



# BACKING A SUSTAINABLE FUTURE

# About this Report

Throughout this report, “AIB”, “the bank” or “we” refers to Allied Irish Banks, p.l.c.

This is AIB’s first report on non-financial activity, disclosing information specifically for the period January 1st to December 31st 2016. We also provide information on operations occurring before and after these dates, in particular through the first half of 2017, by way of context.

The report is framed around AIB’s Four Strategic Pillars, with content guided by the material sustainability issues of most importance to our stakeholders. These issues were identified following a process of assessment involving 1,150 individuals, which was conducted in 2016. This report has been compiled in accordance with the Global Reporting Initiative’s G4 Sustainability Reporting Guidelines to a core level. Assurance has been provided by Deloitte on our preparation of the report in accordance with these guidelines. For Deloitte’s assurance statement and our G4 content index, please refer to pages 84 and 87 respectively.

## Contents

1.	Message from Bernard Byrne, AIB Chief Executive Officer	4
2.	Sustainability in our Governance	6
3.	Welcome to AIB	8
4.	Our Impact and our Local Markets	12
6.	Stakeholder Engagement	14
7.	Materiality Issues	18
8.	Customer First	19
9.	Simple & Efficient	41
10.	Risk & Capital	53
11.	Talent & Culture	67
12.	External Assurance	84
13.	General Standards & Disclosures	87

# Message from Bernard Byrne, AIB Chief Executive Officer

## What does sustainability mean for AIB?

This has been a watershed year in many ways for AIB. In particular, the IPO that took place in June 2017 was a public validation of the significant work we have done to repair our business and position us well for the future. Notwithstanding the significance of this event, there's more to go as we continue to evolve to ensure our long-term success. Central to this is the need to regain our social licence to operate. To do this we need to continue to rebuild trust and public confidence in our business.



We recognise the role and responsibility we hold as a financial institution operating at the heart of the Irish economy. We've learnt a great deal in the recent past, not least where we fell short, sometimes very significantly short, of the standards expected of a bank. In the last decade, AIB has been materially transformed. We are a smaller and more focussed business and, culturally, quite different. We have much more to do and recognise that our future success is inextricably linked to our customers' success and the economies and communities we work in.

We want AIB to become a leader, both in thought and practice, in sustainability. Publishing this report is the first step to achieving that goal. While we're at the early stages of this particular journey, we have framed our approach to building our sustainability strategy around our Purpose and our Four Strategic Pillars.

We constantly seek to engage, listen, understand and respond to our stakeholders, and incorporate the key economic and social issues that matter into our business strategy in a way that adds value, both to our business and to society – shared value. This is sustainability for AIB. We know this can be very challenging to achieve at times. Our job is not always to say 'yes'. We have started by being clear on our Purpose.

It defines who we are, how we add value and what we seek to become. **Our Purpose is to back our customers to achieve their dreams and ambitions.** The

development of our Purpose created a good deal of debate within the Leadership Team and we know others will debate it too. We're pleased with where we landed; it sets us up for the next phase of the challenge.

### **Where are we now?**

We know that we only prosper when our customers prosper. This is a long-term perspective, not a short-term view. If we put the long-term interests of our customers at the heart of our business, truly enabling them to achieve their dreams and ambitions, in a real way, then, we will be a sustainable bank.

We believe that a sustainable bank offers products and services that are simple, accessible and fairly priced. A sustainable bank is technologically well-developed, environmentally conscious, and socially responsible. A sustainable bank is one that manages its risks effectively, governs appropriately and complies with regulation. A sustainable bank takes care of its employees, and plays a leadership role in local communities, in the economy and in society. Fundamentally, a sustainable bank is one that has the societal support needed to survive and thrive.

### **What's next for us?**

There are many initiatives referred to in the report that I am pleased to highlight, and there are some challenges we simply must address. We remember well our recent past, we know that we have much still to improve and get right.

For now, we are working on setting clear targets for what we want to achieve as we build out our sustainability strategy. We will report further on our approach and our progress – and where we've more to do in identifying, managing and responding to emerging issues – in March 2018.

We want to stay true to our Purpose and to respond to issues that matter. As we progress, it's up to our customers, our people, our investors and many other stakeholders to ultimately mark our report card on how we're doing.



Bernard Byrne  
Chief Executive Officer



# Sustainability in our Governance

*“AIB is a bank at the very heart of economic and social life in Ireland. The financial crisis taught us some hard lessons, and left us determined to do better for everyone who relies on us: our customers, our people and the many, many businesses and communities who depend on us every day.*



*“We want to rebuild trust in AIB. We know this means running our business efficiently and effectively in the future, balancing and aligning our commercial and social interests to ensure we deliver long-term, sustainable value. We also know that trust will be earned over time, and we will be judged not by what we say, but by what we do.*

*“There’s both an honour and an onus that comes with chairing the Sustainable Business Advisory Committee. It’s a role I’m delighted to play and one that enables me, along with the team, to support and challenge the business in key areas that ultimately drive trust and engagement with all our audiences.*

*“While we’re just at the start of our sustainability journey, we’ve already put thought into how we will structure our activities and measure our progress – fully aligned with, and embedded in, our business strategy.*

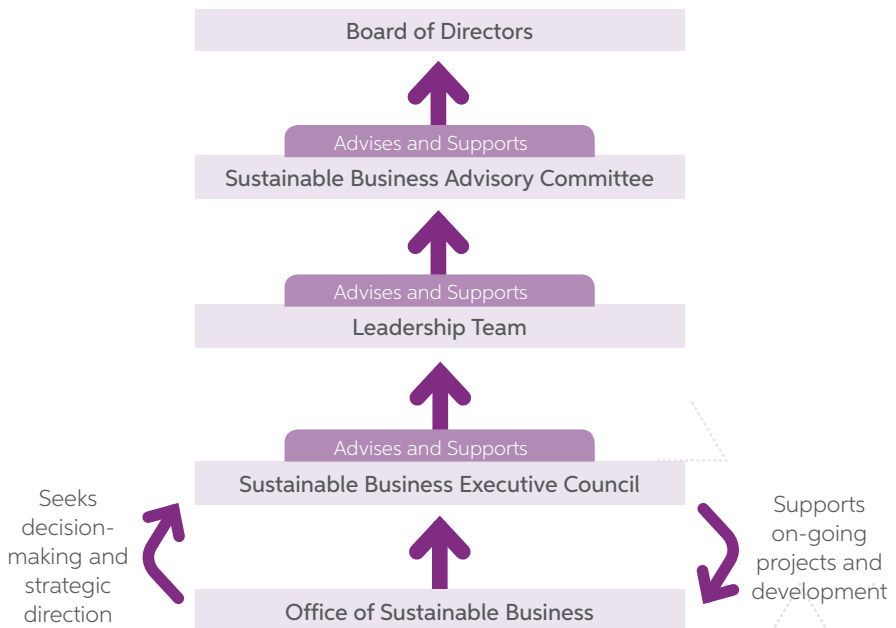
*“We have the right starting blocks in place, we are focussed on the task in hand and we are looking forward to the next phase in getting the work done.”*

**Helen Normoyle, Chair, SBAC, and independent non-executive director of AIB**

AIB's Sustainable Business Advisory Committee (SBAC) advises the Board of Directors on sustainability issues. Chaired by Helen Normoyle, an independent non-executive AIB Board member, the Committee's membership comprises AIB's Chief Marketing Officer, Chief People Officer and Director of Corporate Affairs, as well as non-executive directors Jim O'Hara and Carolan Lennon.

The SBAC supervises the development and execution of the bank's sustainable business strategy in accordance with the approved group strategic and financial plan. Developing this strategy includes safeguarding the bank's social licence to operate. In particular, it considers and advises on: customers and conduct; communities/Local Markets; employees; environment; and reputation and trust.

The SBAC is supported by the Sustainable Business Executive Council (SBEC), which is made up of senior managers representing a cross-section of the bank's functions. The Office of Sustainable Business (OSB) sits within the department of Corporate Affairs & Strategy and is led by Sarah Dempsey, AIB's Head of Sustainability.



# Welcome to AIB

Allied Irish Banks, p.l.c. is a financial services group operating primarily in the Republic of Ireland and the United Kingdom. Our income in 2016 was split 73% from AIB Ireland (€1,924m), 12% from AIB UK (€255m) and 15% from Group and International activities (€396m).

Since January 2017, the group has been managed under the following segments: Retail & Commercial Banking (RCB), Wholesale Institutional & Corporate Banking (WIB), AIB UK, and Group.

## The AIB Group operates four main businesses and brands:



AIB, comprising personal, business, corporate and wholesale banking, predominantly in the Republic of Ireland.



EBS, a bank delivering a suite of personal products in the Republic of Ireland, primarily mortgages.



Haven, providing mortgages to intermediaries in the Republic of Ireland.



AIB UK comprises two trading entities: Allied Irish Bank (GB) in Great Britain, and First Trust Bank (FTB) in Northern Ireland.

# Our Purpose

Getting the bank to this point in its recovery has been a key focus for everyone in AIB for the last number of years. Our Ambition, Four Strategic Pillars and Values have helped guide us along the way. As we enter a new chapter for the bank, we have a clear Purpose. Our Purpose reminds us why we are here, and focuses us all on what truly matters.



# Four Strategic Pillars

There are Four Strategic Pillars that determine how we run our business in AIB – these are the four themes upon which we build and measure success both internally and externally.

## 01 CUSTOMER FIRST

Of our Four Strategic Pillars, Customer First is our North Star. It means we put the needs of our customers at the heart of what we do. As such, we continually adapt our service offering to meet the ways in which our customers interact with us on a daily basis, at all times striving to be fair and consistently delivering value.

## 02 SIMPLE & EFFICIENT

We aim to allow our customers to bank with us how and when they wish. We are at the forefront of digital enablement of banking services, with ongoing investment in research, development and innovation to increase efficiency. We also invest in our physical presence – both our branch network and our central offices – being mindful of our social and environmental impact.

## 03 RISK & CAPITAL

Maintaining both a strong risk management framework and robust capital levels is a priority for the bank. We aim to offer value for our customers while consistently delivering a strong financial performance that not only paves the way for future development but, importantly, addresses legacy challenges.

## 04 TALENT & CULTURE

Our people determine how our customers feel about AIB. And so it follows that having the right culture throughout the entire organisation is critical. We want to be a truly diverse and inclusive workplace, with an accountable, collaborative and trusted culture, where all of our employees can bring the best of themselves to work each day.

# Our Impact

We are a team of 10,000+ people who impact the lives of over 2.3 million customers throughout the financial chain; customers who rely on us each day to perform seamless and accurate transactions on their behalf.



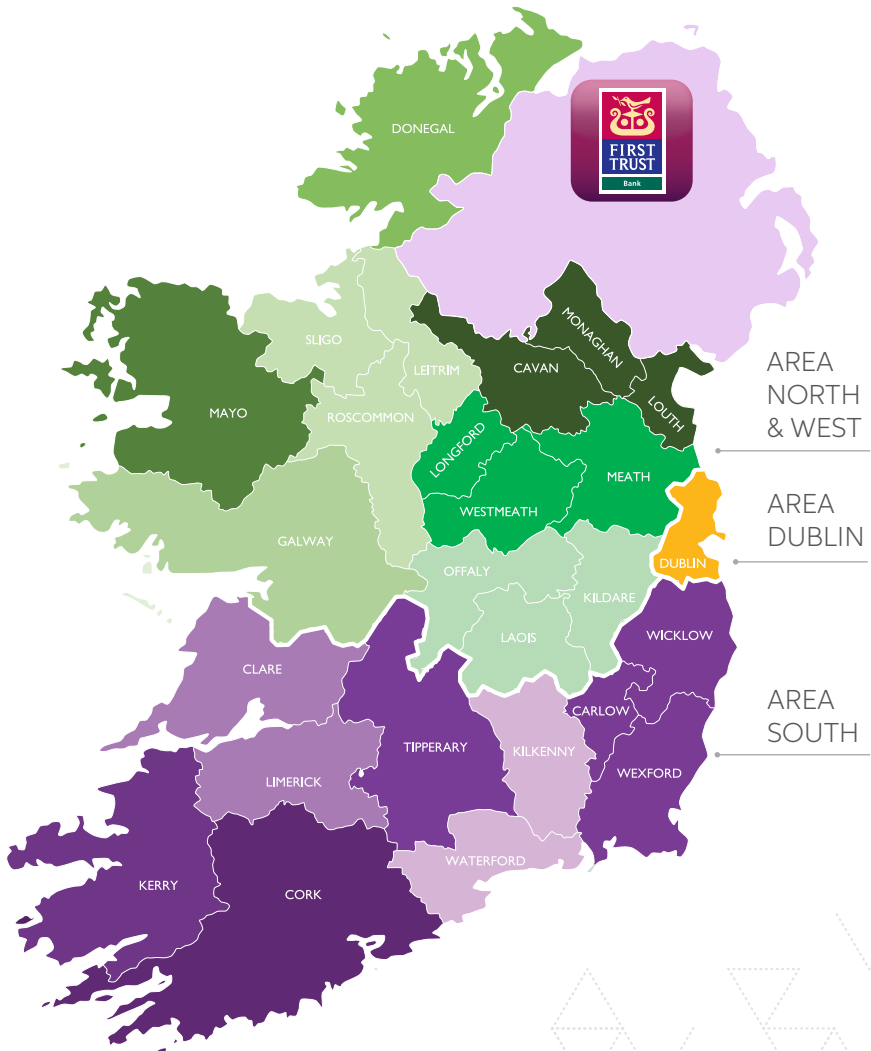
# Our Local Markets

In 2016, AIB announced a new Local Markets structure, organising our large branch network and business centres into 19 Local Markets in three core areas around the country to provide singular accountability and focus and to become the best bank in every community. Each of our 19 Local Market teams have a Local Leader who is empowered, responsible and accountable for the delivery of clear differentiation in their local market.

Each of our Local Markets is authorised and equipped to carry out their own local marketing, including social media campaigns and to support local charities. They are encouraged to conduct their business in the way that makes the most sense for their community.

Our branch network in Northern Ireland operates under the First Trust Bank (FTB) name, while in Great Britain we operate as Allied Irish Bank (GB).







# Stakeholder Engagement

One of our first tasks was to develop a materiality evaluation of key sustainability issues. In a comprehensive six-week process involving a representative group of 1,150 individuals – AIB customers and employees, not-for-profit organisations and environmental, investor and industry groups – the Office of Sustainable Business (OSB) identified and validated a list of 32 material issues. These are the environmental, social and governance (ESG) issues of most concern to our stakeholders.

This was a three-step process, the first element of which was to identify our key stakeholders through a review of our business operations and those directly and indirectly impacted by them. We weighted the relative importance of stakeholders based on a survey of business managers.

The second step was to identify the widest possible selection of environmental, social and governance (ESG) issues that currently are, or may become, relevant to our business and stakeholders. This involved a combination of research, peer reviews, investor analysis and a review of reporting standards.

The list of 100 potential issues was reviewed and reduced to 32. The final step was to validate the outcome of this exercise.

The OSB conducted this materiality exercise with the guidance of independent advisors KPMG and the core approach of the Global Reporting Initiative (GRI), an international leader in sustainability reporting. At the bank of this report, you will find our GRI Content Index containing General and Specific Standard Disclosures we have made to meet the core option of the GRI reporting criteria.

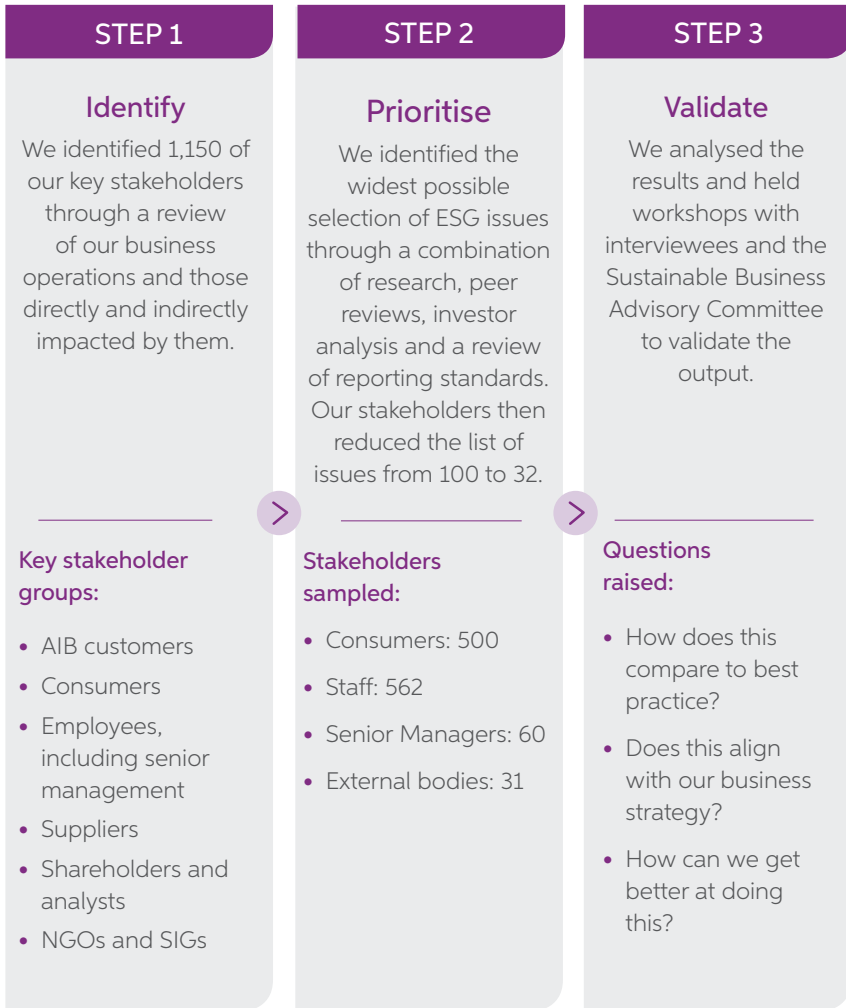
When presenting these issues (page 18), we arrange them into AIB's Four Strategic Pillars, paving the way for us to incorporate them into our strategy and decision-making processes.

