

SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Social Bond Framework

Allied Irish Bank

22 April 2024¹

VERIFICATION PARAMETERS

| | |
|-------------------------------------|--|
| Type(s) of instruments contemplated | <ul style="list-style-type: none">▪ Social Bond Instruments (covered bonds, senior bonds (preferred and non-preferred), subordinated bonds and medium terms notes) |
| Relevant standards | <ul style="list-style-type: none">▪ Social Bond Principles (SBP), as administered by the International Capital Market Association (ICMA) (as of June 2021 with June 2022 Appendix 1) |
| Scope of verification | <ul style="list-style-type: none">▪ AIB Social Bond Framework (as of April 18, 2024)²▪ AIB Eligibility Criteria (as of March 27, 2023) |
| Lifecycle | <ul style="list-style-type: none">▪ 2nd Update of SPO delivered on March 27, 2023 |
| Validity | <ul style="list-style-type: none">▪ Valid as long as the cited Framework remains unchanged |

¹ AIB initially published its Social Bond Framework in March 2023. A new version of the Framework has been published in April 2024, substituting the previous one. No modification occurred with regard to the core elements of the Framework (use of proceeds, processes for project evaluation and selection, management of proceeds, reporting) based on which ISS-Corporate performed its analysis in March 2023. It is noted that the Issuer has provided additional information related to its sustainability strategy (Part III).

² Ibid.

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SCOPE OF WORK

Allied Irish Bank (“the Issuer” or “AIB”) commissioned ISS Corporate Solutions (ISS-Corporate) to assist with its Social Bond Instruments by assessing three core elements to determine the sustainability quality of the instruments:

1. AIB’s Social Bond Framework (as of April 18, 2024 – benchmarked against the International Capital Market Association’s (ICMA) Social Bond Principles (SBP).
2. The Eligibility Criteria – whether the project categories contribute positively to the United Nations Sustainable Development Goals (UN SDGs) and how they perform against proprietary issuance-specific key performance indicators (KPIs) (See Annex 1).
3. Consistency of the Social Bond Instruments with AIB’s Sustainability Strategy – drawing on the key sustainability objectives and priorities defined by the Issuer.

AIB'S OVERVIEW

Allied Irish Banks Plc operates as a holding company, which offers commercial banking, international banking, leasing, insurance and mortgage banking. In 2023, it operated through the following segments: Retail Banking (RB), Capital Markets, and AIB UK. The RB segment supports AIB's personal and business customers with a range of banking and financial services, delivered through the branch and digital channels with an expanded reach via EBS, Haven, Payzone, AIB life, AIB Merchant Services and Nifti. The Capital Markets segment, including Goodbody, serves the Group's large and medium-sized business customers, as well as our private banking customers, providing deep-sectoral expertise combined with a comprehensive product offering. The AIB UK segment operates in two distinct markets of Great Britain (AIB GB) and Northern Ireland (AIB NI). Across both regions, AIB supports corporate customers with sector-specific expertise. AIB NI offers full-service retail banking.. Starting in 2024, these three segments are complemented by a new Climate Capital segment, which allows AIB to increase the bank's capability to fund significant sustainable infrastructure projects, and supports the transition to a zero-carbon future, building on the Group's track record of Energy, Climate Action, and Infrastructure lending.

The company was founded on September 1, 1966 and is headquartered in Dublin, Ireland.

ESG risks associated with the Issuer Industry

AIB is classified in the Commercial Banks & Capital Markets industry, as per ISS ESG's sector classification. Key sustainability issues faced by companies³ in this industry are: business ethics, labour standards and working conditions, sustainable investment criteria, customer and product responsibility, sustainability impacts of lending and other financial services/products.

This report focuses on the sustainability credentials of the issuance. Part III. of this report assesses the consistency between the issuance and the Issuer's overall sustainability strategy.

³ Please note, that this is not a company specific assessment but areas that are of particular relevance for companies within that industry.

