second Green Bond - a €750m transaction that was two times oversubscribed during the book build process, with 99 separate investors from 19 different countries. We now have a total of €1.75bn issued under our Green Bond programme.

Our Green Bonds are underpinned by our comprehensive Green Bond Framework. The Eligibility Criteria used to define the eligible Green Loan Portfolio for AIB's Green Bonds are based strictly on the International Capital Marketing Association (ICMA) Green Bond Principles and on best market practice. The definition of the Eligibility Criteria set out in the framework takes into account the EU Taxonomy regulation and the EU Taxonomy Climate Delegated Act and we have implemented them to the greatest extent currently possible - as verified in our latest Second Party Opinion from Sustainalytics, where a

full Taxonomy alignment exercise was completed. The eligible categories include Green Commercial Buildings, Green Residential Buildings, Renewable Energy and Clean Transportation.

In 2021, we published our Social Bond Framework. This is the first such framework from an Irish institution and remains the only one to date. The Social Bond Framework has been established in accordance with the ICMA Social Bond Principles, a set of voluntary guidelines that recommend transparency and promote integrity in the development of the sustainable market by clarifying the approach for issuing a Social Bond. The Eligible Categories include Access to Healthcare, Access to Education, Social and Affordable Housing, SMEs Financing, and Support to charities and non-profit organisations.

### Our Green and Social Bond Frameworks

In developing our Green Bond Framework, we engaged with external third party industry experts including ING (structuring advisor), Guidehouse and Carbon Trust. In developing the Social Bond Framework, we also engaged with ING (structuring advisor), as well as industry experts including Cambridge Econometrics and Gamma. We also engaged extensively with industry experts and with investors across Europe explaining both our Framework and our wider sustainability strategy goals. Engagement with the above third parties is now an annual undertaking when the programme is updated. To provide an independent assessment of the accuracy and integrity of our Bond Frameworks we commissioned Second Party Opinions. For our Green Bond, the SPO was provided by Sustainalytics. The SPO for the Social Bond Framework was provided by ISS ESG.

### Monitoring under our Green and Social Bond Frameworks

Internally we have a target of never being under collateralised in terms of green assets vs green liabilities, and social assets vs social liabilities. A series of reporting processes and a RAG monitoring system have been put in place to achieve this. Management are responsible for an annual review of the frameworks and underlying programme.

Annually we update each Bond framework, complete pool replenishment, publish allocation and impact reporting. We also complete independent assurance reports (once a bond is in issuance) with an independent third party. We engage regularly with our investors on this agenda.

Our Green and Social Bond frameworks are approved by our Group Sustainability Committee (focused on the sustainability aspects) our Treasury Management Board (focused on funding and liquidity aspects), with onward noting to our Asset & Liability Committee (ALCO).

### Socially Responsible Investment (SRI) Portfolio

The purpose of our SRI Bond Portfolio is to fund domestic and international projects aimed at global sustainability, carbon emission reduction, and social improvement, all under the over-arching themes of Environment, Social, and Governance (ESG). We favour issuers who have shown improvements and satisfactory standards in board diversity, ownership and control, executive pay, tax transparency and business ethics. We rely on independent ESG Rating Agencies when measuring the quality of an issuer under this pillar.

In 2020, we developed a Socially Responsible Investment (SRI) framework which explicitly sets out our minimum investment criteria when considering bonds in the ESG space. The criteria ensures that only higher quality issuers, measured on key sustainability metrics, qualify for consideration in our SRI Bond Portfolio. Further updates in 2021 allowed for the inclusion of Sustainability Linked Bonds (SLBs). Our SRI Framework is a live document and will continue to evolve in response to market changes in what is a new but rapidly expanding sector.

As set out in our framework, all issuers must have:

- » MSCI rating of BB or better;
- » Sustainalytics score below 40;
- » ISS rating of D+ or better.

Should a rating/score not be available from any of the above, ratings/scores from other environmental agencies may be considered on a case-by-case basis.

We require Bond issuers to report on their impact and allocation, to align with the ICMA Green/Social/Sustainability Bond Principles reporting recommendations which also incorporate a Second Party Opinion. Reporting demands issuer integrity and holds their Use of Proceeds to account, as well as providing the investor with key information on how their funds are being utilised.

The SRI Bond portfolio is subject to annual review by Treasury Management Board, and presentation to Group Sustainability Committee.

For 2021, we set an internal target of >€1.2bn for our SRI bond portfolio, which we exceeded. We are building towards a medium-term target, accounting for 10% of AIB's total Investment Securities. Our performance against ExCo targets for growth in the portfolio is reported on a monthly basis to Treasury Management Board. The annual review of the portfolio reports on ESG rating quality.

Key developments in 2021 included the net purchase of an additional €274m of bonds into the SRI portfolio and the annual review of the SRI Framework to include the purchase of Sustainability Linked Bonds (SLBs). Following the approval of the inclusion of SLBs in the portfolio at the 2021 Annual Review, we expect to purchase Corporate SLBs in 2022 to widen the issuer range of our portfolio.

### KEY ESG REGULATORY CHANGES IMPACTING LENDING AND INVESTMENT

The Sustainable Finance Disclosure Regulation (SFDR) came into effect in 2021, and required SFDR disclosures were made in March and June. Additional reporting (Principal Adverse Impact Statement) will be required from 2023 based on FY 2022. This is likely to be impacted by the future operating model to be agreed with Goodbody.

In November 2021, the Central Bank of Ireland announced its intention to establish a Climate Risk and Sustainable Finance Forum in 2022, which will bring together stakeholders to share knowledge and understanding of the implications of climate change for the Irish financial system. AIB Group will participate

in this Forum and continue to ensure it is meeting regulatory expectations and requirements, including those relating to Governance, Risk Management Frameworks, Scenario Analysis, Disclosures and Strategy & Business Model risks.

### RESPONSIBLE BANKING INITIATIVES

AIB is a founding signatory of the UNEP FI Principles for Responsible Banking. The Principles are a framework for ensuring that signatory banks' strategy and practice align with the vision society has set out for its future in the Sustainable Development Goals and the Paris Climate Agreement. They aim to promote a sustainable banking system and helping the banking industry to demonstrate how it makes a positive contribution to society.

AIB was one of 130 founding signatories who committed to implement the six principles. Today over 270 banks representing over 45% of banking assets worldwide have joined and committed to implement them.

Since we became a founding signatory of the Principles in 2019, we have confirmed our areas where we can most positively and negatively impact the SDGs, which we determined using the Impact Assessment Tool, and we have confirmed our associated SMART Targets. For more information see p.64. In addition, members of our Sustainability team have participated and led in the UNEP FI PRB working groups set up to support the implementation of the Principles, and to ensure leadership in implementing them.

### LOOKING FORWARD

Two Green Bonds have been successfully completed to date. We have yet to issue our first Social Bond. Subject to market conditions it's our intention to expand our Bond programme further in 2022.

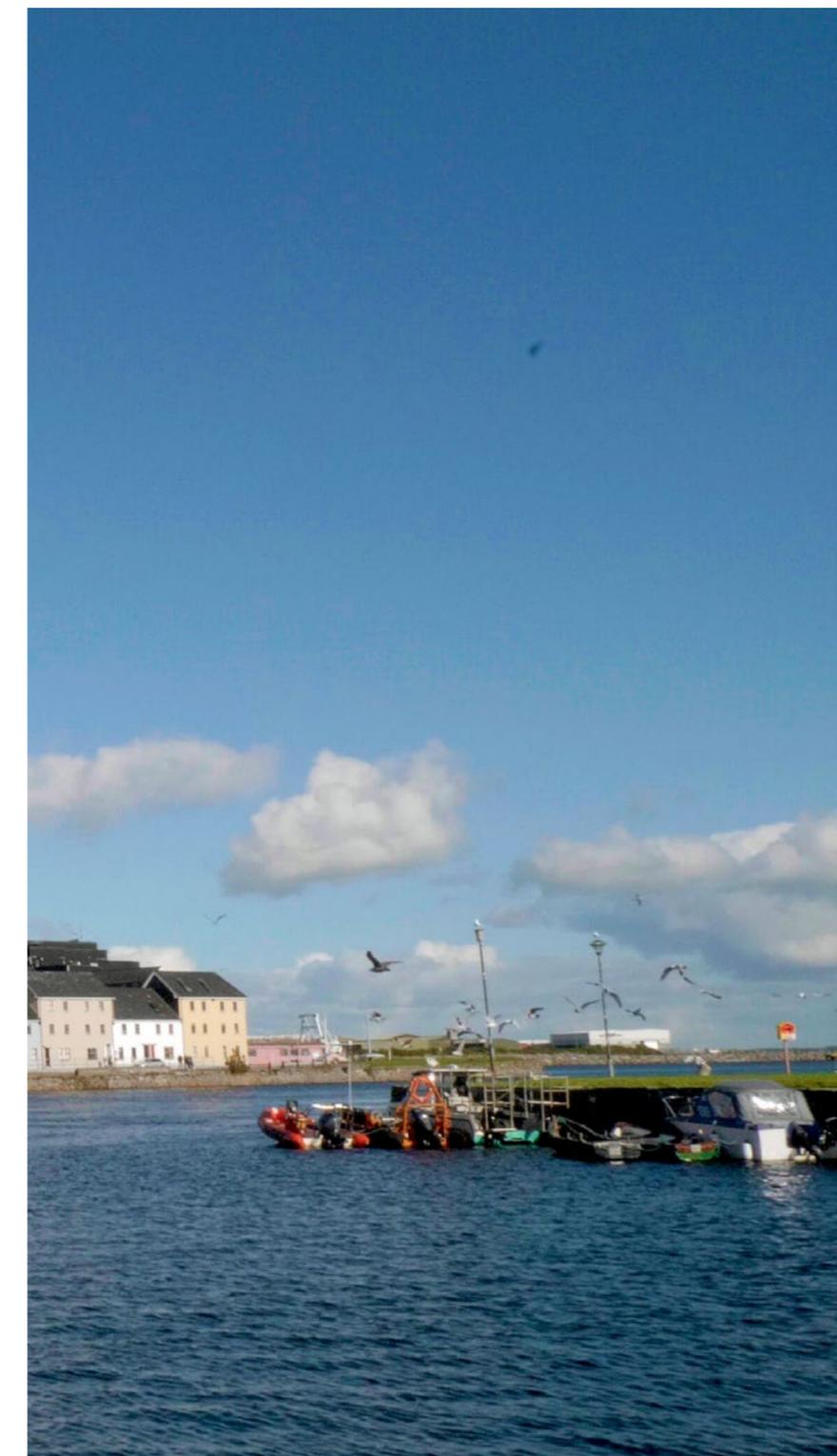
On the wealth side of our business, we have had an ethical investment portfolio available to our private banking customers since 2016. We expect increased demand in ESG investments and Goodbody is actively working on their offering in this space.

However, it's not just products that we are providing to our customers to support them on their transition journey, the customer support and pro-active engagement with our customers on this topic are also critical components of our ESG priorities. Many of our customer events, round table discussions as well as publications are now either specifically focused on sustainability or they have some level of coverage of ESG topics. ESG now also forms part of many of our everyday customer and key business influencer engagements.

To ensure that we continue to be thought leaders in this area, we are seeking out partnerships that can help us evolve our thinking, so for example we recently partnered with the Irish Green Building Council and we have a number of partnerships in the Agri space and are looking at additional partners and will continue to publish relevant articles on this topic.

#### For more information see:

[Excluded Activities list](#)  
[Green Bond Framework](#)  
[Social Bond Framework](#)  
[SRI Bond Portfolio Framework](#)



# RESPONSIBLE LENDING AND INVESTMENTS

## CASE STUDY

### CASE STUDY - RISK WEEK

The bank's second annual Risk Awareness Week was held in November 2021 and featured over 75 events including:

- » Training sessions across 17 different risk topics, covering fundamentals of risk management and the regulatory agenda, training across the bank's material risks and climate and environmental risk;
- » Senior Leader Conversations including Board and EXCo representatives, at which topical risk management issues, risk culture and speaking up were discussed.;
- » A live discussion with external and internal panellists, the theme of which was 'risk in a changing world';
- » A series of videos featured employees across the bank talking about how the bank's values support and embed risk culture, and sharing stories of how teams across all three lines of defence demonstrated the desired values and behaviours to reduce risk and drive better customer outcomes.

### GREEN BOND

As part of our Second Party Opinion process with Sustainalytics, AIB undertook a full EU Taxonomy alignment exercise. This is essentially where Sustainalytics would verify where AIB is fully, partially or not at all aligned to the criteria of the EU Taxonomy.

Given the ESG data challenges that banks face, we needed to take a different approach than looking at every individual asset but rather we sought, where possible, to align national regulations, laws and building/environmental standards with requirements of the EU Taxonomy. Where this was not possible (such as in the case of Anaerobic Digestion projects) we investigated the individual projects for their alignment. One of the issues we faced was that a portion of the pools assets are located in the UK where the EU Taxonomy does not apply – therefore this limited our maximum potential alignment score. Despite this AIB achieved excellent results. We were fully aligned in 9/11 of the Technical Screening Criteria, 8/11 in the Do no Significant Harm and 34/42 for alignment with EU Environmental Objectives.

### CASE STUDY MCCANN APPLES

From modest roots, initially selling door to door, this 3rd generation family business of Oliver McCann and his sons Kevin and Oliver Jnr is now one of Ireland's leading packers and processors of apples, pears, pure fruit juice, cider and cider vinegar. In early 2021 the family purchased a 130-acre holding in the Boyne Valley area. The site located on a south facing hill sloping to the Maddock River, along the Co. Louth and Co. Meath border, was totally re-generated to establish modern orchards with over 100,000 trees planted in 2021.

The plantation includes Gala Apples, Golden Delicious Apples, Bramley Apples, Conference Pears and Celina Pears. The development of this site has made it the largest commercial fresh eating apple and pear orchard in Ireland.

To support the overall "Food Island" message the development of the site also had the backing of the Department of Agriculture, Food & the Marine, Bord Bia and others. Truly a modern orchard growing system, the family are future planning in line with

expected climate change, as Ireland's east coast is due to have warmer, drier spells throughout the growing season. McCann Apples have invested in a state-of-the-art irrigation system, which constantly monitors the moisture level in the soil, only watering the crop when required. This will give reassurance during the tough weather period of water stress for crops. In addition, the company is planning to install a specially designed live weather station and frost protection system, which will assist greatly in ensuring the crops develop from early bud through to the fruit departing the orchard at harvest time.

At present, the Irish market is supplied with only 5% home-grown apples, with the remaining volume being imported from other countries. There is also significant Carbon sequestration as a result of the new plantation – with an expected 600 tonnes of CO<sub>2</sub> absorbed throughout the year. When in full production, it is estimated this will eliminate approx 158,000 KGS in road-miles generated CO<sub>2</sub>. This equates to 110 fewer Heavy Goods Vehicles on our roads entering the country.

# CLIMATE & ENVIRONMENT - METRICS & TARGETS

## PROGRESS ON OUR AMBITIONS

Progress made against ambitions set out in 2020 includes:

- » Net Zero in our own operations by 2030
  - 19% reduction in Scope 1 & 2 emissions in 2021 (note full year 2021 available mid year following external verification)
  - tendering for a power purchase agreement for 100% certified solar renewable energy.
- » 70% of new lending to be green or transition by 2030
  - €2bn of green financing accounting for 19% of new lending
  - Climate Action lending target doubled from €5bn over 5 years to €10bn in same period.
  - Issuance of second Green Bond - €750m.
- » Net Zero in our customer lending portfolio (with the exception of Agri) by 2040 & by 2050 Net Zero in our full customer lending portfolio
  - Emission reduction targets disclosed for a number of key sectors (Residential Mortgages, Commercial Real Estate and Electricity generation) covering 63% of lending balance sheet, with internal measurement processes in place to track progress.

## GREEN LENDING

In October AIB doubled the Climate Action Fund to €10bn, supporting Ireland's transition to a low carbon economy. AIB previously allocated €5bn to the fund which was originally launched in 2019 with a target of lending €1bn

per annum for green and transition lending over five years – a target which AIB now aims substantially to exceed by the end of 2023.

We had another strong year in 2021, with a further €2.0bn of green lending deployed, totalling €4.7bn provided over the last three years. In 2021, new green lending represented 19% of all new lending (2020: 16%). Our Green Mortgages performed strongly this year, with 23% of total Group mortgage drawdowns qualifying for a Green Mortgage.

PRODUCT	FY21	FY20	FY19
GREEN LENDING	€2.0bn	€1.46bn	€1.2bn
GREEN MORTGAGES	€0.7bn 23% of total mortgage draw downs	€0.35bn 14% of total mortgage draw downs	Launched in Nov 2019
RENEWABLE ENERGY & GREEN BUILDINGS	€1.3bn	€1.11bn	€1.2bn

The green lending in our overall loan portfolio, which underpins our Green Bond was:

PRODUCT	FY21	FY20	FY19
GREEN BOND ALLOCATION	€2.57bn	€2.24bn	€1.7bn
RENEWABLE ENERGY	€1.32bn	€1.16bn	€0.8bn
GREEN COMMERCIAL BUILDINGS	€1.23bn	€1.07bn	€0.9bn
CLEAN TRANSPORTATION	€0.02bn	-	-

## Goals & Targets to SRI Bond Portfolio

For 2021, we set an internal target of >€1.2bn for our SRI bond portfolio, which we exceeded. We are building

towards a medium target of our SRI bond portfolio accounting for 10% of AIB's total Investment Securities.

## External Ratings

We have retained Leadership status since 2016 on the Carbon Disclosures Project (CDP). We retained our leadership status with a rating of A- in 2021.

	FY21	FY20	FY19
CDP RATING	A-	A	A-

In 2021, we improved our ESG ratings, as follows:

ESG RATINGS	FY21 TARGET	FY21	FY20	FY19
SUSTAINALYTICS	Above Average	Low ESG Risk	Low ESG Risk	High ESG Risk
MSCI	Above Average	AA Leader	AA Leader	A average
S&P GLOBAL	Above Average	70/100	61/100	35/100

See p.13 for more detail on our ESG ratings.

## SCOPE 1, 2 & 3 EMISSIONS

In 2021, we are aligning for the first time, our carbon reporting with our financial reporting. Our verified Scope 1 & 2 emissions for 2021 are 9,516 tCO<sub>2</sub>e. Our 2021 Scope 3 emissions will be disclosed in our CDP 2022 report.

In 2021, our Scope 1 & 2 emissions decreased by 19% year-on-year in absolute terms. In Scope 1, we reduced emissions from natural gas by 25% and our fleet emissions by 22%. In Scope 2, location-based emissions reductions, 23%, were linked to the implementation of energy-efficient initiatives. Our carbon pathway for

Scope 1 & 2 emissions shows a 71% reduction from 2009 – 2021.

AIB's full carbon footprint is one year behind our financial reporting year. For 2020, our total GHG emissions were 23,527 tCO<sub>2</sub>e (location-based). Scope 1 emissions contributed to 18% of our carbon footprint, Scope 2 to 32% and Scope 3 to 50% of emissions. Year-on-year (2020 v 2019), we reduced our combined Scope 1, 2 and 3 emissions by 20%. Category 15 emissions have not been included in our overall Scope 3 emissions to date. COVID-19 restrictions had an impact on our emissions reduction in 2021.

In 2020 we expanded our GHG inventory to include emissions from Payzone (a subsidiary of AIB Group). The boundary of our Scope 3 emissions was also expanded to include emissions from our datacentre operations. We use green gas for our heating demand in GB operations. As a result, we excluded the direct CO<sub>2</sub> associated biomass usage from our Scope 1 emissions and we reported 45 tCO<sub>2</sub> and 12 tCO<sub>2</sub> of out of scope emissions in 2020 and 2021 respectively.

Our GHG emissions are reported in line with the GHG Protocol and independently verified by EcoAct in line with the International Standard Organisation's (ISO) 14064-3:2019 specification. We disclose our GHG emissions annually - see p.106-108 for the details.

## PROGRESS ON NET ZERO TARGETS

### Reducing our Operational Footprint

AIB have been consistently reducing its operational carbon emissions over the past 13 years. We're reducing our own carbon footprint and in 2020 we set out our ambition to become Net Zero in our operations by 2030.

# CLIMATE & ENVIRONMENT - METRICS & TARGETS

Annually we produce an inventory of the greenhouse gas (GHG) emissions generated from our activities. Over the past 5 years we have focused on expanding Scope 3 emission sources to include Employee commuting, Hotel Stays, Well-to-Tank, Transport & Distribution and in 2021 emissions from our Data centres were added. This is used to calculate our carbon footprint.

In 2021, with the aim to deliver our Net Zero goal we worked on developing our low carbon operational strategy and we undertook a study to identify high emitting activities, carbon-intensive premises and areas of focus (cooling, heating, fleet, etc). The findings allowed us to inform our Property Strategy and to establish a pathway to reach Net Zero.

## OUR PROGRESS

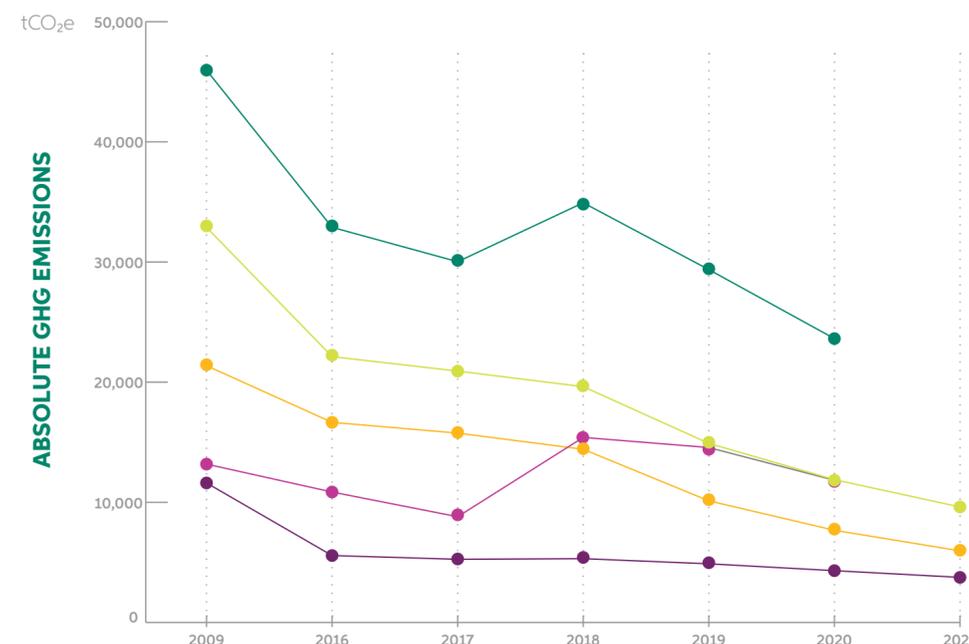
Our Scope 1 & 2 emissions were 9,516 tCO<sub>2</sub>e in 2021, and decreased by 19% year-on-year. In Scope 1, we reduced emissions from natural gas by 25% and our fleet emissions by 22%. In Scope 2, location-based emissions reductions, 23%, were linked to the implementation of energy-efficient initiatives. COVID-19 will have played a part in this reduction in emissions and there is potential for a moderate increase in 2022.

In 2021 we invested in a software solution to allow us manage our carbon and other ESG data. This has enabled for the first time in 2021 alignment between our financial reporting and our Scope 1 and 2 emissions reporting.

AIB has been reporting to CDP since 2003 and in 2021 scored an A- retaining its Leadership status for 6 consecutive years.

## Group Absolute GHG Emissions - Progress from Baseline to 2021

This image refers to scope 1 & 2 emissions



- Gross Scope 1: direct emissions
- Gross Scope 2: electricity indirect emissions
- Gross Scope 3: other indirect emissions (excludes 2021 data)
- Total Gross Scope 1 & 2 emissions
- Total Gross Scope 1, 2 & 3

The metrics in the table are “tCO<sub>2</sub>e” e.g. 11,514 tCO<sub>2</sub>e

## SCIENCE BASED TARGETS – SCOPE 3 – FINANCED EMISSIONS

In 2020 we outlined that science-based targets (SBTs) were being defined to lay out the pathway to achieve emissions reductions in our customer loan book to 2030, and that we would provide an update on these targets in the short-term. This will enable both our Net Zero ambition and our target that by 2030 70% of new lending should be green or transition.

Over the course of 2021, a key strategic focus was to further embed and integrate sustainability and climate action into AIB’s strategy, significant progress has been made on the development of Science Based Targets (SBTs) for our lending portfolio.

In 2021 intensity based emission reduction targets have now been set for c.63% of our group lending portfolio. This includes the Mortgage portfolio (51%), CRE lending book (9%) and Electricity Generation (3%). Over the period to 2030 we expect to see a significant reduction in emissions intensity of between 50-65% for mortgages and CRE at the Group level. This is aligned to Science Based Net Zero pathways.

The electricity generation portfolio is largely comprised of renewable energy assets and is therefore starting at a very low level of intensity of emissions. We expect this position to be maintained by 2030 (see table on p.47 for more detail).

Please note that these targets have not been externally validated. During 2022 we expect to further expand the coverage of our internal targets to include the corporate assets and seek external validation and accreditation from the SBTi and NZBA for our Scope 1, 2, and 3 Science based Targets.

**19%**  
YEAR ON YEAR  
REDUCTIONS IN SCOPE  
1 & 2 EMISSIONS

SCIENCE BASED  
TARGETS SET FOR  
**63%**  
OF LENDING

These targets were formulated with the assistance of a specialised advisory firm and have now been embedded in our business operations, included within the three year financial plan and strategic planning process.

### METHODOLOGY

We sought the assistance of a specialised advisory firm, with domain expertise in this area to support us in this programme of work.

Our work focused on the key lending portfolios of Residential mortgage, Commercial Real estate and Electricity Generation.

Our Residential Mortgages portfolio was prioritised for emissions targets due to its materiality nationally, and within the AIB group lending portfolio at c.50% of the balance sheet and the key role AIB plays in the mortgage market, providing in the region of 1 in 3 new mortgages nationally.

Commercial Real Estate was also prioritised as a related property based portfolio to deliver full consideration of our property based exposures.

Within our non-property based portfolio, the electricity generation portfolio was prioritised given the key role of the Energy system decarbonisation on national emissions reduction targets and the key role of AIB's Energy and Climate action in financing the renewables energy market.

