permanent tsb

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES REPORT 2022

Contents

A Message From Eamonn Crowley

The global climate crisis has elevated the sustainability and Environmental, Social and Governance (ESG) agenda not only in Ireland, but around the world.

As the impacts of climate change become more severe and widespread, it's clear that immediate action is needed to secure a sustainable future. To this end, companies are working to make their operations more sustainable, with many increasing their focus on sustainability and developing and implementing comprehensive Sustainability Strategies.

Similarly, investors, too, are looking to back companies who place an emphasis on the ESG factors that are core to operating a business in a responsible and sustainable way. Increasingly, capital markets are using ESG-related information, including climate-related and environmental risks, to evaluate companies when determining future financial performance.

At Permanent TSB we are conscious of the effect that climate change has on the Bank and while climate change presents risk, we also recognise that it brings with it new opportunity to meet evolving stakeholder needs and drive the commercial agenda.

Managing climate-related and environmental risks and opportunities is a key area of focus for the Bank under the 'Addressing Climate Change and Supporting the Transition to a Low Carbon Economy' Pillar of our Sustainability Strategy. Through this Strategy, we are working to manage and mitigate climate-related and environmental risk, while also finding new and innovative ways to help our stakeholders to navigate the transition to a low carbon economy.

In addition, we are focussed on continuing to disclose our progress transparently.

In 2021, Permanent TSB became an official supporter of the Task Force on Climate-related Financial Disclosures (TCFD), a climate-related financial disclosure framework designed to promote more informed investment, credit, and insurance underwriting decisions and, in turn, enable stakeholders to better understand the concentrations of carbon-related assets in the financial sector and the financial system's exposures to climate-related and environmental risks.

We are pleased to be disclosing under the recommendations of the TCFD Framework through the issuance of this Report, marking an important milestone in our sustainability journey as we focus on further integrating consideration for ESG into all areas of our business.

Eamonn Crowley
Chief Executive Officer

Introduction

Permanent TSB has a long banking history in Irish communities, with roots that stretch back over 200 years to the building society and Trustee Savings Bank movements. Throughout this time, our focus has been on delivering exceptional customer service and connecting with our local communities. Our experiences over two centuries shape our culture and influence how we do things today.

The global climate crisis has elevated the sustainability agenda not only in Ireland, but around the world.

In its Sixth Assessment Report (AR6), the Intergovernmental Panel on Climate Change (IPCC) has warned that human-caused climate change is already affecting many weather and climate extremes in every region across the globe, with widespread loss and damage to both nature and people. While the extent and magnitude of climate change impacts are larger than previously estimated, these are expected to grow exponentially if the average global temperature exceeds 1.5° C (above pre-industrial levels).

Climate change creates financial risks and economic consequences and the cost of inaction is far greater than the cost of action. Unaddressed, the financial implications from climate change will likely impact everyone, from governments to companies and families. Now more than ever businesses, such as Permanent TSB, have a significant role to play in supporting our stakeholders to navigate the transition and to embrace the opportunity that a low carbon economy brings.

Our success as a company is defined by the long-term wellbeing of the people that we serve, the communities in which we operate and the planet that we will leave to future generations. Permanent TSB is committed to building a business that is fit for the future and as such, climate change is at the heart of our approach to sustainability and is a key focus within our Sustainability Strategy.

Timeline of Permanent TSB's Sustainability Progress

Over the last number of years, we have made progress:

2020

- Increased focus on governance through the establishment of a Sustainability Committee
- Establishment of a Sustainability Team
- Conducted a Materiality Assessment of Stakeholders
- Achievement of the Business Working Responsibly Mark

2021

- Introduced a Sustainability Strategy aligned to the SDGs
- Committed to setting science based carbon emission reduction targets (SBTs) by 2024
- Became an official supporter of the Task Force on Climate-related Financial Disclosures
- Disclosure through CDP for the first time
- Participation in the development of Ireland's Sustainable Finance Roadmap

2022

- Development of a Climate-related and Environmental Risk (CR&E) Implementation Plan
- Establishment of a Climate Risk Framework
- Introduction of a Climate Risk Appetite Qualitative Statement within the Risk Appetite Statement
- Developed a CR&E Risk Business Environment Analysis Report
- Undertook a Climate Risk Stress Testing analysis
- Completed an analysis of CR&E Risk data requirements
- Defined Climate Risk metrics to be considered for development
- Included a standalone climate-related and sustainability chapter within the Bank's Strategic Reference Pack as part of the Integrated Planning Process
- Delivered CR&E Risk training to the Board, ExCo and Senior Leadership Team
- Launched the Bank's Green Mortgage
- Measured and disclosed our carbon impact across Scope 1, 2 and 3 (including our financed emissions)
- Founding membership to the International Sustainable Finance Centre of Excellence

2023

- Continued implementation of the CR&E Risk Implementation Plan
- Development of CR&E Risk Indicators
- Completed an ESG Risk Rating through Sustainalytics and received a 'Low' Rating
- Launch of a Sustainable Supplier Charter
- Introduction of both a Climate Risk Manager and Sustainability Manager

Key Highlights

During 2022, we took steps to further integrate climate-related and environmental risk across the Bank. Key highlights include:

Governance	• Developing a Climate-related and Environmental Risk (CR&E) Implementation Plan; • Building our CR&E Risk data requirements and completing work to understand the availability of data; and, • Delivering CR&E Risk training to the Board, Executive Committee and Senior Leadership Team.
Strategy	• Developing a CR&E Risk Business Environment Analysis Report; • Including a standalone climate-related and sustainability chapter within the Bank's Strategic Reference Pack as part of the Integrated Planning Process (IPP), an annual strategic and financial planning cycle; and, • Launching the Bank's Green Mortgage to support stakeholders in navigating the green transition.
Risk Management	• Establishing a Climate Risk Framework; • Introducing a Climate Risk Appetite Qualitative Statement within the Risk Appetite Statement; • Undertaking a Climate Risk Stress Testing analysis; and, • Defining Climate Risk metrics to be considered for development.
Metrics & Targets	• Measuring and disclosing our carbon impact across Scope 1, 2 and 3 (including our financed emissions).

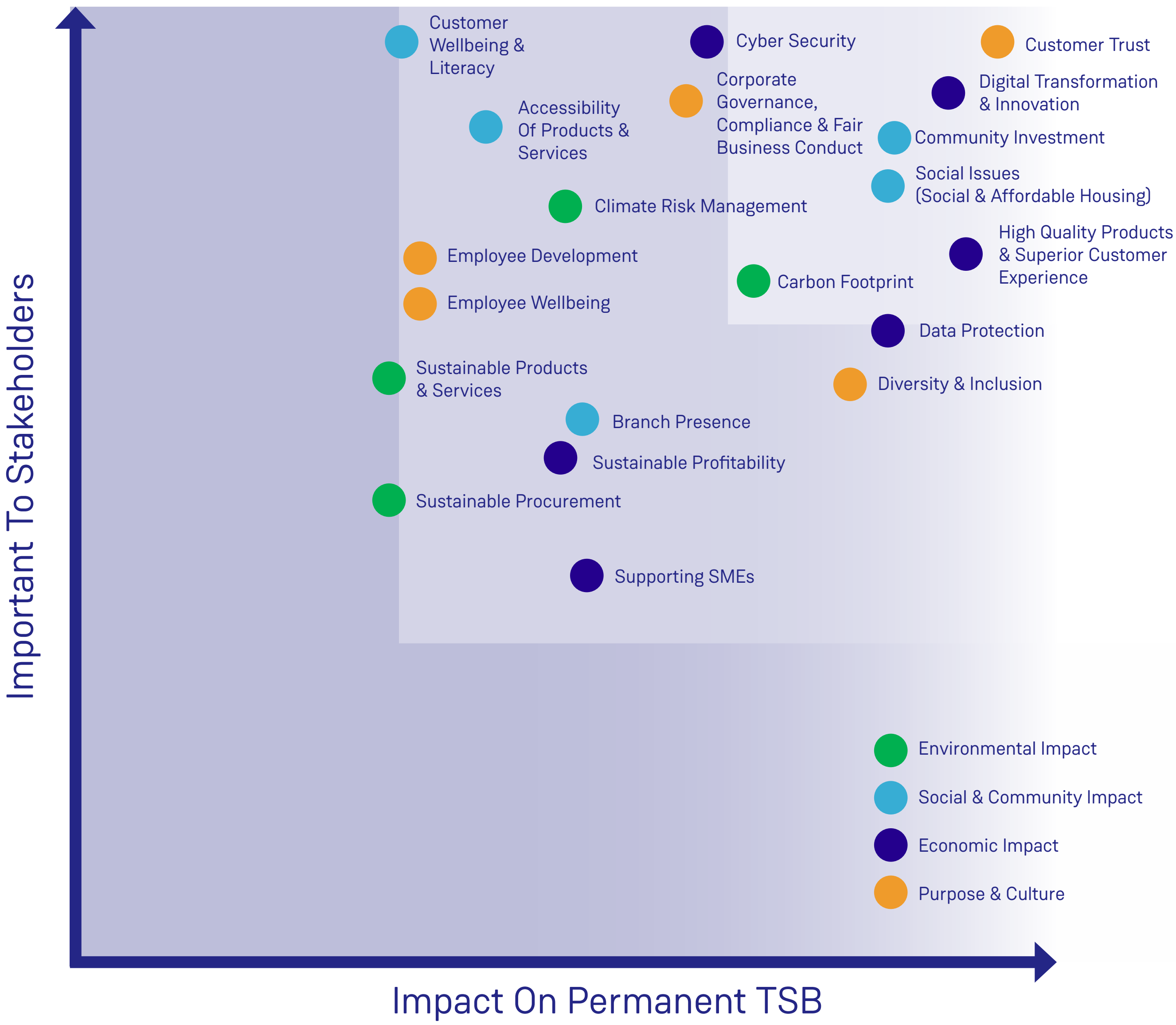
Engaging With Stakeholders

At Permanent TSB, we recognise that building strong relationships with our stakeholders, and ensuring that we engage with them regularly, plays a fundamental role in informing our Business Strategy. It guides our reporting, allows us to identify risk and emerging trends, while helping us to prioritise investment and resourcing - ultimately, enabling us to conduct and manage all areas of our business in a more sustainable way.