## Ongoing stakeholder engagement exercises

Stakeholders	How we listen
<b>AIB Customers</b> <ol style="list-style-type: none"> <li>1. Measures of customer satisfaction</li> <li>2. Reputation of service among peers</li> <li>3. Feedback on specific products/services</li> <li>4. One-to-one feedback</li> <li>5. Transparency and responsiveness</li> <li>6. Remediation and responsiveness</li> <li>7. Feedback on sustainability performance</li> <li>8. Priority sustainability issues for customers</li> </ol>	<ol style="list-style-type: none"> <li>1. Net Promoter Score trends</li> <li>2. Reputation tracking among customers</li> <li>3. Quantitative and qualitative research</li> <li>4. Customers visits and communications</li> <li>5. Ask AIB (Social Media Support Centre)</li> <li>6. Complaints monitoring</li> <li>7. Sustainability website</li> <li>8. Biennial materiality exercise</li> </ol>
<b>Employees and senior management</b> <ol style="list-style-type: none"> <li>1. Employee engagement levels/issues</li> <li>2. Issue identification and management</li> <li>3. Performance and satisfaction measures</li> <li>4. Employee health and safety</li> <li>5. Direct feedback to senior management</li> <li>6. Effectiveness of culture/behaviours</li> <li>7. Shared outlooks and objectives</li> <li>8. Priority sustainability issues for employees</li> </ol>	<ol style="list-style-type: none"> <li>1. iConnect employee surveys</li> <li>2. 'Speak-Up' escalation channel</li> <li>3. Performance management process</li> <li>4. Health and safety monitoring</li> <li>5. Townhalls, huddles and team meetings</li> <li>6. Conduct/Conflicts of Interest policy reviews</li> <li>7. Industrial relations discussions</li> <li>8. Biennial materiality exercise</li> </ol>
<b>Suppliers</b> <ol style="list-style-type: none"> <li>1. Profiling suppliers for sustainability</li> <li>2. Managing supplier sustainability issues</li> <li>3. Supplier feedback</li> <li>4. Identify sustainability gaps and deficiencies</li> <li>5. Priority sustainability issues for suppliers</li> <li>6. Gap and issue management for suppliers</li> </ol>	<ol style="list-style-type: none"> <li>1. Requests for proposals/tender processes</li> <li>2. Supplier management system oversight</li> <li>3. Supplier surveys</li> <li>4. Annual review of procurement policy</li> <li>5. Biennial materiality exercise</li> <li>6. Contract incidents and issues monitoring</li> </ol>

Stakeholders	How we listen
<p><b>Shareholders and analysts</b></p> <ol style="list-style-type: none"><li>1. Transparency and financial reporting</li><li>2. Communications channels /transparency</li><li>3. Responsiveness and learning</li><li>4. Transparency and responsiveness</li><li>5. Priority sustainability issues for shareholders/analysts</li></ol>	<ol style="list-style-type: none"><li>1. AGM and shareholder services</li><li>2. Investor Relations roadshows and conference</li><li>3. Investor, analyst and corporate broker relationship</li><li>4. Investor Relations website</li><li>5. Biennial materiality exercise</li></ol>
<p><b>NGOs and special interest groups (SIGs)</b></p> <ol style="list-style-type: none"><li>1. Direct interactions with NGOs and SIGs</li><li>2. Community involvement/feedback</li><li>3. Awareness, training and development</li><li>4. Feedback on specific topics</li><li>5. Dedicated sustainability initiatives</li><li>6. Priority sustainability issues for NGOs/SIGs</li></ol>	<ol style="list-style-type: none"><li>1. Direct partnerships</li><li>2. Volunteering and financial support</li><li>3. Education and inclusiveness activities</li><li>4. Surveys</li><li>5. Community/social performance initiatives</li><li>6. Biennial materiality exercise</li></ol>
<p><b>General public</b></p> <ol style="list-style-type: none"><li>1. Consumer issues and satisfaction</li><li>2. Emerging regulatory concerns</li><li>3. Direct consumer feedback and concerns</li><li>4. Reputation standing among peers</li><li>5. Transparency and responsiveness</li><li>6. Feedback on specific products/services</li><li>7. Feedback on sustainability performance</li><li>8. Priority sustainability issues for consumers</li></ol>	<ol style="list-style-type: none"><li>1. Media and communications monitoring</li><li>2. Regulatory interactions</li><li>3. Hosting/participating in consumer events</li><li>4. Reputation tracking among consumers</li><li>5. Ask AIB (Social Media Support Centre)</li><li>6. Focus groups</li><li>7. Sustainability website</li><li>8. Biennial materiality exercise</li></ol>

# Our Materiality Exercise



We will conduct a similar exercise in 2018 to ensure we remain current with our stakeholders' expectations.

# Materiality Issues

**Regaining trust was a central theme in all the feedback we received. We know that trust is earned and we will be judged by what we do to respond to the issues that matter, not just by what we say. In addition, the following 31 issues were identified.**

01 CUSTOMER FIRST	
<ul style="list-style-type: none"><li>• Fit for purpose products</li><li>• Pricing of products and services</li><li>• Customer led innovation</li><li>• Financial literacy</li><li>• Stimulating economic growth</li></ul>	<ul style="list-style-type: none"><li>• Lending to SMEs</li><li>• Financial inclusion</li><li>• ESG integration into lending</li><li>• Products and services accessibility</li><li>• Investment in climate resilient solutions</li></ul>
02 SIMPLE & EFFICIENT	
<ul style="list-style-type: none"><li>• Services and products transparency</li><li>• Reducing environmental footprint</li><li>• Sustainable supply chain</li></ul>	<ul style="list-style-type: none"><li>• Customer privacy and data security</li><li>• Responsible products and services</li><li>• Stable IT systems and platforms</li></ul>
03 RISK & CAPITAL	
<ul style="list-style-type: none"><li>• Profitability and financial stability</li><li>• Organisational governance</li><li>• Compliance with regulation</li></ul>	<ul style="list-style-type: none"><li>• Climate risk analysis</li><li>• Risk management</li><li>• Tax policy and fair tax payments</li></ul>
04 TALENT & CULTURE	
<ul style="list-style-type: none"><li>• Diversity and equality</li><li>• Health and safety</li><li>• Employee remuneration</li><li>• Talent attraction, retention and development</li></ul>	<ul style="list-style-type: none"><li>• Employee engagement</li><li>• Executive remuneration</li><li>• Leadership and vision</li><li>• Positive influence on communities</li><li>• Business ethics</li></ul>



# 01 Customer First



# Why Customer First Matters at AIB

Of our Four Strategic Pillars, Customer First is our North Star. It means we put the needs of our customers at the heart of what we do. As such, we continually adapt our service offering to meet the ways in which our customers interact with us on a daily basis, at all times being fair and consistently delivering value.

## CUSTOMER FIRST MATERIALITY ISSUES

- |                                     |  |
|-------------------------------------|--|
| 1. Fit for purpose products         | 6. Lending to SMEs                           |
| 2. Pricing of products and services | 7. Financial inclusion                       |
| 3. Customer led innovation          | 8. ESG integration into lending              |
| 4. Financial literacy               | 9. Products and services accessibility       |
| 5. Stimulating economic growth      | 10. Investing in climate resilient solutions |

*We map these issues with examples of how we are addressing them throughout the chapter.*

## Customer First Highlights 2, 3, 5, 6, 8

- Continued reduction in variable rate mortgage interest in 2016, reaching 1% in total over 18 months and continuing momentum into 2017
- 12 month sanction in principle (SIP) for mortgages
- Reduction in online SME loan processing times to 48 hours
- Funding €170m in 10 seed, venture and start-up funds
- 48% of personal loan applications occur on tablet, mobile or online platforms
- Transactional NPS of +45 in Q4 2016



# Our Mortgage Customers

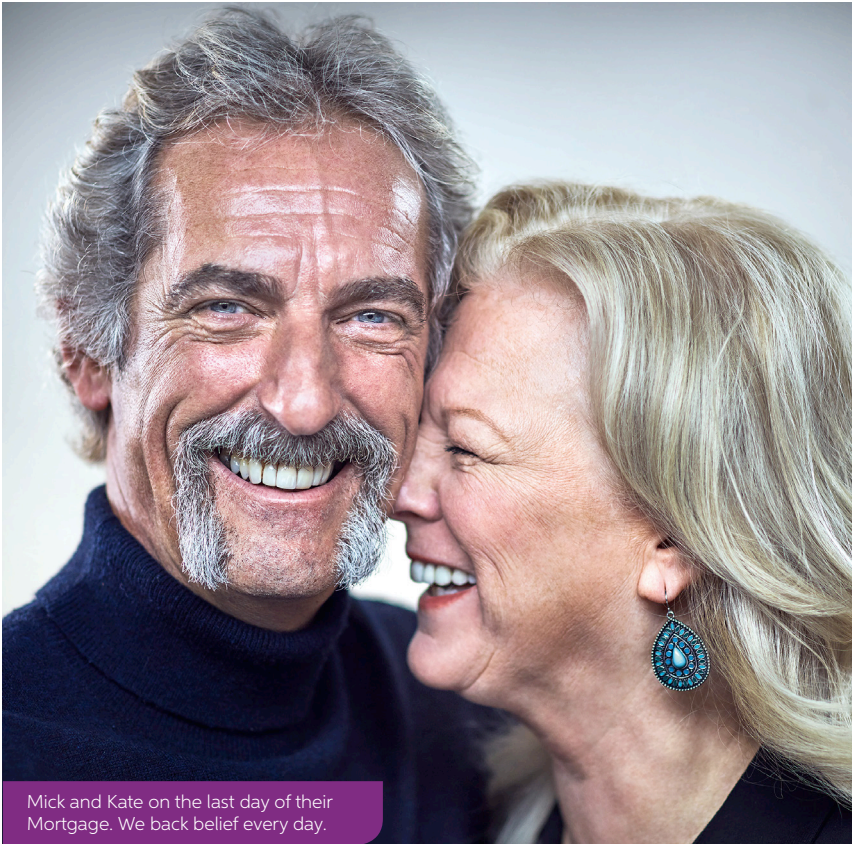
## – Backing Belief <sup>1, 2, 5</sup>

Group-wide, AIB is Ireland's leading mortgage provider, supplying 36%, or more than 11,000 instances, of new lending to the market in terms of drawdowns. Whether it is a first home, a new home, or an investment property, buying or building a house is one of the most significant actions in a person's life. As such, we provide fit-for-purpose and competitively-priced products and services to our customers at the various stages of their property journey.

### Products and services at a glance

- Our Local Markets structure places a Head of Housing in each Local Market: a dedicated person equipped with the knowledge and understanding to support our customers in all aspects of the housing market in their region.
- The AIB Smartmove app provides helpful information – search, calculator, tips, and more – for those actively looking for, or simply thinking about, their new home.
- Automated and instant sanction in principle (Auto-SIP) approvals allow immediate mortgage application approval for eligible first time buyers.
- Our 12-month sanction in principle (SIP) allows customers to take the necessary time to find a home they really want.
- We'll cover the costs of legal fees for those who want to switch their mortgage to AIB.
- EBS extended its 2% cash back offer for new loans and those switching their mortgage.
- AIB has a consistent and fair approach to pricing our variable rate mortgage, implementing four interest rate reductions that impacted 156,000 customers.
- Our standard variable rate (SVR) in the Republic of Ireland at the end of 2016 was a market leading 3.4%.

- Our First Trust Bank (FTB) brand has enhanced its mortgage proposition, waiving application and booking fees, offering lower valuation fees and also covering the cost of legal fees.
- We can help our customers in negative equity to move home, with more flexible loan-to-value (LTV) levels.



Mick and Kate on the last day of their Mortgage. We back belief every day.

# Our Personal Customers

## – Backing Doing <sup>1, 2, 3</sup>

In most instances, the journey our customers take with AIB begins with the Current Account. And whether it's borrowing for the special days or saving for the unexpected ones, we want to make managing your money easy, safe and convenient.

More and more, our customers are telling us that our digital offering is their preferred way of managing their money. For speed and convenience, 95% of customer transactions can be automated. We are at the forefront of digital enablement of banking services, having committed an €870m investment in our technology and infrastructure. But we couldn't have progressed so far without our customers, from whom we seek real feedback on all new products.

### Products and services at a glance

- We now check current accounts at the beginning and end of each day in order to minimise bounceback fees for customers.
- In 2016, AIB became one of the first Irish banks to offer Android Pay: a quick and secure way to make purchases with Android enabled smartphones.
- Our personal loan digital proposition has seen huge take-up since its launch: self-service channels (online, mobile, tablet) account for 48% of loan volumes, compared to branch (17%), phone (18%) and car dealerships (17%).
- Customers who apply online and are approved for a personal loan will see funds in their account immediately.
- We offer fixed rate loans with no breakage fee.
- The AIB First Loan product for customers seeking their first non-guaranteed loan, offers up to three times their net monthly salary (max: €8,000) at a rate of 8.65%.
- Our enhanced student loan proposition has removed known pain points by moving 30% of student loan applications to auto-decisioning and a further 40% to auto-fulfilment.

# Access to Finance <sup>7,9</sup>

We know the importance of having access to a bank account for people and what it enables them to do. We aim to ensure that all our customers can bank with us in the way they feel most comfortable. For an increasing number of people, this means accessing our services when and where they want through our online banking channels and mobile app. We are seeing growth in the demand for these services.

- In 2016, we opened over 7,600 Basic Bank Accounts as part of an EU-wide initiative to bring unbanked customers into the financial system.
- As well as introducing longer opening hours in many locations, the refurbishment of our network has enhanced the offering of an AIB branch.
- We've partnered with An Post to host banking facilities on 1,100 of their premises.
- 651,000 customers are now active on the AIB mobile banking app.
- In cases where AIB may decline a business's request for credit, we give a clear reason for our decision and make every effort to find an alternative solution.
- We have four vans that act as mobile Community Banks, covering over 30 rural locations in Donegal, Mayo, Limerick, Clare, Kerry, Cork, Tipperary and Galway. These Community Banks offer banking services such as cash and cheque lodgements, cash withdrawals, bill payment, drafts under €1,000 and a foreign exchange order and collection service.
- We, along with the Irish Government and other banks, fund MicroFinance Ireland (MFI), a not-for-profit initiative offering loans to businesses that have been declined for credit by a bank and are seeking up to €25,000. MicroFinance provides loans to growing microenterprises that do not meet the conventional risk criteria applied by banks.
- In the UK, Allied Irish Bank (GB) and First Trust Bank (FTB) have partnered with the Post Office® to provide banking services in more than 11,500 outlets.

# Our Business Customers

## - Backing Brave <sup>1, 2, 3, 5, 6</sup>

When our business customers prosper, the benefits can be felt throughout the country and can have a real effect on the economy. AIB is a leading backer of small to medium enterprises (SMEs) in the Republic of Ireland, which are acknowledged as being the backbone of the economy, including the important agriculture sector.

### Products and services at a glance

- Our Local Markets structure allows us to focus advice and knowledge in the local context. Each one of our 19 Local Markets has a dedicated Head of Business Banking; equipped with the latest news in business development across Ireland and internationally, fully informed to advise business people in the area.
- We were the first to market with our SME digital loan capability, offering an end-to-end digital process that suits our busy customers' needs.
- Our UK business offers fixed rate business loans to customers requiring more than £800,000 investment, allowing them to plan finances and budget effectively for known borrowing costs.
- Facilitating the Strategic Banking Corporation of Ireland (SBCI) to supply credit to SMEs, since 2015 we have launched a €400m fund, lending at a 4.5% variable rate – an extra 1% discount supplied by AIB in addition to the SBCI's initial 1% discount.
- In 2017, we facilitated the SBCI Agriculture Cashflow Support Loan, providing investment to farmers at a rate of 2.95% p.a.
- MyBusiness Toolkit is a suite of five business applications exclusively available to new and existing business customers, helping them start, manage and grow their enterprises.
- Since the 1970s, AIB has operated a team of Agri Advisors who are equipped to provide strong, objective farm financial analysis to our customers.

## Going for Growth



The Kings of Connemara

AIB customers, Kings of Connemara, are based in Cleggan, Co. Galway. Established in 2006, they have grown to be a very substantial business exporting the finest quality, sustainably-sourced shellfish around the world. Kings of Connemara's journey has taken them this far, and they're not done yet. #backedbyAIB

## Powering the Start-up Engine <sup>5</sup>

Many of today's leading corporations began in the kitchens, living rooms and garages of brave and innovative individuals. AIB is dedicated to supporting today's budding entrepreneurs around Ireland and recognising those who have achieved success in the early development of their companies. By doing so, we are powering the businesses, solutions and jobs of tomorrow.

The AIB Start-up Academy is best known for its annual search for Ireland's most impressive early-stage enterprises, through a process that assesses companies over three months. 2016 saw the top prize going to medical device innovator, Nasal Medical.

In fact, the Start-up Academy goes far beyond this national competition: as part of the programme, four summits are held in Belfast, Dublin, Galway and Cork, while more than 80 bootcamps are conducted in partnership with the Entrepreneurs Academy nationwide.

On his win, Nasal Medical's founder Martin O'Connell commented: "Winning the AIB Start-up Academy has changed our business in every way possible. It really helped raise the profile of our business, which has helped drive demand for our products."

In terms of encouraging job generation, we recognise that entrepreneurship cannot be limited to just the capital city. In 2016, AIB supported the development of two dedicated working spaces for accelerator programmes, high potential startups and entrepreneurs in both Galway city and Skibbereen, Co. Cork.

Martin O'Connell, founder of Nasal Medical, with his Start-up Academy winning trophy.



## PorterShed

Located just off Eyre Square in the heart of Galway city, PorterShed represents the first phase in the development of an innovation hub supporting high potential start-ups and SMEs in the west of Ireland. AIB hosts an in-house customer service space to give on-the-spot advice on business and personal finance.





AIB CEO Bernard Byrne with Maurice O'Gorman, Chairman of Galway City Innovation District, and a tenant of PorterShed.

## Ludgate Digital Hub

Ludgate is Ireland's first rural digital hub, located in Skibbereen Co. Cork, providing 10,000sqft of shared workspace, with high-speed connectivity and mentorship, to start-ups and SMEs alike. The initiative has a long-term objective to create 500 direct jobs and 1,000 indirect jobs via a sustainable digital economy for Skibbereen and the wider West Cork area.



