

## SECOND PARTY OPINION (SPO)

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Sustainability Quality of the Issuer and Social Bond Framework  
Selection Criteria

AIB Group Plc  
23 July 2021

### VERIFICATION PARAMETERS

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Type(s) of instruments contemplated	<ul style="list-style-type: none"><li>• Social Bonds, issued under the Social Bond Framework</li></ul>
Relevant standards	<ul style="list-style-type: none"><li>• ICMA Social Bond Principles (2020 edition)</li></ul>
Scope of verification	<ul style="list-style-type: none"><li>• Allied Irish Bank's Selection criteria described in Social Bond Framework (as of 15.07.2021)</li></ul>
Lifecycle	<ul style="list-style-type: none"><li>• Pre-issuance verification</li></ul>
Validity	<ul style="list-style-type: none"><li>• This SPO is valid as long as no new asset categories are added to the Social Bond Framework and there are no material changes to the asset pool (as of 06.07.2021)</li></ul>

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## Scope of work

Allied Irish Bank (“AIB”) commissioned ISS ESG to assist with its Social Bond Framework by assessing three core elements to determine the sustainability quality of the instruments issued under the Framework:

1. Social Bond Framework link to AIB’s sustainability strategy – drawing on AIB’s overall sustainability profile and issuance-specific Use of Proceeds categories.
2. AIB’s Social Bond Framework (June 2021 version) – benchmarked against the International Capital Market Association's (ICMA) Social Bond Principles (SBPs), 2020 edition.
3. The Selection Criteria – whether the assets contribute positively to the UN SDGs and perform against ISS ESG’s asset-specific key performance indicators (KPIs) (See Annex 1).

## ISS ESG ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION <sup>1</sup>
<p><b>Part 1:</b></p> <p><b>Social Bond Framework link to issuer’s sustainability strategy</b></p>	<p>According to the ISS ESG Corporate Rating published on 05.07.2021, the issuer shows a high sustainability performance against the industry peer group on key ESG issues faced by the Commercial Banks &amp; Capital Markets sector. The issuer is rated 68<sup>th</sup> out of 291 companies within its sector.</p> <p>The Use of Proceeds financed through the Social bonds issued under the Framework are consistent with the issuer’s sustainability strategy and material ESG topics for the issuer’s industry. The rationale for issuing Social bonds is clearly described by the issuer.</p>	<p><b>Consistent with issuer’s sustainability strategy</b></p>
<p><b>Part 2:</b></p> <p><b>Alignment with SBPs</b></p>	<p>The issuer has defined a formal concept for its Social Bond Framework regarding use of proceeds, processes for project evaluation and selection, management of proceeds, reporting and external review (pre- and post-issuance). This concept is in line with the ICMA Social Bond Principles.</p>	<p><b>Aligned</b></p>
<p><b>Part 3:</b></p> <p><b>Sustainability quality of the Selection Criteria</b></p>	<p>The overall sustainability quality of the Selection Criteria in terms of sustainability benefits, risk avoidance and minimisation is good based upon the ISS ESG assessment. Net proceeds of AIB Social bonds will (re-)finance eligible asset categories which include: Social and affordable housing, financing SMEs, healthcare, education, and support to charities &amp; non-profit organisations.</p> <p>Those use of proceeds categories have a significant contribution to SDG 1 ‘No poverty’, SDG 3 ‘Health and well-being’, SDG 4 ‘Quality education’, SDG 8 ‘Decent work and Economic growth’ and SDG 10 ‘Reduced inequalities’ and SDG 11 ‘Sustainable Cities and Communities’ as well as a limited contribution to SDG 2 ‘Zero Hunger’. The environmental and social risks associated with those use of proceeds categories have been well managed.</p>	<p><b>Positive</b></p>

<sup>1</sup> ISS ESG’s evaluation is based on AIB Social Bond framework (July 2021 version), and on the ISS ESG Corporate Rating applicable at the SPO delivery date (updated on the 06.07.2021).

## ISS ESG SPO ASSESSMENT

### PART I: SOCIAL BOND FRAMEWORK LINK TO AIB'S SUSTAINABILITY STRATEGY

**Methodological note:** Please note that this section of the SPO is extracted from the ISS ESG Corporate Rating of AIB. As at the time of publication of this SPO, the ESG Corporate Rating does not reflect certain recent development, the assessment below has been partly amended.

#### A. ASSESSMENT OF AIB'S ESG PERFORMANCE

The ISS ESG Corporate Rating provides material and forward-looking environmental, social and governance (ESG) data and performance assessments.

COMPANY	SECTOR	DECILE RANK	TRANSPARENCY LEVEL
AIB Group Plc	Commercial Banks & Capital Markets	3	HIGH

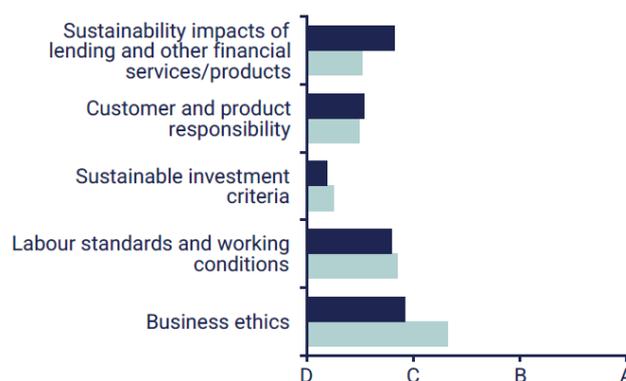
This means that the company currently shows a high sustainability performance against peers on key ESG issues faced by the Commercial Banks & Capital Markets sector and obtains a Decile Rank relative to the industry group of 3<sup>2</sup>.

#### ESG performance

As of 07.07.2021, this Rating places AIB 68<sup>th</sup> out of 291 companies rated by ISS ESG in the Commercial Banks & Capital Markets sector.

Key challenges faced by companies in terms of sustainability management in this sector are displayed in the chart on the right, as well as the issuer's performance against those key challenges in comparison to the average industry peers' performance.

#### Key Issue Performance



Legend: Industry (light blue), Company (dark blue)

#### Sustainability Opportunities

AIB Group is a financial services group operating predominantly in the Republic of Ireland. It provides a comprehensive range of services to retail, business and corporate customers. AIB also operates in Great Britain, as Allied Irish Bank (GB), and in Northern Ireland. The company has established a basic bank account offering which facilitates financial inclusion of low-income groups. Furthermore, in 2020, the company launched a EUR 300m social housing fund to support the provision of 2,000 sustainable A-rated social housing units by 2023.

<sup>2</sup> The Decile Rank scale goes from 1, indicating highest relative ESG performance, to 10 indicating lowest relative performance.

In recent years the company has introduced new products and services to the market including renewable energy financing, social mortgage loans, and a EUR 5bn (1bn per annum) climate action fund. These activities/products do not constitute the main business of the company.