In 2021, we completed a materiality assessment to support us in identifying the ESG issues that are not only material to our business, but important to our stakeholders.

Materiality Matrix

The findings of the materiality assessment exercise with stakeholders were consolidated to form a materiality matrix, with the position of material issues being plotted relative to the degree of stakeholder importance and potential business impact.



Climate risk was identified as being a material issue for our stakeholders and was also considered a key area of focus for Permanent TSB.

As such, it forms an integral part of the Bank's Sustainability Strategy under the 'Addressing Climate Change and Supporting the Transition to a Low Carbon Economy' Pillar.

Sustainability Strategy Overview

Our Sustainability Strategy gives us an opportunity to put our purpose into action - enabling us to play our part in addressing the global climate crisis, elevate our social impact, enhance our culture and deliver what matter most to our customers and colleagues. Ultimately, building a sustainable organisation that is fit for the future.

The materiality assessment findings and associated stakeholder insight have played an important role in the development of an overarching Sustainability Strategy for the organisation across 4 key areas of focus.

SUSTAINABILITY STRATEGY

4 Key Areas Of Focus	Addressing Climate Change & Supporting The Transition To A Low Carbon Economy	Elevating Our Social Impact & Connecting With Local Communities	Enhancing Our Culture & Investing In Our People	Championing Our Customers & Creating A Bank That Is Fit For The Future
We're Committed To	» Managing Climate Risk » Delivering sustainable products and services » Ensuring responsible procurement practices » Minismising our carbon impact and managing our wider environmental footprint » Ensuring transparency through reporting	» Maintaining our branch presence » Enabling accessibility of our products and services » Encouraging customer financial wellbeing and literacy » Investing in local community initiatives » Addressing social issues, such as social and affordable housing	» Encouraging the right cultural behaviours » Embedding our values and creating a culture of 'Speaking Freely' » Focusing on Diversity and Inclusion » Investing in employee learning and development » Fostering employee wellbeing	» Delivering high quality products and a superior customer experience » Supporting our Business Banking customers » Investing in digital transformation and innovation » Ensuring cyber security » Managing data protection » Delivering long-term, sustainable profitability

OUR STRATEGY IS UNDERPINNED BY
Living Our Purpose And Ensuring Strong Corporate Governance, Compliance And Fair Business Conduct

The 6 United Nations Sustainable Development Goals (SDGs) At The Core Of Our Strategy

4 QUALITY EDUCATION
5 GENDER EQUALITY
8 DECENT WORK AND ECONOMIC GROWTH
10 REDUCED INEQUALITIES
11 SUSTAINABLE CITIES AND COMMUNITIES
13 CLIMATE ACTION

Sustainable Development Goals

The United Nation's Sustainable Development Goals (SDGs) were launched in 2015 to provide a plan of action for people, planet and prosperity. The 17 goals act as an urgent call for action for countries to work together to develop strategies to tackle some of the world's most critical issues.

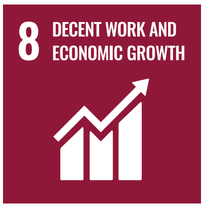
While we recognise that we may contribute to all 17 SDGs in some way, the following 6 have been identified as being core to our Strategy.

Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

Reduce inequality in and among countries

Achieve gender equality and empower all women and girls

Make cities and human settlements inclusive, safe, resilient and sustainable



Ensure inclusive and sustainable economic growth, employment and decent work for all

Take urgent action to combat climate change and its impacts

Governance

The Bank's risk governance structure establishes the authority, responsibility, and accountability for risk management across the Group and enables effective and efficient monitoring, escalation, decision-making, and oversight with respect to risks by appropriate Board and management-level governing bodies.

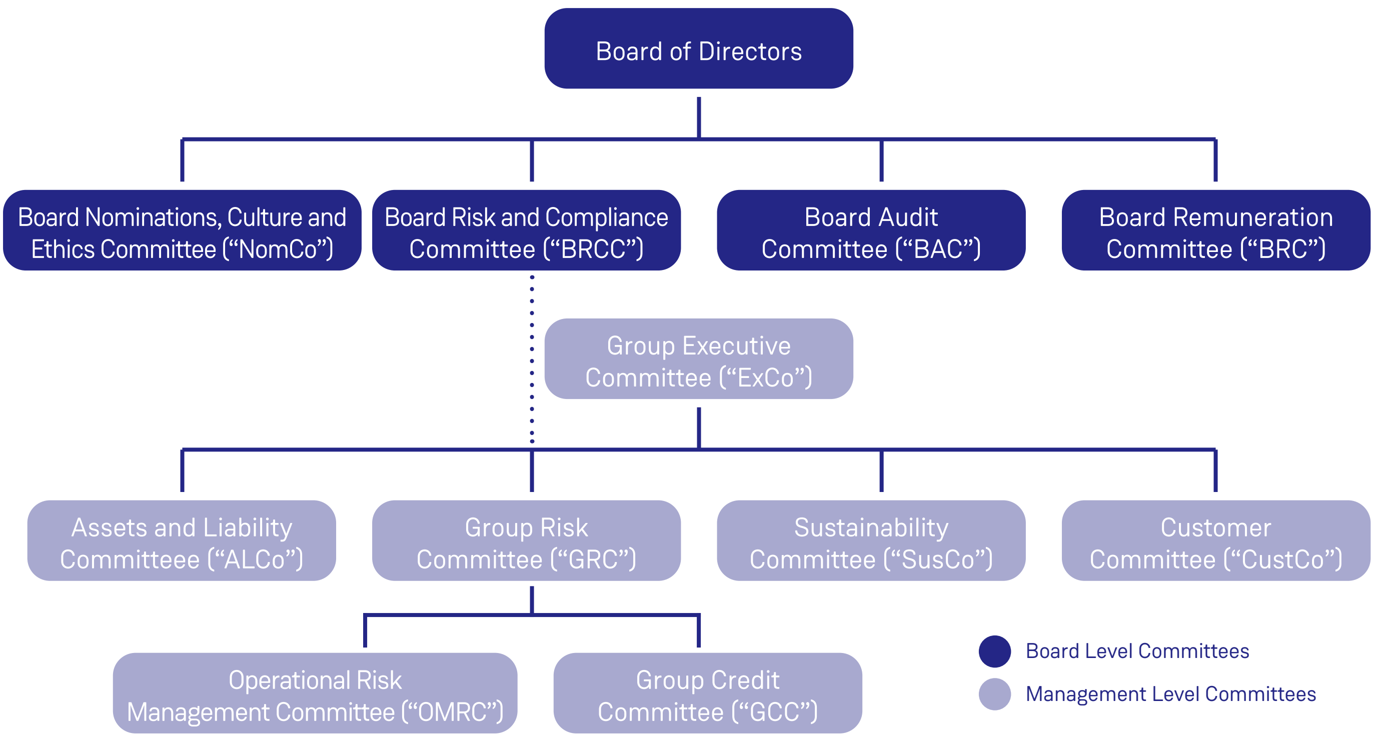
TCFD Recommendation: Permanent TSB's governance around climate-related and environmental risks and opportunities

A. Board and Management Oversight

Board and Management Oversight

The Permanent TSB Board of Directors (Board) is accountable for the success of the Bank over the long-term and are responsible for overseeing and approving the Bank's strategic plan and monitoring its implementation and effectiveness with its Risk Appetite. In addition, the Board is accountable for formulating, approving and supervising the implementation of the Bank's Sustainability Strategy and Climate-related and Environmental Risk Implementation Plan to realise its long-term financial interests and maintain its solvency.

Permanent TSB's Risk Governance Structure



Permanent TSB's Risk Governance Structure

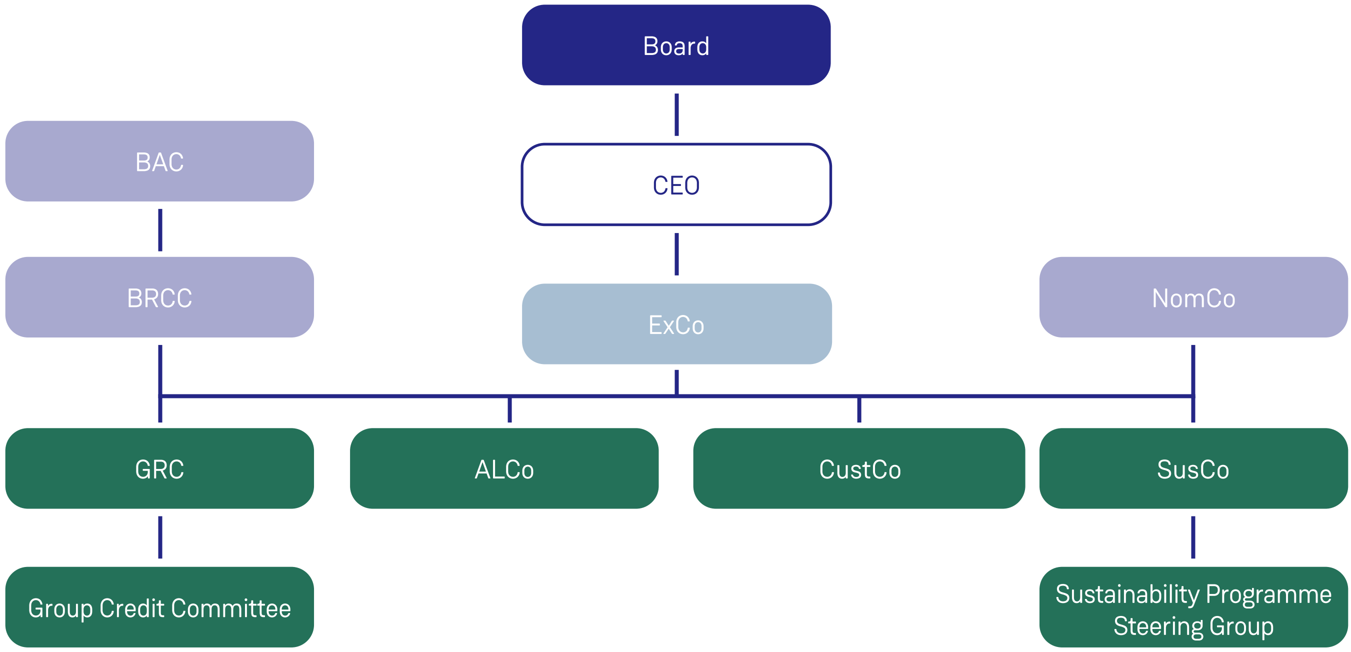
The Board is collectively responsible for the governance of the Bank. Various Committees assist the Board and Executive Committee in managing and monitoring the risks and opportunities that climate change presents. Within the Bank, climate-related and environmental risk is coordinated at an enterprise level, with the functions and business segments sharing responsibility for addressing climate-related and environmental risks and opportunities.