Ludgate: Ireland's first rural digital hub.



# Our Corporate Customers <sup>1, 5, 8</sup>

AIB Wholesale, Institutional and Corporate Banking serves the bank's larger customers and customers requiring specific sector or product expertise. We use our capital and knowledge to power leading corporates, both in Ireland and internationally, serving customers across key sectors such as energy, climate change, infrastructure, real estate, food and agriculture, to name just a few.

We are the No. 1 bank for foreign direct investment (FDI) in Ireland with a 49% market share of Irish-banked new projects, as announced by the IDA in 2016.

Our approach to supporting our largest customers includes a focus on funding renewable energy projects – helping Ireland in its transition to a low-carbon economy. The renewable energy sector is a strategically important sector underpinned by an ever-increasing demand for clean and homegrown renewable energy produced sustainably and cost-effectively.

It is also through our Wholesale, Institutional and Corporate Banking function that AIB backs innovation: providing capital to seed and venture capital funds for investment in entrepreneurs and their early-stage enterprises. Funds that AIB Wholesale, Institutional and Corporate Banking backs include:

- AIB Seed Capital Funds
- AIB Start-Up Accelerator Fund
- Frontline Venture Fund
- Fountain Healthcare Partners Fund II
- MML Development Capital Fund

## GREENCOAT RENEWABLES 10

AIB's backing of Greencoat Renewables is a good example of our strategy in action. Alongside the Irish Strategic Investment Fund, AIB Wholesale, Institutional and Corporate Banking deployed capital and expertise to back Greencoat Renewables, from their purchase of an initial portfolio of windfarms right through to their successful initial public offering (IPO) and beyond. Greencoat Renewables went on to become the first renewable energy company to list on the Irish Stock Exchange and the first euro-denominated renewable infrastructure company to list on the London Stock Exchange.



# Brexit <sub>5</sub>

The United Kingdom's decision to leave the European Union will be a once-in-a-generation event that could shape the business environment in Ireland for decades to come.

The challenges and current uncertainties are multi-fold. How will customs union and trade agreements between a post-Brexit UK and the EU affect exporting and importing from the UK? How will currency fluctuations impact cash flows? Will the rest of the world view the UK more or less favourably than Ireland for continuing business? And, indeed, will businesses in Ireland benefit from this unprecedented event – and if so, how?

Unfortunately, questions such as these are unlikely to be answered soon, given the protracted nature of the negotiation process that lies ahead. The ability for Irish businesses to plan and forecast for any clear outcome, therefore, is very limited.

Business owners must plan for a plethora of potential future scenarios – a difficult task under any circumstance.

In order to support the continuing prosperity of our customers, AIB has a significant advisory role to play. We need to be able to have real conversations about the risks that Brexit brings to export businesses and together identify the necessary actions to mitigate these risks.

As such, during 2016, AIB hosted Customer Brexit Support & Education seminars across the country and announced the creation of a Brexit Advisor in each of our 19 Local Markets, offering up-to-date advice to our SME and other business customers in their local area.

We also committed to reviewing our lending offering to SMEs, in order to provide both variable and fixed rate products to enable them to meet their needs and insulate themselves from market volatility in a challenging operating environment.

## Customers in Difficulty 1, 3

In the wake of the financial crisis, AIB established the Financial Solutions Group (FSG), with the aim of providing a specialised and standalone unit dedicated to supporting viable businesses and keeping personal customers in their family home where feasible.

FSG's core objective is to support our customers in difficulty; getting them back to financial health where feasible, all the while ensuring these customers are treated with respect and fairness. As such, we have invested significantly in FSG, both through staff resources and in developing the infrastructure to support our customers:

- we are an industry leader in the Republic of Ireland in the range of forbearance solutions offered to personal and business customers, reflecting our market share;
- we have clear policies on debt writedown in line with affordability;
- to date, we have created over 70,000 sustainable solutions for our customers, including over 20,000 restructured and performing-to-terms family home mortgages;
- the result of this work has assisted in the delivery of a reduction in the non-performing loan balances by c. €20bn since 2013;
- we also support not-for-profit organisations such as the Irish Mortgage Holders Association (IMHO) and Stepchange to ensure our customers have access to free, independent financial advisors when in financial difficulty;
- we are recognised by the Housing Agency as a key stakeholder in the design and implementation of mortgage-to-rent solutions and are implementing innovative offerings in this area;

- at the national level, AIB works with the Department of Environment and the Housing Agency to provide social housing;
- we support social housing organisations such as Cill Dara Housing Association and Tuath with finance to further assist the Government objectives on Social Housing.

AIB remains committed to seeking new ways to engage with those in financial distress in order to bring certainty and resolution to our customers.

## Measuring our Customer Interactions

Through our Voice of the Customer Programme we continually listen to our customers to gain the insights we need in order to improve their experience. The primary tool we use is Net Promoter Score (NPS) which is a measurement of customer loyalty and advocacy.

NPS is an index ranging from -100 to +100 that measures the willingness of customers to recommend a company's products or services to others.

We don't always get it right, but the good news is that we are making real progress: our overall Transactional NPS, which measures every interaction customers have with AIB, increased by 29 points since Q4 2014 to +45 in Q4 2016.

### Transactional NPS +45

### Personal Relationship NPS +16

Other examples of our performance across the business are:

- Personal Loan Successful  
(+75 NPS);
- SME Loan Successful  
(+60 NPS);
- Personal New Current Account  
(+58 NPS);
- Card Replacement  
(+58 NPS).

(All NPS scores are as of Quarter 4, 2016)

# Dealing with Complaints <sup>3</sup>

Our customers deserve a better outcome when things go wrong, which is why we are improving how we answer complaints. In 2015 we started to look at the customer's complaint experience, changing it at the point where the customer has a problem, not further into the process. In every branch, at each contact centre, our people are empowered to resolve complaints at first contact.

In 2016 we set up a pilot to handle complex complaints through one central team based in Limerick. Customers can deal directly with an experienced complaints handler. The team has reduced the average time to resolve a complex complaint from 27 working days to 12.

We will establish a central Root Cause Analysis team by the end of 2017 to identify trends and manage changes in our processes so that common complaints and errors are minimal. These new initiatives are proving very successful so far, improving resolution times and increasing NPS scores. We are identifying repeating themes in our customer complaints and are using them to fix issues that affect our service.

NPS scores are dynamic, and the significant improvements we have achieved in recent years will be challenging to maintain and enhance further. It is our goal to utilise our Four Strategic Pillars approach to further improve the trend in these scores.

We won't always get it right, but we welcome feedback. Whatever the circumstances; whatever the outcome, feedback helps us to change our service so that it benefits all our customers.

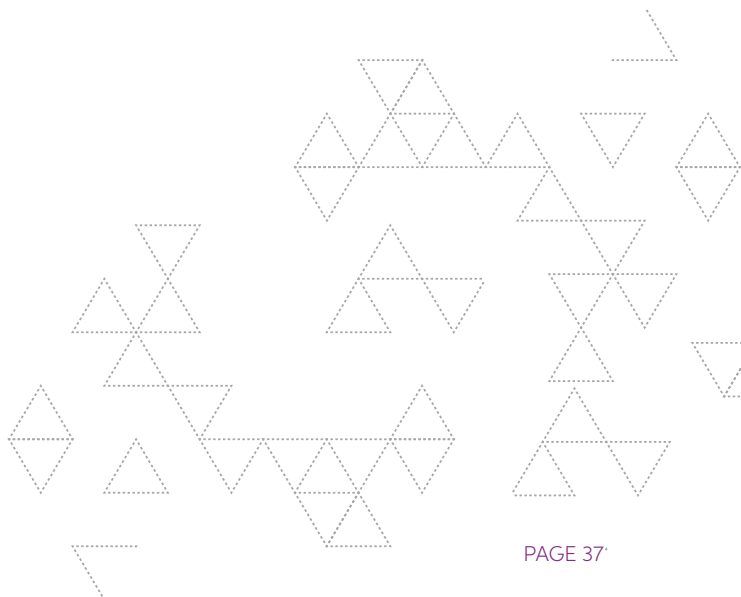
**# days to rectify a complex error reduced: 21→8**

# When we get it Wrong

While we strive to deal with customer complaints as effectively and efficiently as possible, there have been times when AIB has fallen below the standards that we set for ourselves and that others rightfully expect of us.

AIB fell short on our obligations to some tracker mortgage customers, including instances where we were not sufficiently clear, or where we failed to honour contractual commitments. This resulted in some of our customers being moved off their tracker mortgage or being charged too high a rate. In 2015, we set aside €190m to address this matter, which we expect to be largely complete by the end of 2017. This process is being carried out under a framework instituted by the Central Bank of Ireland.

There were no significant fines or sanctions recorded in the reporting period (2016). In April 2017 AIB was fined €2.3m for technical breaches of money laundering regulations, since remediated. The Central Bank of Ireland found that AIB failed to apply adequate resources to ensure that alerts of potentially suspicious activity were promptly investigated and reported to the Gardaí and Revenue Commissioners.





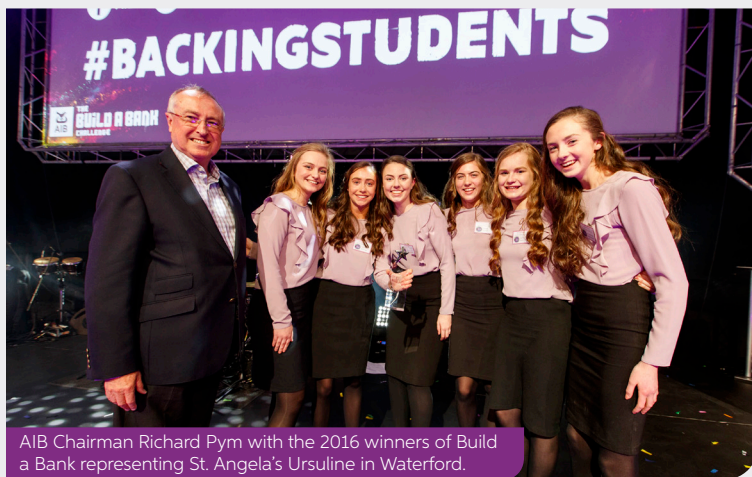
## Financial Education and Inclusion 4, 7

The AIB Build a Bank Challenge asks students in fourth (transition) and fifth year to set up and manage a bank in their school. Each team must be involved in every aspect of their bank's branding, management and business planning and must also find creative ways to market their bank within the school.

Every school is invited to a Regional Final to exhibit their projects to a panel of judges and demonstrate what makes theirs the best.

All participating schools are awarded a Certificate of either Gold, Silver or Bronze, and the top teams from each of the Regional Finals then go on to compete in the National Finals for a grand prize of €5,000. Trophies are awarded to the first, second and third placed teams, in addition to a very special Best Digital Bank Awardee.

In 2016, 1,300 students and 199 schools took part in the competition. By participating in AIB's Build a Bank challenge, students gain thorough financial literacy as well valuable skills such as engaging presentation, business plan development, marketing techniques, teamwork, digital innovation, interview experience and leadership.



AIB Chairman Richard Pym with the 2016 winners of Build a Bank representing St. Angela's Ursuline in Waterford.

# AIB GAA – Sponsorship Backing Club and County <sup>5</sup>

AIB and our employees are very proud of our association with the GAA.



AIB has partnered with the GAA, Ireland's largest community organisation, in various guises for more than 30 years. Since 1991 we have sponsored the All-Ireland Club Championships, a competition we are very proud of, and in 2015 we also became sponsors of the All Ireland Football Championship, giving us the opportunity to engage with 1,700 GAA clubs and communities in Ireland all year round.

AIB, and especially our employees, are very proud of our association with the GAA. A recent internal survey found that 65% of AIB employees either played or had children play at club level. We have a dedicated GAA Champion in each Local Market that, along with their existing role, liaises with local GAA clubs in relation to AIB-sponsored competitions. They distribute tickets for AIB GAA

## AIB Sustainability Report - 01 Customer First

Club Championship fixtures, coordinate cheque presentations and run local competitions to embed our sponsorship in these communities around the country.

In October 2016, AIB announced a specific GAA Home Insurance offer, contributing €50 per new Home Insurance policy to a GAA Club of their choice. So far over 1,000 GAA clubs have registered for this offer and AIB has contributed a total of €60,000 to clubs around the country.

Our partnership with the GAA has allowed AIB to showcase not just the very best of Irish sport but also the central role the GAA Club plays in communities all over Ireland.



02

Simple &  
Efficient



# Why Simple & Efficient Matters to AIB

We aim to allow our customers to bank with us how and when they wish. We are at the forefront of digital enablement of banking services, with ongoing investment in research, development and innovation to increase efficiency. We also invest in our physical presence – both our branch network and our central offices – being mindful of our social and environmental impact.

## SIMPLE & EFFICIENT MATERIALITY ISSUES

- |                                       |                                       |
|---------------------------------------|---------------------------------------|
| 1. Services and products transparency | 4. Customer privacy and data security |
| 2. Reducing environmental footprint   | 5. Responsible products and services  |
| 3. Sustainable supply chain           | 6. Stable IT systems and platforms    |

*We map these issues with examples of how we are addressing them throughout the chapter.*

## Simple & Efficient Highlights <sup>1, 2, 4, 6</sup>

- 1.1 million active digital customers
- 23% increase in mobile app users
- Winner: Best Example of Energy Manager in the Built Environment, EnviroCom
- 135 branches upgraded in our Branch Refresh Programme
- Carbon Disclosure Project (CDP) rating of A- for carbon emission reductions

# Digitally Enabled Banking

1, 5, 6

In 2015, AIB commenced a comprehensive €870m investment programme in our technology and infrastructure, in order to deliver responsible and resilient products and services to our customers. To date, we have implemented this investment specifically in our operating platform, customer engagement channels, data and analytics.



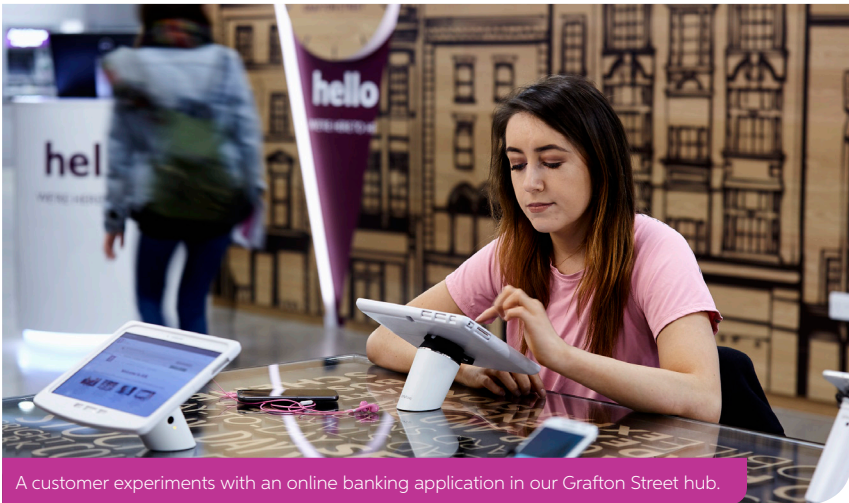
Our digital offerings enable our customers to bank with us how and when they wish. We now have over 1.1 million active digital customers, with 651,000 customers active on the AIB mobile banking app, a figure that increased by 23% during of 2016 alone. Of our personal loan applications, 72% are applied for online, while 53% of our key products are purchased via online channels.

Through process-upgrading internally, this digital investment has vastly increased efficiency for both customers and employees in dealing with applications for new products.

Our branch staff can now utilise One View Engage: a platform that provides information for each performing customer across all the products and services they are availing of, allowing us to better understand their needs. And we protect our customers with Robotic Process Automation, which can detect potential fraud with speed and accuracy.

The digitalisation programme helps us deliver excellent customer experience through a simplified process with the help of technology. Our goal is to digitise all paper processes in the branch, with a view to creating paperless branches. The initial focus has been on all customer documentation sent from the branch network to our Customer Services team for processing.

To date, 1,600 branch employees have been trained and are using the scanning capability to digitise over 1,800 paper documents on a daily basis. Over 146,000 customer documents have been scanned and are available to view and retrieve using the Scanning Process Portal. This has led to the volume of paper in the internal postal system being reduced by over 50%, and to a quicker, more responsible decision-making process.



A customer experiments with an online banking application in our Grafton Street hub.

## Upgrading our Infrastructure <sub>2</sub>

As well as upgrading our digital infrastructure, we are upgrading our physical presence; both branches and our central offices. Our branch network is undergoing a four-year Branch Refresh Programme. One hundred and thirty-five branches have now been fitted out with an open and modern 'look and feel', self-banking enabling technology and new digital signage.



The design concept is totally focussed on our customers, delivering a more relaxed environment to do business. Branches are also aligned to specific needs, for example, our student campus branches have a different look and feel to those on the high street.

- 9 out of 10 customers have found the new branch design appealing.
- The upgrade had a positive impact on how our customers; they enjoy the space, saying it is “warm”, “contemporary” and “welcoming”.
- Customers feel the new branch design facilitates quick and easy banking and creates a more spacious and brighter branch.

As part of this programme, our branches have received new digital screens, one of the benefits of which has been increased local community engagement. On these screens, branches can display information about local events, as well as ‘Good luck’ and ‘Congratulations’ messages to local teams. We also offer these screens as free advertising space to our business customers, creating engaging promotional campaigns with them, displaying these in local branches and giving the customer full ownership of the campaign.