ASSESSMENT SUMMARY

| SPO SECTION | SUMMARY | EVALUATION ⁴ |
|---|---|--|
| <p>Part I:</p> <p>Alignment with SBP</p> | <p>The Issuer has defined a formal concept for its social bond instruments regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the ICMA Social Bond Principles.</p> | <p>Aligned</p> |
| <p>Part II:</p> <p>Sustainability quality of the Selection criteria</p> | <p>The Social Bond Instruments will (re-)finance eligible asset categories which include Access to Healthcare, Access to Education, Social and Affordable Housing, SMEs Financing, Support to Non-Profit Organizations and Affordable Basic Infrastructure.</p> <p>The Social Use of proceeds categories have a significant contribution to SDGs 1 'No Poverty', 2 'Zero Hunger', 3 'Good Health & Well-Being', 4 'Quality Education', 5 'Gender Equality', 6 'Clean Water & Sanitation', 8 'Decent Work & Economic Growth', 10 'Reduced Inequalities', 11 'Sustainable Cities & Communities', 13 'Climate Action'</p> <p>The environmental and social risks associated with those use of proceeds categories are well managed.</p> | <p>Positive</p> |
| <p>Part III:</p> <p>Consistency of Social Bond Instruments with AIB's Sustainability Strategy</p> | <p>The key sustainability objectives and the rationale for issuing Social Bond Instruments are clearly described by the Issuer. The majority of the project categories financed are in line with the sustainability objectives of the Issuer.</p> <p>At the date of publication of the report and leveraging ISS ESG Research, no severe controversies have been identified.</p> | <p>Consistent with Issuer's sustainability strategy</p> |

⁴ The evaluation is based on AIB's Social Bond Framework (April 18, 2024, version) and on the analysed Eligibility Criteria as received on March 27, 2023.

SPO ASSESSMENT

PART I: ALIGNMENT WITH ICMA SOCIAL BOND PRINCIPLES⁵

This section evaluates the alignment of the AIB’s Social Bond Framework with the ICMA Social Bond Principles.

| ICMA SOCIAL BOND PRINCIPLES | ALIGNMENT | OPINION |
|---|-----------|---|
| <p>1. Use of Proceeds</p> | <p>✓</p> | <p>The Use of Proceeds description provided by AIB’s Social Bond Framework is aligned with the ICMA Social Bond Principles.</p> <p>The Issuer’s social categories align with the project categories as proposed by the ICMA Social Bond Principles. The Issuer defines exclusion criteria for harmful projects categories.</p> <p>The Issuer defines which investments or project portfolios may be refinanced.</p> |
| <p>2. Process for Project Evaluation and Selection</p> | <p>✓</p> | <p>The Process for Project Evaluation and Selection description provided by AIB’s Social Bond Instruments is aligned with the ICMA Social Bond Principles. The project selection process is defined and structured in a congruous manner. ESG risks associated with the project categories are identified and managed through an appropriate process. Moreover, the projects selected show alignment with the sustainability strategy of the Issuer.</p> |
| <p>3. Management of Proceeds</p> | <p>✓</p> | <p>The Management of Proceeds proposed by AIB’s Social Bond Instruments is aligned with the ICMA Social Bond Principles.</p> <p>The net proceeds collected will be fully allocated to eligible social loans, with no exceptions. The net proceeds are tracked in an appropriate manner and attested in a formal internal process. The net proceeds are managed on an aggregated</p> |

⁵ The assessment remains unchanged and is based on the analysis that was delivered on 27.03.2023.

| | | |
|----------------------------|----------|--|
| | | <p>basis for multiple Social Bonds (portfolio approach). Moreover, the Issuer discloses the temporary investments of Social Bond Instruments for unallocated proceeds.</p> |
| <p>4. Reporting</p> | <p>✓</p> | <p>The allocation and impact reporting proposed by AIB’s Social Bond Instruments is aligned with the ICMA Social Bond Principles.</p> <p>The Issuer commits to disclose the allocation of proceeds transparently and to report in an appropriate frequency. The reporting will be publicly available on the Issuer’s website. AIB explains the level of expected reporting and the type of information that will be reported. Moreover, the Issuer commits to report annually, until the bond matures/until the proceeds have been fully allocated.</p> |

PART II: SUSTAINABILITY QUALITY OF THE ELIGIBILITY CRITERIA

A. CONTRIBUTION OF THE SOCIAL BOND INSTRUMENTS TO THE UN SDGs⁶⁷

Companies can contribute to the achievement of the SDGs by providing specific services/products which help address global sustainability challenges, and by being responsible corporate actors, working to minimize negative externalities in their operations along the entire value chain.

The assessment of UoP categories for (re)financing products and services is based on a variety of internal and external sources, such as the ISS ESG SDG Solutions Assessment (SDGA), a proprietary methodology designed to assess the impact of an Issuer's products or services on the UN SDGs, as well as other ESG benchmarks (the EU Taxonomy Climate Delegated Acts, the ICMA Green and/or Social Bond Principles and other regional taxonomies, standards and sustainability criteria).

