



SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and the Social Bond Framework

Allied Irish Bank
27 March 2023

VERIFICATION PARAMETERS

Type(s) of Social Bond 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, as administered by the 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 March 27, 2023)▪ AIB Eligibility Criteria (as of March 27, 2023)
Lifecycle	<ul style="list-style-type: none">▪ First Update of SPO (as of March 27, 2023)
Validity	<ul style="list-style-type: none">▪ As long as there is no material change to the Framework

CONTENTS

SCOPE OF WORK	3
ALLIED IRISH BANK'S BUSINESS OVERVIEW	3
ASSESSMENT SUMMARY	4
SPO ASSESSMENT.....	5
PART I: ALIGNMENT WITH ICMA SOCIAL BOND PRINCIPLES	5
PART II: SUSTAINABILITY QUALITY OF THE ISSUANCE	7
A. CONTRIBUTION OF THE SOCIAL BOND INSTRUMENTS TO THE UN SDGs	7
B. MANAGEMENT OF ENVIRONMENTAL & SOCIAL RISKS ASSOCIATED WITH THE FINANCIAL INSTITUTION AND THE ELIGIBILITY CRITERIA.....	13
PART III: LINKING THE TRANSACTION TO AIB'S ESG PROFILE	19
A. CONSISTENCY OF SOCIAL BOND INSTRUMENTS WITH AIB'S SUSTAINABILITY STRATEGY	19
B. AIB'S BUSINESS EXPOSURE TO ESG RISKS	21
ANNEX 1: Methodology	24
ANNEX 2: Quality management processes	25
About this SPO	26

SCOPE OF WORK

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

1. AIB’s Social Bond Instruments – benchmarked against the International Capital Market Association’s (ICMA) Social Bond Principles.
2. The AIB Social Bond Framework (as of March 27, 2023) – whether the project categories contribute positively to the UN SDGs and how they perform against proprietary issuance-specific key performance indicators (KPIs) (See Annex 1).
3. Linking the transaction to AIB’s overall ESG profile – drawing on the issuance-specific Use of Proceeds categories.

ALLIED IRISH BANK’S BUSINESS OVERVIEW

Allied Irish Bank operates as a holding company. It is classified in the Commercial Banks and Capital Markets industry, as per ISS ESG’s sector classification.

Allied Irish Banks Plc operates as a holding company, which offers commercial banking, international banking, leasing, insurance, and mortgage banking. It operates through the following segments: Retail & Commercial Banking (RCB), Wholesale, Institutional & Corporate Banking (WIB), AIB UK and Group. The RCB segment services the personal and SME customers, provides net loans and customer accounts, broad infrastructure facilitating various locations and ATMs and is digital enabled.

The WIB segment comprises of corporate banking, a relationship driven model with sector specialisms; syndicated & international finance, a bank’s interface to public loan markets, real estate finance, a centralized origination and management and specialized finance, which provides structured finance, mezzanine finance, and equity product offering. The AIB UK segment comprises retail and commercial banking operations in Great Britain operating under the trading name Allied Irish Bank and in Northern Ireland operating under the trading name First Trust Bank.

The Group segment comprises group, treasury, and support functions, which includes treasury activities, central control, and support functions. The company was founded on September 1, 1966 and is headquartered in Dublin, Ireland.

ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION ¹
Part 1: Alignment with SBP	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.	Aligned
Part 2: Sustainability quality of the Selection Criteria	<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>	Positive
Part 3: Linking the transaction to AIB's overall ESG profile	<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>	Consistent with Issuer's sustainability strategy

¹ The evaluation is based on AIB's Social Bond Framework (March 27, 2023, version), on the analysed Selection Criteria as received on (March 27, 2023), and on the updated ISS ESG Corporate Rating applicable at the SPO delivery date.

SPO ASSESSMENT

PART I: ALIGNMENT WITH ICMA SOCIAL BOND PRINCIPLES

This section evaluates the alignment of the AIB's Social Bond Framework (as of March 27, 2023) with the ICMA Social Bond Principles.