### Our Central Offices 2

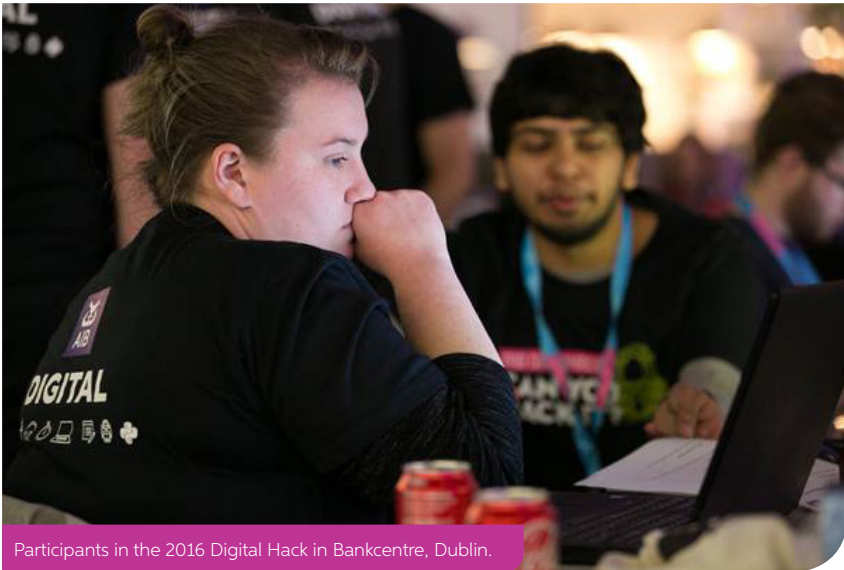
In 2016, we began planning the creation of a Centre of Excellence in Digital Innovation. A 159,000sqft building has been located in Central Park, Leopardstown and it's hoped that approximately 1,500 AIB employees will be ready to move there in 2018. A brand new building offers the opportunity to create an energy-efficient and environmentally-friendly workplace, which is a primary factor in our property strategy.



Our branch network is undergoing a four-year Branch Refresh Programme.

# Can you Hack IT? <sup>1, 2, 5</sup>

Since 2015, AIB's Data Science and Innovation teams have hosted the annual DataHack: a datathon and a hackathon for third level students. Contestants representing colleges from all over Ireland compete in teams of two and are given 10 hours to build an amazing app that shows off creativity, innovation and technical skills with the AIB Data Engineering team on hand to help. The theme for the 2016 DataHack was 'Energy & Sustainability' and our head office was abuzz with excitement on the day.



Participants in the 2016 Digital Hack in Bankcentre, Dublin.

## Datahack 2016 in Numbers:

**12** hours

**17** Higher Education Institutions

**63** Teams

**200+** Students

**€8,000** Prize fund

# Data Security and Protection<sup>4</sup>

AIB protects all private information and data with comprehensive information security systems. We design and operate our systems to remain secure while providing fit-for-purpose products and services. We actively manage cyber threats to ensure that no unauthorised party may access, manipulate or acquire private information.

Our security operations team continually evaluate and analyse to determine the level of threat to our data, operations and services. We make decisions to enhance and improve security on a continual basis drawing on a wealth of information sources, technology capabilities and analysis.

On an annual basis we:

- prevent 100,000+ viruses from entering AIB's network;
- filter out 1.7 million email messages designed to cause harm;
- prevent up to 20 denial of service attempts against our internet channels;
- detect and evaluate 50 million probes of our network.

## 8 Key Principles of Data Protection <sup>4</sup>

While we recognise the many benefits of data analysis and data science in developing improved experiences, we acknowledge the importance of maintaining standards of confidentiality in the safeguarding of information about our customers – their accounts and their businesses – as well as our employees.

Our Data Protection Policy aims to protect an individual's right to freedom from unnecessary intrusion into their financial and personal privacy, while at the same time, complying with our legal and regulatory obligations.

Our 8 Key Principles of Data Protection are:

1. Obtain and process information fairly.
2. Keep it only for specified lawful purposes.
3. Process it only in ways compatible with the purpose for which it was obtained.
4. Keep it safe and secure.
5. Keep it accurate, complete and up to date.
6. Ensure it is adequate, relevant, and not excessive.
7. Retain for no longer than necessary.
8. Give all personal information to a person on their request.

# Footprint Forward <sup>2</sup>

In 2016, AIB achieved an A- rating for the first time for our efforts to tackle carbon emissions as measured by the Carbon Disclosure Project (CDP), the global disclosure scheme for investors and companies. In the Republic of Ireland we rank fourth for emissions reporting and have ambitions to be a leader in the area both by banking and general standards.

Our bank-wide energy-saving programme includes investing in a combined heat and power plant, procuring 100% green electricity wherever feasible and engaging with a single supplier of gas and electricity. We have also achieved a reduction in energy by replacing the traditional PC workstation with thin-client technology.

Annual Target	2020 Target
<b>2%-10%</b> water, waste and energy reductions at every AIB location	<b>33%</b> reduction in energy consumption

Having achieved ISO50001 (energy management) and ISO14001 (environmental management) certifications, we developed Energy at AIB, an interactive online energy awareness course for staff. (Indeed, we have partnered with Skillnet, who will provide this course to other organisations.)

Where possible, we want to pass our expertise onto our customers and, for example, we provide a free Building Energy Rating (BER) certificate and personalised advisory report for any customer taking out new home improvement personal loans with AIB.

# Highlights

## Award-Winning Progress <sup>2</sup>



### Repak-Pakman Waste and Recycling Awards

Winner – Professional Services



### Green Awards 2016

Winner – Sustainability Team of the Year

### EnviroCom Awards 2016

Winner – Best Example of Energy Management in the Built Environment

### Sustainable Energy Awards 2015 & 2017

Finalist

### Green Awards 2016

Winner – Sustainability Team of the Year

### Green Awards 2015

Winner – Large Green Organisation of the Year

# Impact of our Supply Chain <sup>3</sup>

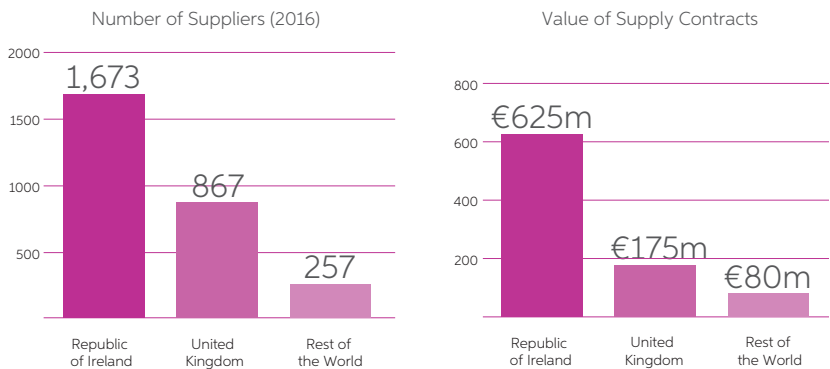
Our operational supplier management strategy, instigated in 2015, saw a bank-wide consolidation and single point management of all occupancy and third party suppliers and vendors.

AIB has over 2,700 suppliers, 60% of which are based in our domestic market of the Republic of Ireland.

This purchasing activity provides a cascade effect throughout an extended secondary supply chain, supporting multiple suppliers and communities located in our operating jurisdictions. Our total supplier spend in 2016 reached €883m, 71% of which was in the Republic of Ireland.

Primarily, our suppliers are for professional services, business services and information technology.

## Figures: Supply Chain at a Glance



The background is a vibrant green with a complex, layered design. At the top, a bright yellow sunburst or flame-like shape radiates downwards. Below this, the green field is filled with a dense, organic texture. Overlaid on the right side is a large, faint geometric pattern consisting of concentric, nested triangles or chevrons that create a sense of depth and movement. The overall effect is modern and energetic.

# 03 Risk & Capital





# Why Risk & Capital Matters to AIB

Maintaining both a strong risk management framework and robust capital levels is a priority for the bank. We aim to offer value for our customers while consistently delivering a strong financial performance that not only paves the way for future development but, importantly, addresses legacy challenges.

## RISK & CAPITAL MATERIALITY ISSUES

- |  |                                     |
|--|-------------------------------------|
| 1. Profitability and financial stability | 4. Climate risk analysis            |
| 2. Organisational governance             | 5. Risk management                  |
| 3. Compliance with regulation            | 6. Tax policy and fair tax payments |

*We map these issues with examples of how we are addressing them throughout the chapter.*

## Risk & Capital Highlights <sup>1, 2, 5</sup>

- Successful relisting on the Irish and London stock exchanges in 2017
- This brought the total amount received by the Irish state since the bailout to c. €10.2bn
- Establishment of environmental, social and governance (ESG) governance framework
- Improved asset quality and reduction in impaired loans
- Strong capital ratios above regulatory requirements

# Sustainable Profitability<sup>1</sup>

Having received a capital investment of €20.8bn from the Irish state, positioning the bank to allow the repayment, in full, of this investment continues to be a priority for AIB.

In June 2017, an important step was taken in fulfilling that ambition. AIB shares were listed on the Irish and London stock exchanges and the Government sold 28.75% of its holding, recouping €3.4bn for the state. This brought the total amount received by the state since the bailout to c. €10.2bn.

This initial public offering (IPO) was significant beyond the initial funds raised, in that it has put in place the final mechanism to enable the full recovery of the state's investment as the bank has an opportunity, over time, to return to full private ownership.

The 2016 annual financial results – which provided for the payment to the state of our first ordinary dividend since 2008 – and the subsequent half-yearly results for 2017, show that the group is delivering sustainable underlying profitability, while also producing strong capital generation and an improved risk profile.

In 2016, some of the key financials reported by AIB group were: a profit before tax of c. €1.7m; a net interest margin of 2.25%; and a return on equity of 11.1%.



# Governance at AIB<sub>2</sub>

Allied Irish Banks, p.l.c. and its subsidiaries are governed by a Board of Directors comprising a majority of independent non-executive directors. The Board is supported in its endeavours by a number of Board Committees, which consider matters within its responsibilities, and by a governance framework that underpins effective decision-making and accountability.

**The Board of Directors** is of sufficient size and expertise to oversee the operations of the group, the majority of whom are independent non-executive directors.

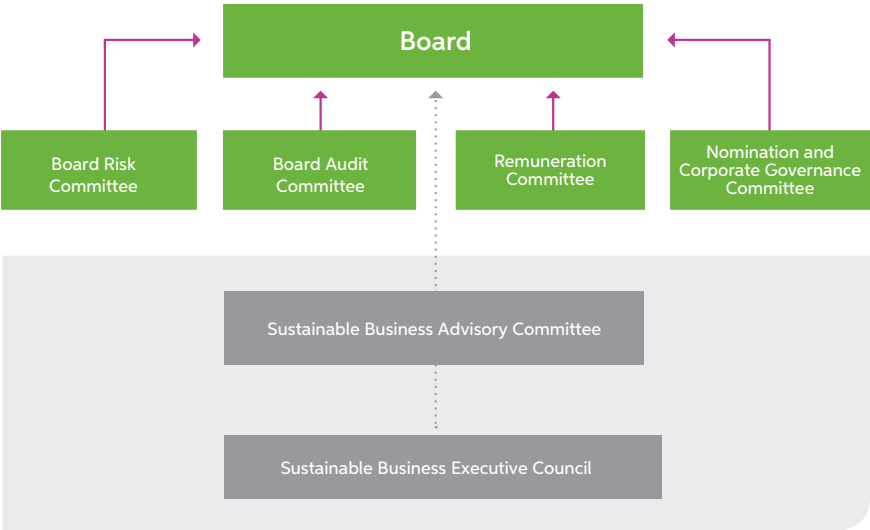
**The Chief Executive Officer** has been delegated responsibility for the day-to-day running of the group by the Board of Directors.

**The Leadership Team** comprises the senior executives of AIB who establish the business strategy – managing the associated risks of that strategy and AIB’s risk appetite – within which the business operates.

## There are 4 Board Committees

- Board Risk Committee
- Board Audit Committee
- Remuneration Committee
- Nomination and Corporate Governance Committee

The Sustainable Business Advisory Committee (SBAC) is a dedicated advisory committee reporting to the Board.



For more information about the Sustainable Business Advisory Committee (SBAC), see pages 6 and 7.

**Delegating authority:** While certain matters remain reserved for the Board of Directors, it delegates responsibility and authority to the CEO for the effective day-to-day running and performance of the group. The CEO in turn executes these duties with the support of the Leadership Team. The Leadership Team collaborates with, assists and advises the CEO in reaching decisions, facilitating a collaborative approach and collective sponsorship of strategy implementation and promoting action to address performance issues as required.

**Critical concerns reported:** No critical concerns were communicated to the SBAC and the Board of Directors in relation to sustainability issues in 2016 (our reporting year).

**Our remuneration policy:** The Remuneration Committee determines the pay of executive directors. The pay of non-executive directors is agreed by shareholders in the course of the General Meeting. Our remuneration policy is subject to restrictions imposed by the Irish state following its recapitalisation of the group during the global financial crisis and by restrictions imposed through national and EU legislation in areas such as the payment of bonuses, variable pay and the remuneration of roles with a material impact on our risk profile.



# Managing Risk<sup>4, 5</sup>

AIB has developed an effective enterprise risk management approach to identifying, assessing and managing risks. Risk is defined as any event that:

- could damage the core earnings capacity of the group;
- increase cash flow volatility;
- reduce capital;
- threaten business reputation or viability; and/or
- breach regulatory or legal obligations.

A Material Risk Assessment (MRA), which identifies and assess the most material risks facing the group in terms of their likelihood and impact, is undertaken on at least an annual basis. Other assessments of risks are undertaken, as required, by business areas, while periodic risk assessments are also undertaken in response to specific internal or external events. A good example of this is the consideration of risks arising from Brexit. We need to ensure that there is an appropriate management action plan in place to address risks arising from Brexit relevant to the bank.

We have implemented a robust control environment appropriate for the management of each material risk throughout the organisation. On an ongoing basis, the Board is made aware of key activities in relation to risk, including changes to the bank's risk profile.

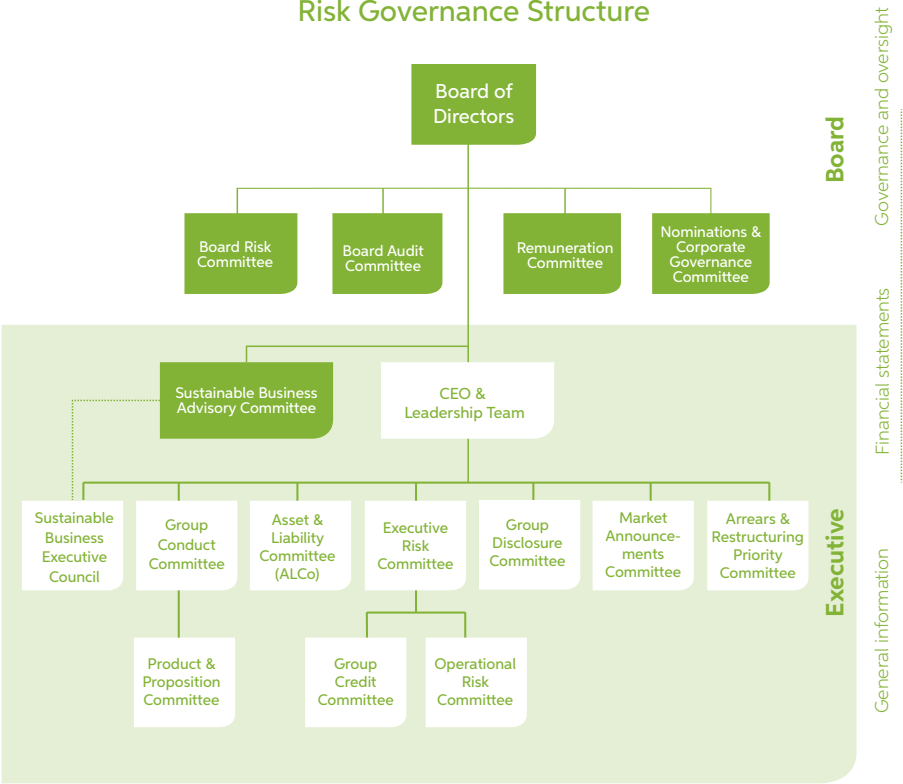
The Board also sets the Risk Appetite Statement (RAS), which is an articulation of its risk tolerance as regards each material risk. The RAS is aligned to bank strategy in protecting risk and is communicated throughout the bank. This is a key part of embedding risk culture and fostering responsible risk-taking and risk management behaviours throughout the organisation. AIB's compliance with RAS limits is reported to the Board on a monthly basis.

A number of frameworks and policies approved by the Board (or Board delegation) are also in place, which set out the key principles. We are currently considering climate risk analysis internally and will report more on this in future reporting.



Managing the sustainability of our organisation involves the management of risks related to day-to-day operations. This is vital to ensuring the organisation has the right people, processes and systems in place to operate effectively and to meet the needs of our customers and other stakeholders. It is the role of the Operational Risk function actively assure that the risk framework is embedded across the organisation so that that the bank's day-to-day operations remain effective and aligned to the continued sustainability of the organisation as a whole.

Risk Governance Structure



# Our Risk Appetite Statement <sup>5</sup>

The Risk Appetite Statement (RAS) is central to achieving the group's strategic ambition to deliver a bank with compelling, sustainable capital returns and a considered, transparent and controlled risk profile. It is also essential to serving our customers in a sustainable manner. AIB has formulated a series of qualitative statements and principles, with corresponding RAS metrics, to ensure that risk behaviours are consistent with the bank's strategy and to set the Board's expectations with regard to the bank's risk-taking appetite.

Examples of the kind of limits set by the RAS include:

- concentration limits to ensure that AIB grows and manages the loan book in a controlled and sustainable manner on a geographic and sectoral basis, at a desired credit quality;
- parameters for the taking of market and funding and liquidity risk;
- clear expectations with regards to attitude and management of conduct and reputational risk.

# Responsible Lending<sup>1, 4</sup>

The key focus of AIB's credit underwriting across all markets – be it mortgage, corporate, SME or wholesale – is to establish the our borrowers repayment capacity. This is to ensure that any borrower's financial position is robust enough for them to be in a position to service their repayments.

By doing so, we aim to ensure that borrowers do not enter into financial commitments they would be unable to repay, including pre-existing repayments to all creditors.

The quality of AIB's loan book and the long-term income arising from the it is greatly enhanced by this focus on sustainable, responsible lending.

We recognise that we must align our wider lending practices to environmental, social and governance (ESG) principles of sustainability so that we make our lending, not just sustainable from the individual customer perspective but also from the perspective, of the business – and society as a whole.