The assessment of UoP categories for (re)financing specific products and services is displayed on a 3-point scale:



Each of the Social Bond Instruments' Use of Proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs:

| USE OF PROCEEDS (PRODUCTS/SERVICES) | CONTRIBUTION OR OBSTRUCTION | SUSTAINABLE DEVELOPMENT GOALS |
|---|-----------------------------|---|
| <p>Access to Education</p> <ul style="list-style-type: none"> Projects that finance or refinance operations of universities and 3rd level education facilities and vocational training centers. Loans to "pure-play" companies in education such as providers of educational courses and materials including language courses and specific training, including non-profit organizations. | <p>Contribution</p> |  |

⁶ The impact of the UoP categories on UN Sustainable Development Goals is assessed with proprietary methodology and may therefore differ from the Issuer's description in the framework.

⁷ The assessment remains unchanged and is based on the analysis that was delivered on 27.03.2023.

- *Projects that finance or refinance construction, maintenance or renovation of public schools, universities and 3rd level education facilities and vocational training centers.*
- *Projects that finance or refinance student housing projects.*

Access to Education

- *Projects that finance or refinance operations of public primary and secondary schools.*

Access to Healthcare

- *Projects that finance or refinance operations of public hospitals, primary care facilities, facilities to treat specific physical and/or learning and cognitive deficit conditions, rehabilitation services for drugs and alcohol related conditions.*

Access to Healthcare

- *Loans to "pure-play" companies in healthcare involved in development of healthcare technology and medical specialty, diagnostic and emergency services, production of medical equipment for hospitals.*
- *Loans to "pure-play" companies in healthcare involved in production of medical equipment for care-homes and for private customers (such as customized wheelchairs, adaptive seating systems, and other mobility solutions for individuals diagnosed with permanent or long-term loss of mobility).*
- *Projects that finance or refinance construction, maintenance or renovation of public hospitals, primary care facilities, facilities to treat specific physical and/or*

Contribution



Contribution



Contribution



learning and cognitive deficit conditions, rehabilitation services for drugs and alcohol related conditions, residential care facilities for elderly people and people with specific health conditions (such as learning or physically disabled people), assisted living facilities and nursing homes.

Access to Healthcare

- Loans to “pure-play” companies in healthcare involved in specialized training centers to upskill operators of specialist equipment and organizations for training geared towards healthcare professionals and medical figures.

Contribution



Access to Healthcare

- Projects that finance or refinance operations of residential care facilities for elderly people and people with specific health conditions (such as learning or physically disabled people), assisted living facilities and nursing homes.
- Loans to “pure-play” companies in healthcare involved in automation solutions to the healthcare sectors.

Contribution



Affordable Housing

- Projects that finance or refinance housing organizations and provide loans to housing bodies, organizations and entities that enable the provision of affordable housing for people with history of rough sleeping or long-term use of emergency accommodation and with complex needs, prisoners and other convicted persons, families and children who are at risk of homelessness and young people at risk of becoming homeless.

Contribution



Affordable Housing

- *Projects that finance or refinance First Homes and provide Loans to individuals that enable the purchase of new build primary dwelling homes.⁸*
- *Projects that finance or refinance Local authorities and provide Loans to individuals that enable the purchase of local authority primary dwelling homes.*
- *Projects that finance or refinance Mortgages to rent and provide Loans under the mortgage to rent scheme for low-income citizens whose mortgage is with a private lender and these people cannot pay their mortgage but will instead become social housing tenants.*
- *Projects that finance or refinance Mortgages to rent and provide Loans under the mortgage to rent scheme for middle-income citizens whose mortgage is with a private lender and these people cannot pay their mortgage but will instead become social housing tenants.*

SMEs Financing

- *Projects that finance or refinance Female-owned business.*

SMEs Financing

- *Projects that finance or refinance SMEs in socio-economically disadvantaged areas.*
- *Projects that finance or refinance SMEs affected by socioeconomic crises such as Brexit, Covid, the War in Ukraine and the resulting energy crisis.*

Contribution



Contribution



Contribution



⁸ Target population includes first time home buyers and fresh starters that are financially vulnerable.

Support to non-profit organisations

- Projects that finance or refinance socially focused non-profit organizations, associations and foundations, including offering safe shelter to people in need.

Support to non-profit organisations

- Projects that finance or refinance socially focused non-profit organizations, associations and foundations, including - Redistribution from the food industry to enable access of social projects safe, nutritious, and sufficient food to low-income people and homeless people.

Support to non-profit organisations

- Projects that finance or refinance Sport activities for children.

