



Green Bond Framework Presentation

September 2020



**Bank of
Ireland**

Responsible and Sustainable Business

Overview of Responsible and Sustainable Business

Bank of Ireland Green Bond Framework



- We are committed to addressing the key Environmental, Social and Governance (ESG) challenges facing society today. As Ireland's national champion bank we recognise the responsibility that we have and the important role that we can play in one of the big issues of our time – climate change



- In 2019 we became a signatory to the UN Principles for Responsible Banking (UNPRB) and a supporter of Task Force on Climate-related Financial Disclosures (TCFD) in 2020



- We have made significant progress with respect to our own carbon footprint and have reduced our carbon emissions intensity by 40% against a 50% target by 2030, a commitment made by becoming a signatory of the Low Carbon Pledge



- During the summer of 2020, we completed a materiality assessment to identify and prioritise ESG topics that matter most to our business and stakeholders. We have engaged with a range of stakeholders including customers, suppliers, NGOs and colleagues through interviews and surveys



- We have also completed an impact assessment to understand our impacts (both positive and negative) on society, the environment and the economy. We are using these insights to develop a Responsible and Sustainable Business framework and strategy including setting goals and targets



PRINCIPLES FOR
RESPONSIBLE
BANKING



TASK FORCE ON
CLIMATE-RELATED
FINANCIAL
DISCLOSURES



DISCLOSURE INSIGHT ACTION



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

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

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

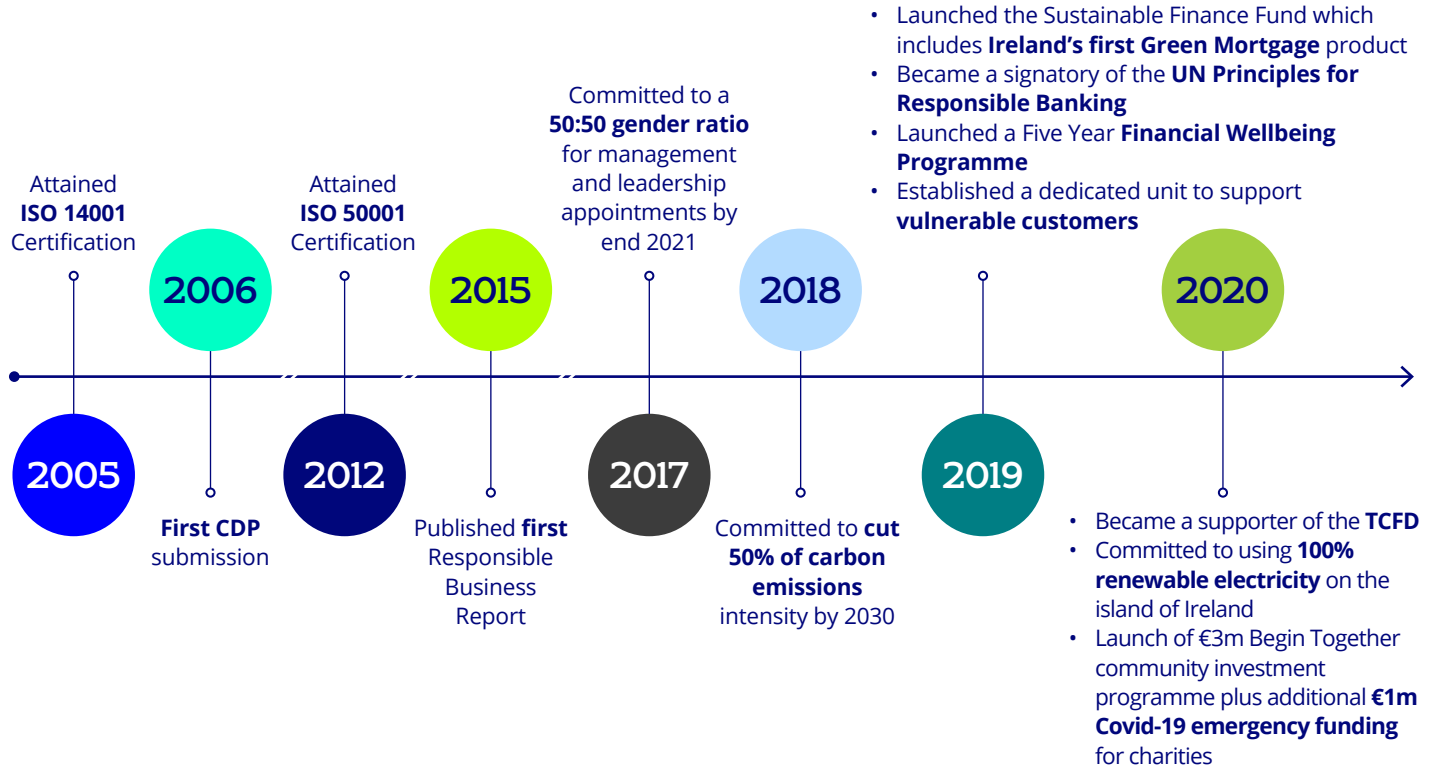
Responsible and Sustainable Business Team