## Tackling our Non-Performing Loans <sup>1</sup>

Helping customers in difficulty is a key focus for AIB and our regulators, as we are committed to reducing our legacy impaired loans to a level more in line with our European peers. We have so far made significant progress, reducing our impaired loan balance by €19.8bn to €9.1bn in December 2016.

This enables the strengthening of our capital position and in turn our ability to lend back into the market across business and personal customers.

Target: Impaired loan ratio reduced to European norms

## Working with our Regulators <sup>3</sup>

Throughout our course of business, AIB works with the following regulators in Ireland, the UK and the USA:

- European Central Bank (ECB)
- Central Bank of Ireland (CBI)
- Prudential Regulation Authority (PRA)
- Financial Conduct Authority (FCA)
- New York State Department of Financial Services (NYSDFS)
- Federal Reserve Bank of New York (New York Fed)

Considering the recent climate of regulatory change, AIB has implemented cross-functional programmes to ensure that we meet any new regulatory requirements.

# Tax Compliance <sup>6</sup>

We are committed to maintaining the highest standards of compliance with applicable tax laws and regulations in all countries in which we have operations, and to acting with professionalism and integrity in our dealings with tax authorities.

AIB makes a significant tax contribution in our two main countries of activity: the Republic of Ireland and the United Kingdom. Due to losses which arose during the financial crisis, AIB paid no corporation tax on a large portion of its profits in 2016.

Below is a summary of taxes and levies paid on our own behalf and taxes collected from other parties in both countries during the reporting period (2016):

	Republic of Ireland €m	United Kingdom €m
Paid on own behalf	362	42
Collected and paid on behalf of other parties	216	26
Total	578	68

In addition, AIB paid tax credits of €60m to customers on behalf of the Irish tax authorities.



04

# Talent & Culture



# Why Talent & Culture Matters to AIB

Our people determine how our customers feel about AIB. And so it follows that having the right culture throughout the entire organisation is critical. We want to be a truly diverse and inclusive workplace, with an accountable, collaborative and trusted culture, where all of our employees can bring the best of themselves to work each day.

## TALENT & CULTURE MATERIALITY ISSUES

- |   |                                      |
|---|--------------------------------------|
| 1. Diversity and equality                       | 5. Employee engagement               |
| 2. Health and safety                            | 6. Executive remuneration            |
| 3. Employee remuneration                        | 7. Leadership and vision             |
| 4. Talent attraction, retention and development | 8. Positive influence on communities |
|   | 9. Business ethics                   |

*We map these issues with examples of how we are addressing them throughout the chapter.*

## Talent & Culture Highlights 1, 4, 5, 8

- Year-on-year increases in employee engagement
- The launch of Aspire, our career and performance development programme
- The return of graduate hiring programmes
- Targets set for greater gender diversity
- Our employees' local community engagement



# Connecting with our People <sup>5</sup>

During the banking crisis, our people faced daily challenges both internally and externally to the organisation. By 2013, as we began to rebuild our business, morale was an area of concern. With the support of international employee engagement experts, Gallup, we reintroduced an employee survey mechanism to help us measure the true extent of engagement and satisfaction, and also to help build an action plan to focus on areas that needed greatest improvement. We call the programme icconnect.



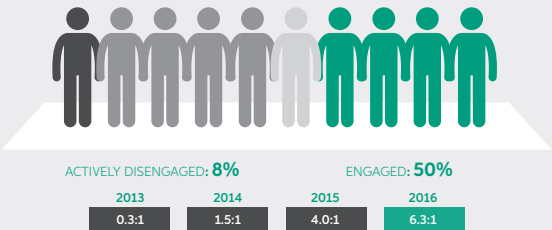
Our first survey in 2013 confirmed the extent of the challenge, with AIB's engagement levels scoring in just the 5th percentile and 80% of our teams scoring in the bottom quartile. In response, we introduced comprehensive local and central action planning, focussing on coaching for leaders, team actions, the introduction of a values programme, internal communication mechanisms and setting targets for people leaders on questions within their direct control.

Our scores now show a marked improvement with the 2016 engagement score in the 52nd percentile. Engaged employees in AIB now significantly outnumber the actively disengaged at a ratio of 6.3:1 and 57% of our teams now score in the upper quartiles. We have also moved beyond the standard Gallup Q12® questions and include a range of questions aligned to our strategy, including diversity, 'Speak-Up', AIB values and culture.

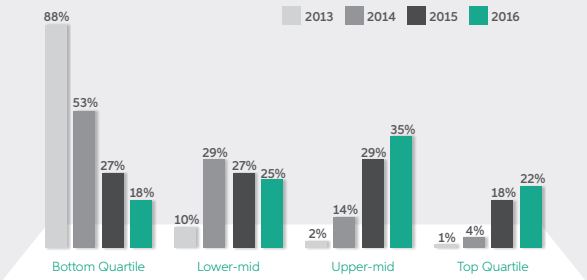
While we clearly have more to do, we are heading in the right direction and are pleased with our progress over the last four years.

# Our Employee Engagement Story

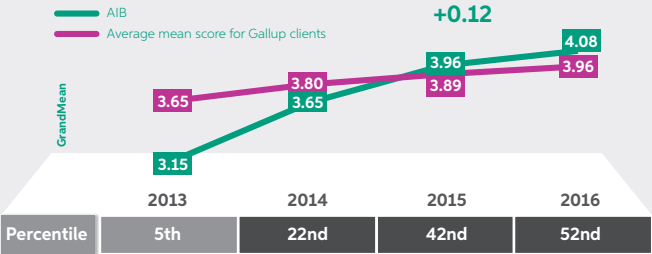
## 2016: Engaged outnumber actively disengaged



## Continued upward movement across teams



## Above-average levels of engagement in only 4 years



# Our Values <sup>7</sup>

Our Leadership Team not only sets the bank's strategy but, via our Values, also sets the tone of the 'how' of what we do. We have set values to guide our people as we work towards an accountable, collaborative and trusting culture.

Our Values:

- We put our customers first
- We are better together
- We keep it simple
- We are empowering
- We are building trust and appreciation



## Aspire

In 2016 we launched our career and performance development programme, Aspire, across AIB. On the basis of each employee's objectives it enables the equal recognition of not just what was achieved, but *how* it was achieved and so encourages the development of behaviour in line with our Values.



# Our Conduct <sup>9</sup>

We focus on driving good and fair customer outcomes throughout our business by promoting and rewarding a culture that measures the quality of those outcomes.

During 2016 we enhanced our governance structure, in line with industry best practice, to ensure sufficient senior focus on our conduct culture. We set up a Group Conduct Committee at the Leadership Team level, which provides central oversight on our business activities from the perspectives of customer outcomes and market stability. We also established a Conduct Team led by a Group Head of Conduct.

Also in 2016, we undertook a review of our existing processes in order to identify any potential issues that could lead to poor and unfair customer outcomes. We are committed to ensuring our processes remain fit for purpose with ongoing monitoring and assurance activities.

The AIB THiNK programme has been rolled out across our Local Markets, aimed at ensuring everyone understands the impacts of their behaviour, actions and decisions, with the purpose of driving better customer care. The programme includes key messages around conduct culture, reinforcing the fact that everyone has a role to play in the bank's conduct.

Our Conflicts of Interest policy has been in place since 2012 and was updated in 2016. It sets out clear standards around identifying and preventing potential conflicts of interests at AIB. It also details our standards for managing conflicts of interests where they cannot be avoided. The Conflicts of Interest register, then, is an ongoing tool which allows appropriate functions to anticipate, address and record any potential conflicts of interest.



# Attracting Talent and Inspiring Development <sup>4</sup>



Our Tallaght branch illustrates how diversity and inclusion is a valued part of the AIB culture.

AIB has a rich history of hiring talented individuals who stay with us for many years – sometimes their entire careers. But times have changed; young people are seeking greater mobility and breadth of experience. We are embracing this and welcoming new people on an ongoing basis, providing the support they need to take the next step in their career.

The relaunch of our graduate hiring programmes in 2016 was a significant first step towards increasing the capability of our future workforce. There is a recognition that harnessing graduate talent will have many benefits for both AIB and our customers.

Ireland is benefiting from its reputation as a global technological hub, and AIB is the country's foremost digitally enabled bank. We are constantly seeking to improve our employer brand to attract and retain key talented individuals in an increasingly competitive marketplace.

As such, it is important that we can offer genuine and effective career development. iLearn, our learning and development centre, was created in 2014 and provides world class development opportunities through both online and group development courses. iLearn allows us to ensure employees are informed, offering globally recognised career development programmes courses such as Lean Six Sigma and PRINCE2, as well as relevant banking qualifications and AIB-specific training.

These development opportunities are complemented by our Aspire programme – providing a platform for career development conversations and ongoing performance feedback.



# Agile Working <sup>4, 5</sup>

We believe our employees can and should work the way that best suits them, and we understand the need to manage a work-life balance. We operate flexible and agile working where possible and offer a variety of leave options including Family Emergency Leave, Critical Services Leave (for those who volunteer with the Critical Forces) and Marriage/Civil Partnership Leave.

The aim of the Agile Working Policy is to provide a modern and supportive work environment where the leadership, physical space, technology and work practices ensure that we can do our best work at any time in any place.

Reflecting this culture of agility, we began a redesign of our central offices in 2016, the beginning of AIB's vision for a modern, vibrant AIB Workplace. Promoting collaboration and creativity, unassigned desks now sit in bright and colourful offices with meeting areas, social spaces, whiteboard walls and focus booths.



The AIB Workplace is made for collaboration.



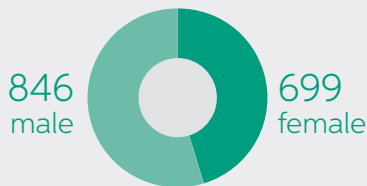
Social spaces make ad hoc meetings easier.

## Paying our Employees Fairly <sup>3, 6</sup>

In 2016, AIB introduced a performance-based pay matrix, taking into account the 'how' and the 'what', as part of the annual pay review process. The matrix comprised pay increases ranging from 0% to 3% based on the employee's individual performance rating for 2015. The increase was paid to eligible employees in June 2016.

The remuneration of the Chief Executive Officer, Executive Directors and Leadership Team members is determined and approved by the Group Remuneration Committee on behalf of the Board, and is subject to the Government-issued salary cap of €500,000. AIB does not operate bonus schemes, long-term incentive plans, or share incentive schemes.

### In 2016, we hired 1,545 people



### Targets set



**25% female**  
representation on  
the Leadership Team  
by end of 2017



**40% female**  
representation across  
our total manager  
and executive  
population by 2018



**50% female**  
representation at  
management level in  
AIB UK by 2020



# Diversity & Inclusion <sup>1</sup>

iMatter is the diversity and inclusion programme at AIB, which we launched in 2015. Commencing with an initial focus on gender diversity, we implemented a gender diversity target of 25% for our Board and our



Leadership Team, both of which we have now met. To gain better traction on the agenda, we agreed a plan to focus on four key levers for change which we launched in our first Diversity & Inclusion week in early 2017. These included:

- **Raising awareness** – delivered Unconscious Bias training to more than 1,000 people leaders: carried out internal and external networking events to raise awareness: became signatories of Diversity Charter of Ireland and the UK Women in Finance Charter
- **Improving our talent pipeline** – public commitment to gender targets at management levels: implemented improvements to all recruitment and selection processes: integrated diversity into senior succession and taking up active membership of 30% Club
- Encouraging a more **flexible work environment** – introduced an agile working policy: extended parental leave and other new ways of working through technology and work redesign
- **Mind the Gap** – a range of initiatives to integrate work and family leave: paid paternity leave: paid keep in touch days during maternity leave: emergency family leave and other support mechanisms

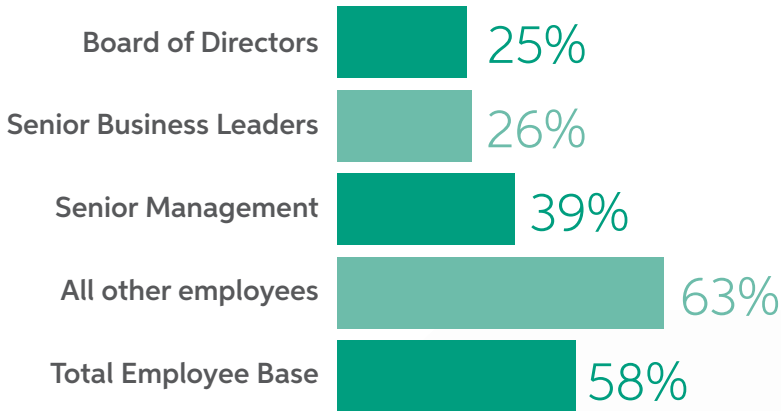
## Six Employee Resource Groups set up

We have recently extended our focus beyond gender diversity and have established six new employee resource groups focussing on Pride Matters, Women Matters, Roots Matters, Family Matters, Men Matters and Ability Matters.

**Our ultimate aim is to ensure that every employee can bring their best each day, and that our employee make-up reflects the customer base that we serve.**

# Total Gender Balance at AIB <sup>1</sup>

We can identify the pipeline of future female leaders in AIB by reviewing the percentage women currently make up at each level within the bank:



# Backing our People in the Community<sup>8</sup>

Prior to the financial crash, AIB was one of the largest supporters of charitable initiatives in Ireland. At a corporate level, this was curtailed, but it is something we are excited to return to.

In the meantime, our employees have kept the spirit of giving alive and well over the years. In branches and office locations around the

country, our colleagues have been very active in volunteering, holding regular fundraising events and collections and making a big difference to a number of worthy local causes.

From coffee mornings and bake sales to mini-marathons and even one voyage to circumnavigate the island of Ireland in a kayak, our people have never failed to support the causes that matter to them and their customers in a big and inspiring way.

Now it is time for AIB to follow the lead of our employees. A refreshed group-wide community programme is being defined, proposing two days' volunteering leave for every AIB employee as well as a strategic approach to

supporting highly impactful social programmes. We are going to assume the responsibility rightfully expected of us by supporting excellent initiatives that are making a difference in our operating regions.

That is not to say, of course, that there are no current examples of excellent social initiatives receiving



Robyn Maher and Ellie Spain, from St. Patrick's GNS, Ringsend at the launch of Time to Read at the National Library of Ireland.



Winner of the Primary Schools section for One Good Idea Saint Patrick's National School Bruee, Co. Limerick.

support from AIB. AIB employees can be proud of the bank's association with organisations such as Soar and Junior Achievement Ireland, as well as our strong record of supporting third level institutions.

## Helping Young People Soar

Soar is an organisation that creates and delivers early-intervention, preventative wellness programmes for young people. AIB has partnered with Soar since 2016 and, to date, Soar has reached over 25,000 young people since 2012.



Soar's 'Way of the Warrior' programme tackles the subject of mental health for young men.

Soar workshops empower students to thrive, believe in themselves and fulfil their true potential, encouraging them to increase self-confidence, awareness and self-belief, promote empathy and peer respect, increase resilience and recognise core strengths and passions. Within a safe and supportive environment, they are given the opportunity to be themselves and explore any challenges that hold them back from doing so.

In particular, AIB is backing 'Way of the Warrior', one of Soar's most exciting programmes yet. It tackles mental health in young men aged 13-17 and aims to have reached 7,500 young people by the end of 2018.

## Promoting Achievement in Education

Junior Achievement Ireland helps children of all ages understand the benefits of staying in education. We have supported this organisation since its inception in 1996 and over a thousand of our colleagues have been involved during the past 20 years, benefitting over 27,000 students in Ireland. As well as the traditional school placements, we also organise workshops on skill development such as interview techniques and workplace tours.

## Academic Scholarship

We enjoy successful partnerships with a variety of third-level institutions. In Dublin City University AIB's support has established a Chair in Data Analytics, while we have partnered with University College Dublin to establish the AIB Chair in Behavioural Economics, together with a PhD scholarship programme, an MSc programme and a new UCD-AIB Behavioural Economics Lab. First Trust Bank (FTB) was proud to partner with the William J Clinton Leadership Institute at Queen's University Belfast to establish a bespoke corporate leadership programme.



Participants in the bank's Junior Achievement Programme in 2016.



# Conclusion



## Independent limited assurance report by Deloitte to Allied Irish Bank Plc (AIB) on the preparation of the 2016 Sustainability Report in accordance with the Global Reporting Initiative ("GRI") G4 Core Option reporting guidelines.

### What we looked at: scope of our work

AIB have engaged Deloitte to perform a limited assurance engagement, based on the scope of our limited assurance procedures as agreed in our engagement letter, over AIB's compliance with core level reporting in respect to the application of the Global Reporting Initiative ("GRI") reporting guidelines in the AIB Sustainability Report for the year ended 31 December 2016 ("2016 Sustainability Report").

We will provide a limited level of assurance to AIB, on whether any matter has come to our attention that would cause us to believe that the AIB 2016 Sustainability Report for the year ended 31 December 2016 has not been prepared in all material respects in accordance with the GRI G4 Core Option reporting guidelines.

### What standards we used: basis of our work, criteria used and level of assurance

We conducted our engagement in accordance with the International Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Information (ISAE 3000 (Revised)).

ISAE 3000 (Revised) indicates that the nature, timing and extent of procedures performed in a limited assurance engagement is limited compared with that necessary in a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Limited assurance does not include detailed testing for each of the indicators reported, or of the operating effectiveness of processes and internal controls.

### What we did: Limited assurance procedures performed

To form our conclusion, we performed the following procedures:

- Interviewed management and those with operational responsibility for sustainable business performance to assess the application of the GRI G4 principles in the preparation of the Report;
- Understood, analysed and assessed the key structures, processes, procedures and controls relating to the preparation of the 2016 Sustainability Report;
- Evaluated whether the management approach for the material sustainability issues presented in the 2016 Sustainability Report are consistent with our overall knowledge and experience of sustainability management and performance at AIB;
- Assessed the completeness and accuracy of the GRI G4 content index with respect to the GRI G4 Core guidelines; and
- Reviewed the content of the 2016 Sustainability Report against the findings of the aforementioned procedures.

### Limitations

The process an organisation adopts to define, gather and report information on its non-financial performance is not subject to the formal processes adopted for financial reporting. Therefore, data of this nature is subject to variations in definitions, collection and reporting methodology, often with no consistent, accepted external standard. This may result in non-comparable information between organisations; and from year to year within an organisation as methodologies develop.

