

A photograph of a tree-lined path, likely a promenade or park, with a large cyan bracket on the right side. The path is paved and lined with trees that have bright green leaves. In the background, a body of water and a bridge are visible. The cyan bracket is a large, stylized graphic element that starts from the right edge of the image and curves upwards and then downwards, framing the right side of the text.

# Green Bond Framework Presentation

March 2021



Bank of  
Ireland

# Responsible and Sustainable Business at Bank of Ireland

# Governance of Responsible and Sustainable Business

Bank of Ireland Green Bond Framework

## Group Nomination, Governance and Responsible Business Committee

- Board Committee with responsibility for overseeing the development and implementation of the Group's Responsible and Sustainable Business strategy
- The Committee is chaired by the Group Chairman

## Board Risk Committee

- The Board Risk Committee has oversight of climate risk as a transverse risk driver, through the Group Risk Framework

## Group Executive Committee

- At Senior Executive level, the Group Executive Committee has overarching responsibility for the Group's Responsible and Sustainable Business strategy
- Specific executive responsibility for Responsible and Sustainable Business has been delegated to the Chief Strategy Officer
- The Chief Risk Officer has overseen the development of an overarching ESG Risk Framework (including climate risk)

## Responsible and Sustainable Business Forum

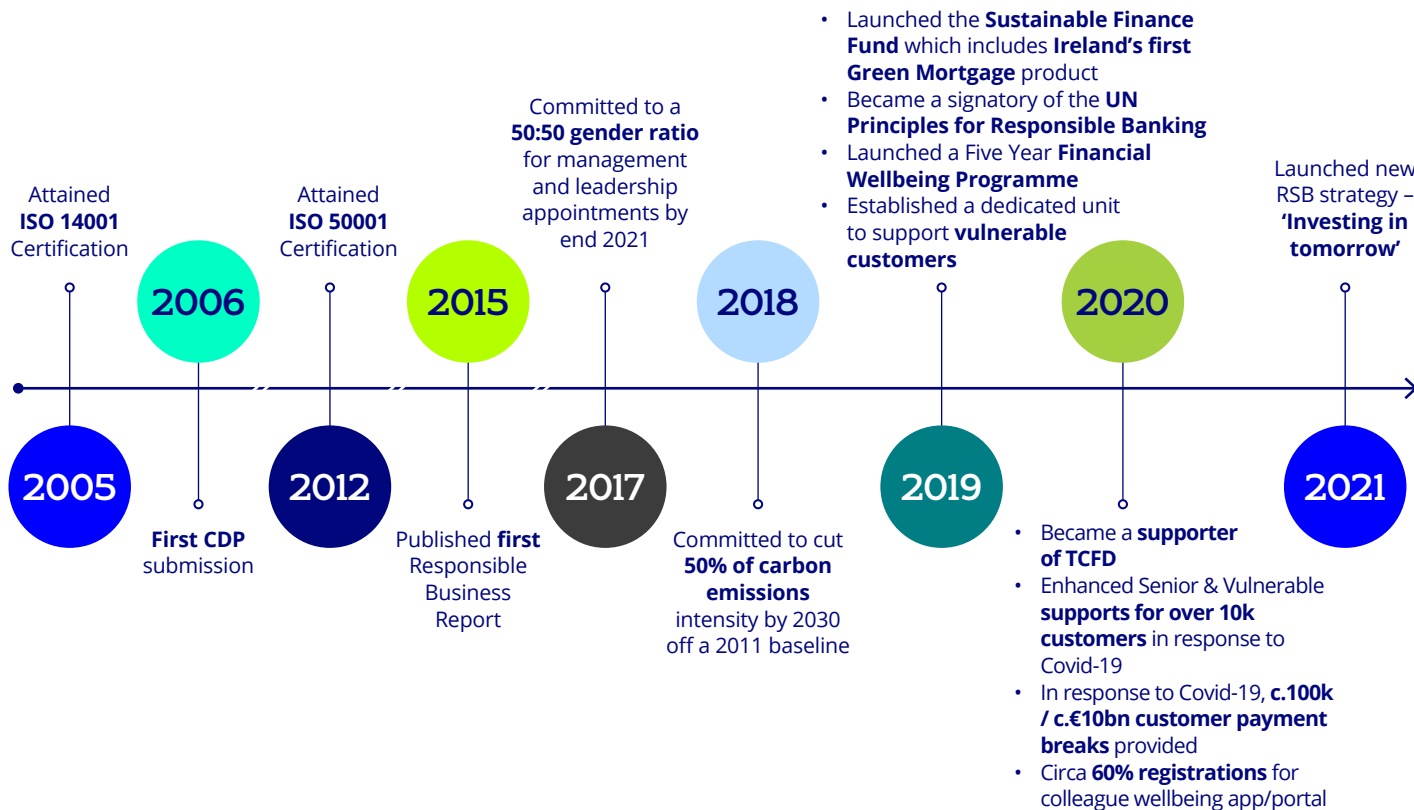
- Responsible and Sustainable Business Forum (RSBF) is chaired by the Chief Strategy Officer
- The RSBF comprises senior business and functional executives from across the Group which enables the Group to have a coordinated approach to oversight, delivery and reporting of the Group's Responsible and Sustainable Business strategy to the Group Executive Committee