- 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

Our Responsible and Sustainable Business Journey

- 2005 to 2020

Bank of Ireland Green Bond Framework



Supporting the low-carbon economy

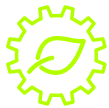
Bank of Ireland Green Bond Framework

We are committed to supporting a successful transition to a low carbon, climate resilient economy. We will do this by enabling customers to take action and also by reducing the Group's own environmental footprint.

Supporting our customers

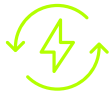


- Launched €1bn **Sustainable Finance Fund** in 2019; including first green mortgage in the Irish market. An additional €1bn added in June 2020 bringing fund to €2bn to support customers' transition to a low carbon economy



- The Sustainable Finance Fund is made up of three separate consumer products:

- 1 Green Mortgage
- 2 Green Home Improvement Loan
- 3 Green Business Loan



- Leading financier of the renewable energy sector - to date we have provided finance for c.720MW of renewable energy generating assets on the island of Ireland, providing the equivalent of 468,000 homes with renewable generated electricity. Our strong commitment to the renewables sector was evidenced by the Group's nomination as "**Champion of Renewables**" at the Irish Wind Energy Association ("IWEA") awards in 2019

Reducing the Impact of our operations



- **Low Carbon Pledge** - reduce carbon emissions intensity (scope 1 and 2) by 50% by 2030. Progress at end of 2019 - 40%¹
- 100% of our Rep of Ireland and Northern Ireland electricity is **supplied from renewable** sources since 1 January 2020.
- Accredited to ISO 14001 and ISO 50001

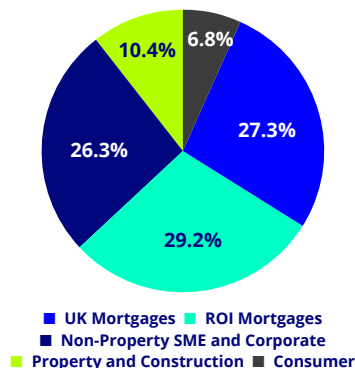
¹ Scope 1 refers to carbon emissions directly produced within the Bank's operations, e.g. gas-fired heating boilers. Scope 2 refers to the carbon emissions produced when the electricity used by the Bank is generated by the electricity providers

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

Group Loan Book % Breakdown



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



56.5%
Residential Mortgages



10.4%
Property and Construction



1.4%
Transport and storage



0.2%
Mining and quarrying



3.6%
Motor Lending



5.7%
Manufacturing



2.1%
Agriculture forestry and fishing



0.5%
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

1. Key Climate-Related Risks

Transition Risks

- Low energy efficiency impacting property values
- Transition away from carbon-intensive 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 Limits