SOCIAL BOND PRINCIPLES (SBP)	ALIGNMENT	OPINION
1. Use of Proceeds	✓	<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>
2. Process for Project Evaluation and Selection	✓	<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>
3. Management of Proceeds	✓	<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 basis for multiple Social Bonds (portfolio approach). Moreover, the Issuer discloses the temporary investments of Social Bond Instruments for unallocated proceeds.</p>

4. Reporting	✓	<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>
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PART II: SUSTAINABILITY QUALITY OF THE ISSUANCE

A. CONTRIBUTION OF THE SOCIAL BOND INSTRUMENTS TO THE UN SDGs²

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 are 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 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 5-point scale (see Annex 1 for methodology):







Significant Obstruction	Limited Obstruction	No Net Impact	Limited Contribution	Significant Contribution
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Each of the Social Bond's Use of Proceeds categories has been assessed for its contribution to, or obstruction of the SDGs:

ALGNMENT WITH SOCIAL CATEGORIES

USE OF PROCEEDS	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. 	Significant Contribution	
<p>Access to Education</p> <ul style="list-style-type: none"> Projects that finance or refinance construction, maintenance or renovation of public schools, universities and 3rd level education facilities and vocational training centers. 	Limited Contribution	



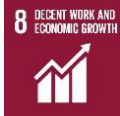



² The impact of the UoP categories on UN Social Development Goals is assessed with proprietary methodology and may therefore differ from the Issuer's description in the framework.





<ul style="list-style-type: none"> Projects that finance or refinance student housing projects. 		
<p>Access to Education</p> <ul style="list-style-type: none"> Projects that finance or refinance operations of public primary and secondary schools. 	<p>Significant Contribution</p>	
	<p>Limited Contribution</p>	
<p>Access to Healthcare</p> <ul style="list-style-type: none"> 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. 	<p>Significant Contribution</p>	
	<p>Limited Contribution</p>	
<p>Access to Healthcare</p> <ul style="list-style-type: none"> 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. 	<p>Significant Contribution</p>	
<p>Access to Healthcare</p> <ul style="list-style-type: none"> 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. 	<p>Significant Contribution</p>	

<p>Access to Healthcare</p> <ul style="list-style-type: none"> 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). 	<p>Significant Contribution</p>	
<p>Access to Healthcare</p> <ul style="list-style-type: none"> Projects that finance or refinance construction, maintenance or renovation 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, 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. 	<p>Limited Contribution</p>	
<p>Access to Healthcare</p> <ul style="list-style-type: none"> 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. 	<p>Limited Contribution</p>	

<p>Affordable housing</p> <ul style="list-style-type: none"> 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. 	<p>Significant Contribution</p>	
<p>Affordable housing</p> <ul style="list-style-type: none"> Projects that finance or refinance First Homes and provide Loans to individuals that enable the purchase of new build primary dwelling homes.³ 	<p>Limited Contribution</p>	
<p>Affordable housing</p> <ul style="list-style-type: none"> Projects that finance or refinance Local authorities and provide Loans to individuals that enable the purchase of local authority primary dwelling homes. 	<p>Limited Contribution</p>	
<p>Affordable housing</p> <ul style="list-style-type: none"> 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. 	<p>Significant Contribution</p>	

³ Target population includes first time home buyers and fresh starters that are financially vulnerable

<p>Affordable housing</p> <ul style="list-style-type: none"> 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. 	<p>Limited Contribution</p>	
<p>SMEs financing</p> <ul style="list-style-type: none"> Projects that finance or refinance Female-owned business. 	<p>Significant Contribution</p>	
<p>SMEs financing</p> <ul style="list-style-type: none"> 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. 	<p>Significant Contribution</p>	
<p>Support to non-profit organizations</p> <ul style="list-style-type: none"> Projects that finance or refinance socially focused non-profit organizations, associations and foundations, including offering safe shelter to people in need. 	<p>Significant Contribution</p>	
<p>Support to non-profit organizations</p> <ul style="list-style-type: none"> 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 	<p>Significant Contribution</p>	
<p>Support to non-profit organizations</p> <ul style="list-style-type: none"> Projects that finance or refinance Sport activities for children 	<p>Limited Contribution</p>	

<p>Affordable basic infrastructure</p> <ul style="list-style-type: none"> Projects that finance or refinance walking and cycling infrastructure. 	<p>Significant Contribution</p>	
<p>Affordable basic infrastructure</p> <ul style="list-style-type: none"> 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. 	<p>Limited Contribution</p>	
<p>Affordable basic infrastructure</p> <ul style="list-style-type: none"> 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. 	<p>Significant Contribution</p>	
<p>Affordable basic infrastructure</p> <ul style="list-style-type: none"> 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. 	<p>Significant Contribution</p>	

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

The table below evaluates the AIB Social Bond Framework (as of March 27, 2023) against issuance specific KPIs. The entirety of the assets are and will be located in the 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.

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 List⁴ 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

⁴ 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>

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 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 commitment⁵ 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

⁵ 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>

the amount of questions on social and governance as part of the questionnaire by end of 2022.

As noted in AIB's Sustainability Report⁶, 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 the environment by virtue of their size, nature or location have to undergo an environmental impact assessment (EIA) which is then submitted to competent authorities⁷ 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.