## Responsible and Sustainable Business Team

- Dedicated Responsible and Sustainable Business team tasked with implementing the Responsible and Sustainable Business strategy across the Group
- The team sits within the Group Strategy function and reports to the Chief Strategy Officer

# Responsible and Sustainable Business (RSB) Journey

Bank of Ireland Green Bond Framework



# Responsible and Sustainable Business Strategy

Bank of Ireland Green Bond Framework

Behaving in a responsible and sustainable way is fundamental to achieving our purpose of enabling our customers, colleagues and communities to thrive. Throughout 2020, we developed a new Responsible and Sustainable Business strategy 'Investing in Tomorrow'

## Enabling colleagues to thrive



We will be a 'digitally able' learning organisation that values inclusion and diversity, reflecting society and our customer base

### Focus areas:

Digitally able  
Employability  
Inclusive development

## Enhancing Financial Wellbeing



We aim to power people to thrive financially by enabling them to make better financial decisions

Financial capability  
Financial inclusion  
Financial confidence

## Supporting the Green Transition



We are committed to working with our customers, colleagues and communities to support their transition to a resilient, net zero economy by 2050

Set science based targets  
Provide sustainable financing  
Decarbonise own operations  
Manage climate-related risks  
Transparently report

### Relevant sustainable development goals:



## Foundations



Underpinned by strong foundations which guide our commitment to being a responsible and sustainable business

# Supporting the Green Transition

Bank of Ireland Green Bond Framework

Combatting climate change is one of our greatest challenges as a global society. At Bank of Ireland, we understand the important role we can play in facilitating the transition to a resilient, low-carbon economy. We are committed to working with our customers, colleagues and communities to support their transition to a resilient, net zero economy by 2050, in line with the Irish and UK governments' ambitions and actions

Bank of Ireland's 5 point **climate action** plan:

1

## Set science based targets

Set our portfolios and lending practices on a pathway aligned with the Paris Agreement and commit to setting science based targets across our portfolios and operations by the end of 2022



2

## Provide sustainable financing

Support our customers through our core financing and advisory capabilities to enable them to transition to Net Zero and develop and deploy low carbon technologies



3

## Decarbonise our own operations

Make our own operations Net Zero by 2030



4

## Manage climate related risks

Build our own resilience by embedding climate-related impacts in our decision making processes for our own operations, in lending and investment decisions and the advice we give our customers



5

## Transparently report on our progress

Commit to transparently report on the progress we are making towards our ambitions, and reporting in line with the recommendations of the Task Force on Climate-related Financial Disclosures



# Climate Action Plan: Key 2020 achievements

Bank of Ireland Green Bond Framework

## 1 Set science based targets

- Undertook a high-level emissions baseline exercise across our lending book. Our assessment found that our emissions footprint varies across the portfolio with relatively low contribution from energy-related industries and higher contributions from property, transport and agriculture



## 2

## Provide sustainable financing

- Increased the Sustainable Finance Fund by €1bn in June 2020 bringing the total amount of the Fund to €2bn. €950m drawn from the Fund to date (end of 2020)
- The Sustainable Finance Fund is made up of three separate products:
  - Green Mortgage
  - Green Home Improvement Loan
  - Green Business Loan



## 3 Decarbonise our own operations

- Achieved a 77% reduction in carbon emissions intensity (on a 2011 baseline) across our Scope 1 and 2 emissions thus achieving 50% reduction target by 2030 10 years early
- Reduction in Bank energy consumption and climate-related impact within our operations. Key actions taken include:
  - Switching to 100% Renewable Electricity for Ireland and the UK operations. We remain focussed on reducing our kWh consumption of green energy to ensure we manage this finite resource responsibly
  - Upgrading our Data Centre facilities to improve energy efficiency
  - LED lighting upgrades across our branches and IT centres
  - Improving our ability to track unplanned and unpredictable energy consumption