### *Sustainability Risks*

Main sustainability risks for a bank lie in the areas of customer and product responsibility, as well as the consideration of ESG aspects in lending and asset management. For customers with repayment difficulties, AIB has an internal and external counselling services in place. AIB has established a Socially Responsible Investment (SRI) Bond portfolio for its own investments and some ESG policies applicable to some of its asset management operations. Not all AIB operations are currently covered by ESG policies or criteria.

The company has made a step towards integrating ESG in lending by implementing a sustainability exclusion list across its corporate and institutional banking which addresses some sensitive sectors (e.g. coal, mining, fishing, oil and gas). The company's code of conduct covers several relevant topics such as corruption, antitrust violations, money laundering and conflicts of interests. Compliance procedures, including compliance trainings, compliance risk assessments and audits, as well as anonymous and confidential reporting channels, have been implemented. There is no evidence of third-party anti-corruption due diligence and limited information disclosed on comprehensive whistleblower protection beyond a statement on non-retaliation against whistle-blowers.

### *Governance opinion*

Regarding AIB Group's governance structure, the company is in the process of appointing a new Chair; the deputy chair Mr. Brendan McDonagh has currently assumed all responsibilities of the chair. Mr. McDonagh is an Independent Non-Executive Director (as at April 21, 2021). The vast majority of the board of directors consists of independent members. Moreover, the board has set up entirely independent committees in charge of audit, nomination, and remuneration committees. AIB discloses its remuneration policy for some members of the executive management team, including the CEO. There are no variable performance-related components or long-term incentive components.

Regarding its sustainability governance, the company has established a Sustainable Business Advisory Committee and a Group Sustainability Committee with executive board representation. As per ISS-ESG's rating methodology, the latter committee is not recognised as independent, given that it does not satisfy relevant criteria in the methodology. As there are no variable performance-related components or long-term incentive components, ESG targets are not considered in executive compensation. The company's code of conduct covers several relevant topics such as corruption, antitrust violations, money laundering and conflicts of interests. Compliance procedures, including compliance trainings, compliance risk assessments and audits, as well as anonymous and confidential reporting channels, have been implemented.

### *Sustainability impact of products and services portfolio*

Using a proprietary methodology, ISS ESG assessed the contribution of AIB's current products and services portfolio to the Sustainable Development Goals defined by the United Nations (UN SDGs). This analysis is limited to the evaluation of final product characteristics and does not include practices along AIB's processes. Based on publicly available information, ISS ESG estimated that approximately

1% of AIB's revenue are generated from financing renewable energy, and a similar percentage from financing buildings certified to a relevant sustainable building standard. Those activities have a respective impact to SDG 7 "Clean and affordable energy" and SDG 13 "Climate action" on the one hand, and to SDG 11 "Sustainable cities and communities" on the other hand. For the rest of the revenue generated by AIB, no information is available allowing to conclude with regards to the relevant SDGs.

### *Breaches of international norms and ESG controversies*

AIB has created an enforcement provision of €70 million in 2019 to remedy its severe controversy relating to the Central Bank of Ireland industry-wide Tracker Mortgage Examination<sup>3</sup> and the enforcement process is still ongoing. According to ISS ESG's Norm based Research, Allied Irish Banks Plc is not assessed to be involved in any unaddressed severe controversy relating to UN Global Compact Principles.

## B. CONSISTENCY OF SOCIAL BOND FRAMEWORK WITH AIB'S SUSTAINABILITY STRATEGY

### *Key sustainability objectives and priorities defined by the issuer*

Sustainability is a central tenet of the Corporate strategy with a stated ambition of 70% new lending to be green/ transition by 2030 and a target of net zero in its own operations by 2030. AIB has had a focus on Corporate Sustainability for over twenty years and intensified the focus on the broader Sustainability strategy in 2016, with the establishment of the Group Sustainability team, in 2019. In 2021, it published the fifth Sustainability Report (over the year 2020), outlining key social, environmental, and economic issues which have been identified by AIB stakeholders and that can be summarised in three key areas of focus:

- Climate Action (e.g. products and services to address environmental and social issues)
- Economic and Social Inclusion (e.g. usability of services and accessibility of products; financial inclusion and literacy)
- Future-Proof Bank (e.g. customers data and privacy protection; ethics and integrity)

As part of its Net Zero ambition, AIB has analysed scope 3 emissions by sector as categorised by the NACE activity code. This sector level analysis focuses on Agriculture, Energy, Manufacturing, Property and Construction and Residential Mortgages using Sector level methodologies, based on AIB's exposure to those sectors.

<sup>3</sup> In its 2020 Annual Report published in March 2021, AIB Group Plc disclosed that it has paid consumers affected by the tracker mortgage issue and is working with the Central Bank of Ireland (CBI) in its ongoing enforcement investigation. In its 2016 Annual Report, AIB's review of the issue found that, in some instances, the bank was "not sufficiently clear with customers" or "failed to honour contractual commitments". In 2020 the company compensated about 5,900 mortgage customers as it rolled out a decision by the Financial Services and Pensions Ombudsman (FSPO) in April 2020 regarding a tracker-related complaint, as well as 1,000 customers of EBS, a subsidiary of AIB, who were deemed in 2020 to be affected. In 2019 AIB created a €265 million provision for customer redress and compensation for the FSPO decision of which €167 million have been utilized. Previously, AIB had paid each of the 5,900 customers compensation of €1,000 plus €615 towards independent advice. In communication with ISS ESG in March 2021, AIB stated that as of 31 December 2020, an €80 million FSPO-related provision remains. In respect of the ongoing appeals process and any individual impacted accounts related to CBI's Tracker Mortgage Examination (TME), AIB has a provision of €8 million at 31 December 2020. Between 2015 and 2020, €208 million TME-related provisions were created and over €200 million of this provision have been utilised to date. In 2020 AIB also retained its provision of €70 million for expected penalties that CBI may impose.

AIB aspires to a fairer and more inclusive society and has established a formal approach to Economic and Social Inclusion.

- The Bank offers financing solutions to housing organisations which offer affordable and social housing solutions in Ireland and the UK. In October 2020, AIB launched a new €300 million social housing fund which will help assist the development and long-term hold of over 2,000 new sustainable A rated social housing units across the country. In addition, AIB offers Green Mortgages in Ireland and the UK. For mortgage customers in difficulty, AIB offer support and a comprehensive range of solutions.
- AIB finances SMEs in Ireland and offers specific solutions such as its SME Fixed Rate Loan<sup>4</sup>. In the course of 2020, AIB supported SMEs with €1.6bn lending. In order to provide short term relief to customers who experienced short term cash flow pressure as a result of COVID-19 impact to their business AIB has introduced SME COVID-19 solutions (COVID-19 Working Capital).

AIB intends to incentivise customers in transition towards a more sustainable economy and in the course of 2020 has launched its Sustainability-Linked Loan (SLL)<sup>5</sup> product, where the margin of the loan facility is linked to one or more environmental and/social KPIs. Further information on AIB’s sustainability objectives, policies, measures and progress is available in AIB’s Group Sustainability Report<sup>6</sup>.