### Our independence in providing assurance to AIB

- We complied with Deloitte's independence policies, which address and, in certain cases, exceed the requirements of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* in their role as independent auditors, and in particular preclude us from taking financial, commercial, governance and ownership positions which might affect, or be perceived to affect, our independence and impartiality, and from any involvement in the preparation of the report.
- We have confirmed to AIB that we have maintained our independence and objectivity throughout the year and in particular that there were no events or prohibited services provided which could impair our independence and objectivity.

### Our team and quality control procedures

- Our team consisted of a combination of Chartered Accountants with professional assurance qualifications and professionals with many years' experience in providing corporate sustainability report assurance.
- In performing our work, we applied International Standard on Quality Control 1 and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

In relation to our work performed on the 2016 Sustainability Report, we note the following specific limitation:

- Our work did not include detailed testing of the underlying data for each of the indicators reported. Therefore, we can express no assurance on the accuracy of the performance data.

#### **What we found: our assurance conclusion**

Based on the scope of our work and the limited assurance procedures we performed, no matters have come to our attention that would cause us to believe that the AIB 2016 Sustainability Report has not been prepared in all material respects in accordance with the GRI G4 Core Option reporting guidelines.

#### **Roles and responsibilities**

##### **AIB:**

- The Directors are responsible for the preparation of the 2016 Sustainability Report and for the information and statements contained within. They are responsible for determining sustainability objectives, materiality, and establishing and maintaining appropriate performance management and internal control systems from which the reported information is derived.

##### **Deloitte:**

- Our responsibility is to independently express conclusions on the subject matter as defined within the scope of work above to AIB in accordance with our engagement letter, based on our procedures. Our work has been undertaken so that we might state to AIB those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than AIB for our work, for this report, or for the conclusions we have formed.



##### **Deloitte**

Chartered Accountants and Statutory Audit Firm  
Dublin

13th October 2017



# Conclusion

Aligned with our purpose and the Four Strategic Pillars, we are agreeing and establishing clear targets for what we want to achieve as we build out our sustainability agenda. We will report further on our progress in March 2018.

We're just at the start of this journey, but we recognise the value that doing this well can bring, for our business, our employees and our customers, for both financial and social impact, creating shared value.

If you have any comments or observations on what you've read in this report, we'd like to hear from you. Please get in touch with us through any of the channels below.



[sustainability@aib.ie](mailto:sustainability@aib.ie)



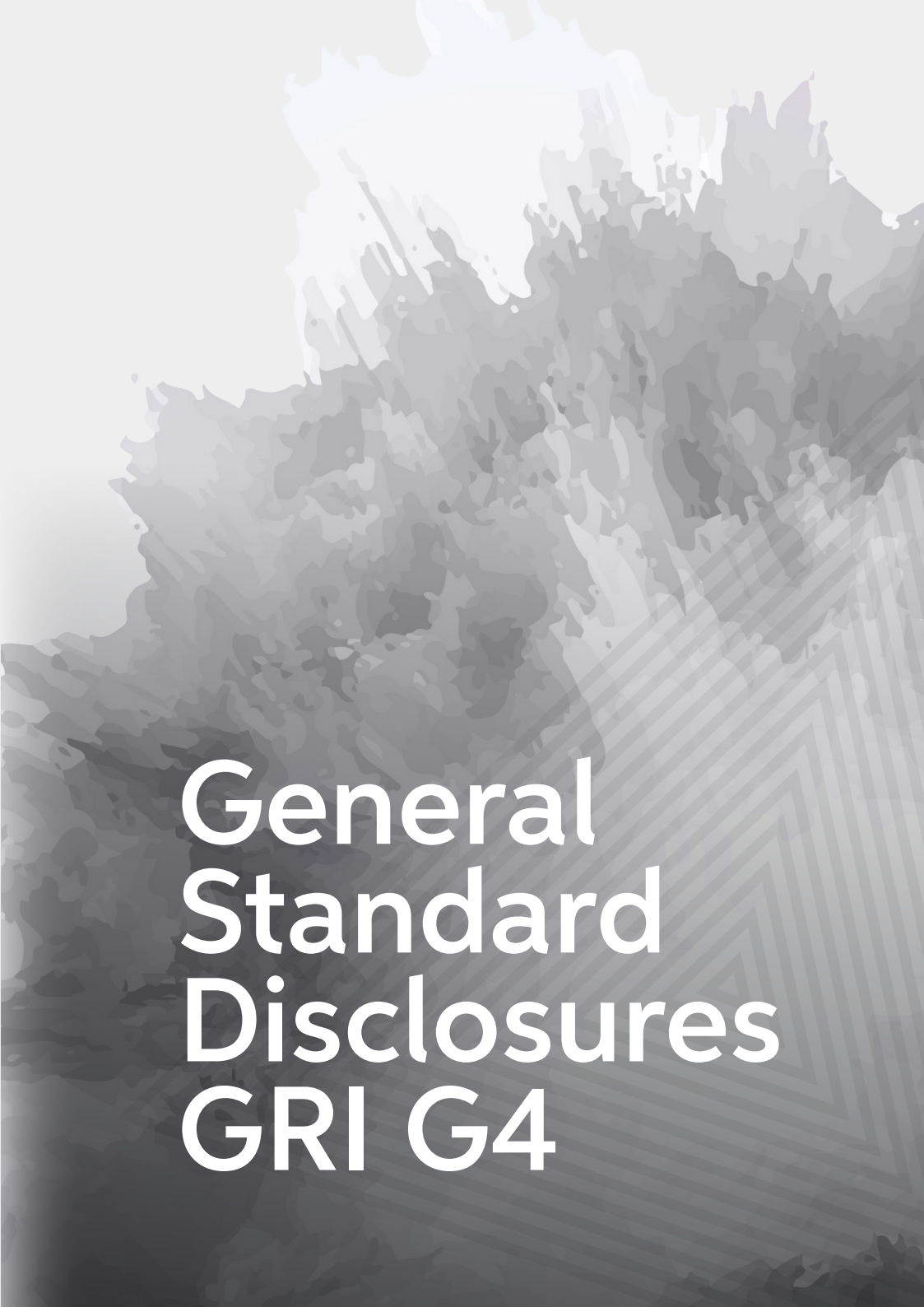
[facebook.com/askaib](https://facebook.com/askaib)



[@AskAIB](https://twitter.com/AskAIB)



[Linkedin.com/company/aib/products](https://Linkedin.com/company/aib/products)

The background of the page is an abstract composition. The upper portion features a light, hazy mountain peak. Below this, the image transitions into a dark, textured area with a complex, layered appearance. In the bottom right corner, there is a series of concentric, overlapping geometric shapes that resemble a stylized sunburst or a series of nested triangles, creating a sense of depth and movement.

# General Standard Disclosures GRI G4

### GRI G4 Content Index

This report has been prepared in accordance with the Core option of the Global Reporting Initiative G4 Guidelines, and has been independently assessed by Deloitte in accordance with the ISAE 3000 (Revised) Standard. The report covers the period January to December 2016, unless otherwise stated, and references material already published for that period such as the AIB Group 2016 Annual Financial Report and the 2016 Carbon Disclosures Report, the latter addressing data for 2015.

The index table indicates how GRI G4 aspects and indicators relate to the issues that we have focused on in the Sustainability Report. As this is our initial Sustainability Report, we have not further sub-divided at this point our material issues into critical, high, medium and low impact issues. Each Disclosure of Management Approach (DMA) within the standard specific disclosures has been selected as it was identified as a material issue during the independent materiality assessment conducted with KPMG.

We will report further on our management approach and its effectiveness, for each issue, in our future sustainability reporting. Whilst this is the start of our sustainability journey, we believe we have the right approach to support further disclosures in the future.

The importance of individual issues for our stakeholder group has been determined based on the stakeholder engagement surveys, while the significance for our business has been determined based on survey responses from senior management.

STRATEGY AND ANALYSIS		
GSD	Brief Description	Reference/location
G4-1	Statement from the most senior decision-maker	AIB Sustainability Report – Section 1. "Message from Bernard Byrne, AIB Chief Executive Officer", pages 4-5; soft copy available at " <a href="http://www.aib.ie/sustainability">http://www.aib.ie/sustainability</a> " <a href="http://www.aib.ie/sustainability">www.aib.ie/sustainability</a>
G4-2	Description of key impacts, risks, and opportunities	See Sustainability Report – Section 3 "Risk and Capital" - pages 60-66. Principal risks and uncertainties, framework and individual risk types are detailed in the Annual Financial Report 2016 (AFR 2016) in the Risk Management Section on pages 50-170. Soft copy of the AFR is available at <a href="http://www.aib.ie/investorrelations">www.aib.ie/investorrelations</a> .
ORGANISATIONAL PROFILE		
G4-3	Report the name of the organisation	Allied Irish Banks p.l.c.

G4-4	Report the primary brands, products and services	<p>AIB is a financial services group operating predominantly in the Republic of Ireland and the United Kingdom. We provide a comprehensive range of services to personal, business and corporate customers in our target markets and have leading market shares in banking products in the Republic of Ireland.</p> <p>Our products and services cover personal, SME and corporate lending, mortgage provision and credit card services. When it comes to the provision of non-core banking products, for example, general insurance and bancassurance, we typically partner with market leaders. Specifically on bancassurance, AIB partners with Irish Life. In 2016, AIB became the leading bancassurance provider in Ireland, with a combined AIB/ EBS bancassurance income market share of c.44% and a new business market share of c.37%.</p> <p>AIB has been restructured in recent years with the aim of becoming a customer focused, profitable and lower risk institution, well positioned to support economic recovery in Ireland while seeking to generate sustainable shareholder returns.</p> <p>Primary brands are "AIB" and "EBS" in the Republic of Ireland, "First Trust" and "Allied Irish Bank GB" in the United Kingdom, and "AIB Corporate Banking North America" in the United States. AIB also works with a network of mortgage intermediaries in the Republic of Ireland called "Haven". See Sustainability Report – Section 2. "Welcome to AIB", pages 8-9.</p>
G4-5	Report the location of headquarters	The bank's headquarters is located at: AIB Bankcentre Ballsbridge Dublin 4 Ireland DO4 NV02
G4-6	Report the location of operations	Republic of Ireland, United Kingdom and the United States
G4-7	Report the nature of ownership and legal form	AIB is a publicly quoted company on the main London and Dublin Stock Exchanges after undertaking an initial public offering in July 2017. Its current issued ordinary shareholding of 2,714, 381,238 shares is held 71% by the Irish Government through the Irish Strategic Investment Fund, with the balance held by private shareholders.
G4-8	Report the markets served	AIB has established branches, within the meaning of EU Council Directive 89/666/EEC (implemented in Ireland by the European Communities (Branch Disclosures) Regulations 1993), in the United Kingdom and the United States of America. We operate a full retail, corporate and business banking offering in the Republic of Ireland, a retail and business banking offering the United Kingdom, and a corporate banking operation through our New York branch office.
G4-9	A report on the scale of the organisation e.g. employees, operations, sales etc.	See the 2016 Sustainability Report– Section 1 - pages 11-13 "Our Impact" and "Our Local Market". The business review in the 2016 Annual Financial Report provides full details on the scale or the organisation and its operations in each territory in which it operates on pages 37-43. Staff composition and details are provided on page 350 of the AFR (see <a href="http://www.aib.ie/investorrelations">www.aib.ie/investorrelations</a> )
G4-10	Information on employees and other workers e.g. total, gender balance etc.	<p>See Sustainability Report – pages 69-79 "Why Talent and Culture Matter in AIB" for new composition and diversity information, and AFR page 350 for geographic distribution. Average total employment in 2016 was 10,226.</p> <p>Whilst we report gender composition by seniority, we do not currently report the remaining required breakdowns. Some data is considered commercially sensitive or not currently collected or reported at that level.</p>

G4-11	Report on numbers covered by collective bargaining agreements	79%
G4-12	Describe the organisation's supply chain	<p>See Sustainability Report – Section 8 “Simple and Efficient” page 52 “Impact of our Supply Chain”</p> <p><b>Supplier management</b></p> <p>We are introducing an e-Sourcing solution to automate the tendering and award of sourcing events. In 2017 we plan to align this with our procure-to-pay system. This will result in a paperless invoice and payment environment throughout our supply base.</p> <p>We conduct an intensive due diligence process in regard to supplier selection, prioritised according to the value, complexity and criticality of the service being procured. Market intelligence provides us with information on the best in class service providers in a specific commodity and we construct specific selection criteria when deciding on the most appropriate supplier. We also use well refined and best in class supplier selection tools.</p> <p>As our e-Sourcing platform matures, it is our aspiration to use its flexibility to screen suppliers more effectively for social and environmental as well as economic criteria. We made no major changes to our supply chain composition in 2016. However, this year saw a discernible expansion in the level of regulatory and internal management oversight of supplier and outsourcing risks e.g. outsourcing is now classified as a material risk – the highest such classification.</p> <p>The introduction of the Modern Slavery Act in the UK and a growing focus on the social impact on society of our business practices has led to greater awareness and diligence in supply chain selection in areas such as the purchase of corporate wear and soft services. This purchasing activity provides a cascade effect throughout an extended secondary supply chain, supporting multiple suppliers and communities located in our operating jurisdictions.</p> <p>Our principal spending categories are for professional services, business services and information technology. We subdivide our suppliers into four segments:</p> <ol style="list-style-type: none"> <li><b>1. Material Outsourcing / Outsourcing:</b> The use of a third party to perform activities that would normally be undertaken by AIB, now or in the future. This also includes the provision of a core customer related business activity by a third party instead of developing the capability in-house.</li> <li><b>2. Tier 1:</b> Supplier provides critical products or services where failure of this product or service could or will result in considerable impact to the business or customer impact.</li> <li><b>3. Tier 2:</b> Suppliers who provide low business impact products or services with whom AIB have selected, due to a number of favourable conditions. E.g. lower cost, speed of supply, location, extensive portfolio offering, niche expertise.</li> <li><b>4. Tier 3:</b> Routine low value commoditised purchases where disruption risk is low as alternatives are available.</li> </ol>
G4-13	Report on significant changes to the organisation and its supply chain	<p>As this is our first sustainability report, there are no significant changes to report on. However, since the end of 2016 two significant additional events have occurred, specifically the initial public offering of 28.8% of the bank's shares on the Dublin and London stock exchanges, and a regulatory sanction of €2.3 million on AIB for technical breaches of money laundering regulations, which have since been remediated.</p>

COMMITMENTS TO EXTERNAL INITIATIVES		
G4-14	Report whether the Precautionary Principle or approach is applied	AIB recognises the need to take precautionary measures to anticipate, prevent or minimise the causes of climate change and mitigate its adverse effect. Our business lines in collaboration with the Office of Sustainable Business, the Sustainable Business Executive Council, and Sustainable Business Advisory Committee will together provide focused governance on this issue on an ongoing basis.
G4-15	List external initiatives on ESG, principles to which we subscribe	Global Reporting Initiative (GRI) and the European Union Directive 2014/95 on non-financial disclosures.
G4-16	List membership of associations e.g. industry associations	<p><b>Banking and Payments Federation of Ireland (BPFI) and its component Irish Payments Council (IPC) and Irish Paper Clearing Company (IPCC)</b></p> <ul style="list-style-type: none"> <li>• Do we hold a position on the governance body - yes</li> <li>• Do we participate in projects or committees - yes</li> <li>• Provide substantive funding beyond routine membership dues - no</li> <li>• View membership of the associations as strategic - yes</li> </ul> <p><b>United Kingdom (British Bankers Association)</b></p> <ul style="list-style-type: none"> <li>• Do we hold a position on the governance body - no</li> <li>• Do we participate in projects or committees - yes</li> <li>• Provide substantive funding beyond routine membership dues - no</li> <li>• View membership of the associations as strategic - yes</li> </ul> <p><b>European Banking Federation (through BPFI)</b></p> <ul style="list-style-type: none"> <li>• Do we hold a position on the governance body - no</li> <li>• Do we participate in projects or committees - sometimes</li> <li>• Provide substantive funding beyond routine membership dues - no</li> <li>• View membership of the associations as strategic - yes</li> </ul> <p><b>Irish Business and Employment Confederation.</b></p> <ul style="list-style-type: none"> <li>• Do we hold a position on the governance body - no</li> <li>• Do we participate in projects or committees - yes</li> <li>• Provide substantive funding beyond routine membership dues - no</li> <li>• View membership of the associations as strategic - yes</li> </ul>
ORGANISATIONAL PROFILE		
G4-17	List all entities included in the consolidated financial statements	The Sustainability Report and GRI index covers the entities listed in the 2016 Annual Financial Report page 439. <a href="http://www.aib.ie/investorrelations">www.aib.ie/investorrelations</a> .