Affordable basic infrastructure

- Projects that finance or refinance walking and cycling infrastructure

Affordable basic infrastructure

- Projects that finance affordable basic infrastructure, and accessibility to affordable basic infrastructure including clean drinking water, sewers, sanitation for communities that currently have no access, limited access or poor-quality access.

Affordable basic infrastructure

- Projects that finance affordable basic infrastructure, including broadband [including high-speed broadband] for communities that currently have no access, limited access or poor-quality access.

Contribution



Contribution



Contribution



Contribution



Contribution



Contribution



B. MANAGEMENT OF ENVIRONMENTAL & SOCIAL RISKS ASSOCIATED WITH THE FINANCIAL INSTITUTION AND THE ELIGIBILITY CRITERIA⁹

The table below evaluates the eligibility criteria against issuance-specific KPIs. The entirety of the assets are and will be located in European Economic Area (EEA) (including Ireland), the United Kingdom and the United States of America.

ASSESSMENT AGAINST KPIs

ESG guidelines into lending process

AIB has a credit assessment due diligence process at the on-boarding stage and on an ongoing basis, which is driven by the risk assessment of the customer. Within the due diligence process, AIB screens customers against various criteria including national/international sanctions or terrorism. For customers and beneficial owners presenting higher risk (e.g., politically exposed persons (PEPs) and/or customers established/residing in a 'high-risk third country') the issuer applies enhanced due diligence. A two-tier escalated sign-off for PEPs is in place, with higher risk PEPs requiring approval by the Money Laundering Reporting Officer (MLRO). Customer activity is monitored to identify unusual or suspicious activity which is then investigated by specialist teams within the Bank. Reports of suspicious activity are made to the relevant authorities where required. Records of Business Risk Assessments, Customer Due Diligence and Transactional information are retained for at least 6 years after the cessation of the business relationship.

The issuer confirms that within the credit risk framework environmental aspects are covered across all sectors. Assets that are likely to have significant effects on the environment by virtue of their size, nature or location are required to undergo an environmental impact assessment (EIA) which is to be submitted to competent authorities when applying for project development.

AIB gathers and reviews Technical Due Diligence (TDD) reports on all infrastructure projects where it acts as a lender. The report addresses environmental concerns and where necessary in-depth environmental reviews, which is also gathered and reviewed as part of the credit approval process.

Every Capital Markets exposure in AIB requires credit committee's approval that necessitates a credit review be written and presented by a bank official. The credit review includes a section on Sustainability considerations, which is reviewed as part of the credit process by the approval authority.

⁹ The assessment remains unchanged and is based on the analysis that was delivered on 27.03.2023.

An Environmental Impact Assessment (EIA) or Environmental & Social Impact assessment (E&SIA) could be contained in the TDD for a given project, which are typically provided by the borrower.

An Excluded Activities List¹⁰ is applied to any business customers with a Gross Connected Exposure of greater than £/€ 300,000.

AIB applies an ESG questionnaire (ESGQ) to assess borrowers in high-risk sectors where new money applications exceed EUR 300,000. As part of the ESGQ, AIB assesses a borrower's compliance with ESG factors, including a minimum safeguard criterion (e.g. combatting modern slavery and upholding human rights). Non-SME pure-play companies in healthcare and education are subject to a Minimum ESG Rating requirement.

In the case a big risk rating is determined for a borrower subject to the ESG questionnaire, AIB provides adequate rationale and mitigation supports to the lending recommendation, in line with AIB's ambition is to help customers make transitions.

Health and Safety

As all assets financed will be located in the EEA (including Ireland), the United Kingdom and the United States of America, high health & safety standards are ensured for all assets financed under this framework.

Additionally, AIB is a member of the Equator principles which include health and safety standards.

- ✓ AIB's ESGQ requires borrowers to provide information on H&S standards, particularly if they have experienced any serious issues with H&S with regulatory authorities especially when they are unresolved.

Moreover, 100% of the eligible loans dedicated to the financing of education facilities such as schools, universities and third level education facilities and vocational training centers, are subject to the respective national legislation and health and safety requirements.

Labour Standards

- ✓ As all assets financed will be located in the EEA (including Ireland), the United Kingdom and the United States of America, high labour standards are ensured for all assets financed under this framework by ensuring that high labour

¹⁰ This list has since been incorporated into AIB's Group Credit Risk Policy, which supports the management of credit risk across the Group. More information is available at <https://aib.ie/content/dam/frontdoor/personal/sustainability/aib-group-excluded-activities-policy.pdf>

standards are met at borrower level and conducting controversy screening for financed assets.

Additionally, AIB is a member of the Equator principles which include labour standards.