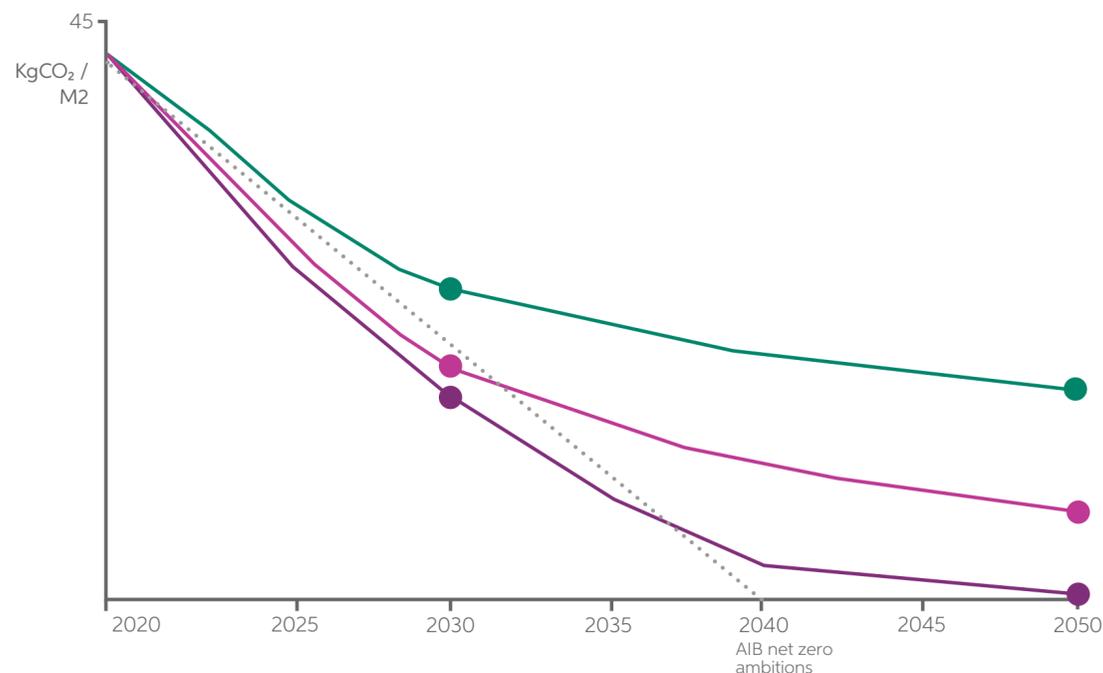
Additionally both Electricity generation and Commercial real estate are mandatory portfolios in prominent external accreditation such as the SBTi and NZBA. The emissions reduction targets methodology has identified measurable business actions and metrics that will be monitored. For Property-based lending the emissions reduction metric for commercial measurement purposes is the proportion of new lending to properties with Building Energy Rating (BER) / Energy Performance Certification (EPC) of A or B. For the electricity generation portfolio, the emission reduction metric is portfolio emissions intensity. The methodology steps undertaken included:

- » Calculation of each lending portfolio's Baseline Emissions
- » Calculation of absolute and intensity requirement based on standardised industry (IEA) decarbonisation pathways
- » Determination of AIB and National 'lever' to reduce emission e.g. Decarbonisation of the electricity system as a national 'lever' and continued leading "Green mortgage" market proposition as an AIB lever
- » Quantification of the impact of each 'lever' on emissions
- » Internal Governance and approval of portfolio targets and the relevant business metrics
- » Short-term (annual) Targets set in-line with medium-term Net Zero ambitions monitored



**DRIVERS OF AIB MORTGAGES DECARBONIZATION**

CO<sub>2</sub> emission intensity (KG CO<sub>2</sub>/M<sup>2</sup>)



**Impact of housing stock - Lever I**  
i.e. Impact on decarbonization path if AIB's front and back book changes in line with market housing stock

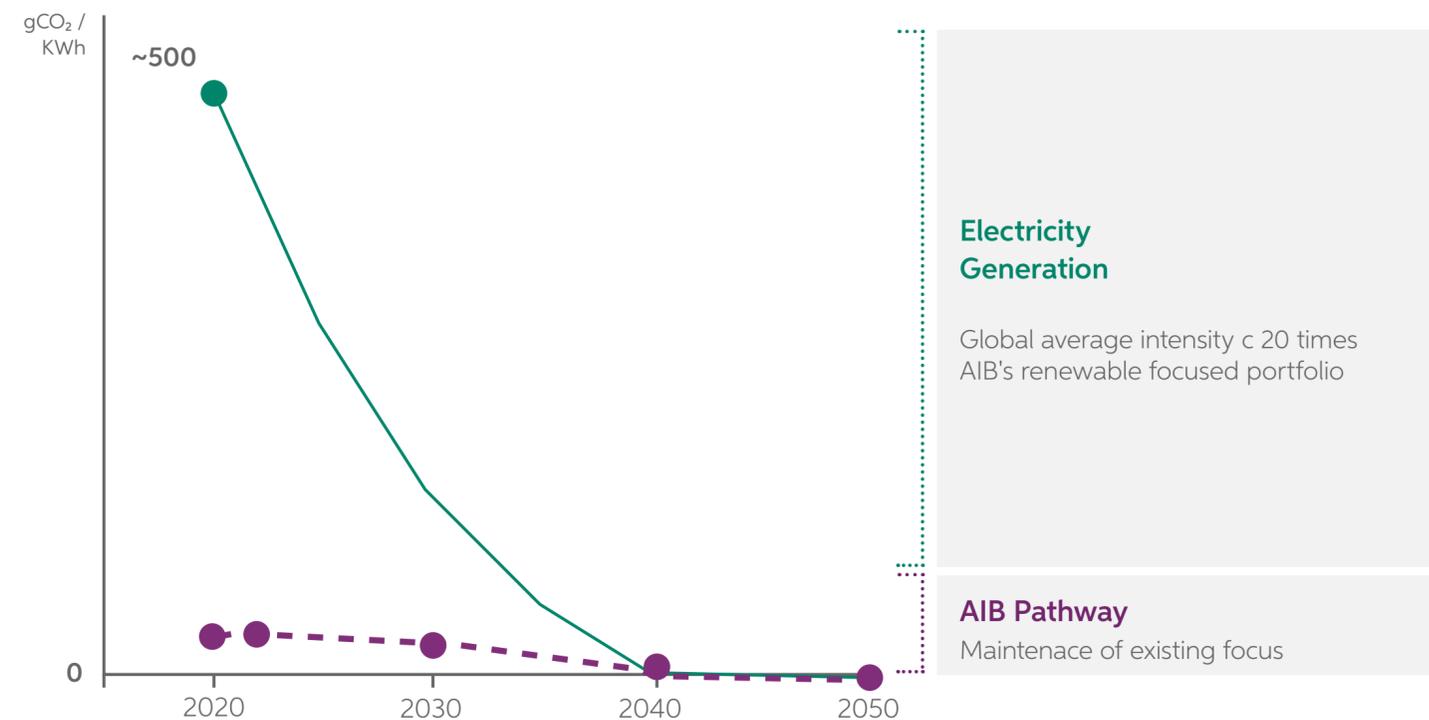
**Impact of electricity grid - Lever II**  
Decrease of household emissions attributed to "greening" of electric grid

**Impact of AIB portfolio choices - Lever III**  
Focus on energy efficient homes and propositions to support retrofitting of less efficient homes

Lever I: 70% of government ambition is met  
Lever II: assuming 70% of renewable energy by 2030 (in line with Climate Action Plan)  
Lever III: portfolio evolution  
Emissions include Scope 1 and 2 only

**AIB'S ELECTRICITY GENERATION PORTFOLIO DECARBONISATION VS GLOBAL AVERAGE**

CO<sub>2</sub> emission intensity (g CO<sub>2</sub>/KWh)



**Electricity Generation**

Global average intensity c 20 times AIB's renewable focused portfolio

**AIB Pathway**  
Maintenance of existing focus

Lever I: 70% of government ambition is met  
Lever II: assuming 70% of renewable energy by 2030 (in line with Climate Action Plan)  
Lever III: portfolio evolution

**3. RESULTS – Table 1\* Alignment to Science Based IEA decarbonisation pathways:**

SECTOR	IEA PATHWAYS	% GROUP LENDING PORTFOLIO FY 21	FORECAST ROLE OF OFFSETS TO 2030	FORECAST ROLE OF OFFSETS 2030+	INITIAL BUSINESS METRIC & KEY LEVERS TO ACHIEVE TARGET	BASELINE INTENSITY POSITION FY19	% REDUCTION ACHIEVED BY 2030	COMMENTS ON SCALE OF EMISSIONREDUCTIONS BY SECTOR
<b>ELECTRICITY GENERATION</b>	IEA 2021 NZE scenario, 1.5°C	3%	No	No	Portfolio Emissions gCO <sub>2</sub> /kWh (emission intensity)	30	N/A given existing low levels of intensity, overall level to be maintained to 2030	Portfolio concentration on renewables and has near zero emissions profile. Future decarbonisation pathway is to maintain this position. See Figure overleaf.
<b>RESIDENTIAL MORTGAGE</b>	IEA 2021 NZE scenario, 1.5°C	51%	No	To be assessed	BER/EPC A-B % new lending	42	50 – 65%	c.50-65% reduction in emissions intensity required. National stock at c3 times global average due to current profile of property vintage, construction type, heating fuel mix and national electricity system.
<b>COMMERCIAL REAL ESTATE</b>	IEA 2017 B2DS (Below 2 degrees), 1.75°C**	9%	No	To be assessed	Translated into Emission intensity (Kg CO <sub>2</sub> /M <sup>2</sup> )	Group Level 142	Group level 50 – 65%	

**KEY MATERIAL NEXT STEPS**

Significant investment in climate and sustainability monitoring and tracking is planned throughout 2022 to automate the capture and tracking of emissions and emission reduction targets within AIB's lending systems.

To complete our SBT work and meet NZBA commitment, we will establish and set appropriate emissions reduction targets for the remaining corporate non-property lending portfolio. We will also seek to obtain external accreditation for our Science based targets from an appropriate body at which point we will publish our Targets externally.

\*Note: These targets have not been externally validated at this point. During 2022 we expect to further expand the coverage of our internal targets to include the corporate assets and seek external accreditation for our Scope 1, 2, and 3 Science based Targets.

\*\*Note: These internal targets were set in 2021 and will be updated as required to align with the latest SBTi guidance

## CASE STUDY - REDUCING OUR FOOTPRINT

### Property Strategy

AIB has recognised the significance of its buildings to contribute to carbon emissions and embarked on a rationalisation strategy of our operations in older inefficient buildings. Embracing a hybrid working model, we have reduced our Dublin Head office footprint by 41,000 m<sup>2</sup>. AIB sought to occupy strategic new buildings which from the outset focused on a reduced energy & environmental impact. This was achieved via the LEED certification process. Central Park Block H and 10 Molesworth Street have both achieved LEED Gold respectively for their fit outs.

During 2020, the Ann Street office in Belfast underwent significant refurbishment, to modernise and update the building with a focus on energy & carbon reduction. It has been awarded a BREEAM Very Good post completion. These projects demonstrate the AIB commitment to continuously improve its building estate and strive for excellence in their operation, aligned to the Net Zero by 2030 target.

### Environmental Responsibility

Through its Environmental and Energy Policies AIB specifies how it will meet its responsibility to protect the environment. This is managed and controlled through the implementation of an energy and environmental management system in line with the International Standards, ISO 14001 & 50001. This approach, has enabled us to manage our Estate in a sustainable manner by proactively implementing best in class environmental and energy practices, in all the jurisdictions we operate, with homogeneous processes and indicators for rigorous monitoring.



## PROGRESS TO DATE

### Waste

AIB's approach to waste management prioritises waste prevention and reduction, in line with the waste hierarchy. Our priority is that valuable materials can be reused, recovered or recycled.

AIB's Environment Team designed a Waste Strategy Plan with the objective to increase the quality of our segregated materials, reduce our waste volumes and tackle single-use plastics.

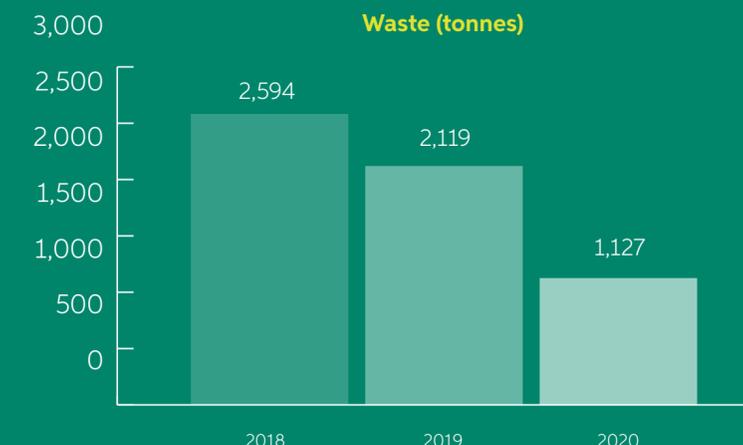
With significantly fewer staff on site due to the COVID-19 pandemic in 2020 we produced 1,127 tonnes of waste, reducing our waste production by 56% compared to 2018.

Waste awareness is a key element of AIB's Waste Strategy. Our actions include:

- » an online training course with a waste game to inform of the appropriate container for each type of waste, available to all employees.
- » Virtual and onsite workshops on waste segregation to help people understand what can and cannot be recycled and why.
- » Standardised waste signage aligned with national recycling guidelines.

In 2021, AIB's signed up to the UK Cash Industry Environmental Charter, that aims to eliminate single-use non-recyclable plastic in note and coin centres.

Going forward, we're planning to have deposit return schemes for all take-away containers across all our restaurants. This initiative will prevent the generation of 22.6 tonnes of waste annually.

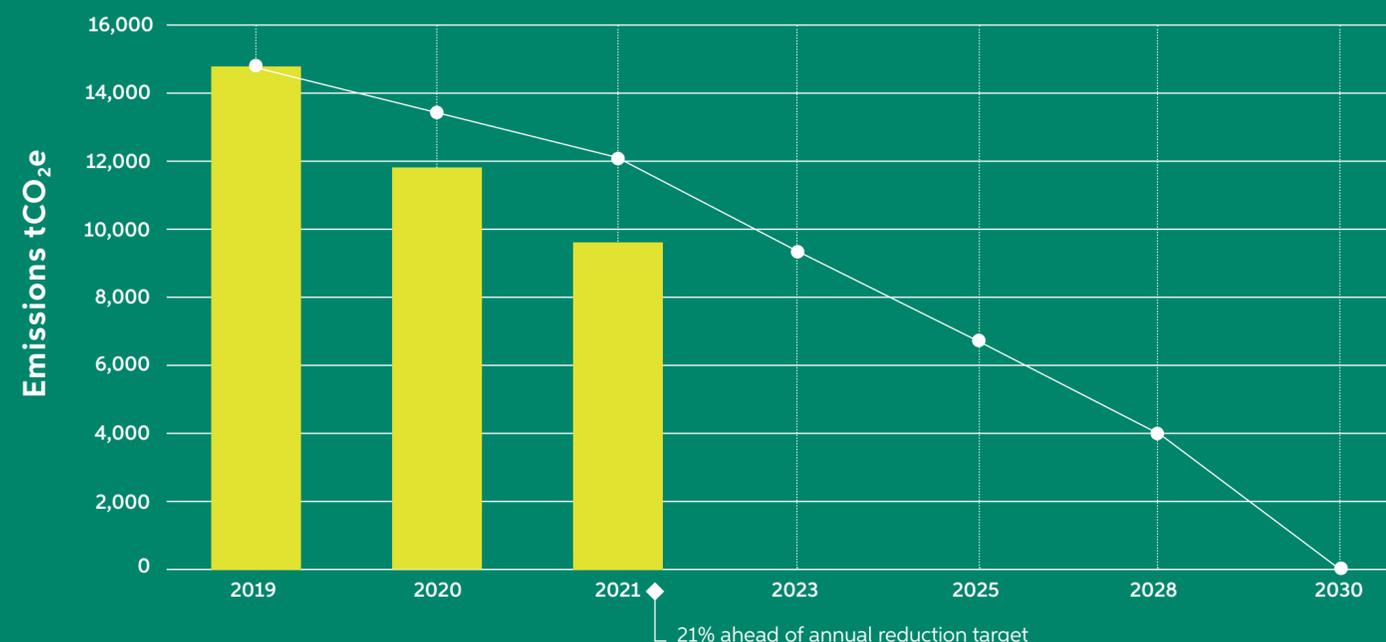


## ENERGY

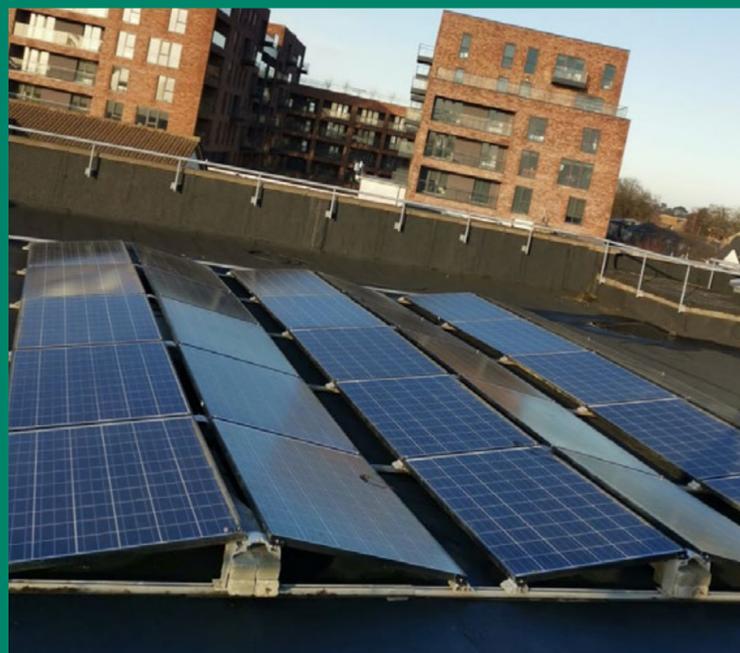
AIB have considered energy efficiency & energy saving as key elements in reducing CO<sub>2</sub> emissions for a number of years now. In 2009, we set a target of 33% energy reduction for primary energy use in Ireland. The 2009 baseline year consumption was 121,595 MWh and it reduced to 57,207 MWh as a result of the energy efficiency strategy employed by AIB. A reduction of 46%, exceeding the original target set.

Alongside these more modern and efficient buildings, we are continuously improving our existing branch & office building estate to reduce its energy consumption and carbon footprint. A range of measures include upgrading fluorescent type lighting systems to modern LED lighting including controls. To date 51 branches and 2 head office buildings have been upgraded. Expected completion date for the remaining locations is 2024. Similarly, there is a replacement of older less efficient air conditioning systems and installation of small controls items across the branch network. AIB has moved to a thin client PC equipment which further contributes to reducing electrical consumption. In 2021, the electricity consumption reduction was 41% compared to 2019, a saving of 4,161 tCO<sub>2</sub>. The COVID-19 pandemic did aid this, as staff moved to remote working and buildings were closed or had reduced operational capacity.

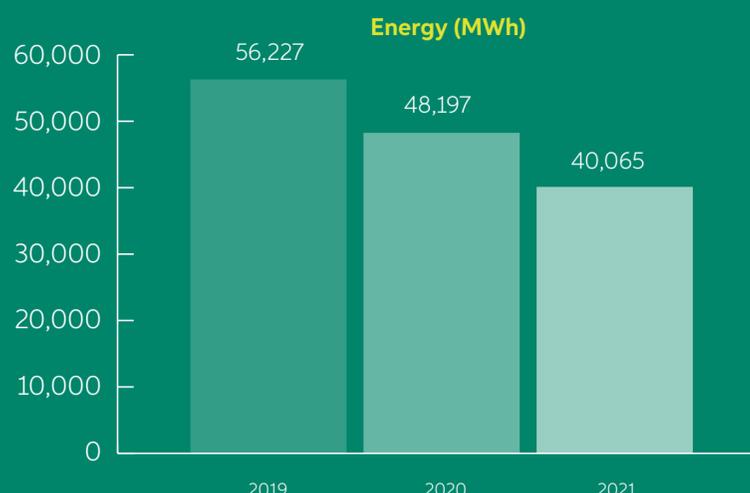
## Operational Emissions Pathway Carbon Reduction Initiatives



One unique element we undertook during 2021, was to install solar photo voltaic (PV) panels in our Santry branch (see photo below). This is expected to contribute approximately 14,000 kWh per annum.

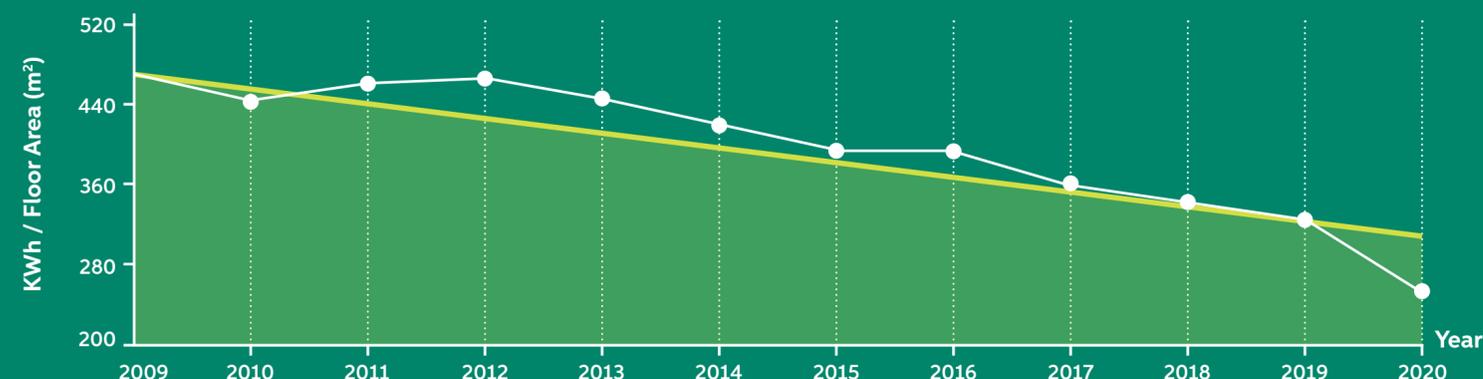


While AIB purchases electricity on green tariffs from its utility suppliers, it recognises that this is not sufficient to ensure Net Zero or to provide traceability for its renewable energy consumed. In 2021 AIB issued a tender for a Power purchase Agreement (PPA) to provide renewable energy to the property estate operating within ROI & NI jurisdictions. The PPA will provide a guarantee of origin of the electricity and will make a significant contribution to AIB's Net Zero commitment.



Nb: Energy consumption sources are considered to be electricity, natural gas, biogas, fuel oils - (diesel, kerosene, gas oil & fuel oil). Fuels & energy related to fleet & business travel activities are excluded.

**ENPI PERFORMANCE TO DATE**



Profile of Primary Energy Consumption Reduction (2009 to 2020)

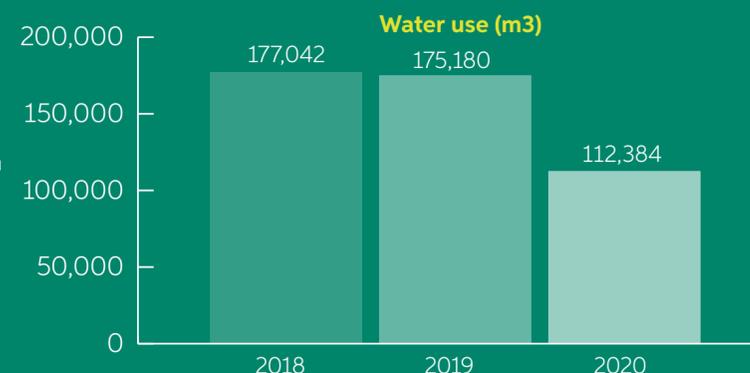
ENPI is Energy Performance Indicator  
 —●— Glide path from the baseline to target in 2020  
 —●— AIB performance  
 Source: AIB

**WATER**

Water is one of our most valuable resources. As part of our water management programme, we monitor consumption trends to identify possible leaks, preventing an excessive use in our Estate.

Globally we consumed 112,384 m3 of water in 2020, reducing our water consumption by 37% compared to 2018.

We apply good practices to optimise water use and we are improving the efficiency of our water consumption across our buildings through the installation of water saving infrastructure. In its newer buildings in Central Park and Molesworth St (Dublin), AIB established grey water systems to reuse water for landscaping and cleaning external surfaces



**LAND USE AND ECOLOGICAL SENSITIVITY**

AIB operates sites in Ireland, the United Kingdom (i.e. Northern Ireland and Great Britain) and the United States of America. To date, we have mapped our Ireland and Northern Ireland sites to key biodiversity areas (KBA). We have identified one site in Northern Ireland (0.08244 hectares) with a property which is adjacent to a Regional KBA with terrestrial and maritime ecosystem attributes. This property is a leasehold office property, located within a shopping

centre which is multi-tenanted. Based on the analysis completed to date, which covers the majority of our operations, and on the nature of our operations (i.e. offices), it is our understanding that the sites of our operations do not represent a heightened risk of adverse impacts on biodiversity.

**GREEN PROCUREMENT**

Under our Environmental Policy, we encourage environmental protection and climate action among our stakeholders. We are encouraging our suppliers to consider the environmental impact of their activities and to integrate environmental principles into their activities as far as possible. Our Responsible Supplier Code supports this and the requirement to comply with our Code is written into all our Request For Procurement (RFP) documentation. By submitting an RFP, any potential supplier agrees to comply with the principles of the code. It is mandatory for suppliers to agree and comply with the principles of the Code or they are precluded from participation in our RFP process.

Another way we bring this to life is through our procurement processes. We strive to source office IT equipment certified or in compliance with internationally acknowledged standards for energy efficiency and paper products that are recycled or certified to the Forest Stewardship Council (FSC) or the Programme for the Endorsement of Forest Certification (PEFC). In 2021, 15% of our paper products were recycled, 33% were FSC certified and a further 5% were PEFC certified. 13.8% of our IT equipment sourced in 2021 was certified/in compliance with Energy Star, EPEAT or The Eco Declaration.

As part of our Energy Policy, energy efficiency and total running cost should be taken into account when procuring relevant products.

# LOOKING FORWARD

## CLIMATE STRATEGY

Over the course of 2022, our strategic priorities will be to continue to embed and integrate sustainability and climate action into AIB's strategy via quantification of risks and opportunities, completion of the work on defining our Science Based Targets (SBTs) and integration into our risk management framework and supporting policies and credit processes. We will deliver a number of new propositions to capitalise on the opportunities for finance which are also critical in helping us to achieve our green and transition lending targets. We will focus on delivering additional supports to customers to help them understand where they are on their own sustainability journey and actions they can take. We will widen our focus beyond climate to look at other environmental considerations that need to be factored into our strategy. We will further embed our Sustainable Lending Framework and evolve it in line with the EU Taxonomy as this is developed out further. We are focused on building out the data and infrastructure to deliver on our ESG regulatory commitments as well as voluntary commitments including the Net Zero Banking Alliance, TCFD and WEF Stakeholder Capitalism metrics. Enhancements to Management Information is also a focus area for 2022.