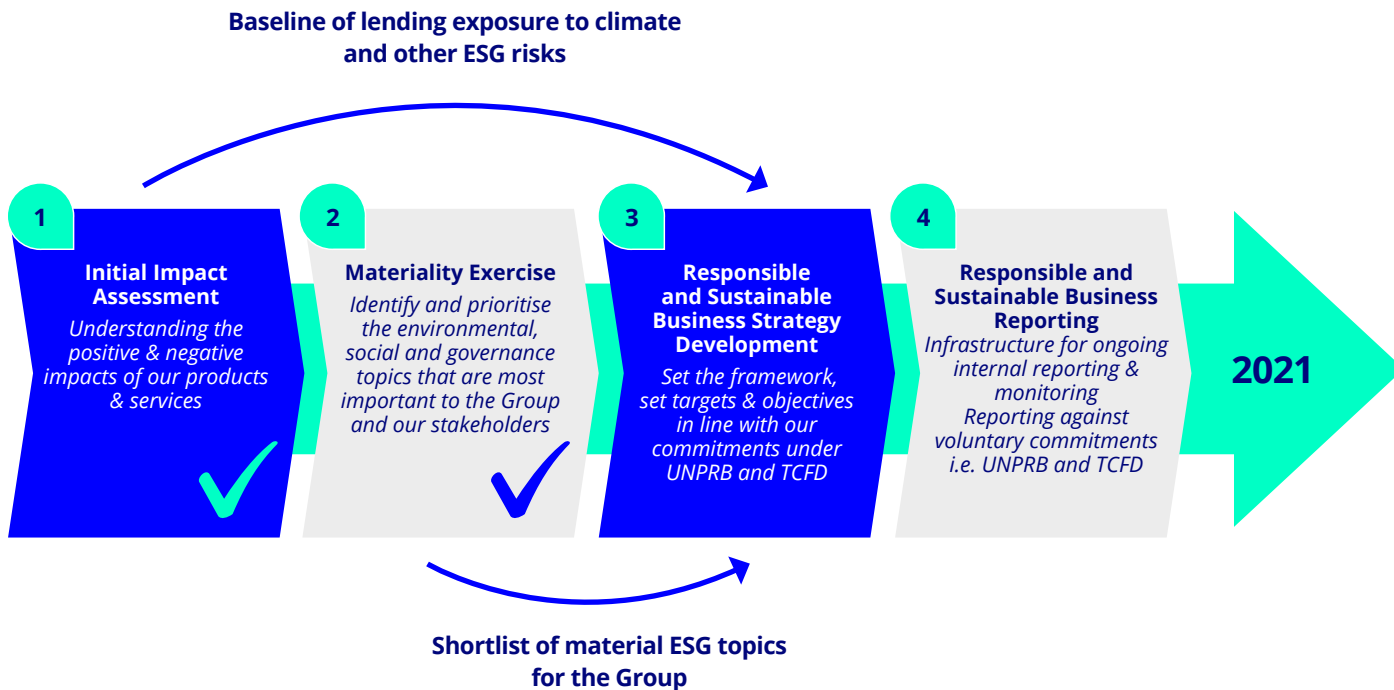
3. Opportunities

Identifying the opportunities:

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

Next Steps in our Responsible and Sustainable Business Journey




Bank of Ireland Green Bond Framework



Bank of Ireland's ESG Ratings

Bank of Ireland Green Bond Framework

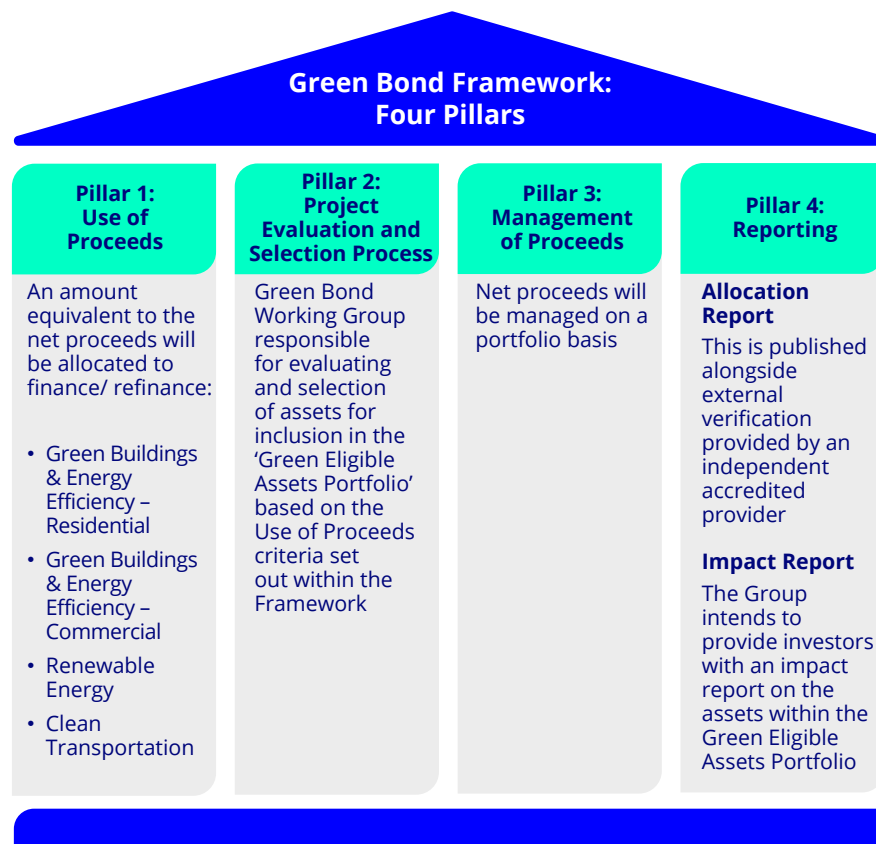
- The Group's journey to continually improve its approach to Responsible and Sustainable Business was recognised earlier this year by a significantly improved risk rating from Sustainalytics, improving from 29.3 to 22.4
- We are proactively engaging with other ESG rating agencies (and credit rating agencies that are moving into ESG analysis) to ensure they have all the relevant data that may assist in their analysis

BOI's ESG Ratings	
 SUSTAINALYTICS May 2020	22.4 (medium risk) Scale: 40+ (severe) to 0-10 (negligible)
 MSCI Aug 2020	BB (average) Scale CCC (Laggard) to AAA (Leader)
 CDP <small>DISCLOSURE INSIGHT ACTION</small> Jan 2020	C (awareness) Scale D- to A

Green Bond Framework

Green Bond Framework – Key Pillars

Bank of Ireland Green Bond Framework



Rationale







- By developing a Green Bond Framework and issuing Green Bonds, the Group can further demonstrate its commitment to supporting:
 - Our customers transition to a low carbon economy
 - The development of the Green Bond market in both senior and subordinated formats while catering for increasing investor demand for sustainable assets

Features

- The Group's Green Bond framework is aligned to the Green Bond Principles published by ICMA in 2018
- In the case of Green Bonds issued by Bank of Ireland Group plc, the Group will allocate an equivalent amount of the net proceeds to lending to green eligible assets by The Governor and Company of the Bank of Ireland and its subsidiaries
- The Framework caters for secured, senior and subordinated issuance
- A lookback period of 36 months has been applied to the Green Eligible Assets Portfolio

Pillar 1: Use of Proceeds

Bank of Ireland Green Bond Framework

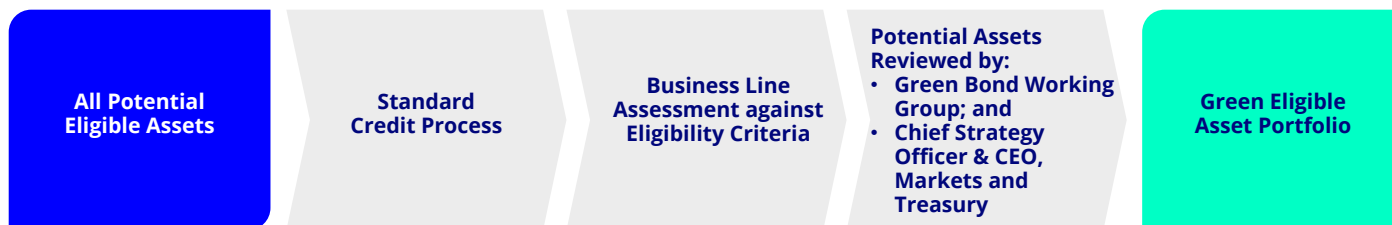
ICMA Green Bond Principles Eligible Category	Eligibility Criteria	Impact	UN SDG
Green Buildings & Energy Efficiency – Residential	<ul style="list-style-type: none"> Residential property with an energy efficiency rating within the Top 15% in Ireland, equivalent to BER of 'B3' or better Residential property 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	<ul style="list-style-type: none"> 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 UK² 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	<ul style="list-style-type: none"> Renewable energy generation facilities including onshore and offshore wind, solar and geothermal 	Renewable energy capacity added, MW tCO2e avoided	
Clean Transportation	<ul style="list-style-type: none"> 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	