In addition to the above, other key milestones that demonstrate AIB’s sustainability commitment to date include (for further information please see AIB’s Group Sustainability Report<sup>7</sup>):

YEAR	KEY MILESTONES
<b>2017</b>	<ul style="list-style-type: none"> <li>▪ AIB established the Energy, Climate Action and Infrastructure team in recognition that a centre of excellence was required in an essential growth sector.</li> <li>▪ This team is now one of the largest in the Irish market and is supporting AIB’s goal of playing a leadership role in assisting Ireland in delivering its sustainability and decarbonisation goals. The team manages a diverse portfolio and provides solutions to energy companies across both the conventional power and renewable energy mix (e.g. wind, solar, and biomass).</li> </ul>
<b>2018</b>	<ul style="list-style-type: none"> <li>▪ Low Carbon Pledge.</li> <li>▪ AIB Energy Efficiency Outlook Report for SMEs<sup>8</sup>.</li> <li>▪ Leading Irish lender in the Renewables field.</li> </ul>
<b>2019</b>	<ul style="list-style-type: none"> <li>▪ Sponsorship of Climate Finance Week Ireland 2019.</li> <li>▪ Five-year Climate Action fund - one billion euro per annum.</li> <li>▪ Founding Signatories of the United Nations Environment Programme Finance Initiative (UNEP FI) Principles for Responsible Banking.</li> </ul>

<sup>4</sup> For borrowings up to €60,000. For loan amounts greater than €60,000 AIB offers competitive variable interest rates.

<sup>5</sup> SLLs are currently available to customers of our Corporate, Institutional & Business Banking (CIB) segment.

<sup>6</sup> <https://aib.ie/content/dam/frontdoor/personal/sustainability/aib-sustainability-report-2020.pdf>

<sup>7</sup> <https://aib.ie/content/dam/frontdoor/personal/sustainability/aib-sustainability-report-2020.pdf>

	<ul style="list-style-type: none"> <li>▪ Supporter of the Taskforce on Climate-related Financial Disclosures (TCFD).</li> <li>▪ Green Bond Framework.</li> <li>▪ Teagasc Grass 10 initiative - campaign to increase grass utilisation on Irish livestock farms.</li> <li>▪ 5 Year Green Mortgage</li> </ul>
<b>2020</b>	<ul style="list-style-type: none"> <li>▪ The AIB COVID-19 Research Hub, located within the Trinity College Biomedical Sciences Institute, will play a critical role in the delivery of the Trinity COVID-19 Immunology Project. AIB, as foundation partner, has committed €2.4 million to advance the project.</li> <li>▪ Socially Responsible Investment (SRI) Bond portfolio.</li> <li>▪ FTSE4Good Index Series.</li> <li>▪ Commitment to achieve Carbon Neutrality across our operations by 2030, using a Net Zero approach.</li> <li>▪ Sustainability-Linked Loan (SLL) product<sup>9</sup>.</li> <li>▪ AIB published its ESG Exclusion List<sup>10</sup>.</li> <li>▪ First Green Bond from an Irish bank.</li> <li>▪ €2.66bn green lending was provided over the last two years.</li> </ul>
<b>2021</b>	<ul style="list-style-type: none"> <li>▪ Green Personal loan<sup>11</sup>,</li> <li>▪ United Nations Global Compact.</li> <li>▪ Industry-led UN-convened UN Net Zero Banking Alliance</li> <li>▪ First Irish company to have committed to use World Economic Forum Stakeholder Capitalism metrics in our reporting.</li> <li>▪ In May 2021, AIB has partnered with Coillte Nature and Forestry Partners to plant 90,000 native Irish trees over the next three years.</li> </ul>

### *Rationale for issuance*

AIB believes that Social Bond financing offers a way to create transparency around funds targeted to provide positive societal impact and/or mitigating social problems. The AIB Social Bond Framework is prepared by the ESG Working Group (the “Working Group”), a cross functional working group of relevant business areas within AIB. The AIB Social Bond Framework has been established in accordance with the International Capital Market Association Social Bond Principles 2020<sup>12</sup>.

<sup>12</sup> <https://www.icmagroup.org/green-social-and-sustainability-bonds/social-bond-principles-sbp/>

*Contribution of Use of Proceeds categories to sustainability objectives and priorities*

ISS ESG mapped the Use of Proceeds categories financed under this Social Bond Framework with the sustainability objectives defined by the issuer, and with the key ESG industry challenges as defined in the ISS ESG Corporate Rating methodology for the Commercial Banks & Capital Markets sector. Key ESG industry challenges are key issues that are highly relevant for a respective industry to tackle when it comes to sustainability e.g. climate change and energy efficiency in the buildings sector. From this mapping, ISS ESG derived a level of contribution to the strategy of each Use of Proceeds categories.

USE OF PROCEEDS CATEGORY	SUSTAINABILITY OBJECTIVES FOR THE ISSUER	KEY ESG INDUSTRY CHALLENGES	CONTRIBUTION
<b>Access to healthcare</b>	✓	✓	Contribution to a material objective
<b>Access to Education</b>	✓	✓	Contribution to a material objective
<b>Financing SMEs</b>	✓	✓	Contribution to a material objective
<b>Social and affordable Housing</b>	✓	✓	Contribution to a material objective
<b>Support to charities and non-profit organisations</b>	✓	✓	Contribution to a material objective

**Opinion:** *ISS ESG finds that Use of Proceeds financed through the Social bonds issued under this Framework are consistent with the issuer’s sustainability strategy and to material ESG topics for the issuer’s industry. The Use of Proceeds categories are appropriately linked to the issuer’s strategy. The rationale for issuing Social bonds is clearly described by the issuer.*

## PART II: ALIGNMENT WITH ICMA SOCIAL BOND PRINCIPLES

### 1. Use of Proceeds

AIB, at its discretion but in accordance with the SBPs, will allocate an amount equal to the net proceeds of the Social Bonds to an eligible loan portfolio of new and existing social loans (the “Eligible Social Loans”, together forming the “Eligible Social Loan Portfolio”). Eligible Social Loans are to be funded in whole or in part by an allocation of an amount equal to the bond proceeds. Eligible Social Loans will be selected based on the use of proceeds criteria (“Social Eligibility Criteria”) defined below for each Eligible Category and according to the qualification process part of the lending due-diligence assessment normally conducted by AIB, which already includes a negative screening for Excluded Activities. On top of the bank wide policy for Excluded Activities, AIB has defined additional excluded sectors for the Framework, as mentioned in the Process for project evaluation and selection.

