

UN Human Rights Global Compact- Communication on Progress 2021

Introduction

AIB Group plc is a financial services group that operates predominantly in Ireland and the United Kingdom. We support 2.8 million customers, 9,154 employees, over 2,128 active suppliers and hold a leading market position across our main business areas.

Progressing our Sustainability agenda is a strategic priority for AIB and is a core tenet of our Group strategy. We continue to play our part to ensure a greener tomorrow by backing those building it today. We have made ambitious commitments to play a central role in supporting our customers, colleagues and many other stakeholders on this journey. We recognise that our success depends on the success of our customers, employees, suppliers, and the economy & communities we serve. As a financial institution at the heart of the Irish economy, operating within a local and global context, the last 2 years have only served to reinforce how important it is to ensure we remain a sustainable business that works for all. Despite the unprecedented challenges that Covid-19 has presented across all aspects of society, the recovery provides an opportunity to rebuild in a more sustainable and inclusive manner. Our entire team in AIB is committed to that recovery, making a positive, sustained impact through our business, guided throughout by our purpose: to back our customers to achieve their dreams and ambitions.

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 (UNGPs).

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, as a procurer of goods and services, and a provider of retail banking and corporate lending. The pilot centred on delivering against two key objectives to build internal awareness on human rights as an issue for the business and to identify priority 'salient' human rights relevant to us for future action. 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.

CEO Statement

I am extremely pleased to detail our first Communication of Progress (CoP) as part of our 2021 annual reporting disclosures, which supports our ongoing commitment to the UN Global Compact and to the UN's Guiding Principles on Business and Human Rights. At AIB, our purpose is to back our customers to achieve their dreams and ambitions. Over recent years and increasingly as we move forward, those dreams and ambitions are being recast and redesigned through the lenses of sustainability and climate action.

We are deeply aware that the scale of our organisation and franchise demands that we provide leadership in sustainability not only in the financial services arena, but more broadly as an organisation of influence across the economy and society.

In setting a leading example, we are aligning our business with those customers, employees, suppliers and many other stakeholders who are themselves embracing sustainability and providing leadership and encouragement to those just setting out on, or planning their transition to a low carbon future. The integration of such change has placed additional demands on our customers, our suppliers, our systems and our people. While I am pleased with our response and our progress, we remain in the foothills of the challenge at hand, and I acknowledge we have more to do.

Notwithstanding the demands this places on our business, we remain steadfast in our ambition and fully committed to this agenda as integral to AIB's own sustainability, strength and prosperity.

Strategy & Material ESG Issues

Our sustainability strategy and the related process for identifying the most material ESG issues are outlined in the next two slides from our Sustainability Report which can be found on our website – aib.ie/sustainability.