## 4

## Manage climate related risks

- We have begun progressively embedding climate risk into the Group's key risk processes throughout 2020. We continued to develop our own internal climate scenario analysis and stress testing capability in line with emerging industry methodologies and platforms through our membership of the UNEP-FI TCFD Working Group
- Publication of an exclusion list relating to non-property lending arrangements within our Corporate Banking business



## 5

## Transparently report our progress

- In 2020, we became a supporter of the Task Force on Climate-related Financial Disclosure (TCFD)
- Reported against the TCFD recommendations for the first time in our 2020 Annual Report

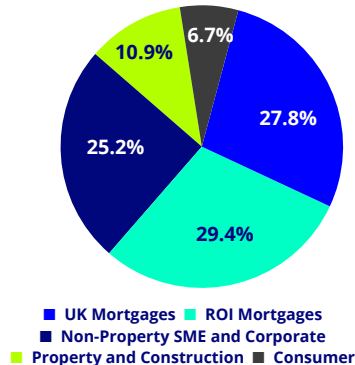


## Our Sensitivity to the Impact of Climate Change

Bank of Ireland Green Bond Framework

With c.70% of customer lending to mortgages, property lending and car finance, the Group has negligible direct lending exposure to fossil fuels and limited exposure to high carbon intensive industries and has developed an exclusions list that supports our climate ambition

### Group Loan Book % Breakdown



### % of Total Loan Book Exposures to Lending Sectors Most Sensitive to Climate Change



**57.2%**

Residential Mortgages



**10.9%**

Property and Construction



**1.3%**

Transport and storage



**0.1%**

Mining and quarrying



**3.4%**

Motor Lending



**4.9%**

Manufacturing



**2.1%**

Agriculture forestry and fishing



**0.4%**

Electricity gas steam and air conditioning supply

In line with the recommendations of the TCFD, the Group has identified activities and assets exposed to climate-related risks and has begun measuring possible financial risk impacts and assessing the opportunities that may present

#### 1. Key Climate-Related Risks

##### Transition Risks

- Support the transition towards more energy-efficient products and commercial activities

##### Physical Risks

- Flood risk impacting property values

#### 2. Management Actions

##### Steps currently being taken:

1. Risk Identification & Assessment
2. Risk Measurement
3. Scenario Modelling
4. Risk Mitigation
5. Targets and Risk Controls

#### 3. Opportunities

##### Identifying the opportunities:

- Green Mortgages
- Green Home improvement loans
- Green Business loan
- Loans to support the transition to clean transportation



# Bank of Ireland's Commitments & ESG ratings

Bank of Ireland Green Bond Framework



## Principles for Responsible Banking

Bank of Ireland signed the United Nations Environment Programme Finance Initiative (UNEP FI) Principles for Responsible Banking in October 2019. Providing a framework for a sustainable banking industry, the UN Principles help to align the banking sector with the UN Sustainable Development Goals (SDGs) and the Paris Climate Agreement



## Task Force on Climate-related Financial Disclosures

Bank of Ireland is a supporter of the Task Force on Climate-related Financial Disclosures (TCFD), a voluntary and consistent climate-related financial risk disclosure framework



## Business in the Community Low Carbon Pledge

Bank of Ireland signed the Business in the Community Ireland's Low Carbon Pledge in 2018 and committed to reducing our Scope 1 & 2 greenhouse gas emissions intensity by 50% by 2030

## ESG Ratings



ESG Risk Rating 22.4 (Medium Risk)

BOI's ESG Risk Rating places the Group in the 13<sup>th</sup> percentile of Banks (Industry Group)



BB (average)



B (management level)



44

# Green Bond Framework

# Green Bond Framework

Bank of Ireland Green Bond Framework

Green Bond issuance is an important part of the Group's Responsible and Sustainable Business Strategy as we look to finance our customers' transition to the low carbon economy and take an active role in combating climate change through sustainable finance

## Green Bond Framework Pillars

### Key Features

- Aligned to the Green Bond Principles published by ICMA in 2018
- Second Party Opinion provided by Sustainalytics
- The Group will allocate an equivalent amount of the net proceeds to lending to eligible green assets
- The Framework caters for secured, senior and subordinated issuance
- A 'lookback' period of 36 months has been applied to the Green Eligible Assets Portfolio