ELIGIBLE CATEGORY	SUB- CATEGORIES	TARGET POPULATION	SOCIAL BENEFITS
<b>Access to Healthcare</b>	<ul style="list-style-type: none"> <li>▪ Loans dedicated to the financing of healthcare facilities such as hospitals and primary care facilities, affiliated to the relevant national healthcare system and schemes and/or broadly accessible by the general population, including facilities to treat specific physical and/or learning and cognitive deficit conditions, and rehabilitation services for drugs and alcohol related conditions</li> <li>▪ Loans dedicated to the financing 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, respectively affiliated with national residential care and nursing home schemes</li> <li>▪ Loans to “pure-play” companies in healthcare, defined in accordance with the 3-Step process<sup>13</sup></li> </ul>	<ul style="list-style-type: none"> <li>▪ General public</li> <li>▪ Individuals with specific physical and/or mental conditions, including cognitive deficit(s)</li> <li>▪ Elderly people</li> <li>▪ Individuals in need of rehabilitation services</li> </ul>	<ul style="list-style-type: none"> <li>▪ Increase access to quality, timely and accessible healthcare, including specialised medical treatment to target groups (e.g. people suffering from specific mental disorders and cognitive deficit pathologies)</li> <li>▪ Enhance quality and accessible care for aging population</li> <li>▪ Increase availability of quality medical equipment to healthcare facilities and individuals</li> </ul>

<sup>13</sup> Based on 90% revenue threshold and remaining 10% of revenues assessment against excluded sectors (Step 1 & 2). AIB has established internal guidelines for the 3-Step process. AIB has defined “Services and products for healthcare”. Written confirmation in regard to annual revenues should be provided by the borrower to AIB relevant lending unit before considering inclusion. Minimum ESG requirement can be assessed by obtaining confirmation from the borrower or by consulting public website with high level ESG-Rating information (minimum ESG Rating required, Step 3). The 3-Step process guidelines require a loan-by-loan assessment.

<p><b>Access to Education</b></p>	<ul style="list-style-type: none"> <li>▪ Loans dedicated to the financing of education facilities such as schools, universities and 3rd level education facilities and vocational training centres</li> <li>▪ Loans to student housing organisations and providers</li> <li>▪ Loans to “pure-play” companies in education, defined in accordance with the 3-Step process</li> </ul>	<ul style="list-style-type: none"> <li>▪ Students, including low-income students</li> <li>▪ Adults benefitting from vocational training</li> </ul>	<ul style="list-style-type: none"> <li>▪ Increase access to quality and accessible education and vocational training</li> <li>▪ Increase access to quality, safe and affordable student accommodation</li> </ul>
<p><b>Social and Affordable Housing<sup>14</sup></b></p>	<ul style="list-style-type: none"> <li>▪ Loans to housing bodies, organisations and entities that enable the provision of affordable housing and provide greater access to social and affordable housing in accordance with accredited or registered social and affordable housing definitions, and/or contributes to enhanced access for low income residents or marginalised communities.<sup>15</sup> Housing organisations are often not-for-profit charities. In general, they provide affordable rented housing for people who cannot afford to pay private sector rents or buy their own homes, or for particular groups, such as older people or homeless people</li> <li>▪ Loans under the mortgage to rent scheme. The mortgage to rent scheme is only available for citizens whose mortgage is with a private lender. Under the scheme, people that cannot pay their mortgage have the opportunity to become social housing tenants with a right to have their housing needs met by the local authority indefinitely (including monthly affordable rent based on income)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Low-income individuals and families meeting the social and/or affordable housing requirements defined by local authorities in Ireland and the UK</li> </ul>	<ul style="list-style-type: none"> <li>▪ Allow for universal access to decent housing</li> <li>▪ Promote the social inclusion of all, including low-income people</li> </ul>

<sup>14</sup> There is a difference between Social and Affordable housing in the Irish context. Local authorities (or housing authorities) are the main providers of social housing for people who cannot afford their own accommodation. Local authority housing is allocated according to eligibility and need. Rents are based on the household’s ability to pay. Housing organizations (associations and co-operatives) also provide social housing for people who cannot afford to buy their own homes. Social Housing Assessment Regulations set out how housing authorities should handle social housing applications. Affordable housing schemes are aimed to help lower-income households to buy their own homes. The schemes eligible first-time purchasers the chance to buy newly constructed homes and apartments at prices significantly less than their market value. In the Irish context, a new Affordable Housing Bill was published in January 2021.

<sup>15</sup> All loans must be related to the provision of social housing under government & local authority approved schemes.

<p><b>SMEs Financing</b></p>	<p>Loans dedicated to the financing of SMEs, meeting the following cumulative three criteria:</p> <ul style="list-style-type: none"> <li>▪ SMEs as per EU Commission definition<sup>16</sup></li> <li>▪ SMEs are subject to negative screening as per excluded sectors</li> <li>▪ SMEs and must be located in the most socioeconomically disadvantaged areas in Ireland. Socioeconomically disadvantaged areas are defined as areas ranking in the bottom 30th percentile in terms of the Irish Deprivation Index, which takes into account factors such as GDP per capita and unemployment rate<sup>17</sup></li> </ul>	<ul style="list-style-type: none"> <li>▪ SMEs in socioeconomically disadvantaged areas in Ireland</li> <li>▪ SMEs owned by at least a woman, independently from location (Ireland)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Employment generation and retention</li> <li>▪ Reduction of social and economic inequalities</li> <li>▪ Foster economic growth in deprived areas</li> </ul>
<p><b>Support to charities and non-profit organisations</b></p>	<p>Loans to finance social projects and non-profit organisations, associations and foundations focused on:</p> <ul style="list-style-type: none"> <li>▪ Redistribution from the food industry to the charity sector aimed at making safe, nutritious, and sufficient food available to low-income people and homeless people</li> <li>▪ Offering safe shelter to people in need</li> <li>▪ Philanthropic work and solidarity</li> <li>▪ Sport activities for children</li> </ul>	<ul style="list-style-type: none"> <li>▪ Local communities in Ireland and the UK, including low-income and homeless people</li> </ul>	<ul style="list-style-type: none"> <li>▪ Granting social, and economic access to safe, nutritious, and sufficient food to low-income people</li> <li>▪ Offering shelter to homeless people</li> <li>▪ Supporting the local community</li> <li>▪ Promote social inclusion of all</li> </ul>

**Exclusion Criteria**

AIB Corporate, Institutional and Business Banking (CIB) has elected to implement a Sustainability Exclusion List across all its wholesale businesses units<sup>18</sup>. This means these business units will no longer provide term finance and/or advisory services to customers who are deemed to engage in a defined list of Excluded Business Activities, which AIB believes cause irreversible environmental and/or social harm to society and our communities. This rule applies to all Business Customers (i.e. non-mortgage and personal Customers) with a Gross Connected Exposure (“GCE”) of >£/€300k, and which are relationship managed.

▪ **Energy & Climate Action:**

- Exploration, extraction and upgrading of oil sands projects
- Nuclear Power Generation

<sup>16</sup> [https://ec.europa.eu/growth/smes/sme-definition\\_en](https://ec.europa.eu/growth/smes/sme-definition_en)

<sup>17</sup> A description of the methodology to define eligible SMEs is included within Appendix 2 of the Social Bond Framework.