SUSTAINABLE COMMUNITIES - OUR STRATEGY, PROGRESS AND TARGETS

ENSURING A GREENER TOMORROW BY BACKING THOSE BUILDING IT TODAY						
OUR FOCUS	CLIMATE & ENVIRONMENT		ECONOMIC & SOCIAL INCLUSION		FUTURE PROOF BUSINESS	
	We're actively integrating climate change into our business to accelerate our understanding, strengthen our strategy and clarify our actions. We're reducing our own carbon footprint and commit to being Net Zero by 2030. We're supporting our customers and communities in their transition to a low-carbon economy with an ambition that green and transition products will account for 70% of all our new lending by 2030.		We recognise the responsibility that comes with the scale and impact of our business. We aspire to contribute and advocate for a fairer society that is socially and economically inclusive. We do this by investing and raising awareness in access, education and innovation for our customers, our colleagues and our communities.		Our future sustainability depends on our ongoing investment in our business, people and processes. We want to give our customers the best possible banking experience – we're always learning and improving. In an increasingly digitalised world, we are focused on keeping our systems resilient and our data secure.	
	OUR TARGETS	OUR 2021 PROGRESS	OUR TARGETS	OUR 2021 PROGRESS	OUR TARGETS	OUR 2021 PROGRESS
	<div>2023</div> <div>€10BN</div> <div>IN NEW CLIMATE & ENVIRONMENT LENDING</div>	<div>€4.5BN</div> <div>GREEN LENDING SINCE 2019</div>	<div>2024</div> <div>€800M</div> <div>FINANCE FOR SOCIAL HOUSING</div>	<div>€300M</div> <div>FULLY ALLOCATED</div>	<div>2023</div> <div>+53</div> <div>TRANSACTIONAL NPS³</div>	<div>+45</div> <div>TRANSACTIONAL NPS ('21)</div>
	<div>2030</div> <div>NET ZERO¹</div> <div>IN OUR OPERATIONS</div> <div>AMBITION OF 70% OF NEW LENDING TO BE GREEN²</div>	<div>19%</div> <div>REDUCTION IN EMISSIONS (YEAR ON YEAR)</div> <div>19% OF NEW LENDING IS GREEN</div>	<div>2023</div> <div>500k</div> <div>CUSTOMERS SUPPORTED FINANCIAL LITERACY</div>	<div>288k</div> <div>SECONDARY SCHOOLS PROGRAMME</div>	<div>2023</div> <div>>2.25M</div> <div>DIGITALLY ACTIVE CUSTOMERS</div>	<div>1.85M</div> <div>DIGITALLY ACTIVE CUSTOMERS</div>
	<div>2040</div> <div>NET ZERO AMBITION</div> <div>CUSTOMER PORTFOLIO LENDING (AGRI 2050)</div>	<div>INTERNAL SCIENCE BASED TARGETS SET</div>	<div>ONGOING AIB IN OUR COMMUNITY</div> <div>ON-GOING STRATEGIC FOCUS</div>	<div>€10M</div> <div>SUPPORTING COMMUNITY CAUSES</div>	<div>ONGOING GENDER BALANCED⁴</div> <div>BOARD, EXCO & ALL MANAGEMENT</div>	<div>GENDER BALANCED</div>

1. Includes scope 1 & 2 emissions
 2. Green includes Transition Lending

3. Transactional Net Promoter Score (NPS) is an aggregation of 20 Homes, Personal, SME, Digital, Retail, Direct and Day-to-Day Banking Journeys
 4. The Gender Equality Global Report & Ranking - 2021 Edition equates "gender balanced" with between 40% and 60% of women.

MATERIALITY PROCESS

As we continue to adhere to international best-practice in the development and refinement of our strategy and reporting, in 2021 we refreshed our independent ESG materiality exercise. This work is done on a biennial basis, identifies the most material issues to our stakeholders and remains the backbone of the Sustainable Communities pillar of our Group strategy.

The process for the project included:

- » Review of AIB's strategic priorities, material/principal risks and current/emerging business developments;
- » Review of current/emerging societal and sector trends and global standards (e.g. GRI, WEF, NFRD/CSRD);
- » Peer review and analysis;
- » Regulatory review;
- » Survey and interviews with AIB senior management;
- » Stakeholder survey across 6 identified groupings with circa 680 responses.

The most significant change in the findings was the increased relevance and positioning of Climate Change within the issues presented, in particular climate resilience, being closely intertwined within the other material issues, from AIB product offerings to housing concerns.

The most significant changes from 2019 include the increase in the following issues: *Ensure a Climate Resilient & Responsive Business Model and Responsible Lending and Investments.*

The exercise also highlighted the growing importance of social issues and biodiversity in the overall ESG agenda. The outcomes of the matrix were validated by external stakeholders from a cross section of the AIB stakeholder groups.

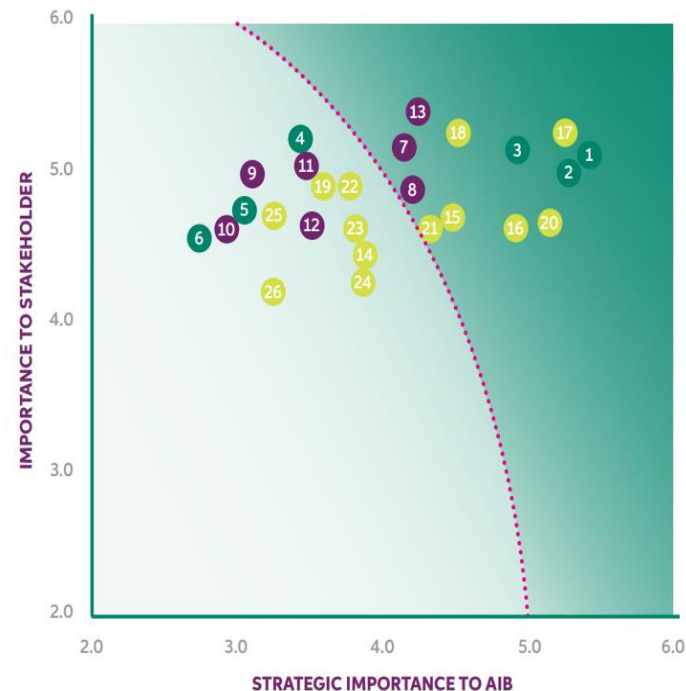
This work, was undertaken with the support of KPMG in Q2-Q3 2021.