AIB's commitment¹¹ to the protection and preservation of human rights has been shaped by the United Nations Guiding Principles on Business and Human Rights. The Human Rights Commitment operates alongside AIB's Code of Conduct and AIB's Responsible Supplier Code and are aligned to the commitments laid out in the laws applicable to the jurisdictions in which AIB operates, the European Convention on Human Rights and for their business in Ireland the EU Charter of Fundamental Rights.

AIB's ESGQ assesses borrower's compliance with minimum safeguard criteria, such as those combatting modern slavery and upholding human rights. AIB is planning to extend the amount of questions on social and governance as part of the questionnaire by end of 2022.

As noted in AIB's Sustainability Report¹², in 2021, AIB conducted a pilot process to model the identification of its salient human rights issues, recognizing its responsibilities as an employer, a procurer of goods and services, and a provider of retail banking and corporate lending. The two key objectives of this process were to: (i) build internal awareness of human rights as an issue for the business, and (ii) identify priority salient human rights relevant to the bank for future action. Information was gathered through a combination of reviewing publicly available and internal documents and conducting stakeholder interviews. In terms of due diligence, AIB aims to replicate this process periodically and incorporate new information on potential impacts as it becomes available.

AIB's Responsible Supplier Code ensures that its suppliers abide by all national and international laws as applicable (including the International Bill of Human Rights and the International Labour Organization conventions).

Biodiversity



The Issuer ensures that for all assets financed, the environmental impacts and impacts on the communities have been mitigated and reduced.

AIB's climate-related lending assessments and decisions for long-term infrastructure, industrial projects that are likely to have significant effects on

¹¹ AIB respects human rights in accordance with internationally accepted standards. More information is available at <https://aib.ie/content/dam/frontdoor/personal/sustainability/aib-human-rights-commitment-final.pdf>

¹² AIB, Sustainability Report for FY ending December 31, 2021, Page 70, <https://aib.ie/content/dam/frontdoor/personal/sustainability/sustainability-full-report-2021.pdf>

the environment by virtue of their size, nature or location have to undergo an environmental impact assessment (EIA) which is then submitted to competent authorities¹³ while applying for project development.

As a member of the Equator Principles Financial Institutions (EPFIs) since 2021, AIB will ensure that the projects it finances are developed in a socially responsible way accompanied by robust environmental management practices, including the protection and conservation of biodiversity and the identification of legally protected areas.

For projects located in the EU and the UK. Relevant legislation refers to the transposition in each relevant country of Directive 2011/92/EU, the Birds, and Habitats Directives (2009/147/EC and 92/43/EC) and Conservation of Habitats and Species Regulations 2017 in UK. For projects located in the USA, as a member of the EPs, AIB ensures that the projects it finances are developed in a socially responsible way accompanied by robust environmental management practices, including the protection and conservation of biodiversity and the identification of legally protected areas.

Community dialogue

For all assets financed the Issuer ensures that the impacts on the communities have been mitigated and reduced as it aligns to the EPFI and in turn the IFC Performance Standards.



In its Sustainability report¹⁴, the bank discloses how it has aligned or will align its strategy to be consistent with and contribute to society's goals, as expressed in the SDGs, the Paris Climate Agreement, and relevant national and regional frameworks.

Environmental and Social Impact Assessment (ESIA) is an integral part of the Equator Principles for projects categories A and B. An ESIA is usually prepared for greenfield developments or large expansions with specifically identified physical elements, aspects, and facilities that are likely to generate significant environmental or social impacts.

Inclusion



The Issuer ensures universal access especially to vulnerable or disadvantaged populations financed under the framework. AIB in its Human Rights Commitment 15 also ensures non-discrimination amongst customers due to

¹³ Competent authorities are as defined by the regulation in the local jurisdiction.

¹⁴ AIB, Sustainability Report for FY ending December 31, 2021, Page 94, <https://aib.ie/content/dam/frontdoor/personal/sustainability/sustainability-full-report-2021.pdf>

¹⁵ AIB Human Rights Commitment, February 2021, <https://aib.ie/content/dam/frontdoor/personal/sustainability/aib-human-rights-commitment-final.pdf>

gender, marital status, family status, age disability, sexual orientation, race, religion, or on any other grounds where discrimination is prohibited under local law.

In the case of the Healthcare category, only financing to hospitals and primary care facilities affiliated to national healthcare systems are eligible. In Ireland, financing to public hospitals and private hospitals through which the NTPF arranges for the provision of hospital treatment are eligible. Only hospitals listed by the NTPF as being included in the existing panel agreement are eligible for the social bond pool.