<sup>18</sup> CIB Wholesale consists of all CIB business units apart from Business Banking and Private Banking. However, within this Framework, loans provided via Business Banking units will be included within the Eligible Social Asset Portfolio (e.g. loans to finance SMEs) and will be subject to AIB Excluded Activities List as well as the additional exclusions specific to the Social Bond Framework.

- Nuclear waste transportation, decommissioning and/or final disposal of high-level nuclear waste
- Coal or oil-fired power generation (other than emergency or stand by oil generation) except where less than 25% of revenues are generated from this activity and only where there is a plan to move to sustainable fuels by 2025
- Onshore/offshore exploration, extraction or refining of coal or oil
- Natural Gas fracking
- **Animal Welfare:**
  - Producing, processing animal fur
  - Support of any type of animal fights for entertainment
  - The use of dynamite or poison to catch marine and freshwater species (including shellfish) in the wild
- **Ecosystem Protection:**
  - Deforestation or the burning of natural ecosystems for the purposes of land clearance
  - Timber from illegal trading or logging operations
  - Production or trade in wood or other forestry products other than from sustainably managed forests
- **Healthcare/Genetic Engineering:**
  - The development of Genetic Engineering or Genetic Modification on humans
  - The development of Genetic Engineering or Genetic Modification on animals for non-medical purposes
- **Adult Entertainment:**
  - Online pornography
- **Surveillance/Arms Related/Military:**
  - Anti-personnel landmines<sup>19</sup>/Cluster munitions<sup>20</sup>
  - Weapons of Mass Destruction including the production, maintenance, or trade of nuclear, biological<sup>21</sup>, chemical<sup>22</sup> and toxin weapons
  - Any activity that adversely impacts Human Rights defined by the UN23

**Opinion:** ISS ESG considers the Use of Proceeds description provided within the AIB Social Bond Framework as aligned with the ICMA Social Bond Principles. The Use of Proceeds is clearly defined as well as expected social benefits. The detailed exclusion criteria and the relevant definitions are at par with ICMA best practices. On top of the Exclusion List defined at Bank level, AIB has defined an additional list of excluded sectors for Social bonds (Process for Project Evaluation and Selection of the Framework).

<sup>19</sup> As defined in Article 2 of the Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-Personnel Mines and on their Destruction

<sup>20</sup> As defined in Article 2 of the Convention on Cluster Munitions

<sup>21</sup> As defined in Article I of the Convention on the Prohibition of the Development, Production and Stockpiling of Bacteriological (Biological) and Toxin Weapons and on their Destruction

<sup>22</sup> As defined in Article II of the Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on their Destruction (Chemical Weapons Convention)

<sup>23</sup> As listed on the UN website: <https://www.un.org/en/universal-declaration-human-rights/>

## 2. Process for Project Evaluation and Selection

The Board of AIB Group plc established an advisory sub-committee to enhance AIB's focus on building a long-term sustainable business. This committee is called the Sustainable Business Advisory Committee (SBAC), its membership includes Non-Executive Directors and members of AIB's Executive Committee. It meets once a quarter and reports directly to the AIB Group plc Board.

The Group Sustainability Committee (GSC) supports SBAC in the implementation of AIB's sustainability strategy. GSC's membership is drawn from senior officials across all areas of AIB, including Sustainability, Risk, Retail, Energy Climate & Infrastructure, Retail and Corporate, Institutional & Business Banking and AIB Group UK. The Framework is prepared by the Working Group - a cross functional working group of relevant business areas within AIB (Group Treasury, Legal, Sustainability Team, and relevant business teams). The loans financed and/or refinanced through the Social Bond proceeds are evaluated and selected for inclusion in the eligible pool by AIB employees based on compliance with the Eligibility Criteria described in Use of Proceeds section. When assessing prospective Eligible Social Loans and their non-financial impacts, AIB may rely on analysis provided by external parties, in addition to AIB's own assessment, based on the Eligibility Criteria defined in the Use of Proceeds section of the Framework.

In addition to the AIB Bank wide exclusions list from the previous section, the Social Bond Framework excludes Coal, Oil, Petrol, Fossil fuel, Genetically Modified Organisms (GMO) in food & feed, Tobacco, Gambling, Alcohol in line with IFC Exclusion List requirements.

The Eligible Social Loan Portfolio is required to align with AIB's related internal sustainability codes and policies, including the Environmental Policy and the Code of Conduct. AIB recognises the need to align frameworks, policies and practices to Environmental, Social and Governance (ESG) principles. Eligible Social Loans are still subject to environmental standards, since AIB meets or exceeds all relevant environmental obligations under laws and regulations in each of the jurisdictions in which it operates<sup>24</sup>.

Regarding minimum social safeguards, AIB respects human rights and is committed to being a good employer. AIB is committed to the protection and preservation of human rights. The Bank respects human rights in accordance with internationally accepted standards. AIB's commitment has been shaped by the United Nations Guiding Principles on Business and Human Rights. The purpose of this commitment is fundamental in guiding the organisation in its strategic vision, operations, and relationships with stakeholders. The Bank does not partner with or buy from organisations which are known to be in breach of human rights or fair practices. AIB requires its key suppliers to attest to the supplier Code of Conduct, as well as other key policies, including its Data Protection Policy, and where relevant, to conform to the UK Modern Slavery Act.

The Bank has a robust 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 Defence, and subject to oversight by the Board and externally by the Central Bank of Ireland. All of its customers are subject to the "Know your Customer" (KYC) process at the on-boarding stage and then subsequently, in line with the frequency set out in the policy, which is driven by the risk category of the customers. Risk

<sup>24</sup> AIB's codes and policies can be found at <https://aib.ie/sustainability>.

culture at AIB is guided by policies, codes and procedures such as the Code of Conduct, Anti-Bribery & Corruption Policy and Conflicts of Interest policy.

**Opinion:** ISS ESG considers the Process for Project Evaluation and Selection described in the AIB Social Bond Framework as aligned with the ICMA Social Bond Principles. The issuer has set up a detailed governance process around asset evaluation and selection, aimed at ensuring compliance with the Eligibility Criteria. Moreover, the assets selected show alignment with the sustainability strategy of the issuer.

### 3. Management of Proceeds

AIB intends to allocate an amount equal to the net proceeds from the issue of Social Bonds to an Eligible Social Loan Portfolio, selected in accordance with the Eligibility Criteria set out in Use of Proceeds and Process for Project Evaluation and Selection above.

AIB will strive, over time, to achieve a level of allocation for the Eligible Social Loan Portfolio which, after adjustments for intervening circumstances including, but not limited to, sales and repayments, matches the balance of net proceeds from its outstanding Social Bonds. Additional Eligible Social Loans will be added to the Eligible Social Loans Portfolio to the extent required to ensure that an amount equal to the net proceeds from outstanding Social Bonds will be allocated to Eligible Social Loans. All redeeming loans are removed from the pool and any asset that no longer meets the eligibility criteria will also be removed from the pool at the earliest opportunity.