Throughout 2022, the Board met at regular intervals in order to receive updates in relation to sustainability and climate-related and environmental risk integration. Meetings took place at least once per quarter, and more often as required. Key topics included:

- The establishment of Climate Risk as a Key Risk Category in the Bank's Enterprise Risk Management Framework;
- Development of the CR&E Implementation Plan, the Climate Risk Framework and the Risk Appetite Qualitative statement for climate-related and environmental risk;
- The embeddedness and progression of the CR&E Implementation Plan;
- Sustainability Programme governance;
- Regulatory and voluntary climate-related and environmental risk disclosures, including the TCFD; and,
- Updates on carbon impact and the Bank's commitment to setting science-based carbon emission reduction targets (SBTs).

During 2023, updates on sustainability and climate-related and environmental risk integration will go to the Board on a quarterly basis, or more often as required.

Permanent TSB's Corporate Governance Structure - Sustainability



The Permanent TSB Group Governance Structure

The Board Committees with climate-related and environmental risk oversight responsibility can be found below.

Board Audit Committee (BAC)

The BAC is responsible for overseeing the process of disclosure and communication with external stakeholders and competent authorities, which includes climate-related and environmental risk disclosures.

Board Risk and Compliance Committee (BRCC)

BRCC has delegated responsibility from the Board to assess the impact of climate-related and environmental risk on the Bank's overall Risk Profile. BRCC consists of 5 Non-Executive Directors, one of who chairs the Committee. BRCC has approved and provides oversight on the execution of an enterprise wide Climate-related and Environmental Risk Implementation Plan.

Nomination, Culture and Ethics Committee (NomCo)

NomCo is the overarching Board advisory committee with five Non-Executive Directors (including the Board Chairperson) and is responsible for the review, design, implementation and effectiveness of the Bank's Sustainability Strategy. A key pillar within the Bank's Sustainability Strategy is 'Addressing Climate Change and Supporting the Transition to a Low Carbon Economy', which includes a focus on climate-related and environmental risk.

TCFD Recommendation: Permanent TSB's governance around climate-related and environmental risks and opportunities

B. Board and Management's role in assessing and managing climate-related and environmental risks and opportunities.

Executive Management Oversight

The Executive Committee (ExCo) is the ultimate management committee responsible for the development and implementation of the Bank's Sustainability Strategy and climate-related and environmental risk implementation. The Bank's Sustainability Committee (SusCo) acts on delegated authority from ExCo to provide oversight on execution of the Bank's Sustainability Strategy, including a focus on climate-related an environmental risk implementation under the 'Addressing Climate Change and Supporting the Transition to a Low Carbon Economy' pillar. The Bank continues to make good progress integrating climate-related and environmental responsibilities into the Bank's Management Structure and Business Model. The ExCo meets frequently to discuss business strategy, planning, change management, financial planning, risk management, operations and performance. These discussions also include climate-related and environmental risk matters, when applicable.

The management level roles and responsibilities are outlined below, as is the detail on the Management Committees with sustainability and climate-related and environmental risk responsibilities.

During 2022, the ExCo met at regular intervals in order to receive updates in relation to sustainability and climate-related and environmental risk integration. Meetings took place at least once per quarter, and more often as required. Key topics included:

- The establishment of Climate Risk as a Key Risk Category in the Bank's Enterprise Risk Management Framework;
- Development of the CR&E Implementation Plan, the Climate Risk Framework and the Risk Appetite Qualitative statement for climate-related and environmental risk;
- The embeddedness and progression of the CR&E Implementation Plan;
- Sustainability Programme governance;
- Regulatory and voluntary climate-related and environmental risk disclosures, including the TCFD; and,
- Updates on carbon impact and the Bank's commitment to setting science-based carbon emission reduction targets (SBTs).

During 2023, updates on sustainability and climate-related and environmental risk integration will go to ExCo on a quarterly basis, or more often as required.

The **Chief Executive Officer (CEO)** is responsible for championing Permanent TSB's Sustainability Strategy and climate action agenda. The CEO sits on the Board, is Chair of the ExCo and attends the NomCo as requested - the overarching Board advisory committee responsible for Sustainability. The CEO is responsible for assessing and managing climate-related and environmental risks and opportunities and is a member of the Sustainability Committee.

The **Chief Financial Officer (CFO)** is responsible for the Bank's financial planning including capital management and all external reporting and disclosures for PTSB. The CFO is responsible for oversight and reporting of climate related disclosures. The CFO reports directly to the CEO and sits on the Board of Permanent TSB. The CFO is also a member of the Board Audit Committee, the Committee who oversee material climate-related disclosures. The CFO is a member of the Sustainability Committee.

The **Chief Risk Officer (CRO)** is responsible for assessing the impact of climate-related and environmental risk on the Bank's overall Risk Profile and supports the CEO in championing Permanent TSB's Sustainability Strategy and climate action agenda. The CRO attends the Board to present their monthly CRO Report, which includes an update on climate-related and environmental risk, is a member of the ExCo and attends the BRCC, which has delegated responsibility from the Board to assess the impact of climate-related and environmental risk on the Bank's overall Risk Profile. The CRO is a member of the Sustainability Committee.

The **Corporate Development and HR Director** provides Executive Level guidance and leadership to the Bank's overall Sustainability Programme, driving activity and reviewing progress against objectives at regular intervals. The Corporate Development and HR Director is a regular attendee of NomCo, is a member of the Bank's ExCo, and acts as Chair of the Sustainability Committee.

The **Retail Banking Director** is responsible for developing and implementing key elements outlined in the Bank's Sustainability Strategy (for example, the delivery of climate-related (*Green) sustainable finance products and propositions) and is supported principally, by the Chief Operating Officer and Chief Technology Officer. The Retail Banking Director and Chief Operating Officer are both members of the Sustainability Committee.

* Green Products and Propositions are those which support environmental objectives such as climate change

Management Committees with Climate-related and Environmental Risk Oversight Responsibility

Permanent TSB has Executive Level Committees that oversee and deliver on the Bank's Climate-related and Environmental Risk Implementation Plan and associated commitments. These Committees take an enterprise approach to overseeing our climate strategy, targets, commitments, goals and disclosures, working with a broad set of leaders across Permanent TSB to encourage alignment and coordination.

Executive Committee (ExCo)

The ExCo is the Senior Management Committee of Permanent TSB established by the CEO with authority to operate and make decisions within limits set by the Board. The purpose of ExCo is to ensure that the operations, compliance, and performance are conducted appropriately, and are correctly aligned to the Bank's strategy and interests of the shareholders, all while operating within applicable regulatory and legal requirements. The ExCo is the ultimate management committee responsible for the development and implementation of the Bank's Sustainability Strategy and climate-related and environmental risk integration.

Group Risk Committee (GRC)

The GRC is a sub-committee of ExCo and assesses bank-wide risk management issues and ensures that fair customer outcomes are delivered. A key role within the GRC is the assessment of the impact of climate-related and environmental risk on the Bank's overall Risk Profile.

Customer Committee (CustCo)

The CustCo is a sub-committee of ExCo and is chaired by the Retail Banking Director. The Committee approves new, and changes to current, products and services that are aligned to the Bank's Sustainability Strategy which includes consideration for climate-related (Green) sustainable finance products and propositions.

Assets and Liabilities Committee (ALCo)

ALCo reviews, and is responsible for overseeing, all activity relating to Asset and Liability Management (ALM), Treasury and Market Risks (including Liquidity Risk, Interest Rate Risk, Treasury Counterparty Risk and Foreign Exchange (FX) Risk) and Capital Management. ALCo is the body accountable for the evaluation of other potential drivers of earnings volatility, including, but not limited to, competitive and external market pressures, and for approving optimisation and hedging strategies against those risks. ALCo is a sub-committee of the ExCo and is responsible for overseeing pricing decisions. As such, the Bank's Green Mortgage would have been brought through the Committee for approval prior to implementation.

Disclosures Committee (DC)

The Bank's Disclosures Committee is a governance body that provides oversight of material disclosures, including: the Annual Report; Interim Report; Pillar 3; and, selected ESG disclosures.

Sustainability Committee (SusCo)

The SusCo is chaired by the Corporate Development and HR Director and whose membership includes the CEO, CFO, CRO, Retail Bank Director, COO, Chief Credit Officer and Chief Data Officer. The Committee operates on delegated authority from the ExCo. The SusCo is responsible for the delivery of the Bank's Sustainability Strategy by ensuring that there is sufficient oversight, alignment, governance and challenge of activity across key areas of focus for the Bank's overall sustainability programming.

In addition, the Committee also provides oversight of all activities relating to ESG factors such as climate change, that are core to operating our business in a responsible and sustainable way, including: Regulatory Compliance, Risk, international framework alignment, sustainable finance (*Green) products and propositions, business operations and carbon impact, sourcing responsibly, community impact and partnerships and sustainability communications.

At a high level, the Committee is responsible for:

- Leading on the implementation and embedding of the Bank's Board approved Sustainability Strategy (which includes a focus on climate-related and environmental risk), ensuring that all activity is embedded in the Bank's ambition, purpose, culture, corporate strategy and strategic priorities;
- Identifying key stakeholder groups that will be required to deliver the Sustainability Strategy objectives;
- Assigning business owners to manage and deliver sustainability programming across the key areas of focus set out within the Sustainability Strategy; and,
- Developing Sustainability Key Performance Indicators (KPIs) and processes that enable the Bank to effectively measure and manage them.