## CLIMATE & ENVIRONMENT GOVERNANCE

We will continue to review our governance of climate related matters ensuring that we putting the right processes in place to help protect our customers against future climate related risks AIB has committed to continuing and expanding our Sustainability Investment programme which is a multi-year programme implementing changes to

processes, systems, data capture to integrate and truly embed ESG. Part of this work will be to continue enhancements to our governance & accountability for climate-related issues in order to identify what may need to change in this regard as the risks and opportunities are defined in greater depth and quantified. We will continue with our ESG training curriculum for colleagues, leadership team & Board.

AIB will continue to effectively govern sustainability and climate metrics and targets and seek to further embed relevant sustainability and climate metrics into segment level scorecards, financial planning and reporting.

We will continue to embed climate and sustainability considerations into the multi annual investment and financial planning process to ensure that key business decisions explicitly consider climate considerations. In addition, AIB will maintain and develop a prioritised list of climate opportunities factoring in the latest transition and physical climate trends from detailed sector strategy and scenario analysis.

## CLIMATE & ENVIRONMENT RISK MANAGEMENT

Looking to 2022, the focus will continue on embedding ESG considerations across all relevant material risk policies. The Risk Control Assessment guidelines will be enhanced to support the consideration of ESG risk on AIB's operational risk profile. The integration of ESG risk into the Business Continuity and Third Party Management policies will consider the impact of physical risk on our own locations, operations and supply chain.

We will be reviewing the ESQ Questionnaire and how this may need to be evolved as we understand the availability of ESG data from customers and the resultant impact on ESG risk ratings.

We will complete the ECB stress-testing exercises including module 3, which will give us a good indication of the quantum of climate risk impacts and also an excellent insight into the data we need going forward.

The next step will be to ensure that the results of this assessment are factored into our Risk Management Framework and credit and supply chain processes, ensuring that we develop our policy suite to effectively identify, assess, manage, and monitor our climate-related risks. We also intend to further integrate ESG considerations into our credit application processes, allowing us to engage with our customers to see how we can best support them in their transition to a lower carbon economy.

Market Risk Trading and Banking Book policies will be updated to consider the impact of ESG factors on the current market position and future investments. The effect of ESG risk on net cash outflow or liquidity buffers will be included for consideration in the Funding and Liquidity policies.

Integration of ESG risk will continue to be embedded across Business Model Risk policies, Risk Management policies and Compliance policies along with further enhancements to Business Lending Credit Sanctioning policies.

As we develop our policy suite in line with our climate risk management strategy, we intend to deliver deeper ESG training to specific impacted teams, to supplement the mandatory sustainability training already in place.

## CLIMATE & ENVIRONMENT METRICS & TARGETS

**New Climate Action Lending** – We will continue to build out our propositions to support financing more green projects and assets, and increase awareness with our customers in understanding the transition steps they can take and how we can support them and we intend to set targets by product and business area.

**Net Zero** – To support Scope 1 & 2 emissions reduction we will continue to invest in energy efficiency projects to reduce our own footprint and pursue options to expand our renewable energy procurement.

In terms of Scope 3 emissions, we will complete the work in train on the Corporate Lending portfolio for setting science based targets in addition to those already set for residential mortgages, commercial real estate and electricity generation. We are aiming to get external validation of the targets with a view to disclosing them mid-year. We have started to capture data on our Supplier emissions and will be working to set targets on emissions reduction in our supply chain.



# ECONOMIC & SOCIAL INCLUSION

As the broad sustainability agenda continues to gain traction, in parallel is the prominence of ensuring a fair and inclusive transition as we all begin to emerge from the COVID-19 pandemic. As a business that impacts the lives and livelihoods of so many across Ireland, AIB's role in this transition – across homes, jobs, innovation and education – cannot be over-stated. We are continuing to invest in our people, processes, communities and partnerships to drive both economic and social inclusion across our business to create value for everyone who we support.



THIS CHAPTER COVERS OUR 2021 RESPONSE AND PROGRESS TO THE FOLLOWING MATERIAL TOPICS:

→ USABILITY OF SERVICES AND ACCESSIBILITY OF PRODUCTS

→ ENABLE CUSTOMERS TO MAKE BETTER INFORMED FINANCIAL DECISIONS

→ HOUSING

→ COMMUNITY SUPPORT

## OUR TARGETS

2024

€800M

FINANCE FOR SOCIAL HOUSING

2023

500K

CUSTOMERS SUPPORTED FINANCIAL LITERACY

ONGOING

FOCUS ON

AIB IN OUR COMMUNITY

1 NO POVERTY



11 SUSTAINABLE CITIES AND COMMUNITIES



4 QUALITY EDUCATION



3 GOOD HEALTH AND WELL-BEING





# ECONOMIC & SOCIAL INCLUSION OVERVIEW

DISCLOSURE	2021 PROGRESS	LOOKING AHEAD	SECTION
<p><b>Usability of products and accessibility of services</b></p>	<p><b>Vulnerable Customers</b></p> <ul style="list-style-type: none"> <li>Frontline employees were able to provide additional support to <b>over 3,700</b> customers when they needed it most. In addition, our Vulnerable Customer Support team assisted with over <b>1,300 of the most complex customer cases</b>.</li> <li>In 2021, we provided guidance on our website to help <b>customers who are seeking asylum or have been granted refuge</b>. In addition, we also visited refugee Reception Centres to open accounts for a number of their residents with the support of the Reception Centre officials.</li> <li>In 2021, we delivered over 24,000 hours of <b>vulnerability training to our staff</b>.</li> </ul> <p>In 2021, AIB opened 20.4K basic bank accounts up from c.17K in 2020.</p> <p>AIB has continued to partner with SBCI to provide our customers with access to a range of schemes including the <b>COVID-19 Credit Guarantee Scheme (CGS)</b> and the <b>Brexit Loan Scheme</b>.</p>	<p>As a number of banking service providers leave the market, we will work hard to support and welcome the many customers moving their <b>banking relationship to AIB</b></p> <p>In our <b>partnership with An Post</b>, we are working to <b>expand the An Post cheque lodgement services</b> across their full network in 2022, while also providing an <b>enhanced process for lodging to credit card accounts</b>, negating the need to process paper.</p> <p>In the UK, the <b>FCA</b> is currently in consultation on <b>Customer Duty</b> which aims to bring a fairer and more consumer-focused and level playing field in pursuit of good customer outcomes. Final policy and rules are expected in Q3 2022.</p>	<p>When customers need a little extra support p.55-56</p>
<p><b>Enabling customers to make better informed financial decisions</b></p>	<p>In 2021, we have made good progress in promoting <b>financial literacy</b> and in enabling our customers to make better informed financial decisions.</p> <p><b>Future Sparks Programme launched</b> - An online programme for post primary schools consisting of subjects including Financial wellness, Business and Economics.</p> <p><b>Financial Planning Tool</b> - Our new Future Sorted quiz on www.aib.ie is designed to engage our customers to start thinking about their financial planning needs. Customers can book a financial review with a Financial Advisor.</p> <p><b>'Banking - How to' guide</b> - Developed by AIB in partnership with the NOW Group, and launched in 2021, this is a practical guide to managing day to day banking.</p> <p>We have a <b>Customer Language review process</b> in place where the goal is to ensure our customer communications are clear and easy to understand.</p>	<p>We have a target for financial literacy, with the aim to support <b>500,000 customers by 2023</b>.</p> <p>In addition, we continue to <b>expand our direct customer supports</b> including our Future Sorted quiz and Banking How to Guide to support the overall financial literacy of our customers.</p>	<p>Promoting Financial literacy p.59-60</p>



# ECONOMIC & SOCIAL INCLUSION OVERVIEW

DISCLOSURE	2021 PROGRESS	LOOKING AHEAD	SECTION
<b>Housing</b>	<p>We are the largest lender in the Irish mortgage market financing approx. €3bn of new mortgage lending in 2021.</p> <p>AIB joined the Irish <b>Green Building Council</b> as a Platinum member. Capital Markets is the primary funder of current developments that will deliver 10,000 housing units.</p> <p>We supported <b>7,686 First Time Buyers</b> with finance to help them to buy their first home.</p> <p>A number of enhancements were made to our mortgage propositions including the introduction of our <b>Haven Green Mortgage</b> and <b>reductions</b> in our AIB Green Mortgage fixed interest rates. In addition, we also provided reductions in our standard fixed interest rate mortgage rates.</p> <p><b>Social Housing Sectoral Team</b> supported the provision of c.800 new and second-hand homes to the social housing market in 2021.</p> <p>During 2021 we fully allocated our <b>€300m Social Housing Fund</b> for both development and investment funding, which was launched in October 2020 with the aim of funding 2,000 social housing units.</p>	<p>In addition to supporting the development of social housing, AIB will also be a key stakeholder in the <b>Government-led First Homes Affordable Homes</b> initiative. AIB will both contribute to the private equity fund to fund equity element of the house purchase and also provide mortgage finance to customers.</p>	Housing p.61-64
<b>Community</b>	<p>We <b>contributed €10m</b> in financial investment to support our chosen partners and the wider community.</p> <p>We distributed €1m to those most in need, including our charity partners Age NI, Age UK, ALONE, FoodCloud, Pieta, and Soar.</p> <p>In 2021, we became official lead sponsor of the humanitarian agency's flagship fundraising event, the <b>GOAL Mile</b>.</p> <p>AIB is the <b>longest continuous sponsor of the Gaelic Games</b>, a relationship which goes back over 30 years and now in its 31st season as sponsors of the GAA All-Ireland Club Championships.</p> <p>After 25 years of partnership with Junior Achievement Ireland, in 2021, we committed to supporting a new Junior Achievement module with <b>Junior Achievement Ireland</b>, 'It's My Business', which educates students on the theme of entrepreneurship.</p> <p>Our people volunteered and fundraised for over <b>600 local organisations</b> and surpassed the 10,000 volunteering hours mark since 2018.</p>	<p>We will continue to focus on core areas of <b>sustainability, education &amp; opportunities, digital &amp; innovation and financial inclusion</b> as part of our Sustainable Communities and are committed to developing enhanced reporting mechanisms and expanded KPIs in 2022 and beyond.</p>	AIB in our Community p.65-67

# USABILITY OF SERVICES AND ACCESSIBILITY OF PRODUCTS

## OUR APPROACH

Making products and services personal, relevant, easy to use and accessible to all, anywhere at anytime, is a material topic for our stakeholders and ranked highly in terms of regulatory expectations.

**2.86M**  
DAILY INTERACTIONS

**3.7K**  
VULNERABLE CUSTOMERS SUPPORTED

We have a customer first approach; we are engaging, listening and responding to our customers, and working with them to ensure they get the best products and services how, where and when they need it. Under our customer first approach, our ethos is that both new and existing customers are treated in a fair and transparent manner.

### OUR PRODUCTS AND SERVICES

In AIB, our main products and services offerings are mortgages, personal, SME and corporate lending, payment services, credit card services and deposits. Where we provide non-core banking products, we typically partner with market leaders.

It is important to our stakeholders that our products and services are personal, relevant, easy to understand and accessible. The proposition design framework, which includes consumer testing of new propositions, is used to ensure this. Product owners use tools and insights to clearly identify customer needs and suitability, taking into consideration that we are treating customers fairly, supporting vulnerable customers as we consider the design of processes and ensuring a good customer experience throughout the overall product lifecycle.

In addition, the 'Voice of the Customer' programme and NPS scores allow us monitor our products and services and ensure they are easy to use and accessible. You can find more insights into our product development in *Enabling Customers To make better informed financial decisions* on p.58 and NPS in *Customer Experience* on p.71-73.

### ACCESS TO OUR PRODUCTS AND SERVICES

We strive to make our products and services accessible to all our customers. They are made available across a range of channels - via our branches, ATMs, phone, mobile and online banking as well as through An Post (in Ireland) and the Post Office (in the UK). Our various channels give our customers the freedom and flexibility to bank whenever they need to, from wherever they are. Customers can also talk with us via our social channels.

In Ireland, we currently have 170 AIB branch locations and 8 campus locations, as well as 68 EBS branches. All Post Offices nationwide c.900+ offer some level of AIB services (cash services). Currently, 146 Post Offices are enabled for cheque lodgements. In our partnership with An Post, we are working to expand the An Post cheque lodgement services across their full network in 2022, while also providing an enhanced process for lodging to credit card accounts, negating the need to process paper which is an added sustainability benefit. In addition, customers are supported through our EBS network and Payzone infrastructure nationwide. Everyone can access our banking services through the Post Office network on the island on Ireland and through a mobile community bank for rural locations in Ireland. More information on this is in our 'Ways to Bank' brochure.

In the UK, AIB has 7 branch locations. In addition, AIB UK personal and business customers can access cash lodgement and withdrawal, cheque encashment

and cheque deposit services through the Post Office network of over 11,500 locations in the UK. Delivering high quality service to our customers is key for AIB. Our Management oversee the relationship and service of the Post Office Counter Service Contract, conducting ongoing reviews of service and resilience.

In response to the evolution of banking and changing customer demand for services, through 2021 we amalgamated a number of branches in urban and suburban locations.

### Enhancing accessibility

Traditionally customers needed to visit a branch to open a personal bank account or apply for a loan. Now, using a mobile phone, customers can open a personal Current Account. People aged 16-65 years, who live in Ireland, have an EEA Passport, and do not hold any accounts with AIB can complete all identity and address verification requirements for opening their account on-line (for more information see <https://aib.ie/our-products/current-accounts/online-bank-account-opening>). Consumers seeking lending have the ability to apply across multiple channels. In addition, customers seeking financial planning reviews can access specialist engagement by phone and screen share.

# USABILITY OF SERVICES AND ACCESSIBILITY OF PRODUCTS

DAILY USER INTERACTIONS	2021	2020
Daily Interactions	2.86m ↑	2.57m
Active on mobile app	1.55m ↑	1.39m
ATM Transactions	72.7k ↓	84k
Mobile Interactions	2.6m ↑	2.3m
Daily Internet Banking logins	115k ↔	115k
Daily Contact Centre Calls	21.3k ↓	23k
Daily Branch Transactions	44k ↑	39.5k
Daily Kiosk / Table logins	8.7k ↓	10.7k

Source: Company information

In Ireland, AIB promotes the use of mobile phone banking to increase access to banking services for all customers. In 2021, both the number of customers active on our Mobile app increased as did our Daily Interactions. The increasing trend across daily interactions evidences how our customers' behaviour has changed in recent years, reflecting enhanced digitalised functionality that is now available and the impact of Covid over the last two years.

Despite the challenges of Covid over the last two years, we have continued to engage customers in usability testing prototypes and designs of proposed enhancements to our digital services, to ensure they are fit for purpose and meet our customer needs.

## RAISING A CONCERN

Where customers are not satisfied with a product or service, they can raise a complaint in branch, in writing

or via telephone. Our Customer Care team deals with all complaints and customer dissatisfaction to ensure they are resolved swiftly with the customer engaged throughout the process. For more information on how we manage complaints see *Customer Experience* on p.71-73.

## WHEN CUSTOMERS NEED A LITTLE EXTRA SUPPORT

We understand the different needs of our customers and work to support them in a number of ways.

For customers with sight difficulties:

- » Our Mobile Banking App supports accessibility (for both Android and iOS users) through the ability to enlarge font size. We continued to optimise the AIB Mobile App for accessibility, also launching Dark Mode, for those with colour distinction challenges.
- » Bank statements can be ordered in braille/large print, and on our website we make the text scalable where possible.
- » Our ATMs have an adapted keypad that has a raised pip on the number 5 button and universal raised icons.

For customers with a hearing impairment:

- » Our Internet or Mobile channels are a useful alternative to phone or branch-based banking.
- » We have a priority line for customers who use sign language translation services.

For customers with other challenges:

- » With a network of branches across Ireland, plus the reach of the Post Office network, customers can engage face to face for further support. For more information on accessibility in our branches see *Resources available to customers* on p.56.

AIB is a JAM 'Just a Minute' Card-friendly bank. This means that all staff are trained to support customers who need extra time or support with their Banking. AIB was one of the first banks in Ireland and Northern Ireland to become a JAM-friendly organisation.

## SUPPORT FOR CUSTOMER VULNERABILITY

There are times in life when we are less able to cope with everyday things. Banking is for everyone and we want to make sure all our customers can look after their money even during more difficult times. Our Vulnerable Customer Programme was established to develop supports for customers in vulnerable circumstances. The programme is built on the experience of staff who support customers every day and is focused on key areas including Financial Abuse, Addiction, Dementia, Mental Health, Accessibility, and Economic Resilience. The objective of the programme is to take exceptional care of our customers when they need us most and to foster a culture of inclusion and support in everything that we do.

Most people will experience vulnerability in some form over their lifetime. These are the times when our response can make a significant difference. Our customers may need help to remain independent, support with making their own decisions, assistance

to access services or sometimes our customers just need us to listen, understand and be flexible. To embed this thinking across AIB from product development to customer services, we have a dedicated Vulnerable Customer Support team (and Vulnerability Specialists in Northern Ireland), a Vulnerable Customer Policy, procedures and guidance, external partnerships, a comprehensive training programme and a governance structure. We also have an "Additional Support Flag" system to capture when a customer needs additional support. This means that our customers just need to tell us once and our employees can provide consistent support.

Using our systems and procedures, our frontline employees were able to provide additional support to over 3,700 customers when they needed it most. In addition, our Vulnerable Customer Support team assisted with over 1,300 of the most complex customer cases.

From our experience, we understand that customers who are seeking asylum or have recently been granted refugee status may not have access to the standard documents required to open a bank account. In 2021 we provided guidance on our website to help with this. In addition we also visited refugee Reception Centres to open accounts for a number of their residents with the support of the Reception Centre officials.

## VULNERABLE CUSTOMER SUPPORT TEAM

A dedicated Vulnerable Customer Support Team is available to assist staff with the most complex customer cases. The team deals with a wide variety of customer circumstances with Financial Abuse, Dementia, and Accessibility being the areas where they provided most

assistance and support in 2021. To support the work of the team, we have developed strong links with the HSE Safe Guarding Committees, SAGE Advocacy, and the Gardaí. These relationships were particularly important during the Covid pandemic and these groups went out of their way to help us support our customers during this time.

**STAFF TRAINING ON VULNERABILITY**

Our eLearning curriculum covers the key areas of focus under the vulnerable customer programme. It is supported by classroom based training, where employees work through and discuss issues particularly relevant to their area. This training continued via virtual channels, throughout the pandemic. In 2021, we delivered over 24,000 hours of vulnerability training.

**ACCESS TO ADDITIONAL SUPPORT FOR OUR CUSTOMERS**

The Basic Bank Account is an EU-wide financial inclusion initiative, to ensure every EU citizen can get access to a bank account. It is a payment account which is available to customers that are EU residents aged 16 or over. Basic Bank Account holders get a payment card, and there are no charges for everyday banking or maintenance fees for the first year. The account holder can make deposits, withdraw cash and receive/carry out payments. AIB customers can avail of the Basic Bank Account across all channels including in branch and remotely via our Mobile Banking App. In 2021, AIB opened 20.4K Basic Bank Accounts (up from 17.1K in 2020).

The Strategic Banking Corporate of Ireland (SBCI) is a national bank, established to provide low-cost credit available to Irish SMEs, finance for small and medium-sized businesses during times of financial

crisis. AIB has partnered with SBCI to provide our customers with access to a range of schemes including the COVID-19 Credit Guarantee Scheme and the Brexit Loan Scheme (see p.57). For SBCI loan enquiries, customers can contact any of our branches.

During the COVID crisis AIB UK has worked alongside our customers to ensure they had access to finance and support, specifically for SMEs through the COVID Loans Schemes offered through the British Business Bank (BBB). At the end of 2021 AIB UK had originated c.£403m across c.5,650 loans across 3 loans schemes. During 2021 the first of our customers availing of BBB loans were due to make their first repayment. In 2021 we enabled 1,155 repayment flexibilities for the scheme.

**LOOKING FORWARD**

In the UK, the FCA is currently in consultation on Customer Duty which aims to bring a fairer and more consumer-focused and level playing field in pursuit of good customer outcomes. Final policy and rules are expected in Q3 2022.

**For more information visit Resources available to customers:**

- <https://aib.ie/help-and-guidance/need-extra-help/accessibility>
- <https://aibni.co.uk/accessibility-and-disability>
- [www.aibni.co.uk/ways-to-bank](http://www.aibni.co.uk/ways-to-bank)
- [www.aibgb.co.uk/help-and-guidance](http://www.aibgb.co.uk/help-and-guidance)
- <https://aib.ie/help-and-guidance/need-extra-help/accessibility/refugee-asylum-seeker>
- <https://aibni.co.uk/accessibility-and-disability>



# USABILITY OF SERVICES AND ACCESSIBILITY OF PRODUCTS

## CASE STUDY

# €327M

AIB SBCI COVID-19 CREDIT GUARANTEE SCHEME

# 24K

HOURS OF VULNERABLE CUSTOMER TRAINING E-LEARNING

# 20.4K

BASIC BANK ACCOUNTS

### SBCI GUARANTEE SCHEME

The AIB COVID-19 Credit Guarantee Scheme (CGS) was first launched in September 2020, at a time when our SME business customers were working to manage the impact of COVID-19 and needed the support the most. Recognising the challenge of face to face engagement, AIB introduced a streamlined and digital application form enhanced by DocuSign (e-signature) capability, which enabled customers to complete the application process online, including the uploading of necessary supporting documentation. Our customers are also actively supported through a dedicated Centre of Excellence facility to ensure this scheme is provided as effectively and efficiently as possible.

The most recent data published by the Department of Enterprise, Trade & Employment (31 December 2021) indicates that AIB has granted over 57% of the overall drawdown value (€327m of the €571m) in the CGS fund since the launch of the scheme, and 65% of total applications placing us as a market leader in providing SBCI funding to businesses. Our ongoing customer research, tells us that 7 out of 10 customers 'felt valued' as a result of their experience of applying for credit through the CGS scheme leading to a market leading NPS score of +66 for the product. Promoters cite ease of process, helpful staff and good customer service as key elements of the journey, leading to exemplary customer experience at a time when we know and understand that our customers need us more.

The learnings from the CGS experience and how it has positively resonated with our customers will continue to inform and shape continuous improvement across all aspects of our business. The CGS scheme has recently been extended to June 2022 and will continue to facilitate the provision of liquidity and working capital to businesses impacted by COVID-19.

### SBCI BREXIT IMPACT LOAN SCHEME

AIB launched the SBCI Brexit Impact Loan Scheme (BILS) to support small businesses, including farming and fishing in November 2021 with an initial allocation of €140m. The scheme sees AIB continuing to back businesses by providing access to affordable lending with appropriate loan terms to allow businesses adapt to this new and challenging environment. This low-cost funding is available for small and medium enterprises, primary producers and small mid-cap companies that have been impacted by Brexit. Some of the key elements of the funding tailored to benefit businesses which have been impacted by Brexit are

- v. A maximum variable interest rate of 3.5% per annum and
- vi. Loan amounts of €25,000-€1,500,000.

We are committed to supporting businesses as they adapt to a new post Brexit trading environment, the impacts of which are continuing to unfold. Through the BILS we are continuing to ensure our small and medium-sized customers are adequately funded to counter these impacts and make the necessary investments to support the ongoing viability of their businesses. Access to this scheme has been widened to primary industry including farming and fisheries who continue to face difficulties adjusting to Brexit and for whom supports of this nature are a significant benefit.

### VULNERABLE CUSTOMER

Our 'Additional Support Flag' lets our Branch and Direct Phone Banking staff record a customer's additional needs. This means that our customers just need to 'tell us once' and our staff can provide consistent support anytime they contact us. Simple notes such as 'difficulty with voice, provide pen and paper', 'sister will support with more complex decisions', 'speak slowly and clearly' and 'JAM Card user' can make all the difference to a customer's experience and ability to bank independently. The most common types of support required relate to 'Help to manage Banking' (for example due to Dementia) or 'Support Access' (e.g. a customer cannot physically visit a branch). 2021 was the first full year that the flag was in operation and to date we have over 6,000 customers flagged as requiring support.

# ENABLE CUSTOMERS TO MAKE BETTER INFORMED FINANCIAL DECISIONS

## OUR APPROACH

Enabling better informed financial decisions is a key material topic for all our stakeholders. How we contribute to this topic is a key imperative for us.

Our role in AIB is to enable and empower our customers to make the best financial decisions to suit their lives, supporting their financial health. We do this by developing high-quality products and services that are clear, transparent, and easily understandable. We deliver this through a robust product governance, trained financial advisors and a responsible approach to our customer communications. We have a dedicated customer first pillar as part of our Group strategy which underpins all we do.

2023 TARGET

**500K**  
CUSTOMERS SUPPORTED  
FINANCIAL LITERACY

## CUSTOMER FIRST APPROACH

Our Code of Conduct is a core framework that underpins our values and culture. It sets out clear expectations of how we behave and how we do business. One of the five standards of Our Code of Conduct is that we act in the best interest of customers and treat them fairly and professionally. And we deliver on this in a number of ways, including:

- » Promoting fair customer outcomes by always putting their needs first in our advice and in our decision making;
- » Designing products and services that are suitable for our customers; and
- » Providing customers with information which is both accessible and transparent to support and enable them in making informed decisions.

Individual employee breaches of the Code of Conduct are managed through a strict disciplinary process where sanctions up to and including dismissal are applied. Details of the volume of non-compliance with our internal staff Code of Conduct are presented to the Board Audit Committee each year.

## PRODUCT GOVERNANCE

We are aware of the importance of providing our customers with suitable products to meet their needs. Our Product and Proposition Risk Policy sets out our approach for managing and mitigating risks on development of products, propositions, and services, together with substantial changes to existing products. It also applies to the solutions we use to help customers in difficulty. It is a key requirement of our policy, which

applies for both retail and non-retail customers, that their needs are considered right throughout the development and management of products. When designing a new proposition, we also factor in regulatory requirements and ensure we are compliant.

A Product Risk Assessment is completed at key stages of the Product Lifecycle. Products are allocated a risk rating and reviewed on a periodic basis, matched to its rating. These ratings are recorded on the Group Risk Management system. A Product Review is undertaken 6 months after launch and based on its risk rating has periodic reviews ranging from every 1-3 years. Regular, ongoing monitoring of customer feedback with deep dive analysis of errors helps inform us about the appropriateness of the product / proposition and its delivery channels.