Pending allocation of an amount equal to the net proceeds of any tranche of Social Bonds to an Eligible Social Loan Portfolio, AIB will hold and/or invest, at its own discretion, in its treasury liquidity portfolio, in cash or other short term and liquid instruments, the balance of net proceeds not yet allocated to the Eligible Social Loan Portfolio. Within its liquidity portfolio, AIB has established a Socially Responsible Investment pocket, via which AIB's treasury actively invests in Social/SRI assets to fund domestic and international projects aimed at global sustainability, carbon emission reduction, and social improvement, all under the over-arching themes of Environment, Social, and Governance (ESG). Therefore, AIB intends to at least assign a portion of an amount equal to the net proceeds from the issue of Social Bonds to ESG orientated assets.

**Opinion:** ISS ESG finds that Management of Proceeds proposed by AIB is well aligned with the ICMA Social Bond Principles, as the Social bond proceeds will be tracked properly. Segregation of the unallocated proceeds into a Socially Responsible Investment pocket represents best practice.

### 4. Reporting

AIB will make and keep readily available reporting on the allocation of an amount equal to the net proceeds to the Eligible Social Loan Portfolio and wherever feasible reporting on the impact of the Eligible Social Loan Portfolio, at least at the category level, after a year from the issuance of the applicable Social Bonds to be renewed annually until maturity of the instruments or until full allocation of the instruments' net proceeds. AIB intends to provide aggregated reporting for all of AIB's Social Bonds outstanding. Additional detail at instrument level, may be provided.

AIB will align, on a best effort basis, the impact reporting with the portfolio approach described in the ICMA Working Towards a Harmonised Framework for Impact Reporting for Social Bonds<sup>25</sup>. The Social Bond report(s) will be made available on the AIB website.

### **Allocation Reporting**

The allocation report will provide, on the Eligible Social Loan Portfolio, indicators such as:

- The total amount of proceeds allocated to Eligible Social Loans.
- The number of Eligible Social Loans.
- The balance of unallocated proceeds.
- The amount or the percentage of new financing and refinancing<sup>26</sup>.
- The geographical distribution of the assets (at country level).

### **Impact Reporting**

AIB intends to report on the impact of the Eligible Social Loan Portfolio. The Impact report may provide:

- A description of relevant Eligible Social Loans.
- The breakdown of the Eligible Social Loan Portfolio by nature of what is being financed (financial assets).
- Social Output and Impact indicators of the Eligible Social Loan Portfolio, at Eligible Category (and, if needed, at sub-category) level. A detailed description of the Social Output and Impact indicators is provided in the impact reporting table included within the Framework.

AIB may rely on the support of external consultant(s) to estimate Social Output and Impact Indicators.

**Opinion:** *ISS ESG finds that the reporting proposed by AIB via its Social Bond Framework is aligned with the ICMA Social Bond Principles. Details of impact reporting (output and impact figures), scope and frequency represent ICMA best practice.*

### **External review**

The Second Party Opinion as well as the Social Bond Framework will be made available on AIB's website.

AIB may request on an annual basis, starting one year after issuance and until maturity, a limited assurance report of the allocation of the Social Bond proceeds to the Eligible Social Loan Portfolio, provided by an external auditor.

**Opinion:** *ISS ESG finds the post-issuance external review (limited assurance on the allocation report) proposed by AIB via its Social Bond Framework is aligned with the ICMA Social Bond Principles.*

<sup>25</sup> Harmonised-Framework-for-Impact-Reporting-for-Social-BondsJune-2020-090620.pdf (icmagroup.org)

<sup>26</sup> New financing refers to the loans that have been offered in the year of issuance.

## PART III: SUSTAINABILITY QUALITY OF THE ISSUANCE

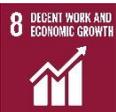
### A. CONTRIBUTION OF THE SOCIAL BOND FRAMEWORK TO THE UN SDGs

Based on the assessment of the sustainability quality of the Social Bond Framework Selection Criteria and using a proprietary methodology, ISS ESG assessed the contribution of the AIB's Social Bond Framework to the Sustainable Development Goals defined by the United Nations (UN SDGs).

This assessment is displayed on a 5-point scale (see Annex 2 for methodology):

<b>Significant Obstruction</b>	<b>Limited Obstruction</b>	<b>No Net Impact</b>	<b>Limited Contribution</b>	<b>Significant Contribution</b>
------------------------------------	--------------------------------	--------------------------	---------------------------------	-------------------------------------

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

USE OF PROCEEDS	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
Access to Healthcare	Significant Contribution	
Access to Education	Significant Contribution	
	Limited contribution	
Social and affordable housing	Significant Contribution	 
Financing SMEs	Significant Contribution	
	Limited contribution	
Charities and Non-profit	Significant Contribution	 
	Limited contribution	 

## B. MANAGEMENT OF ENVIRONMENTAL AND SOCIAL RISKS ASSOCIATED WITH THE SELECTION CRITERIA

The table below presents the findings of an ISS ESG assessment of the Selection Criteria against ISS ESG KPIs.

### ASSESSMENT AGAINST ISS ESG KPI

#### Inclusion

- ✓ AIB acts in accordance with its Product and Proposition risk policy<sup>27</sup> which is useful in managing and mitigating risks relating to the development of new and existing products and propositions as well as solutions for vulnerable customers.
- ✓ AIB has introduced a basic bank account with the aim of facilitating financial inclusion of low-income groups and providing a bank account that is at a lower cost as it is exempt from account maintenance and transaction fees (Basic Bank Accounts Initiative).
- ✓ AIB has developed products specific to students such as the Student Loan Product<sup>28</sup> and a Student Contribution Charge Loan<sup>29</sup> schemes.
- ✓ In order to provide short term relief to customers who experienced short term cash flow pressure as a result of COVID-19 impact to their business AIB has introduced SME COVID-19 solutions (COVID-19 Working Capital).
- ✓ AIB has launched AIB Together which is a €1m COVID-19 fund and €5m COVID-19 community support programme to target underserved populations.

#### Safety of users

- ✓ 100% of the assets in the Healthcare, Education and Social & Affordable Housing categories have been built in accordance with national legislation and relative building permits. Assets have measures in place to ensure operational safety (e.g. emergency exits, fire alarm systems).
- ✓ 100% of the eligible loans are dedicated to the financing of healthcare facilities affiliated to the relevant national healthcare system and schemes and residential care, assisted living facilities and nursing homes, respectively affiliated with national residential care and nursing home schemes.
- ✓ 100% of the eligible loans dedicated to the financing of education facilities such as schools, universities and 3rd level education facilities and vocational training centres, are subject to the respective national legislation and health and safety requirements.

<sup>27</sup> Product and Proposition Risk Policy details the considerations to be included in the development of products including the evaluation of customer needs and the clear identification of the target market.

<sup>28</sup> Via the Student Loan Program, students can borrow between €600 and €50,000 via the Student Plus account.