Through the materiality process, we considered 26 updated topics, agreed following internal and external best practice review.

The process concluded 12 topics of material importance for both our stakeholders and AIB, which align to our strategy & commitments and on which we base our reporting.

Given our relevance and the strategic focus we place on the role of AIB in our communities, we are also reporting against our broad Community Strategy and impact.

2021 MATERIAL ISSUES AND FINAL PLOT



CLIMATE & ENVIRONMENT

- 01 Ensure a climate resilient & responsive business model
- 02 Products and services to address environmental issues
- 03 Responsible lending and investments
- 04 Decarbonisation of company's footprint
- 05 Circular economy
- 06 Biodiversity and ecosystem



ECONOMIC & SOCIAL INCLUSION

- 07 Usability of services and accessibility of products
- 08 Enable customers to make better informed financial decisions
- 09 Financial inclusion
- 10 Community Support
- 11 Stakeholder Engagement
- 12 Products and services to address economic and social issues
- 13 Housing



FUTURE PROOF BUSINESS

- 14 Diversity and inclusion
- 15 Customer experience
- 16 Digitalisation and interconnectivity
- 17 Cyber security and business system resilience
- 18 Protect our customers data and privacy
- 19 Comply with laws, codes and regulations
- 20 Talent attraction, retention and development
- 21 Corporate governance & accountability
- 22 Ethics & integrity
- 23 Employee engagement
- 24 Business leadership & vision
- 25 Employee health, safety and wellbeing
- 26 Responsible procurement

The Ten Principles of the United Nations Global Compact

Human Rights

Principle	Approach (Steps taken / planned)	Outcome (delivery / recognition)
1. Businesses should support and respect the protection of internationally proclaimed human rights	<p>Our Human Rights Commitment stipulates our respect of human rights is embedded in the culture and values that define our company, and reflected in our Code of Conduct, policies and actions toward our customers, employees, suppliers, and the communities and countries where we do business. 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. Details of any non-compliance with our internal staff Code of Conduct are presented to the Board Audit Committee each year.</p> <p>We also require our employees to complete our annual mandatory online learning curriculum including Speak Up, Anti-Money Laundering & Terrorist Financing, Information Security, Data Protection, Health & Safety and Conflict of Interests. 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.</p> <p>The Board's Sustainable Business Advisory Committee and EXCO completed two ESG training sessions and provided</p>	<p>In 2021 our Code of Conduct was completed by 95% of employees. Our target completion rate for each course of at least 90% (allowing for employees on who may be on leave) was achieved. Those on leave are required to complete the training on their return to work.</p> <p>Our employees completed on average 28.2 hours of training in 2021.</p>