G4-18	Explain the process for defining the report content and Aspect Boundaries	<p>The report covers AIB Group and its constituent businesses in the Republic of Ireland, the United Kingdom and United States. (See page 8 of the Sustainability Report for an indication of their relative importance in terms of income). While the report refers to 2016, information is provided on material developments in 2017 considered relevant to an understanding of our business.</p> <p>See "Message from Bernard Byrne, AIB Chief Executive" page 4 of the Sustainability Report on "What does sustainability mean for AIB?" for our sustainability context.</p> <p>See our stakeholder groups listed on pages 15-16. Stakeholder consultation was complemented by reputation tracking and media coverage review.</p> <p>See 2016 AIB Sustainability Report – .pages 14-18 "Stakeholder Engagement".</p> <p>To devise and implement a successful sustainability strategy, we must have an understanding and an awareness of the environmental, social and governmental issues of most concern to our stakeholders. We need to identify and define these issues so that we can begin to report on them effectively.</p> <p>The Global Reporting Initiative (GRI) is an international independent organisation that provides sustainability reporting guidance. We conducted our materiality exercise and subsequent reporting in accordance with the core approach of the GRI.</p> <p>In early 2016, we consulted with our internal and external stakeholders to identify and rank the most material concerns facing AIB using the GRI-recommended approach of identification, prioritisation and validation.</p> <p>In over 1,100 separate contacts with stakeholders we identified those issues that were of most concern our stakeholders from a master list prepared with independent advice and based on international best practice among peer banks. Additionally, in preparing our Sustainability Report, the local and international context – economic, geographic and social - for our business was considered and, where information was available, the impacts both within and outside the bank were reviewed in preparing our initial report.</p> <p>In all instances we have striven to adhere to the GRI Content Principles in preparing our Sustainability Report– stakeholder inclusiveness, sustainability context, materiality and completeness, within the limitations and scope of the information currently available.</p>
G4-19	List all the material aspects identified in the process for defining content	<p>We reduced a list of 100 potentially relevant ESG issues to 32 relevant issues after a series of internal and external reviews. The 100 issues were based on peer benchmarking and the GRI materiality guidelines. The 32 relevant issues are contained in the 2016 Sustainability Report - page 18 "Materiality Issues".</p>
G4-20	For each material Aspect, report the Aspect Boundary within the bank	<p>In reporting according to the "Core" GRI approach, these would be notified in Specific Standard Disclosures if available and material. We have made a number of Specific Standard Disclosures below as well supporting Disclosures on Management Approach where relevant.</p>
G4-21	For each material Aspect, report the Aspect Boundary outside the bank	<p>In reporting according to the "Core" GRI approach, these would be notified in Specific Standard Disclosures if available and material. We have made a number of Specific Standard Disclosures below as well supporting Disclosures on Management Approach where relevant.</p>
G4-22	Report the effect of any restatements of information from previous report	<p>This is our first standalone report and no restatements apply.</p>

G4-23	Report significant changes in scope and aspect boundaries since last report	Not applicable as it is the first report
<b>STAKEHOLDER ENGAGEMENT</b>		
G4-24	Provide a list of stakeholder groups engaged by the bank	Key stakeholder groups engaged by the bank: <ul style="list-style-type: none"> <li>• Consumers</li> <li>• AIB customers</li> <li>• Employees, including senior management</li> <li>• Suppliers</li> <li>• Shareholders and analysts</li> <li>• NGOs and special interest groups.</li> </ul>
G4-25	Report the basis for identifying and selection of stakeholders to engage with	1,150 individuals, 60 individuals and 60 in-depth interviews were undertaken. Over 500 customers and consumers were independently surveyed, 560 staff and 60 senior managers were surveyed, as well as over 30 non-governmental organisations and agencies. The process was guided by independent consultants on the best practice approach to stakeholder selection.
G4-26	Report on the bank's approach to stakeholder engagement	The initial materiality exercise was conducted for the purpose of supporting the scope, content and focus of the Sustainability Report. The materiality analysis itself will be reviewed every year, while a stakeholder survey equivalent to that undertaken for this Sustainability Report will be undertaken every two years i.e. a materiality survey and analysis of a range of stakeholder groups.
G4-27	Report on key topics and concerns raised during by stakeholder engagement	The 32 relevant issues are contained in the 2016 Sustainability Report page 18 "Materiality Issues", available at <a href="http://www.aib.ie/investorrelations">www.aib.ie/investorrelations</a> and <a href="http://www.aib.ie/sustainability">www.aib.ie/sustainability</a> .
<b>REPORT PROFILE</b>		
G4-28	State the reporting period	1/1/2016-31/12/2016 unless otherwise stated e.g. environment data
G4-29	State the date of the most recent report (if any)	The Sustainability Report 2016 was published on 18/10/2017. The AFR 2016 contained a preliminary section on Sustainability pages 16-22.
G4-30	Indicated what is the reporting cycle (annual, biennial)	A Sustainability Report will be published annually in tandem with the publication of the Annual Financial Report of the Annual Financial Report from the next reporting cycle.
G4-31	Provide the contact point for questions regarding the report or its contents	Sarah Dempsey, Head of the Office of Sustainable Business <a href="mailto:sarah.m.dempsey@aib.ie">sarah.m.dempsey@aib.ie</a>
<b>GRI CONTENT INDEX</b>		
G4-32	a. Report the "in accordance with" option for GR4 the bank has chosen  b. Report the GRI Content Index for the chosen option  c. Report the reference to external assurance report, if externally assured	a. The 2016 Sustainability Report has been prepared in accordance with the GRI G4 core option; the report is available online at <a href="http://www.aib.ie/sustainability">www.aib.ie/sustainability</a> or in hard copy from <a href="mailto:sustainability@aib.ie">sustainability@aib.ie</a> .  b. Core content index, see page 88 of the Sustainability Report, online at <a href="http://www.aib.ie/sustainability">www.aib.ie/sustainability</a> or in copy from <a href="mailto:sustainability@aib.ie">sustainability@aib.ie</a>  c. Provided in the 2016 Sustainability Report page 84, available at <a href="http://www.aib.ie/investorrelations">www.aib.ie/investorrelations</a> and <a href="http://www.aib.ie/sustainability">www.aib.ie/sustainability</a> .



ASSURANCE		
G4-33	<p>a. Report the bank policy on seeking report external assurance</p> <p>b. Report the scope and basis of any external assurance provided</p> <p>c. Report the relationship between the bank and the external assurer</p> <p>d. Report whether the Board has sought assurance on the report content</p>	<p>a) We have sought external assurance for the report content and GRI Index from our independent auditors Deloitte. Deloitte provided assurance in accordance with the International Standard on Assurance Engagements (ISAE3000) (Revised), to a limited level over our preparation of this Report (the 2016 Sustainability Report), in accordance with the Global Reporting Initiative (GRI) G4 reporting guidelines to a core level. A limited level of assurance under ISAE3000 (Revised), provides a similar level of assurance as that provided over an interim financial report. See page 84 for Deloitte's independent assurance opinion.</p> <p>b) The Sustainability Report assurance provided saw Deloitte carry out an assurance process in line with ISAE 3000 to provide limited assurance (similar to an interim financial report i.e. it does not include detailed testing of source data) over our preparation of our 2016 Sustainability Report in accordance with the Global Reporting Initiative GRI G4 core option report guidelines.</p> <p>c) The external assurer is currently our financial auditor; the auditor is replaced on a three year cycle</p> <p>d) Yes. The Board's Sustainable Business Advisory Committee has commissioned an independent assurance process aligned to ISAE 3000.</p>
GOVERNANCE		
G4-34	Report on the governance structure of the organisation	2016 Sustainability Report pages 57-59, "Governance at AIB", and 2016 Annual Financial Report pages 172-211 available at <a href="http://www.aib.ie/investorrelations.ie">www.aib.ie/investorrelations.ie</a> and <a href="http://www.aib.ie/sustainability">www.aib.ie/sustainability</a>
G4-35	Report on the process for delegating ESG authority to executives and staff	2016 Sustainability Report – "Sustainability in our Governance", page 6. See also 2016 Annual Financial Report page 16-17, available at <a href="http://www.aib.ie/investorrelations.ie">www.aib.ie/investorrelations.ie</a> and <a href="http://www.aib.ie/sustainability">www.aib.ie/sustainability</a>
G4-36	Report whether the organisation has appointed an executive-level position or positions with responsibility for ESG topics, and whether post holders report directly to the highest governance body.	An Office of Sustainable Business has been established to support the Sustainable Business Advisory Committee of the Board and the Sustainable Business Executive Council. The Head of the Office of Sustainable Business (OSB) reports to the Director of Corporate Affairs and Strategy, who chairs the Sustainable Business Executive Council, and has Executive oversight of the Bank's Sustainability activities, and to Helen Normoyle, Board Member, and Chair of the Sustainable Business Advisory Committee. There are clear reporting lines to the Board through NED Helen Normoyle's role chairing the SBAC.
G4-37	Report on consultation process between stakeholders and Board	<p>We are committed to publishing an annual sustainability report from this year onwards. We will conduct annual materiality assessments to help us track any changes in the material concerns of our stakeholders as well as identifying any changes in the composition of our stakeholder groups. We will keep talking and listening to our stakeholders through a variety of channels throughout the year. See also 2016 AFR pages 16-22 on "Sustainable Banking" and Sustainability Report - "Stakeholder Engagement" page 14.</p> <p>The stakeholder analysis is conducted on behalf of the SBAC by the OSB, with independent support in selecting representative samples. The analysis is submitted to the SBEC and SBAC on completion annually or biannually as appropriate.</p>
G4-38	Report on composition of Board and its committees	See <a href="https://aib.ie/investorrelations/about-aib/corporate-governance">https://aib.ie/investorrelations/about-aib/corporate-governance</a> which explains the Executive and non-Executive composition of the Board, as well as providing bios on each member.
G4-39	Report whether Board Chair is an executive or INED	The Chairman is a Non-Executive Director (see 2016 AFR P. 172 "The Board")

G4-40	Report the criteria and process for Board/Committee nomination/selection	2016 AFR pages 183 and 184 - "Rules concerning appointment and replacement of Directors by the Company"; the report has a specific target for diversity composition with the minor gender target of 25% which was reached in 2016. The approval and re-election by shareholders is described in the appointment and replacement rules. The Board seeks a balance of skills and experience to reflect the business and societal challenges faced by the bank and consideration in the selection process is given to the most appropriate skills and experience necessary to fill any existing gaps. See also <a href="https://aib.ie/investorrelations/about-aib/corporate-governance">https://aib.ie/investorrelations/about-aib/corporate-governance</a>
G4-41	Report how conflicts of interest are addressed at Board/Committee	See the AFR on page 187 – "Conflicts of Interest", which references AIB's Code of Conduct and Conflict of Interest Policy. AIB's share structure is described at G4-7 – the State holds 71.1% of shares after an IPO in 2017, with the balance held by private shareholders – see also <a href="https://aib.ie/investorrelations/about-aib/relationship-with-irish-state">https://aib.ie/investorrelations/about-aib/relationship-with-irish-state</a> .  There are no cross-shareholding with suppliers and other stakeholders. Related Party Disclosures are subject to a Related Party Disclosure Policy, Board approval and quarterly reporting to the regulator. Cross-board and committee memberships are described in the AFR 2016, Page 172 "Board Governance and Oversight"
<b>HIGHEST GOVERNANCE BODY'S ROLE IN SETTING PURPOSE, VALUES AND STRATEGY</b>		
G4-42	Report the role of the Board in setting purpose, values, and strategy	The role of the Board, the Board Audit Committee, and the BRC is set out in "Governance and Oversight – Corporate Governance report" on pages 185 to 189 of the AFR. The Leadership Team comprises the Senior Executive managers of the Group who manage the strategic business risks of the Group. It establishes the business strategy and risk appetite within which the Group operates. 2016 AFR pages 14-15 "Governance at a Glance"; pages 56-59 on "Governance at AIB" and page 7 on "Our Purpose" While AIB has not yet established its specific ESG strategic objectives, it is expected that we will report on such developments in future reports.
<b>HIGHEST GOVERNANCE BODY'S COMPETENCIES AND PERFORMANCE EVALUATION</b>		
G4-43	Report the measures taken to develop/enhance the Board's ESG knowledge	2016 AFR pages 16-22 – "Sustainable Banking"
G4-44	a. Report process for evaluating Board performance with respect to ESG governance, whether independent or not, how frequent etc.  b. Report actions taken in response to the evaluation of the Board's performance on ESG governance	2016 AFR page 188 "Performance Evaluation" which describes the formal process in place for the annual evaluation of the Board's own performance and that of its principal Committees and individual Directors in relation to its goals and objectives. To date the Board has not measured its performance against ESG objectives specifically, so no such measures exist for the reporting year 2016. 2017 will be the first year for which the Board's performance on ESG Governance will be separately evaluated with the intention of developing a series of appropriate KPIs to measure progress against objectives over time.
<b>HIGHEST GOVERNANCE BODY'S COMPETENCIES AND PERFORMANCE EVALUATION</b>		
G4-45	a. Report the Board's role in identifying and managing ESG impacts, risks and opportunities, and the Board role in due diligence  b. Report whether stakeholder consultation is used to support the Board's identification and management of ESG impacts, risks and opportunities	a) AFR 2016 Pages 16-22 – "Sustainable Banking" describes the Board's approach to Sustainable Banking and ESG issues in its foundation year of 2016, including how it proposes to manage ESG impacts, risks and opportunities. The Sustainable Business Advisory Committee is the highest governance body charged with discussing and oversight of ESG issues.  b) Stakeholder consultation is being applied to support the Board's identification and management of ESG impacts, risks and opportunities. The initial stakeholder engagement analysis has supported discussions at SBAC and SBEC during 2017.

G4-46	Report the Board's role in review the effectiveness of the organisation's risk management process for ESG topics	See Sustainability Report - "Sustainability in our Governance" page 6.
G4-47	Report the frequency of the Board's reviews of ESG impacts, risks and opportunities	The Board's Sustainable Business Advisory Committee meets quarterly.
<b>HIGHEST GOVERNANCE BODY'S ROLE IN SUSTAINABILITY REPORTING</b>		
G4-48	Report the highest committee or position that formally reviews and approves the bank's sustainability report and ensures that all material aspects are covered	The Sustainable Business Advisory Committee, which has delegated authority from the AIB Board.
<b>HIGHEST GOVERNANCE BODY'S ROLE IN EVALUATING ECONOMIC, ENVIRONMENTAL AND SOCIAL PERFORMANCE</b>		
G4-49	Report the process for communicating critical concerns to the Board	<p>The Board is responsible for the effective management of risks and opportunities, including sustainability risks and opportunities, and for AIB's system of internal controls. Until now, we had not sought to separately identify our environmental and social risks, other than in how these may have indirectly impacted other material risks e.g. credit risk resulting from weather events.</p> <p>Through the establishment of the Sustainable Business Advisory Committee, the Sustainable Business Executive Council and the Office of Sustainable Business, we have created a dedicated focus on sustainability risks and opportunities. By educating our staff and Directors about these risks and opportunities, we are using an established risk management process to identify, measure, monitor and report on our risks, which can provide reasonable, but not absolute assurance against risk realisation. Our efforts to create a direct channel for stakeholder involvement in our business deliberations is indicative of our desire to broaden our perspectives and understanding of these issues, and enhance our overall performance in addressing them.</p>
G4-50	Report the nature and total number of critical concerns	No critical sustainability concerns have been raised to date at Board level in the reporting period. Where such concerns are raised, they are reported by the relevant business and control function to the appropriate Committees of the Board – Risk, Audit and Sustainability Business Advisory Committee, depending on the nature of the issue and its potential impact. Remediation is undertaken by the business with the advice and support of the Office of Sustainable Business.
<b>REMUNERATION AND INCENTIVE</b>		
G4-51	<p>a. Report the remuneration policies for the Board and senior executives</p> <p>b. Report how performance criteria at Board and senior executives relate to ESG objectives</p>	<p>a) 2016 AFR page 201 "Report of the Remuneration Committee"; the bank did not pay any bonuses or variable pay for Board or senior executives in the reporting period; AIB operates under very strict remuneration constraints arising from State ownership and furthermore, there are stringent regulatory and governance provisions relating to Remuneration which must be complied with.</p> <p>b) There were no direct objectives relating to economic, environmental and social objectives for Board or senior executives in the reporting period</p>

G4-52	Report the process for determining remuneration, whether independent remuneration consultants are involved, and if those consultants have other relationships with the organisation	See 2016 AFR page 201 "Report of the Remuneration Committee". The bank employs independent consultants Willis Towers Watson for this purpose.
G4-53	Report how stakeholders' views are sought and taken into account regarding remuneration, including the results of votes on remuneration policies and proposals if applicable	AIB operates under very strict remuneration constraints arising from the State's 71.1 % ownership (see <a href="https://aib.ie/content/dam/aib/investorrelations/docs/about-aib/relationship-framework-agreement.pdf">https://aib.ie/content/dam/aib/investorrelations/docs/about-aib/relationship-framework-agreement.pdf</a> ).  The remuneration policy is therefore drafted within those constraints.  Other stakeholders' views are sought through our materiality assessment (See AIB Sustainability Report 2016 page 14 "Stakeholder Engagement"), while shareholders can also vote directly on Board and Senior Executive remuneration. Further ongoing engagement with stakeholders is detailed in the Sustainability Report – "Ongoing stakeholder engagement exercises" – pages 15-16
G4-54	Report the ratio of the annual total compensation for highest paid individual in each country of significant operations to the median annual total compensation for all employees (excluding the highest paid individual) in the same country	To date, we do not disclose median or average remuneration data for all staff as it is considered commercially sensitive. Nonetheless Executive and Board remuneration are published in the 2016 AFR page 205 "Directors' Remuneration Report" and "Director's Remuneration".  Currently, AIB is obliged to publish individual remuneration data for Executive Directors and aggregate remuneration data for Leadership Team Members and Material Risk Takers.  This information is published in the Annual Financial Report and in the Pillar 3 Disclosures (for example see Section 13 pages 59-61 - <a href="https://aib.ie/content/dam/aib/investorrelations/docs/resultscentre/pillar3/aib-2016-pillar3-report.pdf">https://aib.ie/content/dam/aib/investorrelations/docs/resultscentre/pillar3/aib-2016-pillar3-report.pdf</a> )
G4-55	Report the ratio of the % increase in annual total compensation for the bank's highest paid individual in each country of significant operations to the median % increase in annual total compensation for all employees (excluding the highest paid individual) in the same country	We do not report this ratio as it is considered commercially sensitive. See however the 2016 AFR page 204. The AFR refers to the nature, size and eligibility of employees for inclusion in the Annual General Pay Review 2016 under collective bargaining agreements.  Pay increases are performance related in line with individual performance ratings. In 2016 average increases were 2.4% for general staff. Directors' remuneration is reported in the AFR on P. 205.  See also Sustainability Report – Section 10 – "Paying our Employees Fairly" - page 77
<b>ETHICS AND INTEGRITY</b>		
G4-56	Describe the bank's values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics	See 2016 AFR pages 16-22 on "Sustainable Banking", and page 209 "Code of Conduct". See also Sustainability Report - "Our Conduct" page 73
G4-57	Report the internal and external mechanisms for seeking advice on ethical and lawful behaviour and integrity e.g. help lines	Customers can raise any issue through our complaints procedure ( <a href="https://aib.ie/help-and-guidance/making-a-complaint">https://aib.ie/help-and-guidance/making-a-complaint</a> ) which provide customers with the opportunity to notify us of any concerns in writing, online or by phone.  There is a comprehensive policy in place (Speak Up) which provides for advice and confidential reporting of wrongdoing or suspected wrongdoing through a number of channels including local management, nominated senior management, an internal phone and e mail line, and an external phone and e-mail facility operated by an international specialist charity.