### 1 Use of Proceeds

- An amount equivalent to net proceeds will be allocated to finance/refinance:
  - Green Buildings & Energy Efficiency
  - Renewable Energy
  - Clean Transportation

### 2 Project Evaluation and Selection Criteria

- Green Bond Working Group is responsible for the evaluation and selection of assets for inclusion in the Green Eligible Assets Portfolio
- The portfolio is reviewed on a quarterly basis with loans no longer meeting eligibility criteria being removed

### 3 Management of Proceeds

- Net proceeds will be managed on a portfolio basis
- The Group will ensure that the balance of the Green Eligible Assets Portfolio matches or exceeds the total balance of green bonds outstanding

### 4 Reporting & External Review

- Allocation Report – will be published alongside external verification provided by an independent accredited provider
- Impact Report – the Group intends to provide investors with an impact report on the assets within the Green Eligible Assets Portfolio

## Pillar 1: Use of Proceeds

Bank of Ireland Green Bond Framework

### ICMA Green Bond Principles Eligible Category

### Eligibility Criteria

### Impact

### UN SDG

#### Green Buildings & Energy Efficiency – Residential

- Residential property with an energy efficiency rating within the Top 15% in Ireland, equivalent to BER of 'B3' or better
- Residential property with a date of construction of 2015 or later
- New buildings where the net primary energy demand of the new construction is at least 20% lower than the primary energy demand resulting from the relevant NZEB requirements; and/or:
- Renovations to residential property achieving savings in net Primary Energy Demand of 30%

Annual energy efficiency improvements, MWh

tCO2e avoided



#### Green Buildings & Energy Efficiency – Commercial

- Commercial property in Ireland, UK and US holding a BREEAM 'Outstanding' or 'Excellent' or LEED 'Platinum' or 'Gold' Certification
- Commercial property belonging to the top 15% of energy efficient buildings in Ireland and UK<sup>1</sup>
- New commercial property where the net primary energy demand of the new construction is at least 20% lower than the primary energy demand resulting from the relevant NZEB requirements, and/or:
- Renovations to commercial property where the renovation achieves savings in net Primary Energy Demand of at least 30%

Annual energy efficiency improvements, MWh

tCO2e avoided



#### Renewable Energy

- Renewable energy generation facilities including onshore and offshore wind, solar and geothermal

Renewable energy capacity added, MW  
tCO2e avoided



#### Clean Transportation

- Financing of the purchase, manufacture and operation of Battery Electric Vehicles and electrically-powered public transport systems, and the infrastructure that supports clean transportation

tCO2e avoided

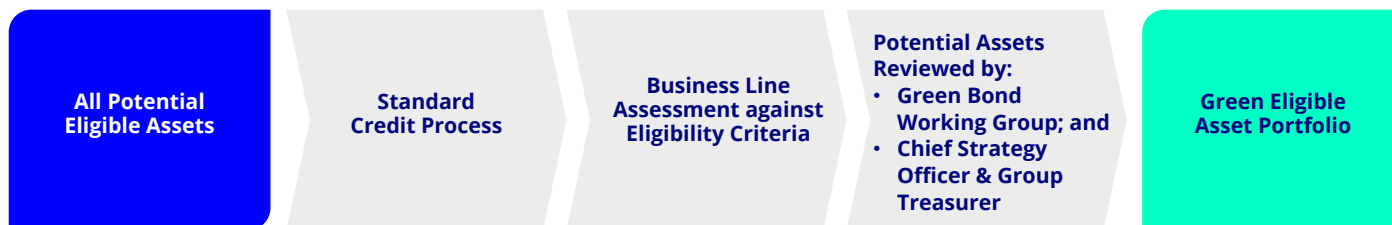


<sup>1</sup> As determined by reference to established energy performance benchmarks. Bank of Ireland anticipates drawing on the most current dataset available at the time of the allocation process (including datasets compiled by any retained technical consultants). As average building energy efficiencies and related datasets improve, relevant benchmarks and determinations involving proxies (e.g. Building Energy Ratings) will be updated accordingly.