⁶ AIB, Sustainability Report for FY ending December 31, 2021, Page 70,
<https://aib.ie/content/dam/frontdoor/personal/sustainability/sustainability-full-report-2021.pdf>

⁷ Competent authorities are as defined by the regulation in the local jurisdiction.

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 report⁸, 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 Commitment⁹ also ensures non-discrimination amongst customers due to 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)¹⁰. Eligibility is subject to income thresholds.¹¹

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

⁸ AIB, Sustainability Report for FY ending December 31, 2021, Page 94, <https://aib.ie/content/dam/frontdoor/personal/sustainability/sustainability-full-report-2021.pdf>

⁹ AIB Human Rights Commitment, February 2021, <https://aib.ie/content/dam/frontdoor/personal/sustainability/aib-human-rights-commitment-final.pdf>

¹⁰ 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>

¹¹ 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>

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.

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 >£/€300k¹² 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 Defense¹³, and subject to oversight by the Board and externally by the CBI.

¹² The €300k threshold captures typical minimum business levels in the main Corporate and Business Banking units.

¹³ 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: LINKING THE TRANSACTION TO AIB'S ESG PROFILE

A. CONSISTENCY OF SOCIAL BOND INSTRUMENTS WITH AIB'S SUSTAINABILITY STRATEGY

Key sustainability objectives and priorities defined by the Issuer

Allied Irish bank's sustainability¹⁴ strategy focuses on the following areas:

- (i) Climate and Environment:
 - a. Focused on the delivery of green finance.
 - b. Targets to achieve Net Zero in its operations by 2030 (includes Scope 1 & 2 emissions)
 - c. Targets to achieve 70% of new lending to be Green or Transition lending by 2030.
 - d. AIB aims to achieve Net Zero in the customer lending portfolio (with the exception of Agriculture) by 2040 and by 2050 Net Zero in full customer lending portfolio¹⁵.
- (i) Economic and Social inclusion:
 - a. Aims to support and promote financial literacy for 500K customers by 2023.
 - b. Aims to finance €800 million for social housing by 2024.
 - c. The issuer's objective is to support the community with affordable housing schemes and mortgage to rent schemes.
 - d. The issuer aims to focus on its community with the €1 million fund by supporting local organizations to deliver services to the local communities.
- (ii) [Future - Proof] Bank:
 - a. Aims to achieve a transaction net promoter score of +53 by 2023.
 - b. AIB aims to invest in digital platforms and targets to achieve more than 2.25 million digital customers by 2023, as it enables new offerings with the market diversity.
 - c. The issuer aims to provide a customer-focused IT infrastructure with an annual investment of €300 million from 2021 to 2023, with focus areas including operating platforms, treasury, payments, and business banking.
 - d. The issuer aims to have a more gender-balanced Executive Committee and management team, focused on reducing the gender pay gap.

AIB is a founding signatory to the UNEP FI Principles of Responsible Banking (PRB), a recent signatory to the Equator Principles, and an early signatory of Ireland's first women in finance charter, a collaboration between industry and governance to drive diversity.

The issuer has set both short and long-term targets for reducing emissions by 2050. The issuers aim to achieve Net Zero by 2030 for own operations by reducing scope 1 GHG emissions by 34% by 2027 and increasing the sourcing of renewable electricity to 100% by 2030. AIB aims to achieve Net Zero for financed emissions targets by 2040 and has set financed emissions targets for key sectors, which cover 75% of the Group Loan Portfolio in 2021, residential mortgages (50%), corporate other (12%),

¹⁴AIB's Sustainability Report, 2022: <https://aib.ie/content/dam/frontdoor/personal/sustainability/AIB-sustainability-report-2022.pdf>

¹⁵ AIB is yet to define their net zero strategy.

commercial real estate (CRE) (10%), and electricity generation (3%). The issuer has long-term gender balance targets at group-wide senior management levels of > 40% female.

To guide the company's Net Zero targets and other climate and environment, economic and social inclusion, and future-proof bank targets, AIB has a sustainable committee in place. The committee is called the Sustainable Business Advisory Committee (SBAC), which includes a non-executive director, the Chief executive officer, the chief people office and the chief sustainability & corporate affairs office and the head of energy, climate action and infrastructure. The committee meets once a quarter and reports directly to the AIB Group plc Board. Furthermore, the group sustainability committee (GSC) supports SBAC in the implementation of AIB's sustainability strategy, it comprises of a number of executive committee members and senior leadership members from across the bank to evolve the strategy and implementation of the sustainability agenda in AIB.