	<p>oversight of our ESG goals and policies which safeguard our “social licence to operate”.</p> <p>Our Vulnerable Customer Programme aims to take care of our customers when they need us most and is focused on key areas including Dementia, Mental Health, Addiction, Financial Abuse, Accessibility and Economic Resilience.</p> <p><u>Access to financial services- SDG 1.4</u> aims to ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services. The Basic Bank Account is an EU-wide financial inclusion initiative, to ensure every EU citizen can get access to a bank account.</p> <p>Access to housing - In line with <u>SDG 11.1</u> ensure access for all to adequate, safe and affordable housing, 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.</p>	<p>In 2021 we delivered over 24,000 hours of vulnerability training to our staff. 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.</p> <p>We opened 20,400 Basic Bank Accounts (up from 17,100 in 2020) with no charges for everyday banking or maintenance fees for the first year.</p> <p>Our Social Housing Sectoral Team supported the provision of c.800 new and second-hand homes to the social housing market in 2021.</p>
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<p>2. Businesses should make sure that they are not complicit in human rights abuses.</p>	<p>For our relationship managed business customers with a gross connected exposure of >€/£300k, our Excluded Activities list prohibits providing new term lending for excluded activities 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.</p> <p>Our suppliers comprise of corporate businesses to SMEs and contractors. We set expectations for our supply chain to act honestly, ethically and with integrity in all business activities. Supplier's contracts set out the human rights commitments to be adhered to. Our Responsible Supplier Code (which is published on the aib.ie/suppliers website) sets out our expectations to respect human rights, health, safety, welfare, diversity and inclusion for employees in the supply chain.</p> <p>We have a target for financial literacy, with the aim to support 500,000 customers by 2023. In addition, we continue to expand our direct customer supports including our Financial Planning Tool "Future Sorted" quiz and Banking How to Guide to support the overall financial literacy of our customers.</p>	<p>This year Goodbody has signed up to AIB's Exclusion policy and the transferring Ulster book loans are also compliant with our Exclusion policy.</p> <p>There are 288k students signed up to our Future Sparks which is an online programme for post primary schools consisting of subjects including Financial wellness, Business and Economics.</p>
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Labour

Principle	Approach / Steps taken / planned	Outcome (delivery / recognition)
3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	<p>AIB and IBOA (Irish Bank Officials Association) have a longstanding relationship and operate a Partnership Agreement with respect to the conduct of Employee Relations matters, aiming to maintain secure employment.</p> <p>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.</p>	As per our Third Party Management (TPM) risk policy, all supplier services are subject to risk assessment. Our suppliers are segmented based on risk and the level of assessment is proportionate dependant on risk associated. Our Tier 1-2 suppliers are identified as the highest level of risk and during the risk assessment they are asked if they have a policy which pertains to collective bargaining.
4. the elimination of all forms of forced and compulsory labour.	We uphold the elimination of all forms of forced, compulsory and child labour as evidenced in our Code of Conduct Policy, our Responsible Supplier Code, and our annual Modern Slavery Statement. Our supplier contracts mandate that the supplier shall comply with all applicable anti-slavery and human rights laws and policies, and the Supplier further represents, warrants and undertakes that it has not been and is not engaged in any practices involving the use of child labour, forced labour, the exploitation of vulnerable people, or human trafficking, including any activity or practice that would constitute an offence under the UK Modern Slavery Act 2015.	Every AIB purchase order includes our Responsible Supplier Code, which outlines our expectations of our suppliers with respect to Human Rights and Modern Slavery. Furthermore, our supplier contract standard template includes a clause specific to respecting Human Rights and avoiding Modern Slavery.
5. the effective abolition of child labour.		
6. the elimination of discrimination in respect of employment and occupation.	Our Code of Conduct, available at www.aib.ie/sustainability , states that "We value and embrace diversity and oppose all forms of discrimination (race, ethnicity, age, colour, gender,	Female representation across all management is currently at 42%, and our ExCo and Board is maintaining ongoing gender balance at 45% and 44% respectively. We ranked 1st in Ireland, and

	<p>sexual orientation, disability, creed or any other classifications protected under applicable laws)."</p> <p>Our Diversity & Inclusion Code, available at www.aib.ie/sustainability states that employees can expect to "Be protected from any form of discrimination and never to be treated less favourably or disadvantaged in any way based on gender, gender re-assignment, age, civil status, family status, marital status, sexual orientation, disability, race, religion, membership of the traveller community or membership of a trade union."</p> <p>Our recruitment and selection policies state that they 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.</p> <p>Within AIB Group we are committed to being open, transparent and clear in relation to our position on Diversity & Inclusion.</p>	<p>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. We were the first Financial Services company to achieve a Silver "Investors in Diversity" Accreditation. We are the 2020 & 2021 Grad Ireland winners of the "Most Popular Graduate Recruiter in Banking, Investment & Financial Services".</p> <p>As per our Sourcing Policy, a Risk Assessment Test is performed for new service providers to investigate if they have policies in place covering Non-discrimination (e.g., age, gender, religion, race, etc.), Sexual harassment and harassment at work and Health & safety.</p> <p>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.</p>
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	<p>Our Speak Up policy and process provide a confidential route for employees to report wrongdoing or suspected wrongdoing through a number of channels, without fear of or actual retaliation, including an external, confidential, telephone and email facility operated by an international specialist charity, Protect. Protected disclosures are published on www.aib.ie/sustainability. Our Grievance process is a mechanism for our employees who feel they have been or have been subject to behaviours they believe are contrary to our Code of Conduct.</p>	<p>We appointed Elaine MacLean as our NED designated to engage directly on employee issues.</p> <p>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.</p>
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Environment