In the case of the Education category, accessibility to university and other third level education/vocational training for low-income students is made possible through Student Universal Support Ireland (SUSI).¹⁶ Eligibility is subject to income thresholds.¹⁷

Only public (non fee-paying) primary and secondary schools are eligible.

Data protection and information security



The Issuer has policies in place for systematically ensuring that data collection processes on retail borrowers meet minimum requirements for data and information security, and data security in outsourced data processing. Moreover, it has taken steps to adapt its processes to the European GDPR.

Responsible treatment of customers with debt repayment problems

The Issuer has implemented various measures to deal responsibly with clients having debt repayment problems.



With regard to residential mortgage lending, AIB adheres to the Central Bank of Ireland's (CBI's) macroprudential measures which aim to ensure sustainable lending standards in the mortgage market. The measures work by setting limits on the amount of money that people can borrow to buy residential property using loan-to-income (LTI) and loan-to-value (LTV) limits.

AIB adheres to the CBI Code of Conduct for Mortgage Arrears (CCMA), a Group Forbearance policy, and a Vulnerable Customer Policy.

¹⁶ SUSI is Ireland's authority for further and higher education grants. SUSI offers funding to eligible students in approved full-time courses at Post Leaving Certificate (PLC), undergraduate and postgraduate levels. SUSI administers funding in line with the legislation as set out in the [Student Support Act 2011](#) and the annual [Student Grant Scheme](#) and [Student Support Regulations](#). More information is available at: <https://www.susi.ie/index.html>

¹⁷ The income threshold tables for [Undergraduate Students](#), for [PLC Students](#) and [Postgraduate Students](#). More information on income thresholds is available at: <https://www.susi.ie/eligibility-criteria/income/index.html>

Sales practices



The Issuer takes into account ethical considerations to a large extent in the calculation of commissions and bonus payments. There are measures in place for the evaluation of agents' competences and sales practices, customer surveys focusing on their post-sale understanding of products and services, monitoring and assessment of complaints received, and training on responsible sales practices. Also, AIB's policy states that they adhere to the CBI's legislations for sales practices.

Responsible marketing



The Issuer is committed to being transparent in its marketing activities towards retail borrowers. It has guidelines in place on clear and correct pricing, and the provision of complete and understandable information including **commitment to transparency regarding product risks, and non-use of small print**. Also, AIB's policy states that they adhere to the CBI's legislations for responsible marketing practices.

Exclusion criteria

The Issuer lending due-diligence assessment includes a negative screening for Excluded Activities. For the purpose of the Social Bond Framework further sectors are excluded: coal, oil, petrol, fossil-fuel, genetically modified organisms (GMOs) in food and feed, gambling, tobacco, and alcohol.

AIB Group Excluded Activities List apply to all business customers at company level with a Gross Connected Exposure of >£/€300k¹⁸ and who are relationship managed.

AIB has a Financial Crime Framework (which includes the Financial Crime policy and standards on Anti-Money Laundering (AML)/Countering the Financing of Terrorism (CFT), Fraud and Group Sanctions) in place, which is delivered through the Three Lines of Defense¹⁹, and subject to oversight by the Board and externally by the CBI.

¹⁸ The €300k threshold captures typical minimum business levels in the main Corporate and Business Banking units.

¹⁹ Three Lines of Defense include People Leader with support of HR, risk function and internal audit. More information is available at <https://aib.ie/content/dam/aib/personal/docs/sustainability/code-of-conduct.pdf>

PART III: CONSISTENCY OF SOCIAL BOND INSTRUMENTS WITH AIB'S SUSTAINABILITY STRATEGY

Key sustainability objectives and priorities defined by the Issuer

| TOPIC | ISSUER APPROACH |
|------------------------------------|---|
| <p>Strategic ESG topics</p> | <p>The Issuer focuses on 3 pillars:</p> <ul style="list-style-type: none"> ▪ Climate & Environmental Action – providing responsible green finance, investments and advice to drive structural change and support the transition to a low carbon future, ▪ Societal & Workforce Progress – making a positive economic contribution and being a positive influence on society, ▪ and Governance & Responsible Business – acting responsibly, with integrity and transparency, while embedding ESG capabilities and measures within AIB’s business. <p>While AIB supports all the 17 UN SDGs, these sustainability pillars specifically foster UN SDGs 1, 4, 5, 7, 9, 11, and 13, and they have been defined based on AIB’s overall ambition, through outputs for the CSRD double materiality assessment, together with best practice measures.</p> |
| <p>ESG goals/targets</p> | <p>To achieve its strategic ESG topics, the Issuer has set the following goals:</p> <p><u>Climate & Environmental Action:</u></p> <ul style="list-style-type: none"> ▪ Lend responsibly and steer AIB’s portfolios towards net zero by 2040 (Agriculture by 2050) ▪ Reach net zero in its own operations by 2030 (including Scope 1 and 2 GHG emissions) ▪ Increase consideration and management of climate and environmental related risks ▪ Contribute to protecting nature and safeguarding natural ecosystems/habitats, improving the Issuer’s environmental risk management through the implementation of |

an environmental materiality analysis for the credit risk portfolio

Societal & Workforce Progress:

- Support access to housing, providing finance for housing development and supplying mortgages
- Support Customers, appointing a Chief Customer Officer to drive improved customer experience using customer insights and data, and to align strategy, channels and propositions to develop future solutions, and continuing work on improving the onboarding customer journey, increasing automation.
- Support Colleagues, building a strong and diverse talent pipeline enabled by enterprise agility, talent mobility and targeted development career experiences, fostering an inclusive work environment
- Support Communities, by positively supporting sustainable communities and local initiatives through its community fund and donations to charities

Governance & Responsible Business

- Facilitate a culture that promotes AIB's values and fosters engagement, enhancing AIB's supplier relationship in 2024 with the launch of an updated AIB Responsible Supplier Code
- Board and management to work to the highest standards to deliver long-term value
- Operate responsibly at all levels, while managing cyber security, data security and operational resilience risks
- Continuing the work done on gendered balanced management on AIB's Group Board, by keeping the gender balance, and annually publishing a Pay Gap Report for AIB in Ireland

The goals are public and overseen by the Business Performance and Sustainment Division in consultation with the Chief Strategy and Sustainability Officer, and

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| | <p>overseen by the Group Sustainability Committee and Sustainable Business Advisory Committee.</p> |
| <p>Action plan</p> | <p>The Issuer has disclosed some key measures to achieve its ESG goals:</p> <ul style="list-style-type: none"> ▪ For Climate & Environmental Action, AIB has increased its existing Climate Action Fund from €10bn (by end 2023) to a cumulative €30bn by 2030, and AIB aims to have 70% of new lending to be green or transition by 2030. ▪ For Societal & Workforce Progress, AIB is planning to lend more than €6bn to first time buyers by 2026, and to support sustainable communities and local initiatives through its community fund and charity donations. ▪ For Governance & Responsible Business, AIB is planning to build an inclusive workforce reflecting AIB’s culture and promoting its values, updating its Inclusion & Diversity Code and implementing a new guide on Reasonable Harassment and Disability Inclusion, as well as a new Guide on Reasonable Accommodations at AIB, and improve its management of cybersecurity, data security and operational resilience risks. |
| <p>Climate Transition Strategy</p> | <p>The Issuer has set both short and long-term targets for reducing GHG emissions by 2050. The Issuer aims to achieve Net Zero by 2030 for its own operations (including Scope 1 and 2) by reducing scope 1 GHG emissions by 34% by 2027 from baseline year 2019, increasing the sourcing of renewable electricity to 100% by 2030 and reaching full electrification of its car fleet by 2027.</p> <p>AIB aims to achieve Net Zero for financed emissions targets by 2040 (except for Agriculture by 2050) and has set financed emissions targets for key sectors, which cover 75% of the Group Loan Portfolio (residential, commercial real estate, and electricity generation), validated by SBTi as of 2021. Furthermore, the Issuer committed to have 70% of the new financing labelled as green or transition by 2030.</p> |

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| <p>Top three areas of breaches of international norms and ESG controversies in the industry²⁰</p> | <p>Financial market irregularities, failure to mitigate climate change impacts, failure to prevent money laundering.</p> |
| <p>Breaches of international norms and ESG controversies by the Issuer</p> | <p>At the date of publication and leveraging ISS ESG Research, no controversy in which the Issuer would be involved has been identified.</p> |
| <p>Sustainability Reporting</p> | <p>The Issuer reports on its ESG performance and initiatives on a yearly basis. The report is prepared in line with the GRI standards and in relation to AIB’s implementation of the UNEP FI PRI and is available on the Issuer’s website.</p> |
| <p>Industry associations, Collective commitments</p> | <p>The Issuer is a founding signatory to the United Nations Environment Programme Finance Initiative (UNEPFI) Principles for Responsible Banking (PRI). Furthermore, in 2023 AIB got SBTi approved maintenance targets for electricity generation and set SBTi approved financed emissions targets for 75% of the AIB loan book. Moreover, AIB is a signatory of the Equator principles and of the UN Global Compact since 2021, a supporter of the Task Force for Climate-Related Financial Disclosures (TCFD) and a signatory of the industry-led UN-convened Net Zero Banking Alliance (NZBA) since 2019,</p> |
| <p>Previous sustainable/sustainability-linked issuances or transactions and publication of sustainable financing framework</p> | <p>In 2019, AIB was the first Irish Bank to publish a Green Bond Framework and, in 2020, AIB was the first Irish Bank to issue a Green Bond for €1bn. In 2022, AIB also became the first Irish bank to issue a social bond. Over the last four years, AIB has raised a combined €4bn and €1.75bn from the issuance of Green Bonds and Social Bonds, respectively.</p> |