<sup>29</sup> Via the Student Contribution Charge loan, students can borrow between €600 and €3,000 for each year of their course (up to four academic years). Borrowers can make interest-only repayments during their studies and begin to make full repayments once they complete their courses.

- ✓ 100% of eligible loans dedicated to housing bodies, organisations and entities enable the provision of social and affordable housing in accordance with accredited or registered social and affordable housing definitions at national level (Ireland and the UK). In the case of Mortgage to Rent (Ireland), eligible mortgages need to be under the Mortgage to Rent Scheme.

#### **Responsible treatment of customers**

- ✓ In its Code of Conduct, AIB commits to design products and services that are suitable for its customers and provide customers with information which is both accessible and transparent to support and enable them in making informed decisions.
- ✓ The Bank has established a Vulnerable Customer Programme to develop support for customers in vulnerable circumstances. The programme is built on the experience of staff who support customers every day and is focused on key areas including Financial Abuse, Addiction, Dementia, Mental Health, Accessibility and Economic Resilience.

#### **Labour, health and Safety**

- ✓ The Bank's social lending and investment banking guidelines cover human rights and livelihoods aspects, including respect of internationally recognised human rights.
- ✓ The AIB Human Rights Commitment (as of February 2021) has been shaped by the United Nations Guiding Principles on Business and Human Rights.
- ✓ AIB has established a Supplier standard with regards to labour rights and working conditions, which covers various topics including health and safety, freedom of association and working hours.
- ✓ AIB has established a Diversity and Inclusion Policy<sup>30</sup> to ensure equitable opportunities.

#### **Safeguard criteria to ensure that no negative environmental impact is generated by the investment**

- ✓ 100% of loans in all the Eligible Categories are carefully reviewed in accordance with the Eligibility Criteria and are subject to the bank's due-diligence process aimed at mitigating ESG risks potentially associated with the assets financed. Loans to "pure-players" in the healthcare and education sectors are screened through AIB's 3 step process<sup>21</sup> to ensure the high sustainability profile of the borrowers.
- ✓ In accordance with national frameworks and building permits, all assets have basic measures in place for responsible site selection.

#### **Exclusion of sectors and activities that have a detrimental impact on environment or society**

- ✓ 100% of the assets are subject to the exclusion criteria defined in the framework.

<sup>30</sup> <https://aib.ie/content/dam/aib/personal/docs/sustainability/diversity-and-inclusion-code.pdf>

## DISCLAIMER

1. Validity of the SPO: This SPO is valid as long as no new asset categories are added to the Social Bond Framework and there are no material changes to the asset pool (as of 15.07.2021)
2. ISS ESG uses a scientifically based rating concept to analyse and evaluate the environmental and social performance of companies and countries. In doing so, we adhere to the highest quality standards which are customary in responsibility research worldwide. In addition, we create a Second Party Opinion (SPO) on bonds based on data from the issuer.
3. We would, however, point out that we do not warrant that the information presented in this SPO is complete, accurate or up to date. Any liability on the part of ISS ESG in connection with the use of these SPO, the information provided in them and the use thereof shall be excluded. In particular, we point out that the verification of the compliance with the selection criteria is based solely on random samples and documents submitted by the issuer.
4. All statements of opinion and value judgements given by us do not in any way constitute purchase or investment recommendations. In particular, the SPO is no assessment of the economic profitability and credit worthiness of a bond but refers exclusively to the social and environmental criteria mentioned above.
5. We would point out that this SPO, in particular the images, text and graphics contained therein, and the layout and company logo of ISS ESG and ISS-ESG are protected under copyright and trademark law. Any use thereof shall require the express prior written consent of ISS. Use shall be deemed to refer in particular to the copying or duplication of the SPO wholly or in part, the distribution of the SPO, either free of charge or against payment, or the exploitation of this SPO in any other conceivable manner.

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## ANNEX 1: Methodology

### ISS ESG Social KPIs

The ISS ESG Social Bond KPIs serve as a structure for evaluating the sustainability quality – i.e. the social and environmental added value – of the use of proceeds of AIB’s Social Bond Framework.

It comprises firstly the definition of the use of proceeds category offering added social and/or environmental value, and secondly the specific sustainability criteria by means of which this added value and therefore the sustainability performance of the assets can be clearly identified and described.

The sustainability criteria are complemented by specific indicators, which enable quantitative measurement of the sustainability performance of the assets and which can also be used for reporting. If a majority of assets fulfill the requirement of an indicator, this indicator is then assessed positively. Those indicators may be tailor-made to capture the context-specific environmental and social risks.

To review the KPIs used in this SPO, please contact Federico Pezzolato (details below) who will send them directly to you.

### Environmental and social risks assessment methodology

ISS ESG evaluates whether the assets included in the asset pool match the eligible project category and criteria listed in the Social Bond KPIs.

All percentages refer to the amount of assets within one category (e.g. wind power). Additionally, the assessment “no or limited information is available” either indicates that no information was made available to ISS ESG or that the information provided did not fulfil the requirements of the ISS ESG Social Bond KPIs.

The evaluation was carried out using information and documents provided to ISS ESG on a confidential basis by AIB (e.g. Due Diligence Reports). Further, national legislation and standards, depending on the asset location, were drawn on to complement the information provided by the issuer.

### Assessment of the contribution and association to the SDG

The 17 Sustainable Development Goals (SDGs) were endorsed in September 2015 by the United Nations and provide a benchmark for key opportunities and challenges toward a more sustainable future. Using a proprietary method, ISS ESG identifies the extent to which AIB’s Social Bond Framework contributes to related SDGs.

## ANNEX 2: ISS ESG Corporate Rating Methodology

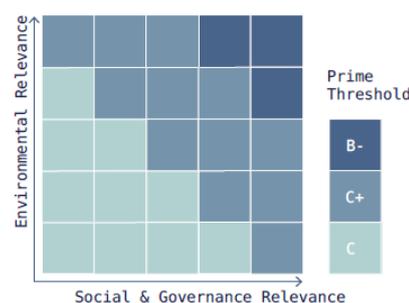
The following pages contain methodology description of the ISS ESG Corporate Rating.

### AIB Group Plc

#### Methodology - Overview

**Industry Classification** - The social and environmental impacts of industries differ. Therefore, based on its relevance, each industry analyzed is classified in a Sustainability Matrix.

Depending on this classification, the two dimensions of the ESG Corporate Rating, the Social Rating and the Environmental Rating, are weighted and the sector-specific minimum requirements for the ISS ESG Prime Status (Prime threshold) are defined (absolute best-in-class approach).



**Industry Leaders** - List (in alphabetical order) of the top three companies in an industry from the ESG Corporate Rating universe at the time of generation of this report.

**Key Issue Performance** - Overview of the company's performance with regard to the key social and environmental issues in the industry, compared to the industry average.

**Performance Score** - The ESG Performance Score allows for cross-industry comparisons using a standardized best-in-class threshold that is valid across all industries. It is the numerical representation of the alphabetic ratings (D- to A+) on a scale of 0 to 100 with 50 representing the prime threshold. All companies with values greater than 50 are Prime, while companies with values less than 50 are Not Prime. As a result, intervals are of varying size depending on the original industry-specific prime thresholds.