The issuer has a group risk committee to identify and manage climate risk using the material risk assessment. Climate change risks include transition risks, such as legal, technology, market, and reputational risks, and physical risks, such as disruption resulting from extreme weather conditions or increased mortality or morbidity. Allied Irish Bank's internal policies and guidelines provide climate stress testing which focuses on the short- and long-term transition risk credit stress tests and a short-term physical risk credit stress test.

AIB is a supporter of the Task Force for Climate-Related Financial Disclosures (TCFD) since 2019 and reports climate risks following the TCFD recommendations, and the issuer's sustainability report is in accordance with the GRI standards (core option).

As of 2022, Allied Irish Bank has issued its fourth green bond valued at €750 million and now has a total of €3.25 billion issued under the green bond program for financing projects with clear environmental and climate change benefits. For AIB's social targets, the first social bond was issued in 2022 valued at €1 billion euro followed by a second one in early 2023, valued at €750 million. The proceeds are to be invested in projects with social benefits in communities across Ireland, which include social and affordable housing, healthcare, and education.

Rationale for issuance

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

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. The Social Bond Instruments issuance is to use an amount equal to the net proceeds to be invested in projects with social benefits in communities across Ireland which includes social and affordable housing.

Opinion: *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.*

B. AIB'S BUSINESS EXPOSURE TO ESG RISKS

This section aims to provide an overall level of information on the ESG risks to which the Issuer is exposed through its business activities, providing additional context to the issuance assessed in the present report.

ESG risks associated with the Issuer's industry

The Issuer is classified in the Commercial Banks and Capital Markets, as per ISS ESG's sector classification. Key challenges faced by companies in terms of sustainability management in this industry are displayed in the table below. Please note, that this is not a company specific assessment but areas that are of particular relevance for companies within that industry.

ESG KEY ISSUES IN THE INDUSTRY
Business Ethics
Labour standards and working conditions
Sustainability impacts of lending and other financial services/products
Customer and product responsibility
Sustainable investment criteria

ESG performance of the Issuer

Leveraging ISS ESG's Corporate Rating research, further information about the Issuer's ESG performance can be found on ISS ESG Gateway at: <https://www.issgovernance.com/esg/iss-esg-gateway/>.

Please note that the consistency between the issuance subject to this report and the Issuer's sustainability strategy is further detailed in Part III.B of the report.

Sustainability impact of products and services portfolio¹⁶

Leveraging ISS ESG's Sustainability Solutions Assessment methodology, the contribution of the Issuer's current products and services portfolio to the Sustainable Development Goals defined by the United Nations (UN SDGs) has been assessed. This analysis is limited to the evaluation of final product characteristics and does not include practices along the Issuer's activities process as well as does not account for the core business or participations of the issuer.

With that lens, the following activity was assessed as having a positive impact on outlined SDGs: Financing of renewable energy¹⁷ towards SDG 7 (Affordable and Clean Energy) and SDG 13 (Climate Action)

¹⁶ The current assessment is as per ISS ESG Corporate Rating team's evaluation and methodology based on an assessment carried out by ISS ESG Corporate Rating allocating the environmental and social impact of the product portfolio to the SDGs and is consistent with the Corporate Rating Report.

¹⁷ The associated percentage of revenue is estimated to be 1%.

Breaches of international norms and ESG controversies

At Issuer level

At the date of publication and leveraging ISS ESG Research, no severe controversy in which the Issuer would be involved has been identified.

At industry level

Based on a review of controversies over a 2-year period, the top four issues that have been reported against companies within the Commercial Banks and Capital Markets industry are as follows: Failure to mitigate climate change impacts, Failure to prevent money laundering, and Failure to pay fair share of taxes and Anti-competitive behaviour. Please note, that this is not a company specific assessment but areas that can be of particular relevance for companies within that industry.

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ANNEX 1: Methodology

Social KPIs

The Social Bond Instruments 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 instruments.

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.

Environmental and social risks assessment methodology

The Environmental and social risks assessment evaluates whether the assets included in the asset pool match the eligible project category and criteria listed in the Social Bond Instruments 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 or that the information provided did not fulfil the requirements of the Social Bond Instruments KPIs.

The evaluation was carried out using information and documents provided 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, the extent to which AIB Social Bond Instruments contributes to related SDGs has been identified.

ANNEX 2: Quality management processes

SCOPE

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

CRITERIA

Relevant Standards for this Second Party Opinion

- ICMA Social Bond Principles
- Key Performance Indicators 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 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 March 2023

ISS' 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 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

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.

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.isscorporatesolutions.com/solutions/esg-solutions/green-bond-services/>

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