The evaluation of a product's performance will be determined by the level of operational, regulatory, conduct and credit risk associated with the product. The effectiveness of the product in meeting customer's needs will be assessed based on customer feedback, the demand through product sales and any complaints relating to the product.

Our Group Product & Propositions Committee is responsible for reviewing and approving new products and propositions including customer solutions and substantial changes to existing products; and to provide oversight of the Group's Product portfolio to ensure it remains fit for purpose for customers. This committee is a sub-committee of our Group Conduct Committee (see *Our Governance* p.11, for more information on our governance structure).

## EMPLOYEE EXPERTISE

Our policy requires that employees involved in the development, distribution and fulfilment of products are trained appropriately. Minimum competency requirements are in place to ensure customers get the required level of service from employees who provide advice and information on retail financial products for and on behalf of regulated firms. Our customer-facing employees involved in the distribution of products must have and maintain relevant qualifications to comply with Minimum Competency Code requirements specific to the products they distribute. For example, our mortgage advisors must hold a Qualified Financial Advisor (QFA) qualification or Accredited Product Advisor (Loans) qualification. Employees maintain their qualifications through Continuous Professional Development. Management monitor that employees maintain the appropriate qualifications for their role.

We have a wide range of sector specialists in place, providing expert knowledge and insights. We also have 11 Agriculture advisors with strong sectoral knowledge, who provide support on the credit assessment of farming enterprises through objective financial and technical analysis.

In July 2021 we introduced our ESG Questionnaire to help engage our business customers in a dialogue about environmental, social and governance matters, and their potential impact for their business. See p.35 for more information.



### RESPONSIBLE COMMUNICATIONS

In marketing our products and services, aligned with our Conduct Risk Framework, we place our customers at the centre of our communications.

When advertising or selling our products, we disclose all relevant information to our customers, including charges. Our product advertising carries warnings to alert our customers of any potential negative consequences of changes to their loan agreement – for example, if they do not keep up their repayments their account will go into arrears and this may affect their credit rating and their ability to access credit in the future.

We conduct a post-launch review of our advertising campaigns to assess our customers' understanding of the campaign purpose and key messages. The review of our major campaigns assesses the following areas: customer sentiment, conversions, brand awareness, affinity, clarity of communications and key message outtakes. All research, insights and customer feedback then forms an integral part of the next campaign planning process.

### Incidents of non-compliance concerning product and service information and labelling

In 2021, 21 error issues were notified to the regulator, the Central Bank of Ireland, under the reporting obligations of the Consumer Protection Code 2012. No errors were notified in the UK or USA. No errors recorded in 2021 resulted in a regulatory warning or fine/penalty.

### PROMOTING FINANCIAL LITERACY

Financial literacy means being able to understand financial terms and use various financial skills including

managing finances, budgeting, operating a bank account, saving/investing and borrowing. Being financially literate is really important to help our customers get the most out of their finances.

In our 2020 AIB Sustainability Report, we launched our target to support and promote financial literacy. In 2021 we have made good progress in promoting financial literacy and in enabling our customers to make better informed financial decisions. Key initiatives include:

#### AIB Future Sparks Programme

An online programme for post primary schools consisting of 'conversation sparking' real life examples of key transferable life-skills. Includes educational teaching resources specifically developed by teachers to support the Junior and Leaving Cert. curriculums across subjects such as Financial Wellness, Business, Economics, SPHE, Home Economics and Career Guidance.

**www.aib.ie** - The goal of our website is to provide customers with clear, easily accessible information about our products and services. It simply and clearly explains what our financial products are, what it means should a customer choose one, and the terms and conditions relating to the product as well as the risks. It also provides supports for those who may need more specialised help such as vulnerable customers, or customers in difficulty. Interest in sustainability matters continues to grow amongst our stakeholders. In 2021, to help our customers who are thinking about some practical steps they can take, we launched a dedicated green living hub. The hub contains content about products and grants available for sustainable lending and home improvements and the savings that can be achieved on energy bills.

### Financial Planning Tool

It is important that customers plan for a secure financial future. Our new 'FutureSorted' quiz on [www.aib.ie](http://www.aib.ie) is designed to engage our customers to start thinking about their financial planning needs. Customers can book a financial review with a Financial Advisor who will look closely at their life and illness cover, mortgage protection requirements, retirement planning and any savings and investment needs to see how the customer can plan for their future.

#### 'Banking - How to' guide

Developed by AIB in partnership with the NOW Group, and launched in 2021, this is a practical guide to managing day to day banking. For more information, see 'Banking - How To' Guide on p.60.

We have a Customer Language review process in place where the goal is to ensure our customer communications are clear and easy to understand.

### PROGRESS AGAINST OUR 2023 TARGET

We have a target for financial literacy, with the aim to support 500,000 customers by 2023. In 2021 we relaunched our Future Sparks programme, with currently 545 secondary schools registered.

In addition, we continue to expand our direct customer supports including our Future Sorted quiz and Banking How to Guide to support the overall financial literacy of our customers.

#### For more information:

[www.aib.ie](http://www.aib.ie)

Code of Conduct (<https://aib.ie/content/dam/aib/personal/docs/sustainability/code-of-conduct.pdf>)



# ENABLE CUSTOMERS TO MAKE BETTER INFORMED FINANCIAL DECISIONS

## CASE STUDY

### AIB FUTURE SPARKS PROGRAMME

**288K**  
STUDENTS

**545**  
SCHOOLS

**90K**  
TREES

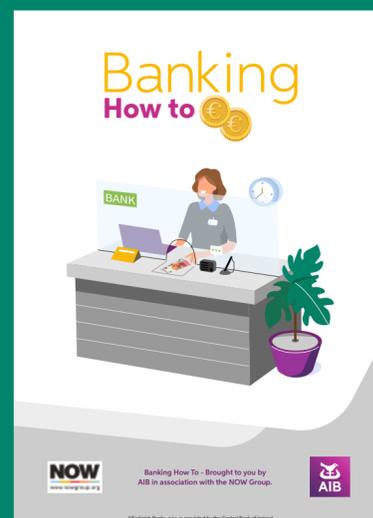
**200+**  
EDUCATIONAL  
RESOURCES

### AIB FUTURE SPARKS

AIB Future Sparks is a financial literacy and skills programme for secondary school students designed to support 12-18 year olds in the development and learning of key life skills. The programme focuses on themes including sustainability, financial wellness, health and well-being, globalisation, and civic literacy. It also supports the development of core skills including communications, critical thinking and digital innovation. Through the programme, students and teachers have access to over 50 educational videos from more than 45 different business, thought leaders and entrepreneurs. They also have access to 200+ educational resources including case studies, worksheets, lesson plans and exam questions with content tailored to the various age groups from 1st to 6th year. Following a re-launch of the refreshed programme in May 2021, 545 secondary schools are now registered to the programme which is 74% of all post-primary schools in Ireland. This equates to approx. 288,000 students between the ages of 12–18 years - making it the biggest programme of its kind in Ireland. It's also supported by the Department of Education through the National Centre for Guidance in Education (NCGE) and the Business Studies Teachers' Association of Ireland (BSTAI). Each group that completes the programme and submits a case study will receive a tree and a plaque for their school, with students also awarded with individual digital certificates to recognise their hard work while supporting biodiversity. Recently, we also worked with Coillte Nature and Forestry Partners to plant 90,000 native Irish trees over the next three years on behalf of new AIB second-level student account holders.

### 'BANKING - HOW TO' GUIDE

In 2021, AIB launched an Easy Read 'Banking - How To' guide aimed at making banking easier for any adult that would benefit from information being provided in a simple user-friendly format.



It provides general banking information that is not specific to AIB. This is to support financial inclusion for everyone regardless of where people choose to bank.

The guide was originally developed at the request of the HSE for inclusion in a training course for adults with a learning difficulty. It is now available on our intranet site for any individual or group who could use it.

It comprises of a booklet and three videos that cover:

- » All about bank accounts

- » Paying for things from your current account

- » Keeping your money safe.

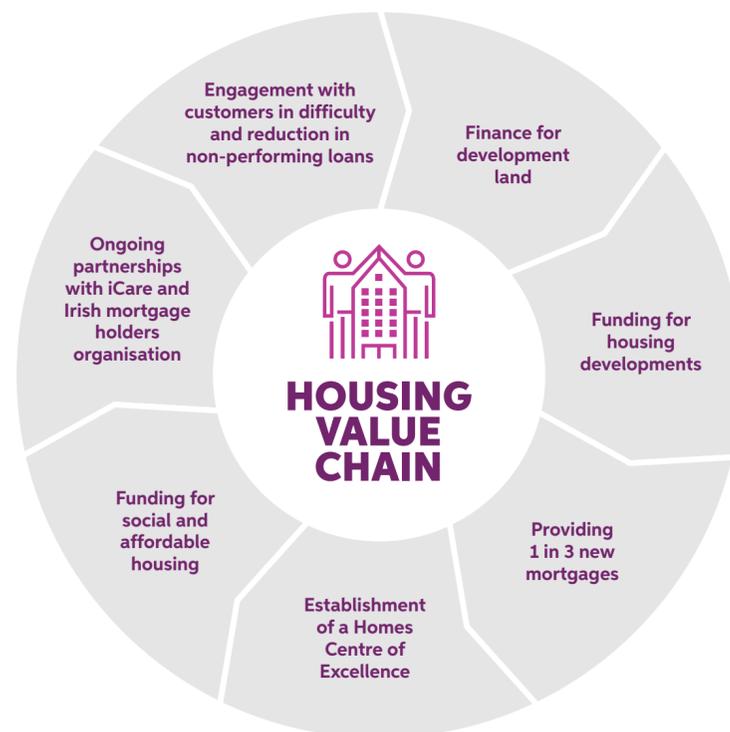
It was developed with support from colleagues across the bank who provided the content, presentation and sign language interpretation. The NOW Group, which provides services that support people with learning difficulties and autism, provided feedback during its development that helped us to ensure the information was clearly explained. Their participants also developed the JAM 'Just a Minute' Card and so they were key contributors in developing the guide.



# HOUSING

## OUR APPROACH

Housing is a topic that resonated with our stakeholders, specifically in relation to how AIB is helping to improve the availability and affordability of housing. Housing is a key strategic priority for us as a pillar bank in Ireland, representing 51% of our loan portfolio. We understand that we have a key role to play in supporting and increasing the housing supply in Ireland. How we contribute to this topic is a key imperative for us.



As a pillar bank in Ireland, AIB is committed to continuing to play a key role in the housing market in Ireland. We are involved across the housing value chain, from the financing of development land, through to supplying funding for housing construction and financing mortgages. We are the largest lender in the Irish mortgage market, financing approx. €3bn of new mortgage lending in 2021.

### SUPPLYING FUNDING FOR HOUSING CONSTRUCTION

In Ireland, our Real Estate Finance team within our Capital Markets segment is a specialist lending unit of over 50 people consisting of lenders, engineers, surveyors and economists. The team provides funding for:

- » Housing developments;
- » Social & affordable housing schemes; and
- » Private Rented Sector (PRS) developments

All new houses being constructed for which we provide finance, are A-rated in terms of energy efficiency. In 2021, AIB joined the Irish Green Building Council as a Platinum member. Capital Markets is the primary funder on current developments that will deliver 10,000 housing units. AIB also provides finance for land development.

We also support housing development in the UK, where we are niche player in the market.

### FINANCING MORTGAGES

Mortgages are a critical financial product to support our customers to acquire their own home. Our mortgage products are targeted at Irish resident adults typically aged 25-55 years, with sufficient sustainable income to service the debt over the life of the mortgage. We provide support to customers who are buying their first home, moving home, switching or carrying out upgrades to their existing home. In 2021, we supported 7,686 First Time Buyers with finance to help them to buy their first home.

We aim to make the mortgage journey as straightforward as possible for all our customers. Expert information is available over the phone or in branch. On our website, new and existing customers can find lots of information to help them on their way. Some of our first time buyer customers have shared their mortgage experience which is available on our website.

AIB is unique in maintaining three distinct mortgage brands – AIB, EBS and Haven. This enables us to offer the broadest set of mortgage propositions, addressing a diverse set of customers’ needs. Across our brands we continuously strive to be competitive, offering fixed rate, variable rate and cashback options as well as tailored products to respond to customer demand.

In the last 12 months, a number of enhancements were made to our mortgage propositions including the introduction of our Haven Green Mortgage (offering a very competitive mortgage rate to customers who invest in housing with a BER rating of B3 or better) and

Most of our operations are in Ireland and right now, the Irish housing system is facing many big challenges including lack of housing supply to buy or rent in the private sector, high cost of building, affordability of house prices and too many people are unable to access appropriate housing or experiencing homelessness. Under the Programme for Government, the Irish Government has developed a “Housing for all Plan” to take steps to improve the housing system, with a longer term vision to achieve a steady supply of housing in the right locations with economic, social and environmental sustainability built into the system. It is estimated that Ireland will need an average of 33,000 new homes to be provided each year from 2021 to 2030.

2024 TARGET

€800M

SOCIAL HOUSING FUND

# HOUSING

reductions to our AIB Green Mortgage fixed interest rates. In addition, we also provided reductions to our standard fixed interest rate mortgage rates, ensuring that AIB offers competitive mortgage propositions enhancing the affordability of our mortgage products across all our mortgage brands. Our Green Mortgage product encourages and rewards customers for investing in energy efficient housing, and supports the reduction of CO2 emissions associated with the national housing stock. A Mortgage Top-Up is designed to support customers who want to invest in improving the energy efficiency of their housing, again helping our customers reduce their carbon footprint. For more information on Green mortgages see p.36.

Mortgage products are managed by a dedicated team in Retail Banking and a network of advisors in our branches support the delivery of our mortgages, as well as other financial products and services. Customer-facing employees involved in the distribution of products must have and maintain relevant qualifications to comply with Minimum Competency Code requirements specific to the products they distribute. Employees maintain their qualifications through Continuous Professional Development and management monitor that employees maintain the appropriate qualifications for their role. The Homes Business is a key business within AIB and is subject to rigorous cadence of oversight right up to Board. It is monitored from a broad range of aspects, market performance, customer experience, financial, operational, credit quality, employee, etc. and reports to Board on a quarterly basis.

## SUPPORT FOR MORTGAGE CUSTOMERS IN DIFFICULTY

A mortgage loan to buy a home, is probably the most important financial commitment for our customers. When a customer is worried about paying their mortgage or has missed a mortgage payment we encourage them to contact our Arrears Support Unit as soon as they can. We promise to listen, be open-minded and not to judge. We can also give contact details for third party advisors that can give independent advice. We will work with our customers to find a resolution and available options including interest only periods, fixed repayments, split mortgages and more are set out in our Mortgage Arrears Resolution Process booklet.

All customers in mortgage difficulties are entitled to engage with independent third parties or have third parties engage with AIB on their behalf. AIB engage with the relevant government/customer advocacy organisations (MABs, Abhaile, IMHO) where required and customer correspondence contains details of options to engage with these parties. AIB has demonstrated a proactive approach to ensuring our solution suite and resolution strategies continue to evolve and remain appropriate for supporting our customers in difficulty.

One of the options available to customers is the Mortgage to Rent (MTR) Scheme which is an initiative to help people remain in their home who are unable to meet their mortgage repayments. The solution is designed to provide customers with peace of mind by facilitating the sale of their home to a MTR Provider,

who then rents the property back to the customer at a rent that is affordable for them. The customer continues to live in their own home with minimum disruption to family life. The scheme also enables the bank to deliver a sustainable solution to non-performing debt and releases capital, which supports new lending and growth of the overall economy. The MTR solution is designed to avoid legal repossession scenarios.

AIB is the largest lender and supporter of Mortgage to Rent in Ireland and provides funding assistance to the two largest providers of the scheme (iCare and Home for Life). iCare is an Approved Housing Body and registered charity that helps homeowners in financial difficulty remain in their home through the Government's 'Mortgage to Rent' scheme. The Irish Mortgage Holders Organisation and AIB have partnered on a joint initiative which aims to save customers with mortgage difficulties from losing their home.

## SUPPORTING SOCIAL HOUSING

Our Capital Markets segment has a specialist Social Housing Sectoral Team focused on provision of lending solutions to Approved Housing Bodies (AHB) and other social housing providers. Lending activities support the acquisition of new build BER A-rated, second-hand and Mortgage to Rent (MTR) homes. This team supported the provision of c.800 new and second-hand homes to the social housing market in 2021. We also have a UK Housing sector team that supports social housing.

## €800M SOCIAL HOUSING FUND

During 2021 we fully allocated our €300m Social Housing Fund for both development and investment funding, which was launched in October 2020 with the aim of funding 2,000 social housing units. Development funding is managed by our Real Estate Finance team and investment funding by our Social Housing team. Through a combination of Social Housing development and investment, over 2,100 homes were delivered under the fund.

**7.7K**  
FIRST TIME BUYERS SUPPORTED

**10K**  
RESIDENTIAL UNITS  
- PRIMARY FUNDER

**€300M**  
SOCIAL HOUSING  
FULLY ALLOCATED IN 2021

In July 2021, we launched an additional €500m Social Housing fund to back the provision of a further 3,000 social houses and utilisation of the fund is monitored on a monthly basis. This brings our total Social Housing Fund to €800m by 2024. Social Housing buildings that we finance are considered eligible for the pool of assets underpinning our Green Bond and Social Bond programme.

The ability for institutional investors to invest in social housing was impacted by a change in Government policy in 2021, and this may affect our ability to provide long-term funding to this cohort. The launch of the Government's Housing for All plan should provide future opportunities, specifically for social housing acquisitions by Approved Housing Bodies. We continue to work collaboratively both across our business and with relevant external partners to seek opportunities to provide a combined development and investment facility to Approved Housing Body clients.

### RISK MANAGEMENT

Our housing finance activities are operated within a robust risk management process, and we closely monitor our exposure to different aspects of the residential market. Key credit risk policies governing the funding we provide for housing finance include our Residential Development Policy, our Residential Mortgage Policy and our Social Housing Policy.

- » Our Residential Development policy – governs lending for constructing residential developments. It was approved by our Group Credit Committee.

- » Our Residential Mortgage policy – governs lending for part funding the purchase, refinance or top-up/equity release on residential property. It was approved by our Group Risk Committee.
- » Our Social Housing and Commercial Investment policies govern lending for social housing. It was approved by our Group Credit Committee.
- » Our Group Forbearance policy governs the range of modifications/alternative repayments considered for mortgage customers in difficulty and ensures our processes are aligned with the requirements of the Code of Conduct on Mortgage Arrears. It was approved by our Board Risk Committee.

### LOOKING AHEAD

In addition to supporting the development of social housing, AIB will also be a key stakeholder in the Government-led First Homes Affordable Homes initiative. AIB will both contribute to the private equity fund to fund equity element of the house purchase and also provide mortgage finance to customers. It is anticipated that the first round of the First Homes scheme will support the delivery and purchase of 6k to 8k new affordable homes to the Irish market. It is anticipated that the First Home initiative will be launched to market in mid-2022.

The Central Bank of Ireland have indicated their intention to review the operation of the Macro Prudential Mortgage (MPM) lending limits in 2022. It is not clear at this stage if the review will result in a significant change to the current MPM limits.



# UNEP FI PRINCIPLES FOR RESPONSIBLE BANKING - CASE STUDY

Our strategic focus on climate action and housing is reinforced through the work we have undertaken as signatories of the UNEP Finance Initiative (UNEP FI) Principles for Responsible Banking.

In last year's report, we updated on the SMART targets we had set for Climate Action. In 2021, we refreshed our Impact Analysis using the UNEP FI Portfolio Impact Analysis Tool for Banks. The tool, which is used to help Bank's to identify the areas in which they have the most significant impact, takes into consideration national needs across twenty impact areas. As Ireland is our most significant location of operation, we focused on the national needs of Ireland (see table). Considering the impact areas with highest or very highest need for Ireland, along with the profile of our business, we determined Climate Action and Housing are where we can make the most significant impact in Ireland.

## CLIMATE ACTION - NATIONAL CONTEXT

The UNEP FI Portfolio Impact Analysis Tool for Banks identifies 'CO2 emissions per capita' as a high need nationally, which is leading to negative economic and social implications for Ireland. Access to finance to support the transition to a low carbon economy is critical.

In July 2021 the Climate Bill was passed into law, which requires a 51% reduction in national greenhouse gas emissions by 2030 and for Ireland to achieve Net Zero by 2050. In addition the Climate Action Plan was published in November 2021 which sets sector level reduction targets and outlines an action plan and set of initiatives to deliver the reductions required.

In October AIB doubled the Climate Action Fund to €10 billion, supporting Ireland's transition to a low carbon economy. AIB previously allocated €5 billion to the fund which was originally launched in 2019 with a target of lending €1 billion per annum for green and transition lending over five years – a target which

**SMART Target 1:** Provide €10 billion in 'Green' lending to support the transition to a low carbon economy from the period 2019-2023. Reflecting strong progress in supporting Ireland's transition to a low carbon economy, during 2021 we have doubled the target from €5 billion to €10 billion. We will be further strengthening this target when we have our science based targets in place and externally validated during 2022.

AIB now aims to substantially exceed by the end of 2023. Given the investment required to finance the transition to a low carbon economy is estimated at c.€50 billion for Ireland (Source: Goodbody), banks have a crucial role to play in supporting individuals and businesses to make the transition. AIB has been accelerating the rollout of products and services that assist customers in reducing their carbon emissions, with green lending accounting for 19 per cent of our new lending in 2021.

Building on AIBs previous Net Zero ambition and portfolio level emissions analysis, internal science based emissions reductions targets (ERT) have been developed in 2021, covering 63% of AIBs customer lending portfolio. The portfolios covered by ERT targets include electricity generation (3% of loan book), residential mortgages (51%) and Commercial real estate (9%).

## HOUSING - NATIONAL CONTEXT

The UNEP FI Portfolio Impact Analysis Tool for Banks identifies 'supply and affordability of housing' as a high need nationally, which is leading to negative economic and social implications for Ireland. Increasing the supply of social housing is a key quantitative measurement proposed within the UNEP FI impact analysis, which Banks can focus on to increase their positive impact against this identified high national need area.

To contextualise the national focus on the housing challenge in Ireland, the Irish government signed the Lisbon Declaration in

**SMART Target 2:** Provide €800m in lending approvals that supports the provision of social housing over the period 2020-2024. (€300m fund launched in 2020 and €500m fund launched in 2021).

During 2021 internal science based emission reduction targets have now been set for c.63% of our group lending portfolio. This includes the Mortgage portfolio (51%), Commercial & Real Estate (CRE) lending book (9%) and Electricity Generation (3%). This is aligned to Science Based IEA decarbonisation pathways.

Please see the Principles for Responsible Banking Tables on p.94-99

2021 to work towards ending homelessness by 2030. According to the government Housing for All Plan 2021, over 60,000 households are on social housing waiting lists. Additionally Social Justice Ireland highlight that 30% of the current social housing building stock is more than 40 years old. The number of households seeking social housing in Ireland has increased by 33% since 2016 (when the data reported 90,600 households).

The Irish government has a number of significant initiatives which are seeking to address these challenges. As part of the Housing for All Plan 2021 there is a national commitment to provide on average 9,500 new Social Housing Homes to 2026. Through an updated 'Housing First' National Implementation Plan, provide 1,200 tenancies over the next five years for people with a history of rough sleeping, or long-term use of emergency accommodation and who have complex needs.

In addition, 36,500 Local Authority properties will be retrofitted to B2 Building Energy Rating (BER) or Cost Optimal equivalent by 2030 as outlined in the Climate Action Plan 2021. AIB are seeking to participate as both an equity provider and mortgage provider in a State-backed shared equity 'First Homes' scheme. The scheme aims to support first-time buyers and promote home-ownership in middle - lower income ranges. The delivery of this scheme is under investigation stages currently and is underpinned through the publication of the Affordable housing Act 2021.

SUMMARY OF IRELANDS NATIONAL NEEDS				
IMPACT	IMPACT AREA	METRIC	SCORE	
QUALITY (PHYSICAL AND CHEMICAL PROPERTIES) AND USE OF RESOURCES	WATER	Quality of water bodies	3	
	AIR	Concentration of particles	1	
	RESOURCES EFFICIENCY / SECURITY	Energy consumption per capita Fresh water withdrawals	2 1	
	CLIMATE	Climate risk CO2 emissions per capita	1 3	
	WASTE	Solid municipal waste Recycling rate	4 2	
	ECONOMIC VALUE CREATION FOR PEOPLE AND SOCIETY	INCLUSIVE, HEALTHY ECONOMIES	Ease of doing business	1
			Poverty rates R&D spending Financial inclusion	1 3 1
ECONOMIC CONVERGENCE		Income level	1	
		Social mobility Other ( economic convergence)	2 2	
AVAILABILITY, ACCESSIBILITY, AFFORDABILITY AND QUALITY OF LIFE	WATER	Availability of water Access to water	1 2	
	FOOD	Undernourishment	1	
		Healthy nutrition Food security	4 1	
	HOUSING	Slum dwelling	1	
		Homelessness Affordability	2 3	
		Overcrowding	1	
	HEALTH & SANITATION	Life expectancy	1	
		Healthy Life Expectancy Universal Healthcare Coverage (UCH)	1 2	
	EDUCATION	Years of schooling Literacy	1 1	
	EMPLOYMENT	Unemployment Working conditions	2 1	
	ENERGY	Access to energy Energy affordability	1 2	
		MOBILITY	Transport infrastructure Public transport	2 2
	Traffic congestion		3	
Road Safety	1			
ICT	Use of internet Freedom of press Working conditions	1 1		
CULTURE & HERITAGE	Government spending for capita	1		
PERSONAL SECURITY	Risk of humanitarian crises	1		
	Human rights policy and regulation	2		
JUSTICE (& EQUALITY)	Rules of law	1		
	Gender Equality	1		
	Racial/ethnic discrimination*	1		
STRONG INSTITUTIONS, PEACE & STABILITY	Presence of armed conflict	2		
	Government debt Corruption	2 1		

Source: UNEP FI PRB Portfolio Impact Analysis Tool for Banks



# AIB IN OUR COMMUNITY

## OUR APPROACH

In AIB, we want to be an accelerator for change toward a more sustainable way of living, which is why we're backing our communities to achieve a more sustainable tomorrow. We know that when we come together, we can make a meaningful difference, so we're pledging to support, to educate, to learn from and to empower our communities.

## ONGOING FOCUS ON AIB IN OUR COMMUNITY

With deep community roots, we continue to demonstrate our support and are committed to making a positive contribution to society and the communities where we live and work. As a business, an employer and neighbour we're connected through our people; our physical presence on high streets enables face-to-face advice and support for grassroots activities across local communities. We take our obligations as a community partner seriously, it's an area of ongoing strategic focus for us.