Sustainability Programme Steering Group

Supporting the Sustainability Committee, the Sustainability Programme Steering Group is made of members from the Bank's Senior Leadership Team with enterprise-wide representation to ensure a holistic and integrated approach to support execution of the Bank's Sustainability Strategy. The Steering Group has separate workstreams covering Governance and Strategy; Enterprise Risk Management; Green Propositions and Products; Disclosures; and, Data Strategy.

* Green Products and Propositions are those which support environmental objectives such as climate change

Strategy

TCFD recommendation: Actual and potential impacts of climate-related and environmental risks and opportunities on business, strategy and financial planning, where such information is material.

A. Climate-related and environmental risk and opportunities (short, medium, and long term)

Central banks and financial regulators widely acknowledge that climate change is a source of financial stability risk. Managing climate-related and environmental risks and opportunities is a key area of focus for the Bank under the 'Addressing Climate Change and Supporting the Transition to a Low Carbon Economy' Pillar of our Sustainability Strategy.

At Permanent TSB, Climate Risk is defined as 'The risk of financial loss or an adverse outcome arising from the consequences, likelihoods and a lack of or inadequate responses to the impacts of climate change'.

There are two climate-related risk drivers, these are Physical Risk and Transition Risk. Both risk types may impact the financial services sector to varying degrees over the short, medium and long-term. The extent to which the impact of Physical and Transition Risk might impact a financial services firm will vary depending on the organisation's business model, customer base, location as well as the transition process to a low-carbon economy.

Physical risk refers to the financial impact of a changing climate, including more frequent extreme weather events and gradual changes in climate, as well as of environmental degradation, such as air, water and land pollution, water stress, biodiversity loss and deforestation. This can directly result in, for example, damage to property or reduced productivity, or indirectly lead to subsequent events, such as the disruption of supply chains.

Physical Risk is categorised as 'Acute' or 'Chronic':

- Acute: Physical Risk that arises from extreme events, such as droughts, floods and storms.
- Chronic: Physical Risk that arises from progressive shifts, such as increasing temperatures, sea-level rises, water stress, biodiversity loss, land use change, habitat destruction and resource scarcity.

Transition Risk refers to an organisation's financial loss that can result, directly or indirectly, from the process of adjustment towards a lower-carbon and more environmentally sustainable economy. This could be triggered, for example, by a relatively abrupt adoption of climate and environmental policies, technological progress or changes in market sentiment and preferences.

Transition Risk may include:

- Policy Risks that come with the evolution of policies and regulations that promote the adaptation to a less carbon intensive and more sustainable economy, and those that constrain actions that lead to climate instability and harm the environment.
- Litigation Risks that relate to litigation claims against institutions and their representatives who fail to mitigate and adapt to climate change, and who fail to disclose material climate related and environmental information.
- Market Risks that arise through changing demand and supply for commodities, products and services.
- Reputation Risk that relates to the changing stakeholder perception of institutions' commitments to climate and environmental action or inaction.

Physical and Transition Risk drivers impact economic activities, which in turn impact the financial system. There is a level of uncertainty regarding the timing of both climate-related Transition and Physical Risk. Climate-related risks may materialise in the short, medium and long-term and as such, it is important for organisation's to take a forward-looking approach and consider a longer than usual time horizon when assessing climate-related and environmental risks. At a Group level, Physical and Transition Risk are considered through the following time horizons.

	From (years)	To (years)
Short-Term	0	1
Medium-Term	1	5
Long-Term	5	30

Physical Risk

The risk of economic cost and financial losses resulting from the increasing severity and frequency of:

- Extreme climate change-related weather events (or extreme weather events) such as heatwaves, landslides, floods, wildfires and storms (i.e. acute physical risks); and,
- Longer-term gradual shifts in the climate such as changes in precipitation, extreme weather variability, ocean acidification, rising sea levels and average temperatures (i.e. chronic physical risks or chronic risks).

Risk	Description	Actions to Mitigate	Horizon
Acute Physical Risk that arises from extreme events, such as droughts, floods and storms.	We are conscious of the effect that Climate Change has on the operations of our business and the risks associated with changes to weather patterns such as heatwaves, floods, wildfires and storms. Permanent TSB has 98 branch locations nationwide and 9 administration offices. Acute Physical Risk impacts both our customers and our own operations. In 2017 and 2018, for Storm Ophelia and Emma respectively, the Bank was required to implement contingency measures to ensure that all critical services operated without interruption.	The Bank's Hybrid Working Programme has increased the resilience of our operations in recent years, with the majority of colleagues having the ability to work from home. We have in place a Business Continuity Management (BCM) Plan that considers adverse weather conditions that may, in some cases, cause a reduction in operational capacity. The Bank's BCM Plan is driven by a dedicated Steering Committee who reviews our preparation at regular intervals, and an Adverse Weather Policy is in place that provides guidelines should such circumstances arise. The Bank has a tiered structure for dealing with incidents, including weather-related incidents that could impact our operations. There is an Incident Management Team (IMT) in place, which is made up of Head of Functions from across the Bank. This team has the option to escalate incidents to the Exceptional Situation Management Team (ESMT), which is a subset of the Executive Committee with decision making authority. On an annual basis, there is a contingency test for each team that does not have the ability to work from home. This would mean if a building is unavailable, for example due to flooding, the team can relocate to an alternative site. A member from each business unit will work from an alternative site for the day after the IT team have built the PC to the teams' requirements.	Short to Long Term

Risk	Description	Actions to Mitigate	Horizon
		The Bank's IMT complete a number of scenario tests each year and in the past, severe weather scenarios have been used for the exercise. The Bank currently has an Operational Resilience Programme in place with a dedicated Operational Resilience Team which the current BCM Programme is a part of. Learnings from the above are reviewed and integrated into the Bank's BCM planning processes, as appropriate.	
Chronic *Own Operations* Physical Risk that arises from longer-term gradual shifts in the climate, such as increasing temperatures, sea-level rises, water stress, biodiversity loss, land use change, habitat destruction and resource scarcity.	We are conscious of the effect that Climate Change may have on our business and the risks associated with longer-term shifts in climate patterns such as rising sea levels and increasing mean temperatures.	Disruptive weather patterns and elevated temperatures have required us to increase the monitoring of our premises in recent years. We are conscious of the financial impact that this has on our operations due to the increased costs of addressing bouts of adverse weather and adjusting our heating and cooling systems to ensure our buildings are comfortable for colleagues. In respect of the Bank's operations, and to mitigate the risks associated with Chronic Physical climate change, we have in place a Business Continuity Management (BCM) Plan that considers adverse weather conditions that may, in some cases, cause a reduction in operational capacity. The Bank's BCM Plan is driven by a dedicated Steering Committee who reviews our preparation at regular intervals, and an Adverse Weather Policy is in place that provides guidelines should such circumstances arise. Annual contingency tests are conducted, and the Incident Management Team (IMT) complete a number of scenario tests each year.	Medium to Long Term

Risk	Description	Actions to Mitigate	Horizon
Chronic *Lending Portfolio* Physical Risk that arises from longer-term gradual shifts in the climate, such as increasing temperatures, sea-level rises, water stress, biodiversity loss, land use change, habitat destruction and resource scarcity.	Retail Mortgage Portfolios, such is the Bank's focus (making up 98% of the asset portfolio at December 31st 2022) can be impacted by climate-related and environmental physical risks either through persistent or chronic changes in the environment.	Over the last number of years, Permanent TSB have taken steps to understand, manage and mitigate Physical climate risks. The Bank is currently implementing a Board approved, enterprise wide plan for the integration of climate-related and environmental risk. To assist in the quantification of Physical Risk for our lending portfolio, additional data identification and collection is being undertaken, particularly for Small and Medium-Sized Enterprises (SME). Examples of data which will be captured within this exercise include: Building Energy Rating Certificates (BER); Eircodes; Employment Type; SME Business Model/ Sector Information) and, specific data related to Physical Risks (i.e. flood plain data). This will enable us to capture additional data in relation to all new business, and a separate programme of work will be mobilised to assess impact across our back book. The Bank has also conducted climate stress tests using the ECB climate scenarios on a short and long-term outlook to estimate the impact of climate-related and environmental risk on its portfolios based on chosen climate scenarios, with the output being described as an impact on the Expected Credit Loss, particularly in respect of the mortgage portfolios.	Medium to Long Term

Transition Risk

The risk of economic cost, financial loss or an adverse outcome related to the process of adjustment towards a low-carbon economy which can be driven by changes in public sector (generally government) policies, legislation and regulation, changes in technology and changes in market and customer sentiment, each of which has the potential to generate, accelerate, slow or disrupt the transition towards a low-carbon economy.