## Pillar 2: Project Evaluation and Selection Process

Bank of Ireland Green Bond Framework

- All assets within the Green Eligible Assets Portfolio will go through the standard credit process
- All potential Eligible Assets need to comply with local laws and regulations, including any applicable regulatory environmental and social requirements



The Project Evaluation and Selection Process is managed by the Green Bond Working Group that reports directly to the Chief Strategy Officer (CSO), as GEC sponsor for the Group's Responsible and Sustainable Business and the Group Treasurer. The Working Group comprises of representatives from across the Group

### Green Bond Working Group responsibilities include:

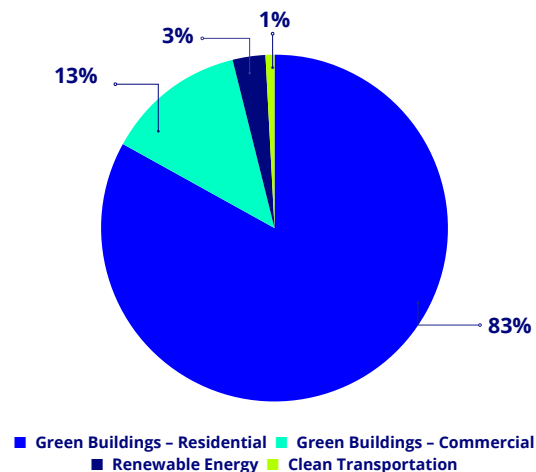
- Approve the proposed assets for inclusion in the Green Eligible Assets Portfolio based on the Group's pillar 1 Eligibility Criteria;
- Approve the removal of loans on the basis that they no longer meet the Eligibility Criteria, e.g. following divestment, liquidations or concerns that the assets/projects do not align with the Group's Responsible and Business strategy and agenda;
- Allocation of the Green Bond proceeds as set out in the Framework;
- Manage updates to the Framework and any proposed expansion of the Eligibility Criteria;
- Monitor regulatory developments with regards to sustainability; and,
- Document the evaluation and selection process in order to facilitate external verification of whether the Green Eligible Assets Portfolio meets the Eligibility Criteria as specified

## Pillar 3: Management of Proceeds

Bank of Ireland Green Bond Framework

- The net proceeds of the Green Bonds issued under this Framework will be managed by the Group on the basis of a portfolio approach ('Green Eligible Assets Portfolio')
- The Group intends to allocate an amount equal to the net proceeds from the Green Bonds to a portfolio of loans that meet the use of proceeds Eligibility Criteria and in accordance with the selection and evaluation process set out above
- The Group will strive to achieve a level of allocation to the Green Eligible Assets Portfolio which matches or exceeds the balance of net proceeds from its outstanding Green Bonds
- Additional eligible assets will be added to the Green Eligible Assets Portfolio as required to ensure that an amount equal to the net proceeds from outstanding Green Bonds will be allocated to Eligible Assets
- For any Green Bond proceeds that remain unallocated post issuance, the Group will hold and / or invest at its own discretion in its treasury liquidity portfolio (i.e. in cash or other short term liquid instruments)
- All potential changes to the Green Eligible Assets Portfolio will be reported quarterly to the Green Bond Working Group that will approve the proposed removals, replacements etc.

**Indicative Green Eligible Assets Portfolio**



## Pillar 4: Reporting

Bank of Ireland Green Bond Framework

- Within 1 year of issuance, and annually thereafter, the Group will produce an External Report to investors comprising an Allocation Report and an Impact Report, subject to the availability of suitable information and data
- These reports shall be made publicly available via the Group website at [www.bankofireland.com/investor](http://www.bankofireland.com/investor)

### Allocation Reporting

The allocation report will provide information on the Green Eligible Assets Portfolio, such as:

- Total amount of proceeds allocated to Green Eligible Assets per category as specified in the Use of Proceeds section above;
- The percentage of financing and refinancing of Eligible Assets; and,
- The balance of unallocated proceeds

### Impact Reporting

- The Group will report on selected environmental impacts of its Green Eligible Assets, subject to the availability of suitable information and data
- The Group anticipates that the key environmental impact indicator will be tCO<sub>2</sub>e avoided arising from:
  - i. increased residential and commercial energy efficiency, and
  - ii. the displacement of more carbon-intensive forms of electricity generation by renewable energy generation
- The Group may also appoint a technical consultant to assist with the development of the methodology for the estimation and calculation of the environmental impact of Green Eligible Assets