2021 was another year where communities continued to be impacted by the pandemic, and where AIB continued to respond through our group-wide community programme of strategic partnerships, volunteering, corporate giving and fundraising. We contributed over €10m in financial investment to support our chosen partners and the wider community.

The community strategy is governed by the Sustainability Committee and the Sustainable Business Advisory Committee, a sub-committee of the Board. All strategic decisions go through these channels before budget sign off and implementation.

### SUPPORTING THE VULNERABLE: AIB TOGETHER €1M FUND

Through supporting organisations which reach into the heart of our communities and help vulnerable groups affected by the pandemic, we distributed €1m to those most in need, including our charity partners Age NI, Age UK, ALONE, FoodCloud, Pieta, and Soar.

### EMPLOYEE VOLUNTEERING AND FUNDRAISING

Our people volunteered and fundraised for over 600 local organisations and surpassed the 10,000 volunteering hours mark since 2018. We actively encourage our people to get involved in their local communities and provide 2 days each year for them to support local causes.

Emma Raben, AIB Online Services Manager, volunteers in the Sue Ryder Foundation charity shop in Portarlington, Co. Laois, which is dedicated to helping older people to live safely, securely and independently.



**"I LOVE WORKING IN THE SHOP, I'VE MET SO MANY PEOPLE IN THE COMMUNITY, FRIENDS AND NEIGHBOURS. THE SHOP IS PART OF THE COMMUNITY IN PORTARLINGTON; SOME CUSTOMERS HAVE NO FAMILY SO THEIR INTERACTIONS WITH PEOPLE IN THE SHOP ARE REALLY IMPORTANT."**

### OUR COMMUNITY IMPACT

Our core community partners enable us to further develop our impact on society and focus on key areas where we can make a real difference across youth, education, sustainability and financial inclusion.

### ENABLING THE REDISTRIBUTION OF 19 MILLION MEALS WITH FOODCLOUD

AIB and FoodCloud have a shared vision of building more sustainable communities to support the just transition to a low carbon economy, and an Ireland

## THE GOAL MILE

First year of AIB sponsorship of the GOAL Mile, raising €409k with 20,000 participants in over 20 countries around the world – making 2021 the largest GOAL Mile ever!



4<sup>th</sup> year of partnering with FoodCloud. Since 2018, with AIB's support alone, over **19 MILLION MEALS** have been redistributed to over 600 charities throughout Ireland



6<sup>th</sup> year of partnering with SOAR. **5,847** teenagers supported across Ireland



25 years of partnering with Junior Achievement.



**1,260** volunteers working with over **29,000** students in **355** schools

where no good food goes to waste. Since the start of our partnership, AIB has enabled FoodCloud to redistribute over 19 million meals.

AIB employees have volunteered with FoodCloud, either in the Cork, Galway or Dublin Hubs, gleaning on farms, or through skilled volunteering sessions, donating over 8,000 volunteering hours since the start of our partnership in 2018. Our partnership has meant that 7,640 tonnes of food was redistributed, with over 24k tonnes of CO2 eq. avoided.



**“In 2021, 54% of volunteers who supported the distribution of food from our Hubs were from AIB. We have had great engagement with teams across AIB and are incredibly proud of our partnership and the ongoing support from AIB towards our vision of a world where no good food goes to waste.”**

- Iseult Ward, CEO & Co-Founder, FoodCloud



**STEPPING UP FOR THE GOAL MILE**

After over 16 years of supporting GOAL through fundraising events, in 2021, we became official lead sponsor of the humanitarian agency’s flagship fundraising event, the GOAL Mile, the beginning of an exciting partnership, which sees AIB backing the communities across Ireland that support GOAL every Christmas.

In 2021, with the backing of AIB, the GOAL Mile reached more communities throughout Ireland and, virtually, across the globe. The growth of the event will empower GOAL to support even more communities affected by climate change across the world. The new GOAL partnership evidences AIB’s commitment to supporting sustainable communities, not just in Ireland but globally, and specifically to support those most impacted by the effects of climate change.

**CELEBRATING 25 YEARS OF PARTNERSHIP WITH JUNIOR ACHIEVEMENT IRELAND**

Junior Achievement Ireland (JAI) helps children of all ages understand the benefits of staying in education, building a society that is socially and economically inclusive. After 25 years of partnership, in 2021, we committed to supporting a new Junior Achievement module, ‘It’s My Business’, which educates students

on the theme of entrepreneurship. This will reach over 6,000 primary school students who will learn how to turn an idea into a business.

Partnering with JAI is aligned with AIB’s wider sustainability strategy to play its part in building a society that is socially and economically inclusive through investing and raising awareness in access, education and innovation for our customers, colleagues and our communities. Over the course of our 25-year partnership, 29,700 students have completed Junior Achievement programmes facilitated by more than 1,260 AIB volunteers in 355 schools around Ireland.



**“I TOOK PART IN THE JUNIOR ACHIEVEMENT CAREER SUCCESS PROGRAMME WITH BRONAGH FROM AIB. I LEARNED ABOUT COMMUNICATION SKILLS, THE IMPORTANCE OF TEAMWORK AND WHAT A PERSONAL BRAND IS. WE FELT IT WAS VERY REASSURING THAT A LOT OF THESE SKILLS ARE TRANSFERABLE SKILLS THAT WE HAVE DEVELOPED IN SCHOOL THROUGH GROUP PROJECTS OR BEING PART OF A SCHOOL TEAM.”**

- Sean O’Leary – Student, St. Paul’s CBS, North Brunswick Street, Dublin 7

- Pictured are CEO of Junior Achievement Ireland, Helen Raftery and AIB CEO Colin Hunt with students from Harold’s Cross NS. Pic: Marc O’Sullivan

**HELPING TEENS SOAR**

Soar have been on the ground delivering workshops to teenagers in Ireland since 2012, and its school workshops aim to empower young people to thrive and fulfil their potential. AIB’s support has enabled 5,847 young people to be supported through workshops and development programmes.



**“IT WAS GREAT! I REALLY GOT TO EXPRESS MYSELF AND GET TO KNOW MY CLASSMATES BETTER. IT WAS A GREAT WAY TO PUSH YOUR BOUNDARIES AND GET RELIEF IN THE HARD TIME OF BEING A TEEN TODAY.”**

- Teen at St Aloysious College, Carrigtwohill, Co Cork

# COMMUNITY SUPPORT

## AIB AND THE GAA

AIB is the longest continuous sponsor of the Gaelic Games, a relationship which goes back over 30 years and now in its 31st season as sponsors of the GAA All-Ireland Club Championships. AIB is also in its 9th season as sponsor of the AIB Camogie Club Championships and has played a key role in the support and elevation of the women's game at grassroots level. Together, the Club Championships see 65,000 players compete from more than 2,500 clubs nationwide. Since 2014, AIB has also sponsored the GAA All-Ireland Senior Football Championship, the country's premier football competition, which sees AIB present throughout the Gaelic Games calendar. The GAA and Camogie partnerships are of strategic importance to AIB as crucially there is a Gaelic Games club at the heart of every local community in Ireland. AIB has activated its sponsorship of all three competitions under the platform #TheToughest, which was named best sponsorship of the decade by marketing professionals in 2019.

## LOOKING FORWARD – 2022 PRIORITIES

We believe in backing our communities today to connect and inspire by working together for a brighter, stronger and more sustainable tomorrow. Following a strategic review of our approach and impact in 2021, we are committed to supporting the Sustainable Development Goals and raising the profile of our community presence and our partners, to further increase our social impact.

We will continue our commitment to communities and focus on core areas of sustainability, education & opportunities, digital & innovation and financial inclusion as part of our Sustainable Communities Strategy and are committed to developing enhanced reporting mechanisms and clear KPIs in 2022 and beyond.

## CASE STUDY

### FOODCLOUD

FoodCloud has been a key partner since 2018, and over that time the partnership developed a significant volunteer programme with over 1,300 AIB employees volunteering at FoodCloud's hubs donating over 8,000 volunteer hours. This volunteering involved packing food which then went onto charities, as well as skilled volunteering which involved AIB specialists supporting FoodCloud in the areas of social media, technology, and finance.

AIB has enabled the redistribution of over 19 million meals through FoodCloud and our partnership has meant that 7,640 tonnes of food was redistributed, with over 24k tonnes of CO2 eq. avoided as at the end of 2021.

**“Our partnership has had a transformative impact on FoodCloud and our ability to support our network of Community Groups across the country. Thanks directly to AIB support, more than 8,000 tonnes of surplus food – the equivalent of 19.2 million meals – have been redistributed to community groups all over the country since our partnership began in 2018. By preventing this food going to landfill, AIB has directly ensured nearly 26,000 tonnes of CO2 equivalent has been avoided. We are so grateful to the 1,360 AIB staff who have donated over 8,200 volunteer hours to FoodCloud, especially to those who provided an essential part of FoodCloud's service during COVID-19.**

- Iseult Ward, CEO & Co-Founder, FoodCloud

### JUNIOR ACHIEVEMENT IRELAND

Partnering with Junior Achievement Ireland (JAI) is aligned with AIB's wider sustainability strategy to play its part in building a society that is socially and economically inclusive through investing and raising awareness in access, education and innovation for our customers, colleagues and our communities. JAI utilises the experience of those already in the workforce to help children of all ages fully understand the important role that education will play in shaping their futures. AIB has supported JAI since its foundation in 1996 and our people volunteer every year to work on structured JAI programmes that help students make the connection between their studies and their post-school futures. During this 25-

year partnership, 29,700 students have completed Junior Achievement programmes facilitated by more than 1,260 AIB volunteers in 355 schools around Ireland.

**“We talked about interviews, what to do and what not to do and then we prepared an elevator pitch. Bronagh explained everything in way we could all understand. She told us her story, about what she did after school, what she studied and about her career path. I definitely feel more prepared for my future work life and feel less nervous about going for an interview.”**

- Sean O'Leary – Student, St. Paul's CBS, North Brunswick Street, Dublin 7





# FUTURE PROOF BUSINESS

As the world continues to transition to a 'new normal' there are many issues that remain steadfast in order to ensure long-term success – not least the loyalty of our customers and the attractiveness of our business for employees to serve them. More than ever the relationship between good customer service, enabled by loyal and engaged staff who serve their needs is of critical importance. We are committed to providing positive experiences for all our customers, creating an attractive place to work for our staff and learning from our mistakes, putting things right when they go wrong. In an increasingly digitalised world, we're also continuing to invest in the resilience of our business, specifically in areas such as data ethics and cyber security which continue to evolve as mainstream for our business.

THIS CHAPTER COVERS OUR 2021 RESPONSE AND PROGRESS TO THE FOLLOWING MATERIAL TOPICS:

→ CUSTOMER EXPERIENCE

→ DIGITALISATION AND INTERCONNECTIVITY

→ CYBER SECURITY AND BUSINESS SYSTEM RESILIENCE

→ PROTECT OUR CUSTOMERS DATA AND PRIVACY

→ TALENT ATTRACTION, RETENTION AND DEVELOPMENT

→ CORPORATE GOVERNANCE & ACCOUNTABILITY

## OUR TARGETS

2023  
TRANSACTIONAL NPS

+53

2023  
>2.25M  
DIGITALLY ACTIVE CUSTOMERS

ONGOING  
GENDER  
BALANCED  
BOARD, EXCO AND ALL MANAGEMENT

13 CLIMATE ACTION



17 PARTNERSHIPS FOR THE GOALS



5 GENDER EQUALITY





# FUTURE PROOF BUSINESS OVERVIEW

DISCLOSURE	2021 PROGRESS	LOOKING AHEAD	SECTION
<p><b>Customer experience</b></p>	<p>Launch of AIB Green Living online hub to <b>support our customers</b> in choosing greener solutions for their lives, homes and businesses.</p> <p>Customer experiences and Interactions continued to be monitored and measured via the <b>AIB Voice of the Customer (VOC) programme</b>:</p> <ul style="list-style-type: none"> <li>• 78K Voice of the Customer Surveys completed.</li> <li>• +45 Transactional NPS.</li> <li>• 62% of Customers rated AIB as a 9 or 10.</li> </ul> <p><b>Award Winning Customer Experience Team</b> - External validation of the calibre of our work is recognised in the multiple awards our teams have received during 2021.</p>	<p><b>Key CX themes</b> for 2022</p> <p>Focus on key themes including personalisation, improved digital interactions, reduced friction in transformational journeys and a better on boarding experience.</p> <p><b>Conduct and complaints initiatives</b> planned include:</p> <ul style="list-style-type: none"> <li>• A new IT complaints system</li> <li>• Embedding our Hybrid Root Cause Analysis model</li> <li>• Further Centralisation of complex complaints.</li> </ul>	<p>Delivering better customer outcomes p.71-74</p>
<p><b>Digitalisation and interconnectivity</b></p>	<p>We now have <b>1.85m digitally active customers</b>, up 8% from 1.72m in 2020</p> <p>Digital transformation:</p> <ul style="list-style-type: none"> <li>• Majority of business customers migrated to a modern <b>new Business Banking platform</b>.</li> <li>• <b>End-to-End Credit Programme</b> - roll out of the nCino Platform in our Finance and Leasing business.</li> <li>• <b>Faster Commercial Grading</b> - launched our new Commercial Grading System for facilities where the borrower's total AIB exposure is €300,000 or greater.</li> <li>• <b>Added to our digital capabilities</b> such as broadening the scope of customers who can open a bank account with us remotely, enabling customers to change their address or get a reminder of their Debit Card PIN <b>on the Mobile app</b>.</li> </ul> <p>A comprehensive <b>digital staff advocacy programme</b> was created to upskill our employees to enable them to better support our customers.</p> <p>"Safely working from home" programme - <b>home based assessments of our staff</b> remote working environments.</p>	<p>Our <b>Digitalisation Programme</b> has identified key areas of focus for 2022. We will continue to invest this year on enabling <b>new digital features on the mobile app</b> to support our customers to self-serve for their day-to-day banking needs.</p> <p>Focus on digitalisation for our business customers. We will <b>continue the rollout of the nCino platform</b> across our staff and customer journeys.</p> <p>Our employees will continue to embrace and embed our <b>Future of Work hybrid working model</b> and we will transform how we collaborate and develop our digital offering through the implementation of <b>Agile at scale</b> across the organisation.</p>	<p>Digitalisation and interconnectivity p.75-77</p>
<p><b>Cyber security and business system resilience</b></p>	<p>Programme of work (<b>Programme Arma</b>) was mobilised to assess AIB's preparedness in a ransomware situation.</p> <p>The Board approved our refreshed <b>Cyber strategy</b> in February 2021. It sets out our security purpose, principles and objectives.</p> <p><b>External verification and vulnerability analysis</b> completed to assure the security of our IT systems and data.</p> <p>95% of our employees completed <b>mandatory Information Security training</b>. Training is underpinned by <b>ongoing phishing simulations</b>; the results allow us to measure AIB's resilience to such attacks.</p> <p>In Q4 2021 AIB entered into an <b>€65m agreement with IBM</b> for the purchase of new Mainframe server technology.</p>	<p>The main regulatory changes that are expected for cyber security in 2022 and beyond:</p> <ul style="list-style-type: none"> <li>• <b>DORA</b> - The EU Digital Operational Resilience Act for financial services;</li> <li>• <b>Network and Information Security (NIS) Directive 2</b> - expanding the scope and sectors in the current NIS Directive; and</li> <li>• <b>ePrivacy Regulation</b> – A proposed regulation concerning the respect for private life and the protection of personal data in electronic communications. (Expected in 2022 / 2023).</li> </ul>	<p>Cyber security and business system resilience p.78-80</p>



# FUTURE PROOF BUSINESS OVERVIEW

DISCLOSURE	2021 PROGRESS	LOOKING AHEAD	SECTION
<p><b>Protect our customers' data and privacy</b></p>	<p>Reviewed and updated our data strategy to align to the bank's overall strategic objectives <b>including ESG</b>.</p> <p>Dedicated <b>Board training</b> on the topics of data protection and ePrivacy.</p> <p>Training - <b>Developed an Institute of Banking accredited training module</b> on Data Ethics. Over 7,000 employees across the Group have undertaken <b>Data Ethics training</b>. 94% of employees completed mandatory <b>Data Protection training</b>.</p>	<p>Developing a new <b>Data Ethics assessment approach</b> which gives a new way of assessing some of our data-driven business initiatives.</p> <p>The Office of the DPO will publish a <b>new ePrivacy Policy</b> and an updated <b>Data Protection Policy</b> during H1 2022.</p>	<p>Protect our customers' data and privacy p.81-83</p>
<p><b>Talent attraction, retention and development</b></p>	<p>Launched our new <b>Employee Value Proposition statement</b>.</p> <p><b>New policies and handbooks introduced</b> on Domestic Violence &amp; Abuse, Menopause and Family Leave, and a year-round employee engagement calendar of diversity awareness and educational events.</p> <p>Our <b>Future of Work Programme</b> is reimagining and repurposing our ways of working - we are committed to a blend of remote and office working in 2022 and beyond.</p> <p>Close to 3,000 people leaders attended AIB's first ever <b>virtual Leadership Summit</b>.</p> <p><b>Leaders Enabling A Difference (LEAD) programme</b> launched - a development initiative to support and empower our leaders.</p> <p><b>Gender Diversity</b> - 2021 Equileap Gender Equality Global Report found AIB to be 1 of only 10 companies out of a total 3,702 companies researched, that achieved gender balance at all four levels considered - Board of directors, Executive, Senior Management and workforce.</p> <p>2020 &amp; 2021 Grad Ireland winners of the "<b>Most Popular Graduate Recruiter in Banking, Investment &amp; Financial Services</b>".</p> <p>First report on Gender Pay.</p>	<p>We continue to engage and adapt to the changing market conditions to ensure AIB <b>remains an employer of choice in the market</b>.</p> <p>As part of an overall <b>review of our performance management framework (Aspire)</b>, we have revised and simplified our mandatory leadership and culture objective to now focus on driving 1:1 regular performance feedback and coaching conversations for 2022.</p>	<p>Talent attraction, retention and development p.84-88</p>
<p><b>Corporate governance and accountability</b></p>	<p>Appointment of <b>Jim Pettigrew</b> as Chair of the Board.</p> <p>Established the <b>Group Sustainability Committee (GSC)</b>, complementing the existing Sustainability Board Advisory Committee (SBAC).</p> <p>Advanced the work of the new <b>Technology &amp; Data Advisory Committee (TDAC)</b>.</p> <p><b>Human Rights - pilot</b> process to model the identification of our salient human rights issues.</p>	<p>A number of recommendations and actions were agreed by the Board, and which will be implemented throughout 2022.</p> <p>Promoting and embedding a strong culture of accountability through the incoming <b>Individual Accountability Framework</b> which includes the Senior Executive Accountability Regime (SEAR).</p> <p><b>Human Rights Commitment Pilot</b> - a number of prioritised issues will be examined in more detail to assess the materiality and agree the relevant actions to address during 2022.</p>	<p>Corporate governance and accountability p.89-92</p>

# CUSTOMER EXPERIENCE

## OUR APPROACH

AIB's purpose is to back our customers to achieve their dreams and ambitions. To help achieve this, we adopt a Customer First approach, enabling us to provide a best-in-class customer experience.

2023 TARGET

**+53**

TRANSACTIONAL NPS

## DELIVERING BETTER CUSTOMER OUTCOMES



The purpose of our approach is to provide a best-in-class customer experience and service. Using customer feedback and insights to inform our actions, we design and implement improvements to processes, which enables us to deliver better outcomes. The approach is also forward-looking, anticipating the future needs of our customers and how best to plan for them.

### HOW AIB MANAGES THE PROCESS

To deliver excellence in the customer journey, we need to understand our customers experiences and the interactions they have with us. Interactions are monitored and measured via the AIB Voice of the Customer (VOC) programme which employs email,

phone and digital surveys across 20 transactional journeys to capture customer feedback and insights. In 2021, c.78,000 customers (consumer and business) completed our VOC surveys and shared with us their experience of how we were performing across our customer journeys:

- » 85% scored AIB as easy to deal with (AIB scored 4 or 5 out of 5, with 5 being 'very easy')
- » 80% of our customers felt valued by us (AIB scored 4 or 5 out of 5, with 5 being 'very valued')



» 62% of our customers, when asked how likely they would be to recommend AIB to their family, friends or colleagues, scored AIB as 9 or 10 (out of 10) with 10 being the highest level of satisfaction.

Our Customer Experience (CX) teams work on continuous design improvement projects to deliver better banking experiences across customer interaction areas such as Personal Lending, SME Credit and Green Living Hub. A Customer Language team oversees customer communications.

### IMPACTS ON CUSTOMER EXPERIENCE

To ensure best practices are adopted and maintained, and the best outcomes delivered, a policy framework is in place, which is subject to regular review. This includes a robust Conduct Risk Framework, as well as a comprehensive suite of policies including:

- » A Group Conduct Risk policy which clearly defines expected standards of behaviour, including how we lend responsibly and how we support our vulnerable customers.
- » A Complaints & Errors policy that documents how we support our customers when they complain, ensures compliance with our regulatory obligations for handling complaints and errors, and details the requirement to complete Root Cause Analysis. In addition, our Complaints policy defines the roles and responsibilities to support our customers, to work together and to create the best outcome for them in line with our customer-focused culture.

Our responsibilities incorporate compliance with regulatory obligations, including:

#### The Consumer Protection Code 2012

- » Complaints not resolved within five days are governed by a regulated process, requiring a designated point of contact and regular written updates.
- » If a complaint is not resolved within 40 days, the customer should be informed of the anticipated timeframe to resolve the complaint and informed that the complaint can be referred to the Financial Services and Pensions Ombudsman (FSPO).

- » European Union Payment Services Regulations (PSR) 2018 provide for complaints for PSR-related dispute regulation procedures to be closed in 15 days, and in specific exceptional circumstances where there may be a third-party reliance for closure, in 35 days.

#### Additional regulations outlined in policy:

- » Consumer Credit Act 1995
- » The Lending to Small and Medium Enterprises Regulations 2015
- » S.I 375/2017 European Union (Markets in Financial Instruments) Regulations 2017
- » Financial Services and Pensions Ombudsman (ROI)
- » General Data Protection Regulation 2018 (GDPR)

### ROLES AND RESPONSIBILITIES

Roles and responsibilities across the three lines of defence are articulated in our policies.

First line of defence: Responsibilities include logging, resolving and recording complaints, appropriate reporting and oversight, ensuring compliance with all regulatory obligations, and also ensuring that staff are appropriately trained to handle complaints.

Second line of defence: Compliance is responsible for providing independent oversight and ensures the Complaints & Errors Management process is designed to handle complaints and errors fairly and in line with regulatory obligations.

Third line of defence: GIA is responsible for providing independent assurance to the Board Audit Committee and the Board on the adequacy, effectiveness and sustainability of the governance, risk management and control framework within CC&O.

### RESOURCES

Responsibilities of the CX Team centre around NPS measurement, Improved Journey Design and implementation, defining and implementing CX Strategy, organisational customer closeness and improving our Customer Language. Our centre of excellence, Customer Care Limerick (CCL), manages complex complaints. It operates according to an agile model which means staffing and operations can be adjusted in line with business requirements. Employees in CCL are selected and trained to ensure they have a strong customer focus, are good collaborators as well as being empathetic and resilient. This helps them achieve fair and appropriate outcomes for our customers.

### HOW WE MANAGE COMPLAINTS

If a customer is dissatisfied with something that we have done, there is a clear avenue for them to submit a complaint:

- » Complaints can be made through a variety of channels (e.g. online, email, letter, etc.). If at the end of this process the customer is unhappy with the outcome they can appeal this to the Financial Services and Pensions Ombudsman (FSPO).
- » We endeavour to address as many complaints as possible using the FSPO's informal dispute resolution process. In line with our Customer First approach, a significant amount of work has been undertaken to engage with the FSPO and to settle complaints at the Dispute Resolution stage with 85.8% of complaints closed through this process.

### EVALUATING OUR PERFORMANCE

Evaluating performance is critical to delivering a consistent best-in-class customer experience. To achieve this, we conduct a quarterly review of progress against targets and review of action plans, in addition to annual CX planning workshops to identify our key initiatives for the following year. The performance versus target is reviewed on quarterly basis with the accountable Executive owners with action plans reviewed and revised to drive better banking experiences for our customers. In terms of measurement, a Net Promoter Score (NPS) is submitted to the Group Board on a quarterly basis,

Our customer experience targets are set out in the annual financial plan and reported to the investment community in publications such as the Annual Financial Report and the annual Sustainability Report. Complaint trends are analysed and reported to the Board Risk Committee and Group Conduct Committee. Owners are assigned to address them. A wide range of metrics are considered for the purposes of evaluation, including:

- » NPS to provide valuable insights into how our customers experience our services
- » The FSPO published table, which provides information on how we are performing against the industry in terms of upheld decisions. In 2021, the table published (which covers performance in 2020) reflected that AIB and EBS recorded the second and third lowest number of decisions made against them.

AIB adopts both quantitative and qualitative approaches to measuring and evaluating customer experience data.

**Quantitative:**

- » The volume of complaints outstanding at the end of a period.
- » The average days to close a complex complaint.
- » The number of cases closed within 5 days, 33 days, 44 days and 100 days.
- » The volume of complaints received that were upheld in favour of the customer.
- » The volume of FSPO cases received versus how many travel to Adjudication.

**Qualitative:**

- » NPS – our complaints experience and feedback received from customers gives us valuable insight into how our customers experience our services when they complain.
- » Our complaint volumes versus industry volumes.
- » Key trends and themes including customer feedback is provided when data is available at the end of the year.

As we have focused on future proofing our business, through the implementation of stronger security through Strong Customer Authentication (SCA), and refocused our branch network this change has added friction to customer experiences. In an era of increasing customer expectations this added friction, and resulted in heightened frustration which has negatively impacted our NPS which, at +45 in 2021 has shown a decline year on year (2020: +49).

**LOOKING AHEAD TO NEXT YEAR**

The focus for 2022 revolves around key themes including personalisation, improved digital interactions, reduced friction in transformation journeys, improved SCA, and a better onboarding experience.

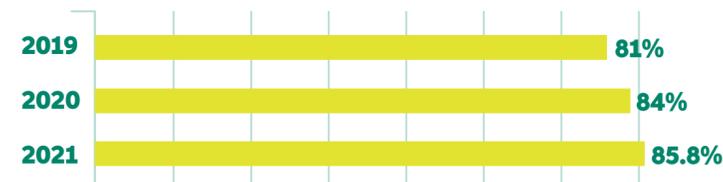
Conduct and complaints initiatives planned for 2022 include:

- » A new IT complaints system with roll out to pilot testing phase;
- » Rebalancing of our complaints model to focus on complaints arising from our digital and phone channels to better reflect changes in customer behaviour;
- » Embedding our hybrid Root Cause Analysis model;
- » Further centralisation of complex complaints.