Principle	Approach / Steps taken / planned	Outcome (delivery / recognition)
7. Businesses should support a precautionary approach to environmental challenges/recognition of the right to collective bargaining.	<p>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.</p> <p>We 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.</p>	<p>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 multiyear initiative</p>

	<p>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.</p>	<p>for farmers, and the Signpost programme which promotes 100 demonstrator farms and their sustainable farming practices.</p>
<p>8. undertake initiatives to promote greater environmental responsibility; and</p>	<p>We're actively integrating climate change into our business to accelerate our understanding, strengthen our strategy and clarify our actions. We're reducing our own carbon footprint and commit to being Net Zero by 2030.</p> <p>We're supporting our customers and communities in their transition to a low carbon economy with an ambition that green products will account for 70% of all our new lending by 2030.</p>	<p>19% reduction in Scope 1 & 2 emissions year-on-year for 2021. Scope 1 & 2 emissions shows a 71% reduction from 2009 – 2021.</p> <p>Issuance of second Green Bond totalling €750m.</p> <p>Climate Finance Week Ireland (CFWI) is now in its fourth year, and once again is proudly sponsored by AIB. CFWI has</p>

	<p>Climate Action lending target doubled from €5bn over 5 years to €10bn in same period.</p> <p>Emission reduction targets set for a number of key sectors (Residential Mortgages, Commercial Real Estate and Electricity generation) covering 62% of lending balance sheet, with internal measurement processes in place to track progress.</p> <p>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 we are 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.</p> <p>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.</p>	<p>developed into the landmark sustainable finance event covering ESG topics in Ireland. The AIB Sustainability Conference is an annual event where we host 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.</p> <p>We signed up to Net Zero Banking Alliance, Equator Principles, WEF Stakeholder capitalism metrics and UN Global Compact in 2021.</p>
9. encourage the development and diffusion of environmentally friendly technologies.	<p>In supporting our customers' transition to a low carbon future, we doubled our Climate & Environment lending target to €10bn and launched a Sustainable lending framework outlining clear criteria by which we will report our green, transition and social lending.</p>	<p>In 2021 we became a signatory to the Equator Principles 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.</p>

	<p>We issued a second Green Bond, totalling €1.75bn over the two issuances and 'green' lending accounted for 20% of our new lending in 2021.</p> <p>We provide finance for retrofitting less energy efficient homes through our Green Consumer Loan. We provide finance to renewable energy generation through our multi-disciplinary Energy, Climate Action & Infrastructure team. Renewable technologies supported include Onshore & Offshore wind, Solar and Bioenergy.</p> <p>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. Our environmental and energy policies are published on our website.</p>	<p>Green Mortgages have developed into a key product for our business, collectively accounting for 20% of mortgage drawdowns in Ireland, up from 14% in 2020.</p> <p>We have enabled FoodCloud to redistribute over 19 million meals through and our partnership has meant that 7,640 tonnes of food was redistributed, with over 24k tonnes of CO2 eq. avoided.</p>
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Anti-Corruption

Principle	Approach / Steps taken / planned	Outcome (delivery / recognition)
10. Businesses should work against corruption in all its	Our Code of Conduct, Conflicts of Interests and Anti-Bribery & Corruption policies for employees are	Anti-corruption training was completed by 100% of Board members, 97% of Fixed

<p>forms, including extortion and bribery.</p>	<p>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. We had two confirmed incidents of corruption in 2021 - one relating to 2021 and the other to a previous year.</p>	<p>Term Employees and 87% of Business partners.</p> <p>Key suppliers attest annually to our 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.</p>
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