Risk	Description	Actions to Mitigate	Horizon
Regulatory Compliance *(Current Regulation)*	Regulatory compliance risks may arise from our ability to adapt or comply with climate-related regulations.	A Regulatory Compliance Framework is in place which sets out how the Bank manages current and emerging Regulatory Compliance Risk and details the key principles, objectives, and primary components of the Bank's approach to Regulatory Compliance Risk Management, while setting out the responsibilities across the Bank's Three Lines of Defence (3LOD). As part of the Bank's ongoing management of Regulatory Compliance Risk, the Bank monitors regulatory changes and guidance (Upstream). The Upstream Regulatory Compliance Team is responsible for the management of these regulatory developments, which arise from changes in the external regulatory environment. One of the key tools utilised for managing this is the Upstream Regulatory Register. This Upstream Register contains a list of identified and captured upstream regulations that are applicable to the Bank and their assigned business owners. Once a regulation takes effect, it is added to the Regulatory Compliance Universe which aims to identify and populate ownership of all Regulatory Compliance and Conduct Risk regulations which the Bank is required to comply with. For example, the Bank has certain regulatory obligations when assessing SME lending applications for Environment,	Short to Medium Term

Risk	Description	Actions to Mitigate	Horizon
		Social and Governance (ESG) factors that may impact the sustainability of the trading cash flow of the business (European Banking Authority (EBA) Guidelines on Loan Origination and Monitoring).	
Emerging Regulation	Regulatory compliance risks may arise from our ability to adapt or comply with climate-related regulations.	A Regulatory Compliance Framework is in place which sets out how the Bank manages current and emerging Regulatory Compliance Risk and details the key principles, objectives, and primary components of the Bank's approach to Regulatory Compliance Risk Management, while setting out the responsibilities across the Bank's 3LOD. The monitoring of these regulations follows the same process as discussed in the current regulations (see above). In addition, the Bank is a member of external information sharing forums, including the Banking and Payment Federation Ireland (BPFI), through which it shares and receives information related to Regulatory Compliance Risk trends and threats and evolving industry best practice.	Medium to Long Term
Technology	This is an emerging risk which is currently being defined by the Bank.	The Bank has a Business Risk (BR) Management Framework in place which describes our approach to the management of BR, including setting out the Bank's approach to the identification, assessment, measurement, monitoring, mitigation and reporting of the risks in this category across the 3LOD model. We continue to enhance our Procurement and Sourcing Frameworks to ensure that they support our sustainability goals and objectives. Our Procurement Policy sets out a framework for engaging with our suppliers, including a commitment to procure goods and	Medium to Long Term

Risk	Description	Actions to Mitigate	Horizon
		services (including those associated with Technology) from suppliers who can support the needs of our business in a sustainable manner.	
Market	Market Risk is the risk of losses in on and off-balance sheet positions arising from adverse movements in market prices. Often, Market Risk cannot be fully eliminated through diversification, though it can be hedged against.	Currently the main driver of Market Risk in Permanent TSB is the movement in interest rates. As climate change will continue to impact economic growth prospects and potentially threaten financial markets stability, which in turn may have an effect on real interest rates, consideration of its impact on Market Risk for the Bank is being considered as part of its Climate Risk Framework.	Medium to Long Term
Reputation	Permanent TSB is conscious of the reputational impact – positive or negative – that its policies and actions on the transition to a low carbon economy might have. Not making significant progress in integrating ESG factors, including climate related criteria into our business, poses a significant reputation risk for the Bank. Negative public opinion may adversely affect Permanent TSB's ability to keep and attract customers and corporate and retail deposits and/or access Capital Markets which in turn may adversely affect the Bank's financial condition.	The Bank has a Reputational Risk Management Framework in place which describes our approach to risk management for Reputational Risk across the 3LOD. The Bank uses several external and internal sources (for example, social media analysis, voice of the customer feedback, customer complaint data, RSCA processes etc.) to assist in the ongoing monitoring and assessment of Reputational Risk. We are making progress working to integrate climate-related and environmental risk consideration into our lending decisions, particularly in relation to SME lending. The Bank is currently implementing a Board approved plan for climate-related and environmental risk and is in the process of additional data identification and collection to assist the quantification of risk for our lending portfolios. In addition, we have included a Sustainability exclusion category within our Business Lending Credit Policy, which will limit exposures to entities which we believe contribute to irreversible environmental and/or social harm to our local communities and wider society.	Short to Long Term

Climate-related and Environmental Risk Opportunities

B. Impact of climate-related risks and opportunities on businesses, strategy, and financial planning.

The impact of climate change on the retail banking industry will depend on how well financial institutions adapt to the risk presented to them as well as the ability of organisations to adapt their business models to seize the opportunities presented.

Impacts on Strategic and Financial Planning

At present, the Bank does not yet formally assess how identified climate-related issues have affected or will affect the business, strategy, and its financial planning. However, as part of the Bank's annual Integrated Planning Process (IPP), an annual strategic and financial planning cycle, a standalone climate-related and sustainability chapter was included within the Bank's Strategic Reference Pack, a key document within the IPP. The chapter will continue to be included in future IPP cycles.

The purpose of the Reference Pack is to provide all Business Units with a view of the most thematically important issues and opportunities for both the Bank and our customers. By providing a direct reference to information on climate-related and sustainability issues, all Business Units were encouraged to consider the impact of same when defining their functional strategies over the medium and long-term horizons.

Key areas considered during the Bank's 2022 IPP included:

Strategy:	• Approving a new Strategic Priority - Sustainable Business Growth. As one of four multi-year Strategic Priorities, this includes a commitment to advocating for sustainable business practices throughout our organisation; and, • The refreshed Strategic Priorities will act as a key driver for decision making in relation to future allocation of resources and funding.
Metrics and Targets:	• Measuring and disclosing our carbon impact across Scope 1, 2 and 3 (including our financed emissions); • Committing to setting science-based carbon emission reduction targets by 2024 and developing a corresponding Transition Plan outlining our pathway to achieve our targets; and, • Completing an ESG Risk Rating through Sustainalytics and achieving a Low rating.

Resources and Capacity Building:	• Provisioning adequate funding for the delivery of the Bank's Sustainability Strategy and Climate-related and Environmental Risk (CR&E) Implementation Plan; • Ensuring resourcing is in place to deliver on Sustainability Programme objectives, which includes a focus on climate-related and environmental risk implementation; • Appointing a professional services firm to provide strategic guidance and support on programme delivery; and, • Delivering climate-related and environmental risk training and supports to the Board, Executive Committee and the Senior Leadership Team.
Products and Services:	• Focusing on supporting our Business and Agriculture (Agri) customers in transition, with an added layer of focus on customers who need additional support to establish infrastructure for new climate friendly business models through our partnership with the Teagasc Signpost Programme; and, • Prioritising (Green) sustainable product and proposition development, focused on supporting our customers in navigating the green transition.

Adaptation and Mitigation Activities/ Operations (including types of operations and location of facilities):	• Engaging Kyndryl, a technology infrastructure services provider, to support us in migrating our data centre to new and more efficient buildings. The migration is expected to reach completion during 2023 and will see the Bank improve the net energy efficiency of our data centres; • Changing our energy provider and selecting a supplier focused on using 100% renewable energy; • Approving a programme of work to replace our suite of boilers, chillers and associated pumps to new and more energy efficient options; and, • Continuing to deliver the Bank's Digital Transformation Programme, which includes migrating services to online channels enabling us to reduce our environmental footprint.
Supply Chain:	• Ensuring responsible procurement practices and introducing a Sustainable Supplier Charter.
Investment in Research and Development:	• Enabling sustainable finance thought leadership through our founding membership to the International Sustainable Finance Centre of Excellence.

Products and Services

Notwithstanding the fact that climate change presents risk to financial institutions, it also brings with it a significant opportunity to meet new customer needs and drive the commercial agenda.

Ireland's Climate Action Plan 2021 provides a detailed plan for taking decisive action to achieve a 51% reduction in overall greenhouse gas emissions by 2030 and setting the country on a path to reach net zero emissions by no later than 2050.

Key areas of focus within the Plan include: Powering Renewables; Retrofitting; Transforming Travel; Sustainable Farming; Greening Business; and, Changing Land Use.

The country's financial institutions will have a role to play in financing elements of the Plan, while also supporting the broader green transition through the implementation of sustainable products and services. Sustainable Finance is a key area of focus within the Bank's Board approved Sustainability Strategy under the 'Addressing Climate Change and Supporting the Transition to a Low Carbon Economy Pillar' and has also been identified as a significant opportunity for Permanent TSB.

Case Study - Permanent TSB’s Green Mortgage

Our customer research has indicated that 64% of consumers are actively taking steps to be more sustainable, with 55% stating that sustainability is important to them when availing of financial products and services.

To support the above, in 2022 the Bank was proud to introduce our Green Mortgage to the market, a 5-Year fixed rate product available to all new and existing home loan customers where their homes have a confirmed or proposed Building Energy Rating of A1 to B3.

Since the launch of the Green Mortgage in April 2022, c.€500 million in green lending was drawn down by year-end, accounting for c.20% of Mortgage lending.

The Green Mortgage is envisaged to be the first in a suite of Sustainable Finance Product offerings for Permanent TSB, with proposition development continuing on future products for both the Retail and SME sectors.

Case Study - Strategic Banking Corporation of Ireland’s Retrofit Loan Scheme

During 2022, the Bank was accepted as participating on-lender in the Strategic Banking Corporation of Ireland’s (SBCI) new Retrofit Loan Scheme. The Scheme is aimed at supporting consumers and small private landlords who wish to invest and improve in the energy efficiency of a residential property.

Under Ireland’s Climate Action Plan, the Irish State set a target to upgrade 500,000 homes to a Building Energy Rating B2 level and the installation of 400,000 heat pumps in existing premises to replace fossil fuel heating systems.

To meet these targets, there is a requirement to develop a loan guarantee scheme to provide a competitive funding offer with State support to help increase the volume of retrofit activity. The guarantee-based product will offer both a degree of risk-sharing to lenders, and an additional leverage effect to mobilise private capital, which means that the funding is used in a more efficient way.

The €500m Scheme will be part-funded by the Department of the Environment, Climate and Communication and the EU Recovery and Resilience Facility under Ireland’s National Recovery and Resilience Plan, and will be backed by a counter guarantee provided by the European Investment Bank.

Permanent TSB was successful in obtaining €100m in funding and is preparing to launch the Scheme to customers during H2 2023.

Case Study - International Sustainable Finance Centre of Excellence

Permanent TSB is committed to thought leadership within the broader sustainable finance landscape and in 2022 we were pleased to announce our founding membership to the International Sustainable Finance Centre of Excellence, a key output of Ireland’s Sustainable Finance Roadmap.

Fully aligned with the 'Ireland for Finance Strategy'; the Irish Climate Action Plan; and, the EU's Renewed Sustainable Finance Strategy it will lead on research, talent development and leadership activities to support the design and implementation of innovative financial solutions to facilitate the transition to a Net Zero economy in Ireland, and internationally.

In addition, the Centre will play a critical role in delivering the Sustainable Finance Roadmap – which was co-created by Sustainable Finance Ireland, the UN-convened FC4S and Skillnet Ireland, in collaboration with key stakeholders, including Permanent TSB – and the Ireland for Finance Strategy which aims to position Ireland as a global centre of sustainable finance by 2025.

We know that collaboration amongst the financial services sector will be critical for success, as we continue to navigate this next, and very important chapter. The Centre will provides an opportunity for member organisations to work together collaboratively to develop meaningful solutions that will deliver a lasting impact.