**85%**  
AGREE AIB IS EASY TO DEAL WITH

**80%**  
OF CUSTOMERS AGREE THEY FEEL VALUED

LEVELS OF CASES CLOSED USING THE FSPO DISPUTE RESOLUTION PROCESS



# CUSTOMER EXPERIENCE

## CASE STUDY

# +45

NET PROMOTER SCORE

# 78K

VOICE OF THE CUSTOMER SURVEYS

# 85%

CUSTOMERS RATED AIB  
EASY TO DEAL WITH

### AIB GREEN LIVING

AIB Group is the recognised leader in sustainability in financial services in Ireland. AIB Green Living is a dedicated online hub to support, educate and inspire our customers, our people and our communities in choosing greener solutions for their lives, homes and businesses, lowering their carbon footprint and minimising the impact they leave behind for future generations.

AIB Green Living delivers customer-focused information on sustainable living to help our customers understand and navigate their journey to greener options including existing and green lending product solutions.

Phase I of AIB Green Living was launched in September 2021 with a content focused strategy for Home, Lifestyle & Business. Customers already have High Engagement Levels with AIB Green Living.

During the year, we will continue to engage with customers in understanding their needs to enhance and iterate designs and solutions for the AIB Green Living Hub.

### AIB AWARD WINNING CUSTOMER EXPERIENCE TEAM

AIB Group has prioritised a Customer First approach as one of its five strategic pillars. To deliver on this strategy, our Customer Experience Team is dedicated to providing a best-in-class experience for our customers. We are recognised nationally and internationally for the quality of our service and offering including developing the Green Living Hub, enhancing the Personal Loan customer journey and AIB's Voice of the Customer programme. External validation of the calibre of our work is recognised in the multiple awards our teams have received during 2021:

- » CX Impact Awards – Winners of the CX Impact in Digital and CX Team of Year;
- » UK Customer Experience Awards – Winners of CX Financial Services and Silver - Best Use of Insight and Feedback;
- » European Customer Centricity Awards -Winner Crisis Strategy and Management and Best Measurement in CX and High Commended – Team of the Year;
- » International Customer Experience Awards -Winners – Best Use of Insight and Feedback and Customer Experience in the Crisis and Silver – CX Team of the Year.

## We pledge to DO MORE

Our purpose  
is to back our  
customers to  
achieve their  
dreams and  
ambitions



# DIGITALISATION AND INTERCONNECTIVITY

## OUR APPROACH

We remain the number one digital bank in Ireland, supporting 2.86 million transactions on a daily basis across our digital channels. Recognising the changing behaviour towards increasing digital usage, we continue to invest in our digital platforms and have a continuous focus on expanding the accessibility of our products and services via our digital channels. We see how society is adapting to COVID-19 and how it is changing how our customers engage with us for their day-to-day banking needs.

Over the past couple of years, our Digitalisation Programme has improved the overall experience of our customers by closing digital gaps, while growing the awareness of our digital capabilities with our staff and customers. Traditionally, access to our products and services was constrained by opening hours and physical locations, and often defined by paper or voice/call instruction. Through digitalisation and digitisation, we can foster agility and flexibility, and ultimately offer our customers much greater access to our services.

### PROGRESS IN 2021

We have continued to add to our digital capabilities such as broadening the scope of customers who can open a bank account with us remotely, allowing customers to change their address or get a reminder of their Debit Card PIN on the mobile app and providing our customers with additional information on their transactions, which is really helpful if they don't recognise a transaction.

A comprehensive staff advocacy programme was created to upskill our employees to ensure they are fully knowledgeable on our digital capabilities to enable them to better support our customers in using our digital channels and services. This programme combines a mix of regular updates, learning modules, digital events and the use of weekly management information to promote digital behaviours.

We use a number of channels such as our new In-app messaging capability to inform and let our customers know about new features in the app that are relevant for them.



**New!**  
**See your PIN reminder in the app**  
 If you forget your Debit Card PIN you can see it here in the app. [More about show my PIN](#)

We have also generated a suite of online “how to” videos which are simple step by step guides on how to complete key customer mobile app journeys.

The success of this combined approach is evidenced in the significant increase in adoption of some key digitally enabled journeys.

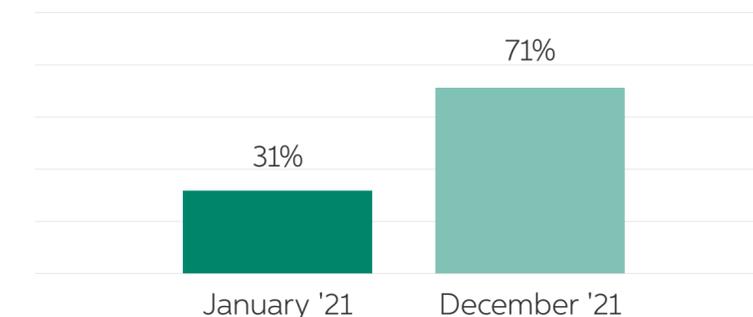


### PROGRESS TOWARDS OUR 2023 TARGET

We now have 1.85m digitally active customers, up 8% from 1.72m in 2020. This growth trajectory is ahead of 2020 which was 5%. The majority of customers are Mobile app users (1.53m), an increase of 11% since 2020. Again, this is ahead of the % increase in Mobile app users in 2020, which was 8%. 72% of our personal customer base is now digitally active. Our younger customers remain the most digitally active at 90%. While all segments have shown growth, most notable is our customers aged 56+ who are traditionally less likely to use digital and have shown above average growth of 7% in 2021. Our digitisation programme has helped grow this base along with other external

factors such as COVID-19 where we see our customers seeking out digital alternatives to visiting a branch for their day-to-day banking.

### GROWTH IN DIGITAL ADOPTION CHANGE OF ADDRESS



As well as the focus to improve the experience for our personal customers, AIB has also been investing to improve our online business services. The majority of business customers have now been migrated off our legacy Business Banking platform to a modern new Business Banking platform, which delivers a more responsive and resilient service. This new platform will become the cornerstone for an enhanced digital business offering, with self-service, accessibility, security and credit enhancements.

Our End-to-End Credit Programme saw the roll out of the nCino Platform in our Finance and Leasing business. This transformational change introduced increased automation, electronic signatures and improved customer experience. This delivery was awarded the “Best use of technology – transformation programme” at the Irish Contact Centre Management Awards (CCMA).

2023 TARGET  
**>2.25M**  
 DIGITALLY ACTIVE CUSTOMERS

COVID-19 also accelerated the changes in how we now interact with customers and staff. The rollout of Microsoft Teams across the employee base to enable remote and hybrid working, was extended to frontline staff to support customer engagement for more complex product sales via video. There has also been a focus on the employee digital experience and security with the introduction of biometrics authentication for staff logging in remotely, and enhancing the technology enablement capabilities of our key buildings e.g. seamless 'one touch' meeting room experience.

Remote working continues to play a key part in our work lives. In embracing same, AIB has launched a tailored "safely working from home" programme in 2021, building on the existing employee equipment lending programmes over 2020 and 2021 which saw over 2,000 chairs, screens, laptops and computer peripherals issued to employees. The programme is focused on providing individual home-based assessments of our employees remote working environments and in turn providing appropriate training, equipment and risk assessments to ensure our staff can safely and productively work in a remote environment now and into the future. In 2021 the programme completed over 1,336 risk assessments, provided 7,055 hours of training and 202 items of necessary equipment to enable our employees working remotely. The programme targets all employees working remotely (c.7,500).

The increase in cyber security threats for customers was mitigated through a combination of ongoing customer and employee awareness activities, plus some specific additional steps, e.g., tailored limits, notifications on set-up of a new beneficiary. Given the

ever evolving threat landscape, this will continue to be an area of focus. To learn more about how we manage cyber security, see p.78-80.

### RISK MANAGEMENT

Our Continuity & Resilience and IT Risk policies, components of the Operational Risk Framework, support the management of risks in the availability of our technical infrastructure and digital capability. As we continue to innovate and develop our digital offerings, we maintain focus on the management of third party, cyber and resilience risks to effectively protect the bank and our customers data and privacy.

### LOOKING AHEAD

We will continue to innovate and expand our digital offering for our business and personal customers. Our Digitalisation Programme has identified key areas of focus for 2022. We will continue to invest this year on enabling new digital features on the mobile app to support our customers to self-serve for their day-to-day banking needs. This continued focus will reduce calls and branch footfall, remove paper from a number of processes and reduce complexity. We will also focus on digitalisation for our business customers. We will continue the rollout of the market leading nCino platform across our employee and customer journeys. We will continue to educate both our employees and our customers on our offerings. Our employees will continue to embrace and embed our Future of Work hybrid working model and we will transform how we collaborate and develop our digital offering through the implementation of Agile at scale across the organisation. The main regulatory change that is expected to impact digitalisation in 2022 is the EU Digital Operational Resilience Act for financial service (DORA).



# DIGITALISATION AND INTERCONNECTIVITY

## CASE STUDIES

### CASE STUDY

**1.85M**  
DIGITALLY ACTIVE USERS

**1.53M**  
ACTIVE MOBILE CUSTOMERS

**72%**  
OF PERSONAL CUSTOMER BASE  
DIGITALLY ACTIVE

#### EXTENDED SELF SERVICE CAPABILITIES ON THE MOBILE APP

In response to changing customer preferences, we want to attract and retain our customers who choose to bank digitally with us by providing an exceptional user experience on our Mobile app.

We have designed and delivered a suite of services that we make available on the app that are simple and easy for our customers to use, enabling them to take control of their day-to-day banking digitally. Some examples of improved functionality delivered during 2021 include, Change of Address and PIN Reminder deployed to the Mobile Banking app, and richer account transaction detail.

Our new address feature is quick and easy for our customers to use. It has an auto-fill feature. When the customer enters their Eircode, the address pre-fills, and we capture the correct address for them assuring the integrity of the data. This new feature has also enhanced many other Mobile app journeys. For example, if the customer is utilising an on-line service that is dependent on an up-to-date address, e.g. ordering a debit/credit replacement card, address details can be updated as an additional step within the replacement card journey ensuring the card is delivered to the right address.

Since this feature has gone live, our addresses changed digitally have grown from 27% to 65% YoY, with 53% of these completed in the Mobile app.

#### RICHER TRANSACTIONS

On statements, account transactions can be a point of confusion for our customers and is the largest call driver to our Call Centre. This is often due to confusion between actual date of purchase and bank processing date. We have now simplified this for our customers by allowing them to tap on a transaction to see more details.

Customers can now see the time and date that they actually made the purchase which helps them remember and recognise the transaction. They can also see what type of transaction it was. Giving this visibility and control is proving popular with our customers. Since going live in June 2021, close to 600k customers have been using this new feature with approximately 2 million transactions tapped on each month. This feature is proving very beneficial to our customers as it enables them to recognise and better understand their account transactions. We are currently working on further enhancements such as including retailer's logos and location of spend.

#### PIN Reminder on Mobile app

With a significant increase in the use of contactless payments, customers are using their PIN less often and therefore more likely to be unable to recall it on the occasion that it is still needed for some larger purchases. When customers forget their PIN, they typically visit their branch or make a call to our call centre for a reminder. This can be inconvenient for the customer and in some instances a paper reminder

being sent in the post. We have now digitised this journey for customers and their Debit card PINs can now be retrieved from the Mobile app. Customers can view their PIN or if they have accessibility settings turned on, their PIN can be read out to them.



# CYBER SECURITY AND BUSINESS SYSTEM RESILIENCE

## OUR APPROACH

With the ongoing demand for, and move toward digital platforms, the focus on security and resilience of systems has never been greater. This is an evolving material issue for all business as the cyber threat landscape continues to grow, encompassing existing and new technologies and exploiting vulnerable users. Cyber security incidents and the related costs make it a financially material issue.

**€65M**  
IBM INVESTMENT

**ZERO**  
CYBER INCIDENTS  
STATUS

**95%**  
EMPLOYEES COMPLETED  
INFORMATION SECURITY TRAINING

As a pillar bank within the Irish market, AIB Group is systemically important to the functioning of the Irish economy. As such, we have a responsibility to be resilient from both a financial and an operational perspective in order to minimise any risk around continuity of service to the functioning of the Irish economy. AIB Group has made significant investment in its balance sheet strength and technology platforms to ensure both are sufficiently resilient to withstand unforeseen events which may challenge the banks' ability to continue to operate.

During 2021, the cyber threat landscape evolved at significant pace. Barriers to entry have dropped significantly for threat actors and cybercriminals. Existing and new technologies are being developed at pace, that are aimed at exploiting vulnerable users. The destructive intent of the threat actors and cybercriminals has increased significantly in order to maximise their financial return. Following the HSE Ransomware incident in May 2021, a programme of work (Programme Arma) was mobilised to assess AIB's preparedness in a similar situation. AIB's continues to link into an extensive global network to protect against known attacks. We partner with other banks across Europe through the Banking & Payments Federation of Ireland and the Cyber Defence Alliance, playing a role in fostering an open, knowledge-based and mutual protection culture that enhances the ability of all participants to protect against cyber threats.

The increase in cyber security threats for customers was mitigated through a combination of ongoing customer and employee awareness activities, plus

some specific additional steps including tailored limits and notifications on set-up of a new beneficiary. See *Case Study - Preventing Fraud* on p.80 for more insights.

### BOARD OVERSIGHT

Our Board is responsible for Cyber Strategy which sets out our security purpose, principles and objectives. The Risk & Capital pillar of our Group Strategy has a strong focus on IT Resilience. Every two years, AIB refreshes its Cyber Strategy; the current strategy was approved by the AIB Board in February 2021. The Group's exposure to cyber risk is monitored by the Board through regular risk reporting and focused updates on specific cyber-related topics. Our Chief Risk Officer's report for Group Risk Committee and Board Risk Committee on the risk profile of the Group and emerging risk themes includes this topic. Key cyber risk indicators monitored by the Board in 2021 include investment in cyber security defences; and the number of high-impact cyber security incidents. Cyber metrics are monitored on a regular basis and are reported to the Executive Committee on a monthly basis. In addition, a summary of these metrics is presented to AIB Board on a quarterly basis.

### KEY CONTROLS

In 2021, AIB did not experience any breaches of confidentiality as a result of a cyber security incident, nor did we have incidents to our IT infrastructure which resulted in penalties or revenue losses. We have business continuity plans and incident response capabilities in place and test them at least annually. Regular design and operational effectiveness audits

are conducted, and the results are reported to either Group Audit Committee, Group Risk Committee or Information Security Senior Management. To assure the security of the IT systems and data, we complete external verification and vulnerability analysis. External verification is delivered through external audits which are completed at least annually. Tests cover infrastructure, application and intelligence led penetration testing, as well as objective based testing. We also have a Vulnerability Management Process in place for external and internal assets, that covers all stages of the VM (Virtual Machine) Lifecycle. A Third-Party firm is engaged to conduct an independent maturity assessment of AIB's Cyber Strategy. This assessment was conducted in Q4 2020 and the outputs of this fed into the revision of the Cyber Strategy that was approved by the AIB Board in February 2021. All new suppliers, and any contract renewals, are required to complete a Risk Assessment Template. An Information Security review may be required, depending on the nature and criticality of the service, as part of this assessment. If findings are identified during this review, the actions must be delivered in an agreed timeline with AIB management. AIB runs an annual programme of Third-party assessments on a point in time basis. This is a key step as Third party suppliers are integrated into AIB. Once integrated into AIB, suppliers are contractually required to comply with AIB Information Security Policy and standards.

### ROLES AND RESPONSIBILITIES

Roles and responsibilities for Information and Cyber Security are set out in AIB's Information Security policy. Within our Executive Committee (ExCo),

# CYBER SECURITY AND BUSINESS SYSTEM RESILIENCE

our Chief Technology Officer (CTO) is responsible for Cyber Security. The CISRO (Chief Information Security and Risk Officer) reports directly to the CTO. The CISRO has full accountability for AIB's Information Security and provides (at a minimum) quarterly updates directly to the AIB Board. Our Cyber Threat Intelligence team collate and evaluate intelligence on known and emerging cyber threats targeting financial institutions. Our dedicated Security Incident team is supported by Accenture (under a strategic partnership) to analyse and respond to suspicious events. In the event of a security incident or cyber-attack, it would be managed in line with AIB's Incident Management process, and escalated, depending on the severity, to the appropriate level within the organisation. An overarching Information Security Governance forum is supported by a number of groups that ensure AIB's information and technology assets are secured and protected. Our Data Governance Committee provides oversight, direction and transparency in decision making, assists in maintaining good information security hygiene and provides an escalation plan to Board, where required.

## AWARENESS AND TRAINING

All employees are required to complete Information Security training which covers our policy, data protection law, reporting and escalation of issues. 95% of our employees completed mandatory Information Security training. Additional virtual training was provided to our high-risk users. Training is underpinned by ongoing phishing simulations; the results allow us to measure AIB's resilience to such attacks. Typically, we conduct one simulation exercise per quarter for all employees. However, in response to COVID-19,

Hybrid working and the challenging economic conditions and to increase security awareness, we conducted additional simulation exercises in 2021. We launched an Information Security Connect Space to facilitate employee updates, and also scheduled 12 monthly group wide emails. We circulated 5 unplanned group-wide emails providing updates on the HSE cyber-attack and other high-profile phishing and smishing attacks.

## RISK MANAGEMENT

Cyber risk interacts with our Material Risks to varying degrees, and we see it as a sub-risk within our Operational Risk framework. Information Security and cyber risk is assessed continuously through AIB's three lines of defence model. Cyber risk metrics and dashboards are reviewed regularly by both 1LOD and 2LOD teams, with clearly defined escalation processes in place to manage any Cyber risk events to protect our customers and the Group's data and operational resilience.

Our Information Security, IT Risk and Continuity & Resilience policies support the management of Cyber risk in AIB. The AIB Information Security Policy sets out the approach for the management of Cyber Risk and Information Security Risk, and the requirements for the effective and consistent identification, evaluation, management and oversight of these risks across the AIB Group. All our employees, contractors, consultants and third parties including those involved in sponsoring, developing, supporting, implementing, administering, operating or otherwise delivering IT solutions must understand and comply with them.

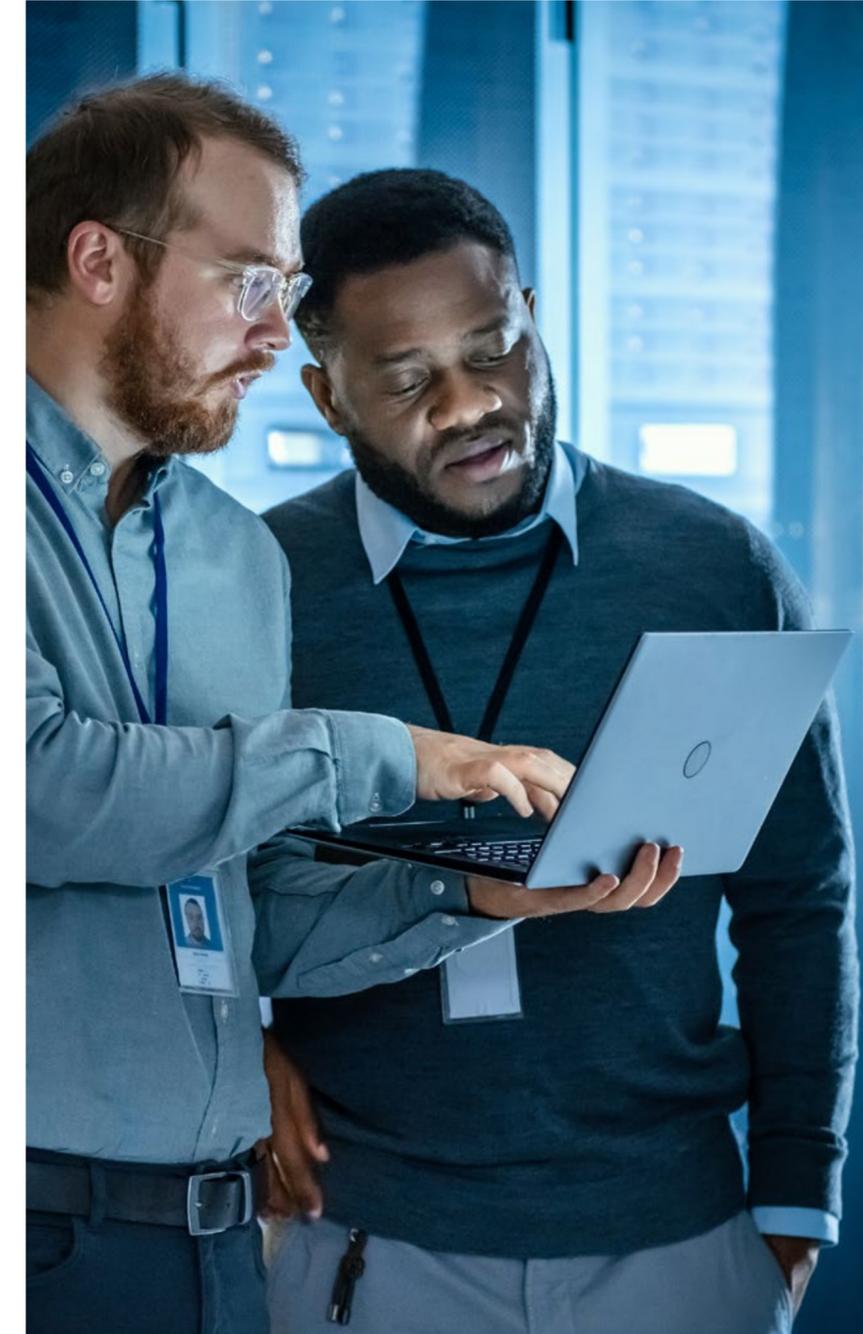
## STANDARDS

Our systems are designed and operated to remain secure, while providing products and services that are fit for purpose. AIB is accredited for ISO 20000 2018 standard certification for service management systems (which underpins our IT infrastructure). In addition, we have well-established, comprehensive Information Security Standards in place for over of 15 years. They are aligned to ISO 27001, reviewed regularly and subject to an independent review by a third party annually. 80% of our IT infrastructure is aligned with ISO 270001 and NIST (National Institute of Standards and Technology). AIB operate a SIEM (Security Information and Event Management) process to identify, triage and respond to potential Information Security Incidents. This SIEM is supported through AIB's strategic relationship with Accenture. We operate internal control testing aligned to the NIST Cybersecurity Framework.

## LOOKING FORWARD

The main regulatory changes that are expected for Cyber security in 2022 and beyond

- » DORA - The EU Digital Operational Resilience Act for financial services;
- » Network and Information Security (NIS) Directive 2 - expanding the scope and sectors in the current NIS Directive; and
- » ePrivacy Regulation – A proposed regulation concerning the respect for private life and the protection of personal data in electronic communications. (Expected in 2022 / 2023).



# CYBER SECURITY AND BUSINESS SYSTEM RESILIENCE

## CASE STUDY

### PREVENTING FRAUD

At AIB we are committed to protecting our customers from Cyber threats/fraud and ensuring they can access their accounts with the confidence that their information is secure. We operate a multi-faceted approach to ensure customers are kept up to date on the latest threats, ways they can protect themselves and what we do to protect them. As part of this commitment, we treat awareness as a continual process of reiteration and education to ensure it stays in front of mind for our customers.

During 2021, we were in regular in contact with our customers through email and other social channels. Information mails issued through Internet Banking provide examples of how current scams operate and the steps that can be taken to best avoid becoming a victim. These are scheduled to coincide with periods of heightened online activity, such as 'Black Friday' and the lead up to Christmas. In addition to direct contact with customers, AIB's Security Centre provides customers with a dedicated self-service space to remain up to date on the latest information in between communication campaigns. It included the latest updates on current security alerts and threats our customers should be aware of, including screenshots of known fraudulent text messages. It also included the behavioural and technical details of how customers can increase the security their devices and personal information. Given the ever evolving threat landscape, this will continue to be an area of focus.

### IBM PARTNERSHIP

In Q4 2021 AIB entered into an €65m agreement with IBM for the purchase of new Mainframe server technology and the renewal of the existing IBM hardware/software support and licence agreements for a period of 39 months from January 2022 to March 2025. This move is in line with the increased digitalisation of the Bank and its customers, and the processing capability required to support this transition. Over the past 5 years there has been, on average, an 8% year on year increase in processing growth. In 2016 Mobile Banking processing peaked at c4 million transactions on its busiest day. In 2020 this was close to 17 million transactions.

The investment reiterates AIB's commitment in offering secure and resilient products to its customers by maintaining modern mainframe technology.



**SHOPPING ONLINE IS CHANGING ARE YOU READY?**

**AIB**

In 2021, a new layer of security will make shopping online with your AIB Card even more secure.

Visit [aib.ie/sca-card](https://aib.ie/sca-card)

The graphic features a smartphone displaying a shopping cart icon and a 'BUY NOW' button, with a credit card and a security shield icon overlaid. The background is a dark purple with a geometric pattern.



# PROTECT OUR CUSTOMERS DATA AND PRIVACY

## OUR APPROACH

We place our customers' privacy and security at the heart of everything we do and aim to constantly review our data processes and governance. As we evolve, we pay particular attention to three key areas: Protecting individual rights and freedoms, ethical decision-making and building trust with stakeholders.

Our customers trust us with their information, and we have a responsibility to keep it safe and to be transparent in how we use and protect it.



### "COMPLETION RATE OF 94% ACHIEVED FOR DEDICATED DATA PROTECTION TRAINING, WHICH WAS ROLLED OUT TO ALL STAFF AND CONTRACTORS"

We recognise our responsibility to protect the fundamental rights of all people who deal with us, particularly when it comes to doing the right thing when using their data. As a signatory of the United Nations Global Compact, we are fully committed to our values and a principle-based approach to doing business, reflected through our Data Ethics Principles which are designed to ensure we act ethically and responsibly in all of the ways that we use data. The principles apply to everyone working directly or indirectly with data, from data practitioners to policymakers and to all staff, with a particular focus on those producing data-informed insights.

#### PROGRESS IN 2021

In 2021 we reviewed and updated our data strategy to align to the bank's overall strategic objectives of further developing our digital capability, to streamline services and improve customer experience as well as supporting our ambitious ESG initiatives. In April 2021 we appointed a full time Data Protection Officer (DPO) for the ROI entities within the AIB Group and increased the headcount of the Office of the DPO.

#### BOARD OVERSIGHT

In 2021, the Irish Data Protection Officer (DPO) presented regular updates of key thematic areas, data protection risks and mitigants through the Chief Risk Officer's report. Dedicated Board training on the topics

of data protection and ePrivacy was also delivered throughout 2021. In H1 2022, the Irish DPO will present the DPO report to the Board Risk Committee. This report will provide a summary of the key thematic areas, emerging risks and associated mitigating actions.