² 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 agenda and to the CEO, Markets and Treasury. The Working Group comprises of representatives from across the Group

Green Bond Working Group responsibilities include:

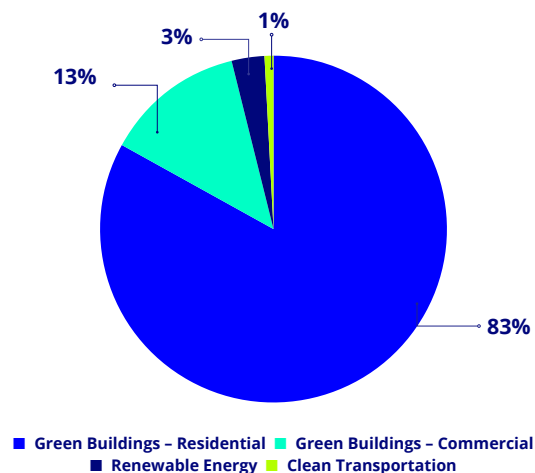
- Approve the proposed assets for inclusion in the Green Eligible Assets Portfolio based on the Group's pillar 1 Eligibility Criteria;
- Approve the removal of loans on the basis that they no longer meet the Eligibility Criteria, e.g. following divestment, liquidations or concerns that the assets/projects 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 meet 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

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 tCO₂e 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

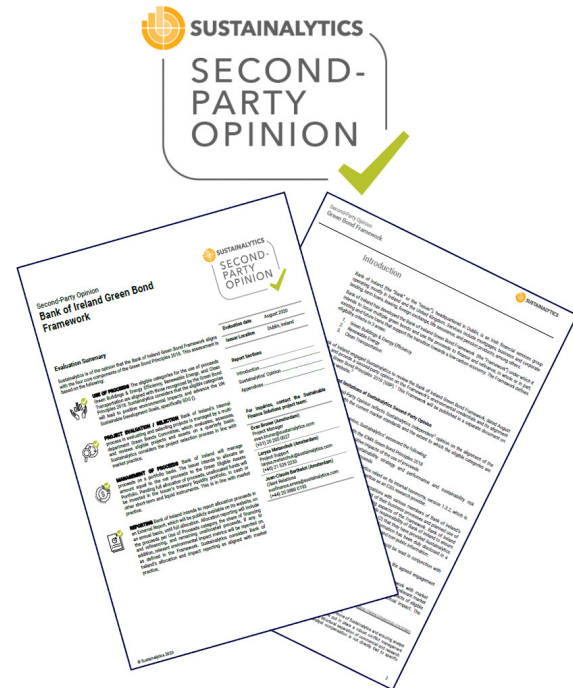
Bank of Ireland Green Bond Framework

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.”



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Bank of Ireland Green Bond Framework

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Any decision to purchase any Bank of Ireland Green Bonds should be made solely on the basis of the information to be contained in any offering document or prospectus produced in connection with the offering of such bonds. Prospective investors are required to make their own independent investment decisions and seek their own professional advice.

Disclaimer

Bank of Ireland Green Bond Framework

No representation is made as to the suitability of any Bank of Ireland Green Bonds to fulfil environmental and sustainability criteria required by prospective investors. Each potential purchaser of Bank of Ireland Green Bonds should determine for itself the relevance of the information contained or referred to in this Framework or the relevant bond documentation for such Bank of Ireland Green Bonds regarding the use of proceeds and its purchase of Bank of Ireland Green Bonds should be based upon such investigation as it deems necessary.

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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