C. Description of the resilience of the organisation's strategy, taking into consideration different Climate-related scenarios, including a 2°C or lower scenario.

Use of Climate Change Scenarios to Assess Strategic Resilience

At present, the Bank does not yet formally use climate-related scenario analysis to assess business strategy resilience.

However, during 2022 we voluntarily conducted a high-level climate stress test and sensitivity analysis leveraging the macroeconomic and Climate Scenarios Framework used as part of the 2022 ECB Climate Stress Test, with a primary focus on the Bank's most material mortgage portfolio.

These stress tests considered the impact on both customer default rates and subsequent losses incurred by the Bank as a result climate change. Transition and Physical Risk effects on the Mortgage Portfolio as a direct result of climate change and associated policy/price responses were factored into the estimates of increased levels of default and reduced collateral valuations.

This analysis assisted in building knowledge in relation to climate-related and environmental risk present in this portfolio, while allowing for the identification of future data requirements.

As we further work to embed our programming over the short-term, this exercise will provide a basis for future stress testing exercises that will be a key tool used to guide and inform our business strategy.

Risk Management

Permanent TSB's Enterprise Risk Management Framework (ERMF) sets out the approach for risk identification, assessment, measurement, monitoring, mitigation, and reporting. Risks must be identified, assessed, measured, monitored and reported on by Business Units and Functions that incur risks because of their frontline commercial and operational activities.

Climate-related and environmental risk management is integrated within the existing Risk Management Framework and adopted across the 3LOD Model. Each line of defence performs its duties by identifying and assessing climate-related and environmental risks, analysing the relevance of risks, evaluating the impact on the Bank's operations and business and formulating control measures and response strategies.

The First Line of Defence (1LOD Business Units and Functions), undertake frontline commercial and operational activities and their support function is responsible for identifying, owning, managing, monitoring, and mitigating against climate-related and environmental risk.

The Second Line of Defence (2LOD Risk and Compliance Function), ensure that all climate-related and environmental risks are identified, assessed, measured, monitored, managed, and properly reported on by the relevant business units from across the Bank.

As the Third Line of Defence (3LOD), Group Internal Audit provide independent assurance to the Board over the adequacy, effectiveness and sustainability of the Bank's internal control, risk management and governance systems and processes, thereby supporting both the Board and Senior Management in promoting effective and sound risk management and governance across the Bank, in relation to climate-related and environmental risks.

A suite of supporting documentation (Risk Categories, Frameworks and Policies) is maintained for key risk categories and risk processes, which includes climate-related and environmental risk. This is reviewed at least annually. This supporting documentation describes the activities and tools required to support the ongoing risk management process, and to promote a comprehensive and consistent approach to risk management across the Bank.

TCFD recommendation: Disclose how the organisation identifies, assesses and manages climate-related risks.

A. Processes for identifying and assessing climate-related and environmental risks.

In June 2022, Permanent TSB developed a Climate-related and Environmental Risk Framework and definition and added a climate-related and environmental risk qualitative section to the Risk Appetite Statement in October 2022.

Climate risk may adversely impact or act as driver for several other specific risk areas. As part of the Climate-related and Environmental Risk Implementation Plan, the following risk areas are being specifically considered in relation to the impact of climate risk. These impacts have been assessed on a qualitative basis considering the business environment. Group Risk have also performed assessments to consider effects over the short, medium, long-term across the key risk categories but these have not yet been quantified. A materiality assessment is underway, which will support quantification of these impacts going forward.

Potential Impacts of Risk	Physical	Transition
Credit Risk:	Reducing the value of the Bank's assets, increasing impairment charges and negatively impacting its financial performance and capital position due to acute or chronic physical risk. This may be particularly prevalent if insurability of retail properties reduces over time.	Increasing the likelihood of counterparty failure to meet their financial obligations to the Bank as they fall due as a result of regulatory, policy or technology changes to support the transition to a low carbon economy.
Operational Risk:	Reducing the value of the Bank's property portfolio or increasing risk of business interruption events due to acute or chronic weather events.	Failure to adapt policies, processes and controls to adequately address the potential impact of transition risk, including changes in regulation and stakeholder expectation or preferences.

Potential Impacts of Risk	Physical	Transition
Market Risk:	Adverse impact on Market Risk exposure due to chronic weather changes and the impact that may have on economic growth, inflation and investment returns.	Adverse impact on Market Risk exposure due to regulatory, policy or technology changes to support the transition to a low carbon economy and any market shock that may result.
Liquidity Risk:	Lower market liquidity due to increasing capital outlay to prevent or remediate losses as a result of acute or chronic physical risks. This may become particularly prevalent if insurability of certain market sectors reduces over time.	Lower market liquidity due to regulatory, policy or technology changes as a result of the transition to a low carbon economy.

Materiality Assessment

In 2023, a qualitative materiality assessment for climate-related and environmental risk is being undertaken by the Bank. The aim of this assessment is to understand the impact of Transition Risk and Physical Risk on the Banks's existing risks. On completion of the qualitative materiality assessment, information gathered will then be leveraged to run quantitative scenario analysis.

In particular, the materiality assessment considers the impact that climate-related and environmental risk may have on Credit Risk, Business Risk, Market Risk, Funding and Liquidity Risk, Operational and IT Risk and Conduct and Reputational Risk. In addition, consideration is being given to Capital Adequacy Risk, Model Risk and Compliance Risk.

The Quantitative Scenario analysis will be run to quantify the potential climate-related and environmental risk impacts, with scenarios to consider impacts over the short, medium and long-term and to be tailored as appropriate, for example, considering the Banks' business model. With potential climate-related and environmental risk impacts (Physical and Transition Risk) quantified, the risk ratings in the qualitative assessment will be reviewed and refined to reflect the outcome of the analysis.

The updated risk ratings will support clear identification of existing risks that are most vulnerable to climate-related and environmental risk impact and which will therefore require further analysis and monitoring as these risks evolve. Additionally, our strategy development and business unit strategy development must support mitigation of identified vulnerabilities over time, as appropriate.

The scenario analysis will not be a one-off exercise and ad hoc quantitative scenario analysis will be implemented further as scenario design becomes more sophisticated and the breadth and quality of climate-related and environmental risk data develops.

Regulatory Compliance Framework

A Regulatory Compliance Framework is in place which sets out how the Bank manages current and emerging regulatory compliance and conduct risks including climate-related and environmental regulatory changes and guidance.

Risk and Control Self-Assessment (RCSA)

Risk and Control Self-Assessment (RCSA) is a formal assessment of risks and the effectiveness of the controls to manage these risks, including those aligned to the climate-related and environmental risk categories.

The RCSA process supports the monitoring of climate-related and environmental risk as Business Units are required to review the accuracy and completeness of these risks and mitigating controls on an on-going basis, and report their test results periodically.

Climate-related Scenario Analysis

At present, climate-related scenario analysis is not utilised by the Bank, however scenarios aligned to the climate sub-risk categories will be used to help assess the potential impact of different climate-related and environmental risk events. These will assist in the identification and assessment of climate-related and environmental risk that the Bank faces due to its operations and operating environment.

Current and emerging climate-related and environmental risk events and threats, and internal and external climate-related and environmental risk events are used to validate and update the scenarios, to ensure they reflect the climate-related and environmental risk environment in which the Bank operates. Proposed incidents relating to Climate-related and environmental risk (Physical Risk) were included for consideration as part of the 2023 Operational Risk ICAAP scenario process.

It is envisaged as part of ICAAP that once the Bank is in a position to undertake scenario analysis, such exercises will be performed on an annual basis.

Horizon Scanning and Information Sharing

As part of the Bank's ongoing assessment of climate-related and environmental risk, the Bank is a member of information sharing forums, including the BPFI, the Sustainable and Responsible Investment Forum and the National Climate Stakeholder Forum, through which it shares and receives information related to the latest Climate Risk trends and threats and gets insight into evolving industry best practices. The Bank monitors regulatory changes and guidance, including from the Central Bank of Ireland.

* Green Products and Propositions are those which support environmental objectives such as climate change

B. Processes for managing climate-related and environmental risks.

The management of climate-related and environmental risk is aligned to key processes and components set out in the Bank's ERMF, which identifies core risk management stages which collectively ensure that the Bank appropriately identifies and manages current and emerging risks the Bank is exposed to.

Climate-Related and Environmental Risk Implementation Plan

The management of Climate Risk within each of the individual Enterprise Risk Management Framework Key Risk Categories is a key area of focus for the Bank. Consideration of the impact of climate-related and environmental risk on each of the risk categories is ongoing and will be completed through delivery of the Climate-related and Environmental Risk Implementation Plan.

The Climate-related and Environmental Risk Implementation Plan includes actions across a number of categories incorporating climate-related and environmental risk including: data; risk analysis; risk stress tests and scenario analysis; integration into the Internal Capital Adequacy Assessment Process (ICAAP) and the Internal Liquidity Adequacy Assessment Process (ILAAP); Risk Management Framework; reporting; governance; research; business model and strategy; and, senior management objectives.

Examples of actions being implemented through the Plan include:

- Identifying climate-related and environmental risk factors relevant to the Bank and their high-level potential impacts;
- Developing of a suite of climate-related and environmental risk metrics;
- Developing an approach to measure the impact of climate-related and environmental risk (including data requirements and identification of data proxies from external sources) on the business model;
- Monitoring the regulatory landscape and ensuring full alignment with it;
- Developing sustainable finance (*Green) products and propositions;
- Ensuring a robust Climate-related and Environmental Risk Strategy is in place; and,
- Delivering Board and Senior Management climate-related and environmental risk training.

Risk Register

Risk Registers, which contain the details of current and emerging risks from each of the Group Risk functions, including climate-related and environmental risk, utilise the 'top down' Risk Identification and 'bottom up' Risk and Control Self-Assessment (RCSA) processes and form the basis of the Bank's Top and Emerging Risks Report.