Rationale for issuance

AIB is a group of financial services companies. It provides a range of services to retail, business, and corporate customers.

²⁰ Based on a review of controversies identified by ISS ESG over a 2-year period, the top three issues that have been reported against companies within the Commercial Banks & Capital Markets industry are displayed above. Please note that this is not a company specific assessment but areas that can be of particular relevance for companies within that industry.

AIB provides green and social financing such as funding the providers of essential services, non-profit organizations, and purchasers of housing and homes, including social and affordable housing.

Furthermore, AIB supports the development of the Green, Social, and Sustainability Bond Market by participating as a regular green and social bond issuer and by maintaining its programmes to a high standard (which includes external reviews, independent impact methodologies, and the publication of comprehensive green and social bond reports). The rationale for the issuance of the Social Bond Instruments is to provide investors with an increased level of transparency around AIB's social lending in the education, healthcare, SME and social housing sectors via providing more granular breakdowns of categories financed as well as the social impact of the related lending. The Social Bond Instruments' goal is to use an amount equal to the net proceeds to fund assets that provide positive societal impact and/or mitigate social issues that support specific target populations and societal areas of focus, such as supporting access to social housing, healthcare, education & affordable basic infrastructure, enabling employment generation & retention and supporting non-profit organisations.

Opinion: *The key sustainability objectives and the rationale for issuing Social Bonds are clearly described by the Issuer. The majority of the project categories financed are in line with the sustainability objectives of the Issuer.*

DISCLAIMER

1. Validity of the Second Party Opinion (“SPO”): Valid as long as the cited Framework remains unchanged.
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ANNEX 1: METHODOLOGY

The ISS-Corporate SPO provides an assessment of labelled transactions against international standards using ISS-Corporate proprietary methodology.

ANNEX 2: QUALITY MANAGEMENT PROCESSES

SCOPE

AIB commissioned ISS-Corporate to compile a Social Bond Instruments SPO. The Second Party Opinion process includes verifying whether the Social Bond Framework aligns with the ICMA Social Bond Principles and to assess the sustainability credentials of its Social Bond Instruments, as well as the Issuer's sustainability strategy.

CRITERIA

Relevant Standards for this Second Party Opinion:

- ICMA Social Bond Principles, as of June 2021

ISSUER'S RESPONSIBILITY

AIB's responsibility was to provide information and documentation on:

- Framework
- Eligibility criteria
- Documentation of ESG risks management at the framework level

ISS-CORPORATE'S VERIFICATION PROCESS

Since 2014, ISS Group, of which ISS-Corporate is a part of, has built up a reputation as a highly-reputed thought leader in the green and social bond market and has become one of the first CBI approved verifiers.

This independent Second Party Opinion of the Social Bond Instruments to be issued by AIB has been conducted based on a proprietary methodology and in line with the ICMA Social Bond Principles.

The engagement with AIB took place from December 2022 to April 2024.

ISS-CORPORATE'S BUSINESS PRACTICES

ISS-Corporate has conducted this verification in strict compliance with the ISS Group Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behavior and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

About this SPO

Companies turn to ISS-Corporate for expertise in designing and managing governance, compensation, sustainability and cyber risk programs that align with company goals, reduce risk, and manage the needs of a diverse shareholder base by delivering best-in-class data, tools, and advisory services.

We assess alignment with external principles (e.g. the ICMA Green / Social Bond Principles), analyse the sustainability quality of the assets and review the sustainability performance of the Issuer themselves. Following these three steps, we draw up an independent SPO so that investors are as well informed as possible about the quality of the bond / loan from a sustainability perspective.

Learn more: <https://www.iss-corporate.com/solutions/sustainable-finance/bond-issuers/>

For more information on SPO services, please contact: SPOsales@iss-corporate.com

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