## Second Party Opinion

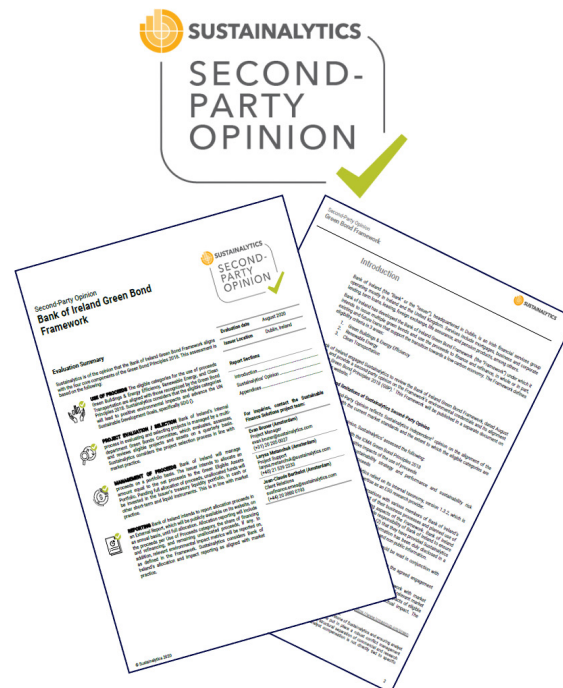
Bank of Ireland Green Bond Framework

Sustainalytics has published a positive second party opinion on the Group's Green Bond Framework

This independent verification assessment of the Framework (which is available to investors) considers that the Group's:

- Green Bond Framework is aligned with the 4 core components of the Green Bond Principles 2018
- Eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals
- Process for evaluating and selecting projects is in line with market practice
- Management of proceeds process is in line with market practice
- Allocation and impact reporting process is aligned with market practice
- Overall sustainability quality in terms of sustainability benefits, risk avoidance and minimisation is good

**“Sustainalytics is confident that Bank of Ireland is well-positioned to issue Green Bonds and that the Bank of Ireland Green Bond Framework is robust, transparent, and in alignment with the core components of the Green Bond Principles 2018.”**





## Contact Details

Bank of Ireland Green Bond Framework

For further information please contact:

- **Chief Strategy Officer**

Mark Spain	tel: +353 12 50 8900 ext. 48879	mark.spain@boi.com
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- **Responsible and Sustainable Business**

Lorraine Fitzgerald	tel: +353 87 364 5114	lorraine.fitzgerald@boi.com
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- **Group Treasury**

Tony Morley	tel: +353 12 50 8900 ext. 41974	tony.morley@boi.com
Redmond O'Leary	tel: +353 87 687 6683	redmond.oleary@boi.com
Deirdre Ceannt	tel: +353 87 962 8782	deirdre.ceannt@boi.com
Alan McNamara	tel: +353 12 50 8900 ext. 48725	alan.mcnamara@boi.com

- **Investor Relations**

Darach O'Leary	tel: +353 12 50 8900 ext. 44711	darach.oleary@boi.com
Philip O'Sullivan	tel: +353 12 50 8900 ext. 35328	philip.osullivan1@boi.com

- **Group Communications**

Damien Garvey	tel: +353 12 50 8900 ext. 46716	damien.garvey@boi.com
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- **Investor Relations website**

[www.bankofireland.com/investor](http://www.bankofireland.com/investor)

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### Bank of Ireland Green Bond Framework

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Bank of Ireland has set out its intended policy and actions in this Framework in respect of use of proceeds, project evaluation and selection, management of proceeds and investor reporting, in connection with Bank of Ireland Green Bonds. However, it will not be an event of default or breach of contractual obligation under the terms and conditions of any Bank of Ireland Green Bonds if Bank of Ireland fails to adhere to this Framework, whether by failing to fund or complete eligible green projects or otherwise.

In addition, it should be noted that all of the expected benefits of the projects as described in this Framework may not be achieved. Factors including (but not limited to) market, political and economic conditions, changes in government policy, changes in laws, rules or regulations, the lack of available suitable projects being initiated, failure to complete or implement projects and other challenges, could limit the ability to achieve some or all of the anticipated benefits of these initiatives, including the funding and completion of eligible green projects. In addition, each environmentally focused potential purchaser of Bank of Ireland Green Bonds should be aware that eligible green projects may not deliver the environmental or sustainability benefits anticipated, and may result in adverse impacts. On this basis, all and any liability, whether arising in tort, contract or otherwise which any purchaser of Bank of Ireland Green Bonds or any other person might otherwise have in respect of this Framework or any Bank of Ireland Green Bonds as a result of any failure to adhere to or comply with this Framework is hereby disclaimed to the fullest extent permitted by law.

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