* Green Products and Propositions are those which support environmental objectives such as climate change

Risk Appetite

Risk Appetite is set by the Board, and represents the level and nature of risk (within the Risk Categories) that the Bank is willing to accept in pursuit of its strategic objectives. Through delivery of the Board approved Climate-related and Environmental Risk Implementation Plan, we are working to develop specific climate-related and environmental risk metrics which, once approved, will be integrated into the organisation's Risk Appetite statement (RAS) and our business planning (including strategy) and capital allocation processes.

Climate Stress Test

In 2022, we voluntarily conducted a high-level climate stress test and sensitivity analysis leveraging the macroeconomic and climate scenarios framework used as part of the 2022 ECB Climate Stress Test, with a primary focus on the most material mortgage portfolio (98% as at 31st December 2022).

The output of the results, based on current analysis, showed that Physical Risk is likely to have more of an impact than Transition Risk in the short to medium term on the Bank's Mortgage Portfolio.

This analysis assisted in building knowledge in relation to climate-related and environmental risk in the Bank's most material portfolio. It allowed identification of data needs and provides a basis for future stress testing that will be a key tool used to inform our business strategy.

C. Integration of processes for identifying, assessing and managing climate-related and environmental risks into overall risk management.

Climate-related and environmental risk issues are integrated across all governance mechanisms through delivery of the Board approved Climate-related and Environmental Risk Implementation Plan.

A Climate-Related and Environmental Risk Management Framework has also been developed that is linked to the wider Enterprise Risk Management Framework (ERMF).

Climate-related and Environmental Risk as a Principal Risk

Climate-related and environmental risk is included as a Risk Category within the Enterprise Risk Management Framework (ERMF) and has two sub-risk categories of Physical Risk and Transition Risk.

Over the last year, the Bank has continued to integrate climate-related and environmental risk into the Risk Management Framework and associated Policies and has also created a Climate-related and Environmental Risk Framework. As part of the implementation of the Framework, identification of factors arising out of climate change are monitored over the short, medium and long-term horizons.

Materiality Assessment

As outlined above, in 2023, a qualitative materiality assessment for climate-related and environmental risk is being undertaken by the Bank. The aim of this assessment is to understand the impact of Transition Risk and Physical Risk on the Banks's existing risks. On completion of the qualitative materiality assessment, information gathered will then be leveraged to run quantitative scenario analysis, which will in turn facilitate the updating of the Bank's Internal Risk Ratings.

Metrics and Targets

TCFD recommended disclosure:

A. Metrics used to assess climate-related and environmental risks and opportunities in line with strategy and risk management process.

Permanent TSB is focussed on continuing to disclose transparently and are committed to measuring and managing the carbon impact of our operations and products.

We measure our carbon impact across Scope 1, 2 and 3 using the Greenhouse Gas (GHG) Protocol, the world's most widely used greenhouse gas accounting standards. In the measurement of our Scope 3 (financed emissions) we used the Partnership for Carbon Accounting Financials (PCAF), Financed Emissions Standard.

Scope 1 includes direct GHG emissions from sources that are owned or controlled by the Bank, such as natural gas combustion and company owned vehicles.

Scope 2 accounts for GHG emissions from the generation of purchased electricity, heat and steam generated off-site. The emissions are reported using both a location-based method and a market-based method.

Scope 3 includes all the Bank's other indirect emissions such as purchased goods and services, capital goods, transport and distribution, waste, business travel, water, transmission and distribution losses, upstream emissions related to energy and fleet, employee commuting and home working and financed emissions.

Categories which have been excluded from the Bank's other Scope 3 indirect emissions include Leased Assets, Processing of Sold Products, Use of Sold Products, End-of-Life Treatment of Sold Products and Franchises. These categories have been excluded as they are not considered to be material for the Bank.

TCFD recommended disclosure:

A. Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks.

A breakdown of our carbon impact across Scope 1, 2 and 3 can be found below.

Emissions	**tCO_2e**
Scope 1	1,188
Scope 2 (location-based approach)	2,502
Scope 2 (market-based approach)	0
Scope 3 emissions	230,682
Scope 3 emissions	**tCO_2e**
Purchased goods and services	49,225
Capital goods	16,942
Fleet upstream emissions	86
Transport and distribution	5,123
Energy upstream emissions and transmissions & distribution losses	1,274
Water	6
Waste	8
Staff commuting and homeworking	3,934
Business travel	60
Investments (Mortgage portfolio)	154,024
Total Scope 1,2 and 3 emissions using location-based approach	234,372
Total Scope 1,2 and 3 emissions using market-based approach	231,870
Carbon intensity metrics	**tCO_2e**
Scope 1 and 2 tCO_2e per FTE (location-based)	1.6
Scope 1 and 2 tCO_2e per FTE (market-based)	0.5
Investments tCO2e/ € Million Revenue	376.6

Notes:

- Our data was calculated using The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard, Revised Edition (the 'GHG Protocol'); IPCC Sixth Assessment and DEFRA's Greenhouse gas reporting: conversion factors 2022.
- For scope 3 emissions, a number of data sources were used for each of the categories, including the Operating expense listing for 31 December 2022, the capital expenditure listing for 31 December 2022, the mortgage lending portfolio, waste and water data from suppliers and internally generated surveys.
- Some local aspects were calculated using SEAI's and CRU published conversion tables and reports.
- We adopt the operational control approach on reporting boundaries. In 2022, the data covers 100% of our operations in the Republic of Ireland.
- 2022 data is the most recent information available for Scope 1 & 2 emissions. The methodology we apply to calculate Scope 1 & 2 emissions for the most recent financial period includes 12 months actual data.
- All 15 categories of Scope 3 emissions were evaluated and have been reported upon where associated emissions have been identified. This is the first year that we have reported on Scope 3 emissions.
- Category 15 only includes the mortgage lending portfolio and no other lending activities.
- Figures are rounded.
- Total Scope 1,2 and 3 GHG emissions were previously reported as 227,179 in the PTSB Annual Report 2022. The total GHG emissions amount has been updated following a subsequent review of the consumption data, and emission factors used within the computations. In addition, Scope 2 GHG location-based information has been provided in the 2022 TCFD report.
- Our approach will continue to evolve in line with industry developments and as data quality improves.

Scope 1 and 2

In 2018 the Bank signed the *Low Carbon Pledge, committing to reduce our Scope 1 and 2 carbon emission intensity by 50% by 2030. We reset our target during 2021, aiming to reduce our Scope 1 and 2 carbon emission intensity by 60% by 2024.

We have made progress in reducing our Scope 1 and 2 carbon emission intensity through the use of 100% renewable electricity by our electricity providers, efficiencies in energy use by the business through initiatives aimed at reducing our carbon footprint and the impacts of hybrid working with 68% of our organisation now availing of our smarter working options.

Using a market-based assessment of electricity usage, these changes have resulted in an estimated 83% cumulative reduction in Scope 1 and 2 carbon emission intensity since 2009, our baseline year for the Pledge.

Scope 3

During 2022, we completed a programme of work to understand the material emissions across our value chain. The findings have enabled us to establish a new carbon baseline for the organisation. For us to understand our impact, purchased goods and services and capital goods emissions were based on applying emissions factors to spend data, using the UK Government's 2019 Environmental Reporting Guidelines for spend-based emissions. We recognise that the accuracy of a spend-based approach can vary, and as such, are committed to improving the accuracy of this figure through engaging with our large suppliers to source accurate data, where and when it may be available.

Scope 3 – Financed Emissions

In relation to our investment-related emissions, we limited our calculations to the Bank's mortgage portfolio, given that it accounts for 98% of our Net Loan Book. To do this, emissions associated with properties were linked to the BER rating of the property.

The Bank has a high confidence in the assigned BER for c.55% of properties. For the remaining c.45% of properties, we assigned a BER by extrapolating the same distribution pattern as present in the high confidence group. In addition, we estimated emissions per property based on the Sustainable Energy Authority of Ireland (SEAI) published data from 2014 having applied a corrective index. The corrective index has been calculated with reference to the residential energy consumption and the reduction in carbon intensity of electricity supply between 2014 and 2020 in the SEAI Energy in Ireland 2021 report. The approach reduced emissions by 9% from 2014 levels but enabled us to account for the greening of the grid over the period in question.

* The Low Carbon Pledge is the first dedicated pledge generated by Irish business to set industry standards on sustainability and reduce carbon emissions. More detail can be found in the Appendix – Disclosures and ESG Risk Ratings.

It is important to note that our Scope 3 financed emissions will increase during 2023, as we consider the full-year impact of the €6.7 billion Residential Portfolio that the Bank acquired as part of the Ulster Bank transaction in the Republic of Ireland.

In addition, 25 branch locations, the SME Portfolio and the Asset Finance business formed part of the wider acquisition and will also need to be considered.

Reducing emissions across Scope 3 is a long-term objective for the Bank that will require us to not only measure and reduce our own carbon footprint, but also work collaboratively with our suppliers and customers to encourage a transition towards a Net Zero world.

TCFD recommended disclosure:

C. Targets used to manage climate-related and environmental risks and opportunities and performance against targets.

Science Based Targets (SBTs) and a Net Zero Ambition

In 2021, we deepened our commitment to long-term sustainability and committed to new climate action goals by signing Phase 2 of the Low Carbon Pledge. The refreshed Pledge focusses on setting carbon emissions reduction targets based on science by 2024 and will include measuring and reducing our entire carbon footprint in line with the Paris Agreement and the latest Intergovernmental Panel on Climate Change's (IPCC) findings.

The first step to setting SBTs is understanding our carbon footprint. During 2022, we completed a comprehensive assessment of our emissions across Scope 1, Scope 2 and the relevant categories found within Scope 3, as outlined above. We will use this as the Bank's carbon baseline.

As we look to 2023 and beyond, we are focussed on:

- Using our carbon baseline to set SBTs aligned to the Paris Agreement and IPCC findings;
- Setting a Net Zero ambition over the longer term;
- Developing a corresponding Carbon Reduction Plan to help us to achieve our targets;
- Engaging with our suppliers to improve the quality of our data; and,
- Developing further sustainable finance (Green) products and propositions that will enable us to de-risk our portfolio, while supporting our customers in navigating the green transition.