#### POLICY FRAMEWORK

Our management approach ensures our conduct, and the protection of data is in line with legal and regulatory obligations - AIB's Operational Risk Framework and Data Protection Policy sets out expectations regarding the use of personal data. They are supported by complimentary policies including Data Risk Policy (which includes Ethical Data handling). Our Code of Conduct sets out that AIB expects employees to maintain high standards of physical, information, and digital security. In our Human Rights Commitment, we acknowledge and respect the privacy of our data subjects (our customers), treat their information with appropriate confidentiality and commit to never accessing or disclosing data or confidential information unless properly authorised or where the law requires us to. AIB takes the natural rights and freedoms of their data subjects very seriously.

#### RISK MANAGEMENT FRAMEWORK

The Data Protection Policy is part of the Regulatory Compliance Risk Management Framework. It aims to ensure that processes and controls are in place to minimise the risk of unfair or unlawful data processing and all employees understand the responsibilities and obligations that must be adhered to under Data Protection regulation. It covers the risks associated

with managing personal data including operational, reputational, legal, regulatory, financial, fraud and information security. It applies to our entire operation, including our suppliers. It is drafted by the Data Protection Office (DPO) with inputs from stakeholders. All policy changes run through a series of review and challenges prior to being signed off by the relevant ExCo member. The final draft policy is subject to approval by the Group Risk Committee. In 2021 work commenced on an ePrivacy policy which will go live in H1 2022.

#### EMPLOYEE TRAINING & AWARENESS

We have developed an Institute of Banking accredited training module on Data Ethics. In 2021, over 7,000 employees across the Group have undertaken Data Ethics training, which aims to educate staff on the ethical use of data and drive a strong internal culture in relation to the responsible use of data. In addition, 94% of employees completed mandatory Data Protection training.

#### RESPONSIBILITIES

A comprehensive governance structure is in place. AIB deploys a three lines of defence model for data protection risks including first line data protection support, a second line compliance function and Data Protection Office (DPO) and Group Internal Audit as the third line. We have a DPO in both Ireland and in the UK who set our Data Protection Policy and oversee its implementation across the organisation. Our DPOs are the point of contact for customers who have queries/complaints about how we process their data or personal data breaches.

# PROTECT OUR CUSTOMERS DATA AND PRIVACY

They also interact with the Data Protection Supervisory Authorities in Ireland and the UK. In 2021, the Irish DPO presented regular updates of key thematic areas, data protection risks and mitigants through the Chief Risk Officer's report. The Group Privacy Office is responsible for embedding data protection by design and default across our business and ensuring that privacy considerations are at the heart of the decisions that we make, ranging from developing new products and initiatives to the on-boarding of new suppliers. Records of processing are in place across the bank in line with GDPR requirements as part of a process managed by the Group Privacy Office. A Privacy & Records Management Committee exists to provide governance, oversight and approval of Data activities and strengthen AIB's Data Management and Governance agenda by driving out Data Ownership and ongoing accountability for data across the Group. Our Data Rights team support data subjects who exercise their data protection rights. Our Regulatory Compliance team is specifically responsible for independently identifying and providing an initial assessment of current and forward-looking compliance obligations including regulation on privacy and data protection. AIB's AML team has a comprehensive procedure for managing requests for information from the Garda, CAB or Revenue authorities outside of the Court Order/STR process ensuring compliance with Section 40 C (3) of the Criminal Justice Act 2010 (2018 amended) and Section 41 (B) of the Data Protection Act. Data breaches are reported through the Data Protection team to the Data Protection Commission.

## PROTECTING CUSTOMER INFORMATION

Where AIB shares data with a third party we expect that these third parties to have the same levels of information protection that we have. Where AIB shares data with third parties outside the EEA we will only do so where we believe there are equivalent levels of protection for personal data as those provided by the General Data Protection Regulation.

AIB Group carry out data protection assessments of technologies and processing activities as part of our obligations. This includes Data Protection Impact Assessments where high risk processing is identified. Group Risk Assurance and Group Internal Audit will also consider data processing, where relevant, as part of their targeted reviews.

## DATA RISK MANAGEMENT

AIB manages all risks, including Data Protection risks, through a robust process that includes risk identification, mitigation and measurement. This process is underpinned by a Group Data Protection Policy as well as supplemental policies and standards.

Data risks are articulated and scored in line with AIB's Operational Risk Policy and stored in the Risk & Control Assessment (RCA) tool. The RCA details the specific data related risks, mitigating controls and any remediation actions related to these risks.

## DATA STEWARDSHIP

AIB's key risks in relation to data stewardship include failure to adequately manage, govern and secure our data leading to adverse events such as data breaches resulting in loss of trust with our key stakeholders

including customers and regulators. Additionally, there are new and emerging risks in relation to the use of innovative technologies and methods, in particular AI and Machine Learning. Failure to adequately manage these risks could result in poor customer outcomes, reduced transparency and unintended biases in relation to algorithmic decision making. Whilst data driven approaches can result in increased risk, they are also an opportunity to create a more personalised experience for our customers, giving them useful insights to help them manage their finances. Additionally, AIB sees data protection and the responsible and ethical use of data as an area where we can differentiate ourselves and build trust with stakeholders. By stewarding data in a responsible way with a focus on the long-term, we can send a powerful message to our customers that their data is safe with us, now and in the future.

## BREACHES OF PRIVACY & LOSSES OF DATA

All data breaches are communicated in line with regulatory and legislative guidelines.

In 2021, we reported 141 personal data breaches under GDPR to the DPC and three to the ICO. (This is comparable to 132 DPC and 1 ICO in 2020). While these may include losses of customer data or inaccuracy, the majority of those we reported related to unauthorised disclosure of personal data.

## COMPLAINTS

### GDPR Complaints

In 2021, AIB received 17 complaints from Data Protection Authorities (16 from the DPC and 1 from the ICO (Information Commissioner's Office) regarding

breaches of data privacy. The majority of these events relate to the preceding year. This compares to 24 (23 from DPC and 1 from ICO) in 2020. 15 of these complaints were closed by the DPC and 1 by the ICO following engagement with AIB.

## Data Protection Complaints

Complaints relating to data protection may be received directly through the Data Protection Office or as part of a complaint managed through Group Customer Care. In 2021, we received 315 DP complaints from customers directly.

## LOOKING AHEAD

We are also developing a new Data Ethics assessment approach which gives a new way of assessing some of our data-driven business initiatives. This approach alerts us to ethical concerns and potential risks that could arise from our key data initiatives. It will give us a further opportunity to apply our principles and continue to evaluate our approach, in practical situations, across a wide spectrum of the bank's data-driven activities. Regulatory guidelines are published throughout the year by the DPC and European Data Protection Board (EDPB), which may require changes to the Group data protection environment. Additionally, court rulings, such as those from the Court of Justice of the European Union (CJEU) can provide further clarity to existing interpretations. Consequently, regulatory change in data protection is an ever evolving and constant consideration.

The Office of the DPO will publish a new ePrivacy Policy and an updated Data Protection Policy during H1 2022.

# PROTECT OUR CUSTOMERS DATA AND PRIVACY

## CASE STUDY

### DATA STRATEGY UPDATE

In 2021 we reviewed and updated our data strategy to align to the bank's strategic objectives of further developing our digital capability, to streamline services and improve customer experience as well as supporting our ambitious ESG initiatives. The digitalisation agenda is driving the use of ever more advanced analytical tools within our industry to deliver a more personalised customer experience. The fast pace of change is expected to continue into the future and analytically driven solutions will play an increasing role in delivering even better outcomes for our customers. We place our customers' privacy and security at the heart of our data strategy and aim to constantly review our data processes and governance.

As we evolve, we pay particular attention to three key areas: Protecting individual rights and freedoms, ethical decision-making and building trust with stakeholders. We recognise our responsibility to protect the fundamental rights of all people who deal with us, particularly when it comes to doing the right thing when using their data. As a signatory of the United Nations Global Compact, we are fully committed to our values and a principle-based approach to doing business, reflected through our Data Ethics Principles which are designed to ensure we act ethically and responsibly in all of the ways that we use data.

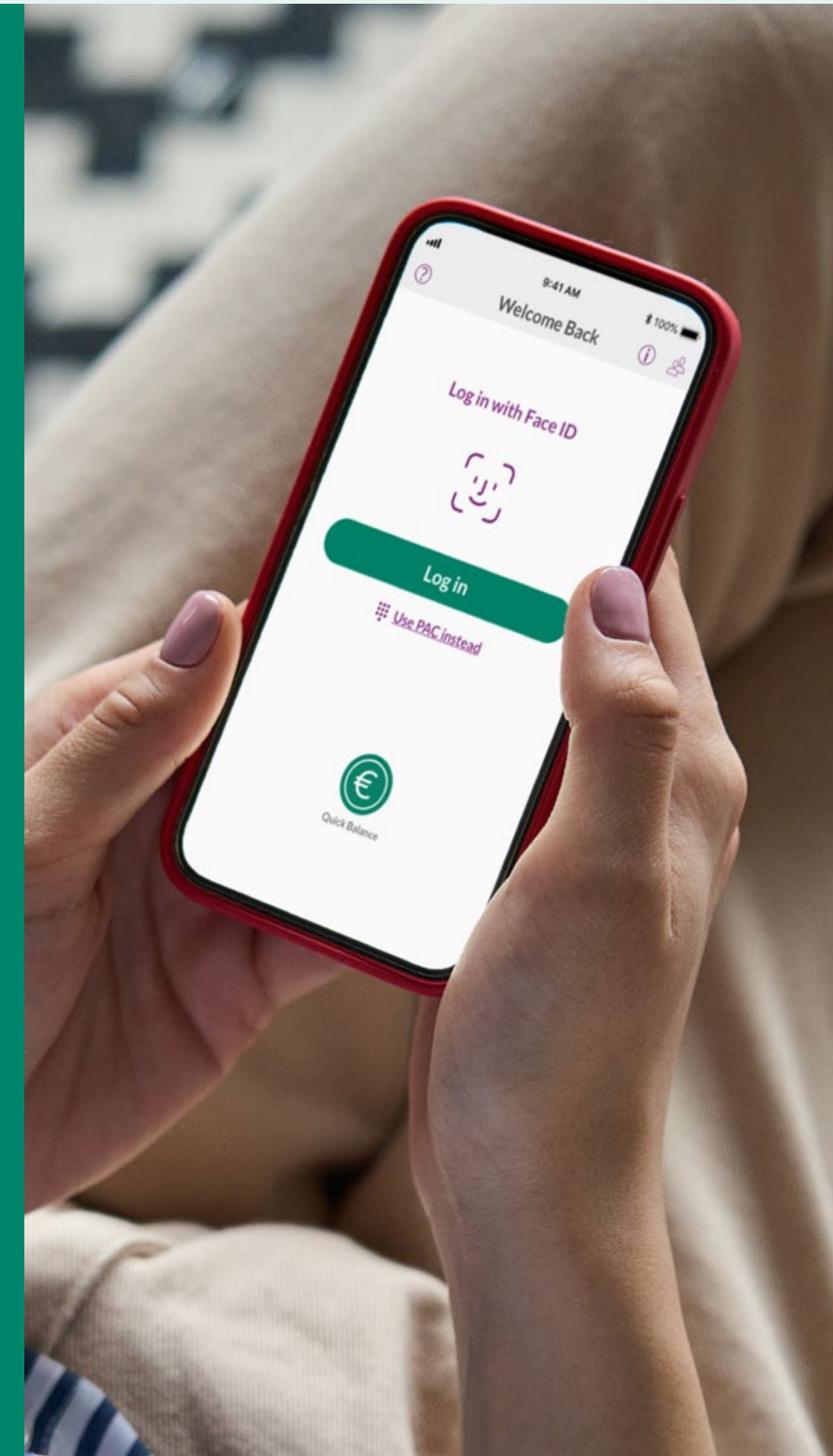
The principles apply to everyone working directly or indirectly with data, from data practitioners to policymakers and to all staff, with a particular focus on those producing data-informed insights. We have developed an Institute of Banking accredited training module on Data Ethics. This year alone, over 7k of our employees across the Group have undertaken data ethics training, which aims to educate staff on the ethical use of data and drive a strong internal culture in relation to the responsible use of data. We have expanded the implementation of our principles even further by beginning to apply our Algorithmic Fairness approach to credit decisioning models.

A cross-functional stakeholder group oversees this work, and we continue to evaluate and refine the approach to ensure we are balanced and fair to all of our customers. We are also developing a new data ethics assessment approach which gives a new way of assessing some of our data-driven business initiatives. This approach alerts us to ethical concerns and potential risks that could arise from our key data initiatives. It will give us a further opportunity to apply our principles and continue to evaluate our approach, in practical situations, across a wide spectrum of the bank's data-driven activities.

Finally, as part of our strategic workforce programme, we have rebalanced our workforce in Data & Analytics with an emphasis on building for the long-term. Our programme focused on recruiting internal, multi-disciplined resources who are adaptive and flexible, and we continue to maintain a constant flow of high performing talent into our teams, through our Graduate programme. Maintaining a strong internal team across data engineering, analytics and data governance/data protection ensures that we can deliver on the bank's strategic objectives in a way that is sustainable into the future.

**94%**  
OF EMPLOYEES COMPLETED  
DATA PROTECTION TRAINING

**7K**  
EMPLOYEES COMPLETED  
DATA ETHICS TRAINING



# TALENT ATTRACTION, RETENTION AND DEVELOPMENT

## OUR APPROACH

For our customers we are at the heart of their daily lives, it is our purpose to help them “achieve their dreams and ambitions”. In order to achieve this, we need to have a dedicated, qualified, talented and engaged workforce; which makes AIB a great place to work to attract and retain the best.

In 2021, we launched our new Employee Value Proposition statement:

**"EVERYTHING STARTS WITH YOU. WHEREVER YOU COME FROM, WE WELCOME YOU WHOEVER YOU ARE, WHATEVER YOU DREAM OF, WE BACK YOU"**

This gives us our northern star of focus and has helped us frame our attraction, inclusion, future of work, succession and training strategies, within our overall AIB People Strategy 2021-2023, as we make people's career journey with us as fulfilling as possible.

**ONGOING TARGET**  
**GENDER**  
**BALANCED**  
**BOARD, EXCO & MANAGEMENT**

### ATTRACTING & RETAINING TALENT

A career with AIB is not just about finance, our inorganic growth agenda has strengthened our ability to attract diverse talent. We can give our employees the opportunity to gain a variety of broad work experiences and learn from some of the best talent in Ireland across AIB.

Given the size and breadth of our activities, we are positioned to offer an extensive employee experience for those willing to specialise, or those looking for a varied career.

Our specialist units, like legal and technology, are and of themselves one of the biggest in the country, providing huge growth and experience potential. A key part of our career development strategy is allow movement of people around the organisation, giving an option of variety for the individual, and innovation, collaboration and transference of ideas for the organisation. So whatever your career goal is, it can be achieved within our environment.

AIB has an award winning Graduate offering and strong employer brand in this market. We are the 2020 & 2021 Grad Ireland winners of the “Most Popular Graduate Recruiter in Banking, Investment & Financial Services”. The market itself for Graduates is highly competitive, and AIB must keep pace with changing expectations to continue to be well positioned to attract, develop and retain graduate talent. Graduates offer a completely fresh perspective, innovative ideas, and the strong sense of social conscience that is so important for an organisation like AIB.

We recognise our colleagues' right to freedom of association and to participate constructively in dialogue with trade unions recognised by AIB, with collective bargaining covering c.75% of our employee base.

### INCLUSION & DIVERSITY - A KEY STRATEGIC PRIORITY

Our focus on diversity takes gender, race, family status and other traditional diversity areas into account but also adopts a contemporary view of diversity, including life experiences, thinking styles, etc. Encompassing external commitments and internal actions, our efforts are concentrated on fostering sustainable Inclusion & Diversity from the classroom to the boardroom, addressing important talent opportunities such as recruitment, participation, pay, promotions and retention. Recruitment and selection policies are designed to ensure that there is no bias, either in favour of, or against, any applicant.

Our Diversity & Inclusion Code sets out the principles we live by and underpins new policies and handbooks introduced on Domestic Violence & Abuse, Menopause and Family Leave, and a year-round employee engagement calendar of diversity awareness and educational events. An Inclusion and Diversity (I&D) Council is in operation to provide ideas, energy, rigour and governance of diversity activity aligned to our strategy, which was approved by the Board.

We have continued to make progress on our gender diversity target, female representation on all management is currently at 42%, and our ExCo and Board is maintaining ongoing gender balance at

45% and 44% respectively. While we do not have a public target for female share of total workforce, the 2021 Equileap Gender Equality Global Report found AIB to be 1 of only 10 companies out of a total 3,702 companies researched, that achieved gender balance at all four levels considered - Board of directors, Executive, Senior Management and workforce. Additionally, AIB Group ranked 1st in Ireland, and 11th in Europe in the 2021 Best Practice Leader in European Women on Boards Gender Diversity Index. The report looked at 668 publicly listed companies across the European Union, ranking them on diversity of board members, women in leadership functions and women at executive level.

These achievements reflect a sustained effort on gender balance that was accelerated in 2020 with the establishment of Roots to Boardroom, AIB's holistic gender balance programme, supported by our CEO, Executive Committee and Board. Our Roots to Boardroom program seeks to solidify the gains we have made on gender balance to-date; fill the remaining gaps in our organisation, and build a sustainable pipeline of female talent into the future.

### FUTURE OF WORK

Our Future of Work Programme, inspired by the challenges of working during the pandemic, is actively reimagining and repurposing our ways of working and where our employees can develop and grow their careers not restricted by location. We are committed to a blend of remote and office working in 2022 and beyond. We have a specific Flexible Working Policy which all staff are eligible to apply for.

# TALENT ATTRACTION, RETENTION AND DEVELOPMENT

Additionally, we have a broad range of leave options available to assist our staff at all stages of life, including Emergency Family Leave, Study Leave (for Education), Special Absence Breaks, various family leaves and supports around Menopause and Domestic violence. This flexibility and extra support we can offer employees also helps us to attract and retain diverse talent.

## CHALLENGING LABOUR MARKET IN 2021

In 2021, the external market for talent was extremely competitive, with a high volume of opportunities available for candidates which is driving up salary expectations and demands and increasing the costs of hiring employees. The employment market picked up during H2 2021 and AIB's employment activity trended upwards during this period aligned to market trends.

Over the last number of years as we have transitioned toward a more digital delivery model we have restructured our workforce. This has resulted in a total turnover figure of 17.8% for 2021, from our voluntary severance programs, retirement and natural attrition (9.5%) – as we build a workforce with the size and capabilities for the next iteration of our strategy.

However, our employer brand remains strong in a buoyant job market and our ability to attract and retain talent as a pillar bank in Ireland is working effectively. Our ongoing commitment to the Irish market is a positive and essential differentiator for new and existing employees.

## SUCCESSION PLANNING

We operate robust succession planning for senior appointments to assess and evaluate candidates on both leadership and functional aspects of the proposed role to support our decision-making.

## TRAINING & DEVELOPMENT

AIB has a proud tradition in investing in best-in-class training and development to support employees perform their best work, and reach their potential. Our objective is to make learning inclusive and accessible to everyone who works in AIB and our employees access a wide range of training, skill development and leadership development programmes.

All our employees are required to complete our annual mandatory online learning curriculum. In 2021 we introduced two a number of new mandatory courses; including Sustainability 101. This course covers what sustainability means, the role that business, banks and individuals can play in being more sustainable in how we work and live, and climate risks & opportunities, covering what climate risk is, how we are identifying and managing it and how we can support our customers in understanding their risks and opportunities.

### In 2021, our courses and completion rates were:

- » Speak Up (95%)
- » Anti-Money Laundering & Terrorist Financing (94%)
- » Information Security (95%)
- » Data Protection (94%)
- » Health & Safety (91%)
- » Code of Conduct (95%)
- » Conflicts of Interests (90%)
- » Sustainability (94%).

Our target completion rate for each course is 90%, (allowing for employees on who may be on leave). Those on leave are required to complete the training on their return to work. Where completion rates have not met our target, people leaders intervene.

Close to 3,000 people leaders attended AIB's first ever virtual Leadership Summit held last October. The Leaders Enabling A Difference (LEAD) programme is a development initiative to support and empower our leaders. The LEAD "Leadership for Growth" programme is aimed at our senior leaders and the LEAD "Leadership Essentials" programme is aimed at our junior and mid-level leaders.

In 2021 training continued to be delivered virtually and a number of new initiatives were launched to support employees to lead effectively in a hybrid work environment. Our employees completed on average 28 hours of training (Females 28.2, males 27.7). These training hours include all training types such as Instructor Led training, Virtual Instructor Led training, SMT, iLearn: Web Based Training and external training and relate to permanent and temporary employees. The average training spend per FTE employee was €800.

## PEOPLE & CULTURE RISK

As outlined above, our people, coupled with our values, are the cornerstones upon which our culture and continued success are built. In that regard the Bank has identified People & Culture risk as a material organisational risk, defined as 'the risk to achieving the Bank's strategic objectives as a result of an inability to recruit, retain or develop resources, or the inability to evolve the culture aligned to the Banks new values and behaviours'.

Promoting and embedding a strong culture of accountability is very important to the organisation. This is being emphasised at all levels in the bank, specifically through preparation work for the incoming Individual Accountability Framework which includes the Senior Executive Accountability Regime (SEAR), strengthening of the individual accountability focus of our performance review system and engaging in training and awareness activities to reinforce the accountability agenda.

Significant focus is placed on mitigating this risk through the development and implementation of Group frameworks and policies, such as our Code of Conduct, Conflicts of Interest, and other HR and risk related policies. We monitor the effectiveness of our approach, through several mechanisms including our annual performance review process 'Aspire' and our employee engagement. All employees are required to adhere to our Code of Conduct and are required to complete a declaration of compliance with our Code as part of the annual ASPIRE performance management process. Failure to comply with our Code is taken seriously and robust processes are in place to deal with any failings in that regard.

Our broad range of HR policies are regularly reviewed in line with legislation and industry best practice, and protect the human rights of our employees. Our Talent Acquisition / Onboarding teams carry out extensive checks prior to employment offer stage.

# TALENT ATTRACTION, RETENTION AND DEVELOPMENT

## HEALTH AND SAFETY

The safety of our employees, as well as our customers, is paramount. Our Health & Safety policy, which is endorsed by our CEO, forms part of our Safety Statement. It sets out the practical steps everyone who works in AIB needs to take to ensure the safety of our employees, customers, contractors, visitors and our workplaces, and defines and communicates the roles and responsibilities for health and safety throughout AIB. It is supported by training (online, virtual and blended options) and regular accident awareness communications. Annually, we report to Board on our performance against our policy.

We also support our employees through initiatives that protect and champion their welfare. Included among these are our 24/7/365 confidential Employee Assistance Programme, our Right to Disconnect principles and our ongoing AIB Wellbeing initiatives. Our Employee Assistance Programme (EAP) is open to colleagues as well as their family members. The EAP services provides a concierge service such as childcare research as well as counselling services.

We also work to ensure that there are no adverse impacts related to accessibility issues with the use of technology and working from home in a hybrid work situation. This is being addressed through a Safe Working from Home programme consisting of assessments to identify and address issues.

## RAISING A CONCERN

Through our Speak Up policy, employees can raise any issue at any stage. This ensures they can speak their mind freely if they have any concerns.

Our Speak Up policy and process provides a confidential route for employees to report wrongdoing or suspected wrongdoing through a number of channels, without fear of or actual retaliation, including:

- » Reporting issues to local management;
- » A reporting line to a nominated member of senior management;
- » Access to a confidential internal telephone line or a dedicated Speak Up “@aib” email address;
- » An external, confidential, telephone and email facility operated by an international specialist charity, Protect.

In 2021, in an enhancement to Speak Up, we launched a new external portal to allow employees to convey concerns through a digital channel that is available 24/7. Protected disclosures are published on [www.aib.ie/sustainability](http://www.aib.ie/sustainability)

Our Grievance process is a mechanism for our employees who feel they have been subject to behaviours they believe are contrary to our Code of Conduct.

## AIB GROUP (ROI) 2021 GENDER PAY GAP REPORT

Within AIB Group we are committed to being open, transparent and clear in relation to our position on Diversity & Inclusion. That is why today we are voluntarily publishing our Gender Pay Gap 2021 for AIB ROI ahead of any legislative requirement.

### OUR GENDER PAY GAP FOR AIB ROI IS 12.9% MEAN AND 7.4% MEDIAN

The gender pay gap represents the difference between both the mean (average) and the median (midpoint of all wages) hourly pay of male and female employees. The Gender Pay Gap is not the same as equal pay. An equal pay comparison involves a direct comparison between a man and a woman, or a group of men and women, who are carrying out the same work.

While we await the finalisation of Irish Regulations with regards gender pay gap reporting, we have based our calculations on the UK methodology. We have used a snapshot date of 25th September 2021.

As this is our first year to publish our Gender Pay Gap we are unable to compare our current position to previous years. That said, we have achieved a lot during 2021 reflecting our commitment to gender equality. We were the first bank to achieve a Silver “Investors in Diversity” Accreditation. Further, we were named Best Practice Leader in the 2021 European Women on Boards Gender Diversity Index.

# 28

AVERAGE TRAINING HOURS PER EMPLOYEE

CIRCA

# €800

TRAINING SPEND PER EMPLOYEE

# 3,000

LEADERSHIP SUMMIT ATTENDEES

**GENDER BALANCED  
EXCO, BOARD &  
ALL MANAGEMENT**

In 2021 our graduate intake was gender balanced and 43% of management roles were held by females. Our ExCo and Board is maintaining ongoing gender balance at 45% and 44% respectively.

In 2020 we established a holistic gender balance programme “Roots to Boardroom” which strives to achieve balance in recruitment, participation, promotions and pay across AIB. We are committed to progressing our gender balance action plan building upon our achievements to date, which has seen a greater proportion of females than males promoted to management roles during 2021.

We will continue doing the right things to close the gender pay gap through:

- » Our Inclusion and Diversity strategy goals, (long-term gender balance target at senior management level of 40% Female, 60% Male)
- » Focus on attracting and developing female talent

We continue to take active steps to address our gender pay gap and are committed to gender equality across the organisation.