G4-58	Report the internal and external mechanisms for reporting concerns on unethical or un lawful behaviour e.g. escalation, whistleblowing	<p>Customers can raise any issue through our complaints procedure (<a href="https://aib.ie/help-and-guidance/making-a-complaint">https://aib.ie/help-and-guidance/making-a-complaint</a>) which provide customers with the opportunity to notify us of any concerns in writing, online or by phone.</p> <p>There is a comprehensive policy in place (Speak Up) which provides for advice and confidential reporting of wrongdoing or suspected wrongdoing through a number of channels including local management, nominated senior management, an internal phone and e mail line, and an external phone and e-mail facility operated by an international specialist charity. See also for example the AFR 2016 page 190 "Report of the Board Audit Committee" at <a href="http://www.aib.ie/investorrelations">www.aib.ie/investorrelations</a></p>
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# Specific Standard Disclosures GRI G4

## Specific Standard Disclosures GRI G4

CATEGORY: ECONOMIC						
Identified Material Aspects	Material Aspects Boundary	G4	Indicator	Page/Omission		
Economic Performance						
Risk control and management, compliance, reputational and social and environmental	Internal and External	DMA <sup>1</sup>	Initiatives to sustain economic performance	See Sustainability Report page 56 "Sustainable Profitability"		
		EC1	Direct economic value generated and distributed	Group Economic Added Value (€ millions)		2016
				Economic value generated		2,954
				Gross income		2,919
				Associated undertakings		35
				Profit on disposal of property		-
				Profit from discontinued operations		-
				Profit from discontinued operations		-
				Economic value distributed		1,722
				Total operating expenses		1,571
				Of which:		
				• Salaries and benefits €742 million		
				• Government levy €60 million (Ireland)		
				• Deposit Guarantee Scheme €35 million		
				• Single Resolution Fund €18 million		
				• CSR payments €15 million		
				Taxation		114
				Dividend paid on preference shares		-
				Economic value retained		1,292
				Dividend paid 9/5/17		250
		Economic value retained post dividend		982		
		Source AFR 2016				
Segment overviews – see AFR 2016 Page 38 (Republic of Ireland), 40 (United Kingdom) and 42 (Group and International) at <a href="http://www.aib.ie/investorrelations">www.aib.ie/investorrelations</a>						
DMA	Indirect economic impacts	Pages 80-82 - 'Backing our people in the community.'				

<sup>1</sup> DMA – Disclosure on Management Approach. We will report further on our management approach and its effectiveness, for each issue, in our future sustainability reporting. Whilst this is the start of our sustainability journey, we believe we have the right approach to support further disclosures in the future.

Community Investment	External	EC7	Development and impact of infrastructure investments and services supported	<p>See Sustainability Report pages 80-82 – “Backing our People in the Community”.</p> <p>In 2016 AIB had €5.5 billion in new lending. Of this €2.0 billion was for mortgages, €1.2 billion for SME lending, €1.6 billion for corporate lending and €0.7 billion for personal lending.</p> <p>Currently we do not measure the specific infrastructural impact of these investments, but we propose in future reports to provide a greater degree of transparency on how such investments can impact communities and society.</p> <p>Such investments are undertaken on a commercial basis and with the intent of providing a positive impact in terms of job creation e.g. in construction and other labour intensive sectors, and in the sustainment and economic development e.g. through lending to start ups and SMEs, which are recognised as engines for economic growth and development.</p> <p>As we propose to incorporate ESG objectives in our responsible and sustainable lending criteria we will over time add such criteria to our decision process.</p>
CATEGORY: ENVIRONMENT				
Energy				
Reducing consumption and emissions	Internal and External	DMA	Our approach to reducing our consumption and emissions	See Sustainability Report page 50 - ‘Footprint forward’
		EN3	Energy consumption within the Group	See AFR 2016 “Sustainable Banking” page 22, and Carbon Disclosure Reports at <a href="http://www.aib.ie/sustainability">www.aib.ie/sustainability</a> . KPIs continue to be developed in this area and will be reported on in greater detail in future reports.
CATEGORY: SOCIAL				
Subcategory: Labour practices and decent work				
Occupational health and safety	External and internal	DMA	Occupational health and safety approach	Health and safety is a material issue for the bank in terms of providing a safe and productive work environment for our employees and customers. A yearly report is prepared on all occupational health and safety issue and is published on our website at <a href="http://www.aib.ie/sustainability">www.aib.ie/sustainability</a>
		LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities by region and by gender	<p>In 2016 we recorded 289 incidents during the year, 200 accidents and 89 incidents (incidents include administering first aid for persons who become unwell, or are injured on the way to work, near misses and property damage).</p> <p>Although the number of accidents reported has continued to decrease, the number of accidents that resulted in a statutory reporting requirement has increased. The largest accident trigger was slips/trips and falls (96), followed by hit against something fixed or stationary (35) and hot liquid spill (29). There were no fatalities.</p> <p>A copy of the full Health and Safety Report for 2016 is available on request from <a href="mailto:sustainability@aib.ie">sustainability@aib.ie</a>, or at <a href="http://www.aib.ie/sustainability">www.aib.ie/sustainability</a></p> <p>This is a partial disclosure as some data e.g. injury rate, occupational disease rate (ODR), loss day rate (LDR), absentee rates or a breakdown of any injuries data by region or gender, is either considered commercially sensitive and/or not currently correlated in this way. We will expand on this data in future reports.</p>



Training and education				
Attract and retain talent, respect for diversity and promotion of active listening	Internal	DMA	Attract and retain talent	Page 74-75 - 'Attracting talent and inspiring development'.
		LA11	% of employees receiving regular performance and career development reviews, by gender and by employee category	There was a 90.2% Performance Management completion rates in 2015/16, of which female – 91.7%, male – 88.1%; Senior Management – 84.2%; Junior Management – 92.4%; Senior Clerical – 95.3%; Junior Clerical – 92.4%
Diversity and equal opportunity				
Attract and retain talent, respect for diversity and promotion of active listening	Internal	DMA	Equal remuneration for women and men	Page 77 - 'Paying our employees fairly' Page 78-79 - 'Diversity & Inclusion'
		LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.	There is no difference in basic salary between genders at entry level i.e. 1:1 ratio. Remuneration changes thereafter after subject to partnership agreements and personal performance. We do not currently report our gender pay ratio for existing employee base, but will explore greater transparency in this regard in future reports.  We will adhere to emerging regulatory requirements in the UK which come into effect in 2017 and require employers with more than 250 employees to publicly report on six metrics on gender pay gaps and bonuses as per the Regulations. Consequently future reporting it likely to incorporate these metrics across the Group.

Public policy				
Corporate governance and adaption to regulatory changes	Internal and external	DMA	Compliance with laws, regulations and codes	Page 65 - 'Working with our regulators'.
		SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	<p>There were no significant fines or sanctions recorded in the reporting period (2016).</p> <p>In April 2017 AIB was fined €2.3 million for technical breaches of money laundering regulations, since remediated. The Irish Central Bank found that AIB failed to apply adequate resources to ensure that alerts of potentially suspicious activity were promptly investigated and reported to the Garda and Revenue Commissioners.</p> <p>Our anti-money laundering unit took more than 18 months to fully address the backlog, and the regulator found that we had failed to ensure that senior management received adequate information on the volume and duration of alerts awaiting investigation.</p> <p>In addition, we failed to report 211 suspicious transactions that were identified from the backlog to the Garda and Revenue as required by legislation.</p>
		DMA	Supplier assessment for impacts on society	Page 52 - 'Impact of our supply chain'.
		SO10	Significant actual and potential negative impacts on society in the supply chain and actions taken	<p>Our goal is to always have a sustainable, compliant and transparent supply chain. We have not had actual or potential negative impacts on society in the supply chain in the reporting period. All suppliers must respect labour, environmental and other regulatory requirements and no breaches have been reported.</p> <p>Given the nature and geographic focus of our businesses and supply chain, our principal concerns from a compliance perspective would be ensuring respects for labour laws and environmental regulations among suppliers, the prevention of fraud and corruption, and adherence to our service availability goals.</p> <p>The bank itself operates a mandatory Code of Conduct course which is assigned to all employees each time it is updated. It addresses these issues through the encouragement of an appropriate culture and behaviour, including respects for the rights of others, and prohibits corrupt behaviour.</p> <p>80% of staff completed Conduct training in the 2015/2016 cycle, representing over 11,950 hours of training. AIB is also registered for the purposes of the Lobbying Act.</p>

SUBCATEGORY: PRODUCT RESPONSIBILITY				
Transparent information on products and services	Internal and external	DMA	Product and service labelling	Page 12 - 'Our Local Markets' Page 73 - 'Our Conduct'
		PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes	<p>We continually review our operations for such issues and where errors occur we make appropriate remediation in line with our legal requirements and values.</p> <p>In 2016 we were part of a regulatory mandated, industry wide review of customer mortgages and tracker rates. The review indicated we fell short on our obligations to some customers, resulting in overcharging their mortgage accounts. Remediation is being undertaken for the affected customers. Final payments have yet to be determined, but by December 2016 3,851 customers had received payments of €76.2 million.</p> <p>Additionally, there were eight other smaller restitution exercises in 2016.</p> <p>We confirm there were no incidents of non-compliance with voluntary codes.</p>
		DMA	Marketing communications	Page 12 - 'Our Local Markets' Page 73 - 'Our Conduct'
		PR6	Sale of banned or disputed products	<p>No banned products were sold. In some instances products may be voluntarily withdrawn if they prove no longer suitable to the customer base e.g. payment protection insurance. In other instances, individual product terms and conditions can give rise to complaints in relation to fair treatment.</p> <p>We seek at all times to resolve fairly issues in relation to disputed products or services. Nonetheless, legal actions do arise. There are no pending or threatened legal or arbitration proceedings which have had in 2016, or are likely to have, a material effect on the financial position, profitability or cash flows of our business.</p> <p>There is an established customer complaint procedure for handling such issues which is subject to regulatory oversight and mandatory response times. (<a href="https://aib.ie/help-and-guidance/making-a-complaint">https://aib.ie/help-and-guidance/making-a-complaint</a>).</p> <p>Customers dissatisfied with the procedure's outcomes may appeal to the Financial Services Ombudsman and, if necessary, ultimately to the legal system.</p>
		DMA	Transparent information on products and services	Page 73 - 'Our Conduct'
		PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship, by type of outcome	<p>Our marketing and advertising is carried out in accordance with codes and regulations set by the Central Bank of Ireland and the Advertising Standards Authority of Ireland.</p> <p>There has been no sanctions in the period relating to our marketing. Any errors identified in the period have been corrected in consultation with the regulator.</p> <p>See Sustainability Report - Pages 35-37 on "Dealing with Complaints" and "When we get it Wrong". Our objective is to ensure the product or service is aligned to the customer's risk profile, that it targets the right market, information is transparent and that appropriate policies and frameworks e.g. a Code of Conduct are in place (available at <a href="http://www.aib.ie/sustainability">www.aib.ie/sustainability</a>).</p>
		DMA	Customer information and privacy	Page 48 - 'Data Security and Protection'
		PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	<p>There were 19 substantiated complaints regarding breaches of customer privacy which led to Office of the Data Protection Commissioner (ODPC) regulatory notifications of investigations, all of which were resolved.</p> <p>While this is a partial disclosure as certain data is considered commercially sensitive, there has been no significant data breaches in the reporting period.</p>

FINANCIAL SERVICES SECTOR DISCLOSURES				
Risk control management, compliance, reputational and social and environmental	Internal and external	DMA	Product portfolio	See page 25 in the Sustainability Report - 'Access to Finance.'
		FS14	Initiatives to improve access to financial services for disadvantaged people	We seek to enhance access through our branch, business centre, ATM, online, telephone and collaborative banking offer through An Post, so that every customer will have access to at least two banking channels. The bank had over 1.1 million digital customers and 0.65 million mobile customers in the Republic of Ireland in 2016.  As AIB is a relatively small player in the UK, its physical coverage footprint is consequently significantly less. We undertake specific programmes (see FS 16 below) to support financial literacy and through our vulnerable customer policy.  We will expanding our reporting on this topic in future reports, specifically in relation to enhancing access to financial services for this with disabilities.
		DMA	Enhancing financial literacy	Page 38 - 'Financial Education and Inclusion'
		FS16	Initiative to enhance financial literacy by type of beneficiary	We operated two financial literacy programmes in 2016.  "Junior Achievement" involved 1200 students and 73 staff volunteers  "Build a Bank" involved awareness raising in over 50% of second level students
OTHER MATERIAL ISSUES		These are other material aspects that do not align to GRI specific disclosures, and as such, no GRI disclosure requirements are provided.		
Fit for purpose products	Internal and External	DMA	Fit for purpose products	Page 22 - 'Our Mortgage Customers - Backing Belief'  Page 24 - 'Our Mortgage Customers - Backing Doing'
		Fit for purpose	Initiatives to enhance the transparency and flexibility of our products and services	We recognise the imbalance in knowledge between ourselves and our customers in relation to banking products and strive to ensure the greatest transparency and product and service flexibility possible. When we get it wrong, our objective is to correct and restore the position of the customer at the earliest opportunity.  Our objective is to ensure the product or service is aligned to the customer's risk profile, that it targets the right market, information is transparent and that appropriate policies and frameworks e.g. a Code of Conduct are in place (available at <a href="http://www.aib.ie/sustainability">www.aib.ie/sustainability</a> ).
Integrating Environmental, Social and Governance (ESG) considerations into our lending	Internal and External	DMA	Responsible lending	Page 64 'Responsible Lending'
		Integrating ESG considerations in our lending	Integrating ESG considerations in our lending	We recognise that our current lending practices focus on conventional commercial criteria such as loan risk and repayment capacity. As we progress on our sustainability pathway it is our desire to increasingly reflect ESG considerations in our lending practices by establishing appropriate measures to monitor their impact and to orient towards a best practice ESG approach.  We have described our initial steps in this direction in our Sustainability Report – see 'Sustainability in our Governance' page 6, and 'Responsible Lending' page 64.

Risk Management	Internal and External	DMA	Managing our risks	Page 61 'Managing Risk'
		Managing our risks	Risks and opportunities for the company	<p>Our risk management mechanisms (See Sustainability Report page 61-63 'Managing Risk') are robust and can be adapted to measuring and assessing all our material risks which potentially can impact the sustainability of the organisation, whether financial, environmental, societal or governance related.</p> <p>While climate and environmental issues have already been a consideration in certain lending areas such as agricultural production and transport, we are currently considering climate risk analysis internally and will report more on this specific risk in future reporting.</p>
		DMA	How climate change presents risks and opportunities for the company	<p>See page 61 'Managing Risk'.</p> <p>We recognise the potential negative impacts and opportunities presented by climate change risks. While no systematic assessment of climate change risks has been undertaken across the Group, initial assessments within the Office of Sustainable Business have focused on Group-wide climate related events such as heat wave and/or drought conditions, excessive rainfall and flooding, crop pollination failure and any similar event affecting economic and/or agricultural production, supply chains, energy or water supply and economic output generally, particular as the frequency of these events increases over time.</p> <p>The principal lending related activities likely to be affected by climate change are:</p> <ol style="list-style-type: none"> <li>1. Agricultural production</li> <li>2. Energy production, particularly of renewable energy such as wind energy</li> <li>3. Conservation investments in the residential, commercial and public sectors</li> <li>4. New technology investment e.g. energy production, control, storage, transport and conservation applications</li> </ol>
		Manage our climate risk	Future initiatives on climate risk management	In future reports we propose to report on the development of our climate change risk management approach and how we use it to lower the impact of our activities, while enhancing new opportunities for business development in relation to climate change e.g. in renewable energy and low carbon food production.

Tax policy and fair tax payments	Internal and External	DMA	Tax policy and fair tax payments	Page 66 - 'Tax Compliance'
		Tax equity	Sustaining profitability, equitable tax payments	<p>Our Sustainability Report describes our approach to effective tax management (see page 66) which ensures that we act with integrity and in compliance with all applicable tax law. This is operated in tandem with our approach to Sustainability Profitability (see page 65 of the Sustainability Report)</p> <p>We operate our tax policy and management process in a transparent manner, designed to sustain our society by paying our fair share of business and personal taxes.</p> <p>We report through our Annual Financial Review on all taxes, levies and regulatory fees paid throughout the year (available at <a href="http://www.aib.ie/investorrelations">www.aib.ie/investorrelations</a>)</p>
Stable IT systems and platforms	Internal and External	DMA	Stable IT systems	Page 44 - 'Digitally Enabled Banking'
		Stability of IT systems	How we manage the stability of our IT systems	<p>We mitigate our operational risks by having detailed risk assessment and internal control requirements in relation to the management of our key people, process and systems risk, and through comprehensive and robust business continuity management arrangements.</p> <p>We operate a multi-level incident triggering and management procedure in relation to the stability of our IT systems and the business continuity of our services. This is subject, as with all material risks, to strict regulatory oversight and reporting and escalation requirements, to regulators, customers and the media.</p> <p>Different services are classified for increasing levels of resource, skill and remediation efforts depending on their exposure to key customer facing or business services. Availability targets for such services are set at extremely high levels e.g. 99.9%, and are actively monitored and report on. There are well established issue and incident escalation pathways and assigned roles and responsibilities to ensure rapid remediation and root cause analysis.</p> <p>In 2016 there were no significant service continuity issues with any high level service in the reporting period. We will continue to focus on the stability and availability of our IT systems in future reports.</p>

Investment in climate resilient solutions	External	DMA	Achieving environmental goalst	See page 31 'Greencoat Renewables'
		Climate solutions	Supporting the achievement of societal goals in climate change	<p>We have invested €130 million in financing green energy projects that will help the Republic of Ireland meet its energy and environmental goals. In future reports we will provide further detail on significant individual investments by topic.</p> <p>We are focused on expanding our role in supporting climate resilient solutions across our customer base and in aligning our business proposition to ESG objectives.</p>