Risk Appetite Metrics

Key metrics are being developed across business areas to monitor both climate-related and environmental risk (Physical and Transition) as appropriate across the various propositions and products. The proposed metrics will be formally developed and rolled out as part of the RAS/Key Risk Indicator metric process. The risk appetite for climate risk is low and will be supported by an overall low climate risk (appetite) indicator.

Remuneration

The Bank's Performance Management Strategy is designed to cultivate an environment in which employees are: valued, developed and motivated to use their talents to the best of their ability; empowered to perform at their best; and, provided with regular coaching and open two-way feedback. Performance for each employee is evaluated under three criteria:

- What You Do;
- How You Do It; and,
- How Your Role and Performance Delivers the Bank's Strategic Priorities – which includes a focus on sustainability and climate-related and environmental programming.

To complement this, the Bank has in place a set of core competencies for all colleagues, relevant to their role within the business. These competencies are aligned to our Organisational Values and describe the mind-set and behaviours required for all colleagues within the Bank.

Under the leadership of the Corporate Development and HR Director, a Head of Corporate Affairs and Communications; Senior Manager, Sustainability and Sponsorships; and, a Sustainability Manager are in place to manage and deliver all sustainability programming. Similarly, under the leadership of the Chief Risk Officer, an Enterprise Risk Management Team; and, a Climate Risk Manager are in place to manage and deliver all climate-related and environmental risk programming.

Specific objectives aligned to the Banks overall Sustainability Strategy (which includes a focus on climate-related and environmental risk) are included within team member objectives, depending on their role within the function.

Attainment of objectives is assessed through a formal performance review process that occurs at regular intervals throughout the year. Delivering on strategy, as well as the overall performance in the role, determines the level of monetary pay increase achieved.

For the last number of years, agreements in place with the Irish State have restricted the Bank's ability to offer a fully comprehensive Employee Value Proposition, including bonuses or incentives.

As a result, no such arrangements are in place other than a limited commission scheme that exists for colleagues in the Retail Banking Division. This Branch Based Commission Scheme is in place to incentivise and reward performance in relation to:

- Customer Satisfaction;
- Individual Conduct; and,
- Activity.

In December 2022, the Minister for Finance agreed certain amendments to the State agreements on remuneration and as a result bonuses are now no longer prohibited, subject to the amount of any such remuneration in any 12 month period not exceeding €20,000 in the aggregate.

In the context of the relaxation of the restriction on bonuses, the Bank is currently considering options for a new bank-wide bonus scheme. The design of any such scheme will take into account the need to link pay and reward to the achievement of our environmental, social and governance agenda.

Limited Assurance

Independent Limited Assurance Report of KPMG to Permanent TSB plc

KPMG ("KPMG" or "we") were engaged by Permanent TSB plc ("Permanent TSB") to provide limited assurance over the Selected Information described below for the year ended 31 December 2022.

Our conclusion

Based on the work we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Selected Information has not been properly prepared, in all material respects, in accordance with the Reporting Criteria. This conclusion is to be read in the context of the remainder of this report, in particular the inherent limitations explained below and this report's intended use.

Selected Information

Selected Information The scope of our work includes only the information included within Task Force on Climate Related Financial Disclosures ("the Report") set out on pages 37 to 40 for the year ended 31 December 2022 marked with the symbol Δ ("the Selected Information") and also listed in Appendix 1.

We have not performed any work, and do not express any conclusion, over any other information that may be included in the Report or displayed elsewhere on Permanent TSB's website for the current year or for previous periods unless otherwise indicated.

Reporting Criteria

The Reporting Criteria we used to form our judgements is the GHG Protocol ("the Reporting Criteria"). The Selected Information needs to be read together with the Reporting Criteria.

Inherent limitations

The nature of non-financial information; the absence of a significant body of established practice on which to draw; and the methods and precision used to determine non-financial information, allow for different, but acceptable evaluation and measurement techniques and can result in materially different measurements, affecting comparability between entities and over time. As a result, the Selected Information may not be suitable for another purpose.

Directors' responsibilities

The Directors of Permanent TSB are responsible for:

- Designing, operating and maintaining internal controls relevant to the preparation and presentation of the Selected Information that is free from material misstatement, whether due to fraud or error;
- Selecting and/or developing objective Reporting Criteria;
- Measuring and reporting the Selected Information in accordance with the Reporting Criteria; and
- The contents and statements contained within the Report and the Reporting Criteria.

Our responsibilities

Our responsibility is to plan and perform our work to obtain limited assurance about whether the Selected Information has been properly prepared, in all material respects, in accordance with the Reporting Criteria and to report to Permanent TSB in the form of an independent limited assurance conclusion based on the work performed and the evidence obtained.

We also read other information included in the Report, which is not selected information in order to identify, based on our work on the Selected Information if there are any material inconsistencies in the Other Information. We have nothing to report in this regard.

Assurance standards applied

We conducted our work in accordance with International Standard on Assurance Engagements Revised 3000 Assurance Engagements other than Audits or Reviews of Historical Financial Information ("ISAE 3000") issued by the International Auditing and Assurance Standards Board and, in respect of the greenhouse gas emissions information included within the Selected Information, in accordance with International Standard on Assurance Engagements 3410 Assurance Engagements on Greenhouse Gas Statements ("ISAE 3410"), issued by the International Auditing and Assurance Standards Board. Those standards require that we obtain sufficient, appropriate evidence on which to base our conclusion.

Independence, professional standards and quality control

The firm applies International Standard on Quality Management 1 Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements (ISQM 1) which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Chartered Accountants Ireland Code of Ethics and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Summary of work performed

A limited assurance engagement involves planning and performing procedures to obtain sufficient appropriate evidence to obtain a meaningful level of assurance over the Selected Information as a basis for our limited assurance conclusion. Planning the engagement involves assessing whether the Reporting Criteria are suitable for the purposes of our limited assurance engagement. The procedures selected depend on our judgement, on our understanding of the Selected Information and other engagement circumstances, and our consideration of areas where material misstatements are likely to arise.

The procedures performed included:

- Assessed the appropriateness of the Reporting Criteria for the Selected Information.
- Conducted interviews with Management to understand the processes, systems, and controls in place over the preparation of the Selected Information.
- Agreed a selection of the greenhouse gas emission selected information to source documentation.
- Assessed a selection of formulae used and manual calculations performed over the Selected Information.
- Assessed documentation associated with the processes and systems to generate and report the Selected Information.
- Performed analytical procedures over the aggregated Selected Information, having regard to our understanding of the business and through reading of the Task Force on Climate-Related Financial Disclosures and narrative accompanying the greenhouse gas emission information for consistency with our findings.

The work performed in a limited assurance engagement varies in nature and timing from, and is less in extent than for, 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.

This report's intended use

Our report has been prepared for Permanent TSB solely in accordance with the terms of our engagement letter. It has been released to Permanent TSB on the basis that our report shall not be copied, referred to or disclosed, in whole (save for Permanent TSB's own internal purposes) or in part, without our prior written consent. Our report was designed to meet the agreed requirements of Permanent TSB determined by Permanent TSB's needs at the time. Our report should not therefore be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than Permanent TSB for any purpose or in any context. Any party other than Permanent TSB who obtains access to our report or a copy and chooses to rely on our report (or any part of it) will do so at its own risk. To the fullest extent permitted by law, KPMG will accept no responsibility or liability in respect of our report to any other party.

KPMG

KPMG 30 June 2022

Chartered Accountants
1 Harbourmaster Place
IFSC
Dublin 1
D01 F6F5

The maintenance and integrity of Permanent TSB's website is the responsibility of the Directors of Permanent TSB; the work carried out by us does not involve consideration of these matters and, accordingly, we accept no responsibility for any changes that may have occurred to the reported Selected Information, Reporting Criteria or Report presented on Permanent TSB's website since the date of our report.

Appendix – Disclosures and ESG Risk Ratings

An ESG Risk Rating through Sustainalytics

In 2022, Permanent TSB engaged Sustainalytics, a leading independent ESG and Corporate Governance research ratings and analytics firm, to produce an ESG Risk Rating for the organisation.

ESG Risk Ratings measure a company's exposure to industry-specific material Environmental, Social and Governance (ESG) risks, in order to determine how well a company is managing those risks.

Following the process, the Bank received a 'Low' rating, recognising that enterprise value is considered to have a low risk of material financial impacts driven by ESG factors. Company ratings are categorised across five levels: negligible, low, medium, high and severe.

For more on Sustainalytics, please click here.

CDP

The Bank is committed to furthering its environmental transparency by disclosing its environmental impact annually through CDP, the non-profit that runs the world's leading environmental disclosure platform.

The Bank achieved a CDP rating of C during the 2022 disclosure cycle, indicating an awareness level of engagement. The awareness score measures the comprehensiveness of a company's evaluation of how environmental issues intersect with its business, and how its operations affect people and ecosystems.

By completing CDP's annual request for disclosure on climate change, the Bank is demonstrating the transparency and accountability vital to tracking progress toward a thriving, sustainable future.

For more on CDP, please click here.

Business in the Community Ireland's Low Carbon Pledge

In 2021, Permanent TSB added our signature to Business in the Community Ireland's Low Carbon Pledge, deepening our commitment to long-term sustainability and committing to new climate action goals. The Pledge focusses on setting carbon emissions reduction targets based on science by 2024 and will include measuring and reducing our entire carbon footprint in line with the Paris Agreement and the latest IPCC findings. It calls on companies like Permanent TSB to set robust carbon emissions reduction targets based on science, ultimately achieving a Net Zero economy by 2050.

For more on 'Low Carbon Pledge', please click here.

The Business Working Responsibly Mark

Following a comprehensive programme of work, in 2020 the Bank was honoured to receive the 'Business Working Responsibly Mark' (The Mark) from Business in the Community Ireland (BITCI).
The Mark is an external accreditation recognising best in class Responsible Business Programmes in Ireland and as such, the Bank joined a prestigious group of only 40 other companies who have achieved this accolade. As part of this accreditation, our CEO Eamonn Crowley, sits alongside the CEOs of other member companies as part of the Leaders Group on Sustainability – a collaborative group who work with key stakeholders to drive Environmental, Social and Governance (ESG) change across the country.

During 2023, the Bank will be completing recertification to the Mark.

For more on Business Working Responsibly Mark, please click **here.**