**LOOKING FORWARD**

We continue to engage and adapt to the changing market conditions to ensure AIB remains an employer

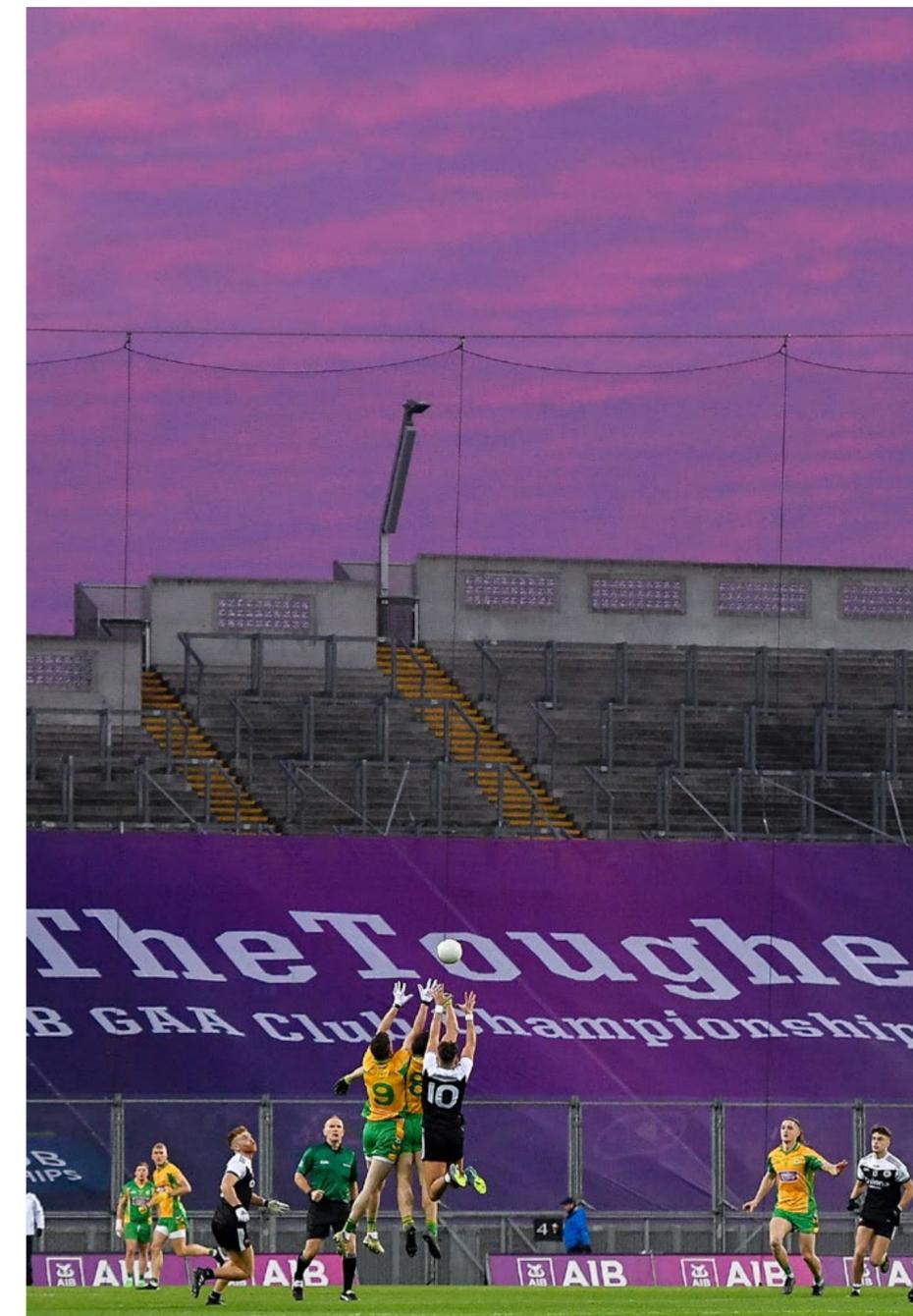
of choice in the market. This includes listening to our people, investing in their careers and providing appropriate structures to enable them to learn and grow.

As part of an overall review of our performance management framework (Aspire), we have revised and simplified our mandatory leadership and culture objective to now focus on driving 1:1 regular performance feedback and coaching conversations for 2022. Our associated policies and our People Leader population continue to help us to manage and monitor the effectiveness of our approach.

We'll also continue to adhere to relevant legal and regulatory requirements, including progress on the SEAR regime for senior leader positions and the publication of information relating to the gender pay gap in Ireland, as it is already published for AIB UK. Our organisational purpose to help our customers achieve their dreams and ambitions; and this is mirrored in our final line of our revised employee value proposition:

**"WHOEVER YOU ARE, WHATEVER YOU DREAM OF, WE BACK YOU"**

By backing our staff, and supporting their ambitions, it helps us attract, retain and develop the best talent and making AIB a great place to work.



# TALENT ATTRACTION, RETENTION AND DEVELOPMENT

## CASE STUDY

### EMPLOYEE VALUE AWARDS

AIB launched a new set of values and behaviours in July 2020. We wanted to celebrate the way in which our colleagues have embraced and lived our values in their everyday interactions with one another, our customers and the communities in which we operate, especially since the pandemic.

The Employee Value Awards are about recognising our colleagues who have demonstrated the behaviours that underpin our values and really brought them to life. It was important for us to be able to hold these awards. Since the COVID pandemic began, our people have worked tirelessly and these awards allows us



to recognise our people who have gone above and beyond to help their colleagues and our customers and is a true celebration of who we are in AIB.

We received over 3,200 nominations from colleagues across Ireland, Great Britain, Northern Ireland and New York. Over a third of our colleagues received a Nomination, with over 4,000 colleagues voting, casting over 14,000 votes, to select the top 4 from each group. 15 of our colleagues were announced as Employee Value Award winners for 2021.

The overwhelming sentiment of our people, acknowledging their peers and what we have done for each other as colleagues in AIB before and since the pandemic began, was a tribute to all who were nominated.

### ROOTS TO BOARDROOM

In 2021, AIB received international recognition as one of only ten companies (of 3,702 researched) to achieve gender balance (40% - 60% women) across all four levels considered - Board of Directors, Executive, Senior Management and Workforce (2021 Equileap Gender Equality Global Report and Ranking).

Additionally, AIB Group ranked 1st in Ireland, and 11th in Europe in the 2021 Best Practice Leader in European Women on Boards Gender Diversity Index. The report looked at 668 publicly listed companies across the European Union, ranking them on Diversity of board members, women in leadership functions and women at executive level.

These achievements reflect a sustained effort on gender balance that was accelerated in 2020 with the establishment of Roots to Boardroom, AIB's holistic gender balance programme, supported by our CEO, Executive Committee and Board. Our Roots to Boardroom program seeks to solidify the gains we have made on gender balance to-date, fill the remaining gaps in our organisation, and build a sustainable pipeline of female talent into the future. Roots to Boardroom strives to achieve balance in recruitment, participation, promotions and pay within AIB. Recent achievements which reflect our progress in gender balance include, four of our five females on the executive team have worked their way up through AIB and our 2021 graduate intake was gender balanced.

Our internal Women's Network have delivered a multitude of events throughout 2021, including educational sessions and employee communications. Topics addressed included: the need for gender balance, domestic abuse and violence as well as menopause educational sessions across the bank. Our Women's Network also drive our award winning Mentor Her program, that has achieved exceptional results, with real positive outcomes for participants, including:

- » 89% understood their strengths, an increase from 46% pre-programme
- » 68% know opportunities open to them, an increase from 20% pre-programme

- » 63% saw a clear career pathway, an increase from 12% pre-programme

Mentor Her helps the flow of talent through the organisation by helping females to appreciate their strengths and fulfil their potential. In areas that were historically male orientated we have a number of focused programs, including starting a new returners programme with ICT Skillnet and Women ReBoot supporting women to reignite their technology career.

Our focus is not only internal, we are also focused on supporting initiatives within our communities to empower young women from primary schools, secondary schools, colleges and non-educational arenas to fulfil their potential. We work with external partners and initiatives addressing gender balance such as the 30% Club and the Balance for Better Business cross-industry fora.

The guiding principle of Roots to Boardroom is that gender balanced organisations have better decision making and organisational outcomes, which enhances both the service provided to customers and investor value and returns. Roots to Boardroom has enabled AIB on our gender balance journey, but we have more to do. Our aim is to ensure that our success becomes sustainable and permanent.

# CORPORATE GOVERNANCE & ACCOUNTABILITY

## OUR APPROACH

**Our impact in ensuring that the Group is managed in the interest of all stakeholders following a framework of rules and practices to ensure accountability, fairness and transparency is critical. The approach we take to corporate governance and corporate behaviour supports this issue, which is relevant for all stakeholders – those who influence our business and those impacted by our resulting actions.**



Our strong governance structures and frameworks are key to delivering on our strategy. AIB's Board of Directors established a number of Board and Board Advisory Committees to oversee specific areas of the Group's operations while the Board retains ultimate responsibility, ensuring a robust approach to the oversight of the Group. See *Our Governance Structure* on p.11. AIB Group's Board is fully aware of the importance of its role and is strongly committed to upholding high standards of corporate governance and seeking continual enhancements. It engages with and considers the Group's stakeholders in its decision-making to ensure that all decisions are informed by their views and advance the sustainable success of the Group. We have a diverse Board with a balance of knowledge, skills and experience, a robust governance structure, and appropriate controls and oversight. The Board strives to ensure ongoing adherence to the various applicable corporate governance requirements as well as to the underlying principles and ways of working recommended by those requirements.

### BOARD COMPOSITION & DIVERSITY

In reviewing the Board composition, balance and appointments, the Committee considers candidates on merit against objective criteria and with due regard for the benefits of diversity, in order to maintain an appropriate range and balance of skills, experience and background on the Board and in consideration of the Group's future strategic plans. The AIB Group Board is committed to achieving the most appropriate blend and balance of diversity possible over time. All appointments to the AIB Group Board are made on merit, against objective criteria determined by the Nomination and Corporate Governance Committee at the time and designed to ensure that the overall

composition reflects an adequately diverse range of knowledge, skills and experience and at the same time respects the principle of equal opportunities. Details of Directors' Committee memberships, tenure, key skills and experience are set out as part of their biographical details in our Annual Financial Report. The Board Diversity Policy sets a target of 40% female representation on the Board. At 31 December 2021, there was 44% female representation on our Board.

### BOARD TRAINING

To support our Directors in their roles HR, in partnership with Corporate Governance, run a professional development and continuous education programme. In 2021, training sessions were run predominantly in a virtual setting. Topics included ICAAP/ILAAP/Stress Testing, Sustainability, IRB & IFRS9, Anti-Money Laundering and Fraud, Multi-Asset Risk System (MARS) and Regulatory reporting were all run virtually. Training on Cyber security and Board responsibilities in relation to Anti-Bribery were both run as in person events. Our Directors also have full access to an online Corporate Governance Library and a suite of AIB specific online training courses.

### BOARD EFFECTIVENESS

The Board conducts an annual evaluation of its effectiveness, and is required to have an external evaluation conducted once every three years. Having conducted an external evaluation in 2020, facilitated by Praesta Ireland, the Board agreed to conduct an internal evaluation, facilitated by the Corporate Governance function in 2021. The evaluation included the Board and each of its Committees. The areas reviewed included: role of the Board, chairing of the Board, Board papers and reporting,

strategic focus and culture, Board composition and competence, Board structure and processes, Board Committees, Communication and Stakeholder Management and Board Dynamics and Board Evaluations. Overall, the final effectiveness evaluation report 2021 was positive and demonstrated the strength of the Board and its Committees.

### CULTURE & ACCOUNTABILITY

AIB's purpose, to back our customers to achieve their dreams and ambitions, was developed by the Group's Executive Committee and approved by the Group's Board in 2017. In 2018, the purpose was systematically rolled out and communicated across the Group. Upon completion of a consultation across the business, we launched an updated set of values and associated behaviours in March 2020. The Board supports, and strives to operate in accordance with, the Group's purpose and values at all times and challenges management as to whether the purpose, values and strategic direction of the Group align with its desired culture.

The Group's Governance Framework underpins effective decision-making and accountability. It is the basis on which the Group conducts its business and engages with customers and stakeholders. It ensures that organisational and control arrangements are appropriate to the governance of the Group's strategy and operations and the mitigation of related material risks. Promoting a strong culture of accountability, integrity and openness, supported through appropriate governance and regulatory frameworks is a key tenet for our future sustainability. This is clearly set out in the Code of Conduct.

# CORPORATE GOVERNANCE & ACCOUNTABILITY

## CORPORATE BEHAVIOUR

Our Board-approved Code of Conduct sets out the behaviours we expect from everyone working in AIB – acting ethically, honestly and lawfully. Our Code of Conduct underpins our key mechanism for seeking advice on and reporting concerns on ethical behaviour – our Speak Up policy. There was considerable focus by the Board Audit Committee on the Group's Speak Up Policy during 2021, and the Board Audit Committee Chair, who is the Group's Whistle-blower Champion, participated in the Group's Speak Your Mind campaign, a new initiative launched in 2021. She expressed the Board's commitment to high standards in this area, encouraging all employees to report concerns about any suspected wrongdoing in order to protect the Group, our customers and other stakeholders.

In September 2021, AIB received a fine of €615,000 from the ECB for a legacy capital issue. The issue was identified by AIB, brought to the attention of the regulator, and we co-operated fully with the resulting ECB review. The breach had no impact on customers, and no impact on the Group's consolidated capital ratios. We have since strengthened our controls to prevent any recurrence.

## Anti-Bribery and Corruption

Corruption undermines stakeholder legitimacy and trust, and regular communications and training on conflicts of interest and anti-bribery corruption helps to build our organisational resilience to it. AIB's approach to anti-corruption is set out in our Conflicts of Interests and Anti-Bribery and Corruption policies – two of the policies that underpin our Code of Conduct for employee. For Directors, this is set out in the Board-approved Code of Conduct and Conflicts of Interest Policy for Directors. These policies cover how actual,

potential or perceived conflicts of interest are to be evaluated, reported and managed to ensure that employees, including our Directors, act at all times in the best interests of the Group and its stakeholders. They are available to Directors at all times within the online Corporate Governance Library. Our Code of Conduct, Conflicts of Interests and Anti-Bribery & Corruption policies for employees are publicly available on our website.

In 2021 all our Group Directors received communications about and training on our anti-corruption policies and on their responsibilities in relation to them. In addition, the Board Audit Committee oversees compliance with the Group Code of Conduct and Conflicts of Interests Policy by way of an annual update from management. It also ensures that arrangements are in place for the proportionate and independent investigation of matters raised under that policy for appropriate follow-up action. All business areas are responsible for completing a monthly risk assessment of all registered activities to ensure they are in keeping with our anti-bribery and corruption policies and identify those which might give rise to a potential or perceived conflict situations or corruption. Material matters relating to anti-bribery and corruption will be escalated to the Board by management on a case by case basis through Executive Management Reporting. AIB had two confirmed incidents of corruption in 2021 – one relating to 2021 and one to a previous year. Both arose from customer complaints and have been fully investigated. The monetary amount for both is not material.

## Financial crime

In AIB, we manage Financial Crime matters through our Three Lines of Defence (3LOD) approach. Through the deployment of a 3LOD Framework, the operation

of each line of defence is assessed by the next line. Assurance teams operate through the 3LODs and regularly report to Senior Management and the Board on the efficacy of Financial Crime controls. Our Money Laundering Reporting Officer (MLRO) is responsible for oversight of our Board's compliance with Anti-Money Laundering (AML) law, which is externally supervised by the Central Bank of Ireland, the Financial Conduct Authority (UK) and the New York Department of Financial Services and Federal Reserve Board (USA).

Our robust Financial Crime Framework, approved by our Board Risk Committee, includes our Financial Crime policy and standards on Anti-Money Laundering (AML)/Countering the Financing of Terrorism (CFT), Fraud and Group Sanctions. The policy and standards are embedded within our operating procedures, and subject to at least an annual content verification to ensure they are kept up to date. All employees and Directors are made aware of our Financial Crime policy and standards. Employees must complete mandatory e-learning annually. Our Money Laundering Reporting Officer (MLRO) (or Deputy) provides comprehensive annual training to the Board. Bespoke training tailored to consider the AML/CTF risks relevant to specific roles is also provided to key employees. To further enhance awareness, Financial Crime AML and Sanctions Bulletins are issued periodically to our employees, outlining key trends and other topical items. The Group Board is ultimately responsible and accountable for Financial Crime with the Bank. Group Financial Crime Compliance, led by the MLRO, perform ongoing monitoring and oversight of Financial Crime controls across the Group.

Our customers go through our Customer Due Diligence process at the on-boarding stage and on an

ongoing basis, which is driven by the risk assessment of the customer. Within the due diligence process, we screen customers against various criteria including national/international sanctions or terrorism. Some customers and beneficial owners present higher risk (e.g. politically exposed persons (PEPs) and/or customers established/residing in a 'high-risk third country'). For these customers we apply enhanced due diligence. We have a two-tier escalated sign-off for PEPs, with higher risk PEPs requiring approval by the MLRO. Our processes monitor customer activity to identify unusual or suspicious activity which is then investigated by specialist teams within the Bank. Reports of suspicious activity are made to the relevant authorities where required. We retain records of Business Risk Assessments, Customer Due Diligence and Transactional information for at least 6 years after the cessation of the business relationship.

## Economic Contribution

For FY2021 AIB generated direct economic value of €2,635m and distributed €1,762m across operating costs, employee wages and benefits, payments to providers of capital, payments to government and community investment. More details on the components of economic contribution are set out in the *ESG Supporting Data* section on p.106. AIB operates predominantly in Ireland, and we received no financial assistance (including tax relief and tax credits, subsidies, investment grants, research and development grants, financial assistance from export credit agencies, financial incentives or other financial benefits received/receivable) from the Irish government in 2021.

## Tax

AIB is committed to acting responsibly in relation to tax issues in each territory in which we operate, and

# CORPORATE GOVERNANCE & ACCOUNTABILITY

to dealing fairly and honestly with the tax authorities of those territories. We will not engage in abusive or artificial tax planning, even if the position is within a literal interpretation of the law. We apply arm's-length pricing to all material intra-group transactions and only engage in transactions that support genuine commercial activity. Transactions that transfer value created to low tax jurisdictions or involve establishing companies for tax avoidance purposes in jurisdictions considered to be tax havens would not be consistent with the principles we apply in our tax affairs. In 2021, AIB paid €194m in tax and collected a further €256m from customers, employees and shareholders.

## HUMAN RIGHTS

We published our Human Rights Commitment as part of our 2020 suite of reporting materials, in line with international standards, as set out in the UN Guiding Principles on Business and Human Rights.

[https://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR\\_EN.pdf](https://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf)

In Q3 2021, we conducted a pilot process to model the identification of our salient human rights issues, recognising our responsibilities relating to our role as an employer, a procurer of goods and services, and a provider of retail banking and corporate lending. The pilot centred on delivering against two key objectives:

1. Build internal awareness of human rights as an issue for the business; and
2. Identify priority 'salient' human rights relevant to the Bank for future action.

For this pilot, information was gathered about potential human rights impacts that AIB could be connected to, through a combination of publicly available desk research, reviewing internal documentation and twelve interviews with internal and external stakeholders. The focus was on the Bank's corporate lending and procurement, with a view to building AIB's internal capacity to replicate the process for other areas and to repeat the process periodically, as new information on potential impacts becomes available.

## LOOKING FORWARD

A number of recommendations and actions were agreed by the Board and which will be implemented throughout 2022 with regular check-ins to ensure progress is being made against them.

The introduction of the Central Bank of Ireland's Senior Executive Accountability Regime (SEAR) in Ireland will place obligations on financial services firms and senior individuals within them to set out clearly where responsibility and decision-making lies.

In relation to Human Rights, in 2022 we intend to examine a number of prioritised issues in more detail, to assess materiality and to agree any relevant actions to address. We also hope to broaden the parameters of the pilot across the business.



**CLICK HERE  
TO LEARN MORE**

# 100%

OF BOARD TRAINED  
ON ANTI-CORRUPTION

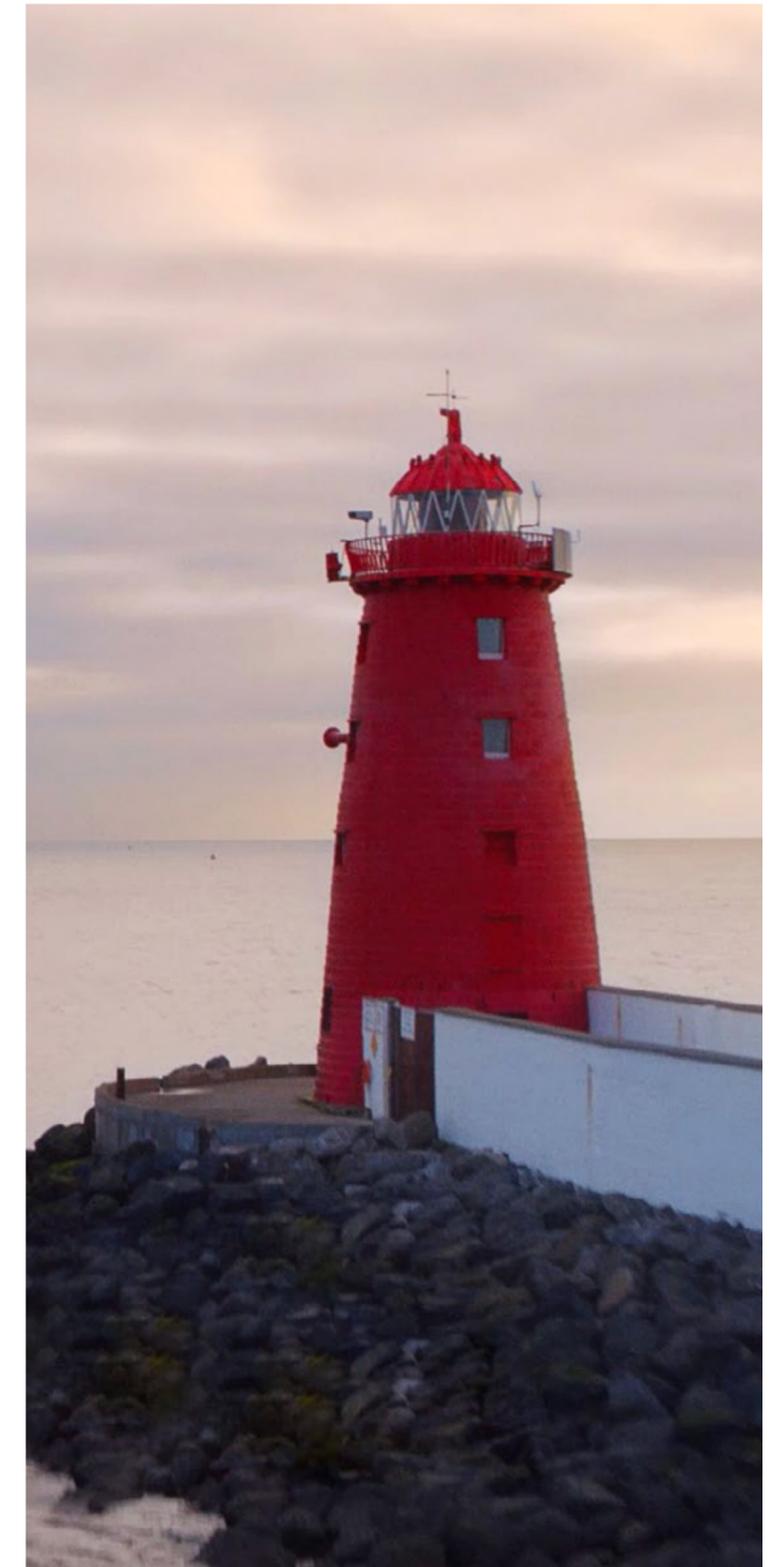
# GENDER BALANCE

ON BOARD

# €450M

TAX PAID & COLLECTED

# PILOT ON SALIENT HUMAN RIGHTS COMPLETED



# CORPORATE GOVERNANCE & ACCOUNTABILITY

## CASE STUDY

### OUR SUPPLY CHAIN

As one of the largest pillar banks in Ireland, AIB employs a broad range of suppliers across multiple categories of suppliers. We maintain a database c.4,000 suppliers and transacted with 2,128 of them in 2021. Our suppliers are predominantly in Ireland (63%) and the UK (26%), however we have a small number elsewhere, mostly in other European countries, USA, and India. In 2021, our spend on suppliers was €1.0bn]. There have been no significant changes to the location or structure of our supply chain in the financial year. Our Board has oversight of our approach to supply management.

Our suppliers are mainly professional services, business services, and IT service providers, and include (but is not limited to) categories such as consultants, contractors, sub-contractors, re-sellers, and brokers. We segment our supplier base into five tiers based on the criticality of suppliers proportionately and the potential risks involved in provision of the services. Our most critical services in the highest tier (Tier 1) are the most closely managed, while the lowest tier (Tier 5) suppliers typically provide low value transactional type goods and services. Market intelligence together with specific selection criteria and best in class supplier selection tools help us to select the most appropriate suppliers for the services we require. Due diligence and risk assessments are carried out during the onboarding stage with all suppliers. We complete due diligence for supplier selection prioritized according to the

nature, value, complexity, and criticality of the service being procured. For high value or high risk services, specific diligence checks are performed on the supplier and the proposed service model. Lower value/ risk suppliers are subject to routine company financial and sanction scanning checks. All suppliers must adhere to all legal obligations in each jurisdiction in which they operate or provide services (e.g. environmental and labour law) as well as any specific requirements included in AIB's policies. Our risk assessment process evaluates multiple aspects of supplier risk, including determination of financial risks or sanctions in place against a supplier, or negative media commentary associated with a supplier.

Key suppliers must attest annually to AIB's key policies (or clauses in them that are relevant to our supply chain). These includes our Code of Conduct, Conflict of Interest Policy, Anti Bribery and Corruption Policy, and Data Protection Policy. We also require that (where relevant) suppliers conform to the UK Modern Slavery Act. By the nature of AIB's industry, geography, and services employed, we are generally not at high risk of having modern slavery in our business or supply chain. However, we ensure that when engaging with suppliers operating in industries that may have an elevated risk of compromising human rights (such as those linked to low-skilled industries - e.g., textile manufacturing, construction, or agriculture) that appropriate checks and measures are completed.



AIB wants to support an inclusive ethical supply chain and ensure that individuals and companies throughout our supply chain work responsibly, sustainably, and safely. We will only engage with suppliers who adhere to our Responsible Supplier Code. The Code sets out our expectations for our suppliers, including that they must operate at all times in an ethical and fair manner in line with AIB's values and abide by all national and international laws as applicable (including the International Bill of Human Rights and the International Labour Organisation conventions), as set out in our contractual agreements and purchasing transactions with our suppliers. We also expect our suppliers to, in

turn, conduct business in a fair and honest manner with all their stakeholders, employees, subcontractors, and any other third parties.

During 2021, we increased the focus of sustainability within our supply chain, ensuring that our Responsible Supplier Code is referenced as part of all our purchasing transactions, and engagement with top suppliers to encourage adoption of Carbon Disclosure Reporting.