**Rating History** - Development of the company's rating over time and comparison to the average rating in the industry.

**Rating Scale** - Companies are rated on a twelve-point scale from A+ to D-:

A+: the company shows excellent performance.

D-: the company shows poor performance (or fails to demonstrate any commitment to appropriately address the topic).

Overview of the range of scores achieved in the industry (light blue) and indication of the grade of the company evaluated in this report (dark blue).

**Sources of Information** - A selection of sources used for this report is illustrated in the annex.

**Status & Prime Threshold** - Companies are categorized as Prime if they achieve/exceed the sustainability performance requirements (Prime threshold) defined by ISS ESG for a specific industry (absolute best-in-class approach) in the ESG Corporate Rating. Prime companies are sustainability leaders in their industry and are better positioned to cope with material ESG challenges and risks, as well as to seize opportunities, than their Not Prime peers. The financial materiality of the Prime Status has been confirmed by performance studies, showing a continuous outperformance of the Prime portfolio when compared to conventional indices over more than 14 years.

**Transparency Level** - The Transparency Level indicates the company's materiality-adjusted disclosure level regarding the environmental and social performance indicators defined in the ESG Corporate Rating. It takes into consideration whether the company has disclosed relevant information regarding a specific indicator, either in its public ESG disclosures or as part of the rating feedback process, as well as the indicator's materiality reflected in its absolute weight in the rating. The calculated percentage is classified in five transparency levels following the scale below.

0% - < 20%: very low

20% - < 40%: low

40% - < 60%: medium

60% - < 80%: high

80% - 100%: very high

For example, if a company discloses information for indicators with a cumulated absolute weight in the rating of 23 percent, then its Transparency Level is "low". A company's failure to disclose, or lack of transparency, will impact a company's ESG performance rating negatively.

## AIB Group Plc

### Methodology - Overview

The ESG Corporate Rating methodology was originally developed by Institutional Shareholder Services Germany (formerly oekom research) and has been consistently updated for more than 25 years.

**ESG Corporate Rating** - The ESG Corporate Rating universe, which is currently expanding from more than 8,000 corporate issuers to a targeted 10,000 issuers in 2020, covers important national and international indices as well as additional companies from sectors with direct links to sustainability and the most important bond issuers that are not publicly listed companies.

The assessment of a company's social & governance and environmental performance is based on approximately 100 environmental, social and governance indicators per sector, selected from a pool of 800+ proprietary indicators. All indicators are evaluated independently based on clearly defined performance expectations and the results are aggregated, taking into account each indicator's and each topic's materiality-oriented weight, to yield an overall score (rating). If no relevant or up-to-date company information with regard to a certain indicator is available, and no assumptions can be made based on predefined standards and expertise, e.g. known and already classified country standards, the indicator is assessed with a D-

In order to obtain a comprehensive and balanced picture of each company, our analysts assess relevant information reported or directly provided by the company as well as information from reputable independent sources. In addition, our analysts actively seek a dialogue with the assessed companies during the rating process and companies are regularly given the opportunity to comment on the results and provide additional information.

**Analyst Opinion** - Qualitative summary and explanation of the central rating results in three dimensions:

- (1) Opportunities - assessment of the quality and the current and future share of sales of a company's products and services, which positively or negatively contribute to the management of principal sustainability challenges.
- (2) Risks - summary assessment of how proactively and successfully the company addresses specific sustainability challenges found in its business activity and value chain, thus reducing its individual risks, in particular regarding its sector's key issues.
- (3) Governance - overview of the company's governance structures and measures as well as of the quality and efficacy of policies regarding its ethical business conduct.

**Norm-Based Research - Severity Indicator** - The assessment of companies' sustainability performance in the ESG Corporate Rating is informed by a systematic and comprehensive evaluation of companies' ability to prevent and mitigate ESG controversies. ISS ESG conducts research and analysis on corporate involvement in verified or alleged failures to respect recognized standards for responsible business conduct through Norm-Based Research.

Norm-Based Research is based on authoritative standards for responsible business conduct such as the UN Global Compact, the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles for Business and Human Rights and the Sustainable Development Goals.

As a stress-test of corporate disclosure, Norm-Based Research assesses the following:

- Companies' ability to address grievances and remediate negative impacts
  - Degree of verification of allegations and claims
  - Severity of impact on people and the environment, and systematic or systemic nature of malpractices
- Severity of impact is categorized as Potential, Moderate, Severe, Very severe. This informs the ESG Corporate Rating.

**Decile Rank** - The Decile Rank indicates in which decile (tenth part of total) the individual Corporate Rating ranks within its industry from 1 (best – company's rating is in the first decile within its industry) to 10 (lowest – company's rating is in the tenth decile within its industry). The Decile Rank is determined based on the underlying numerical score of the rating. If the total number of companies within an industry cannot be evenly divided by ten, the surplus company ratings are distributed from the top (1 decile) to the bottom. If there are Corporate Ratings with identical absolute scores that span a division in decile ranks, all ratings with an equal decile score are classified in the higher decile, resulting in a smaller number of Corporate Ratings in the decile below.

**Distribution of Ratings** - Overview of the distribution of the ratings of all companies from the respective industry that are included in the ESG Corporate Rating universe (company portrayed in this report: dark blue).

## ANNEX 3: Quality management processes

### SCOPE

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

### CRITERIA

Relevant Standards for this Second Party Opinion

- ICMA Social Bond Principles
- ISS ESG KPI set relevant for Use of Proceeds categories selected by the issuer

### ISSUER'S RESPONSIBILITY

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

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

### ISS ESG'S VERIFICATION PROCESS

ISS ESG is one of the world's leading independent environmental, social and governance (ESG) research, analysis and rating houses. The company has been actively involved in the sustainable capital markets for over 25 years. Since 2014, ISS ESG has built up a reputation as a highly-reputed thought leader in the Social and social bond market and has become one of the first CBI approved verifiers.

ISS ESG has conducted this independent Second Party Opinion of the Social Bond Framework to be issued by AIB based on ISS ESG methodology and in line with the *ICMA Social Bond Principles*.

The engagement with AIB took place in June and July 2021.

### ISS ESG'S BUSINESS PRACTICES

ISS has conducted this verification in strict compliance with the ISS Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behaviour 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 ISS ESG SPO

ISS ESG is one of the world's leading rating agencies in the field of sustainable investment. The agency analyses companies and countries regarding their environmental and social performance.

As part of our Sustainable (Social & Social) Bond Services, we provide support for companies and institutions issuing sustainable bonds, advise them on the selection of categories of projects to be financed and help them to define ambitious criteria.

We assess alignment with external principles (e.g. the ICMA Social / 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.isscorporatesolutions.com/solutions/esg-solutions/Social-bond-services/>

For Information about SPO services, contact:

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