AIB

Social Bonds Impact – Results

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Results

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Contents

Page

1 Introduction 4

2 Macro-category 1 – Summary 7

2.1 Summary results 7

3 Macro-category 1 – Education 9

3.1 Ireland 9

3.2 UK 9

3.3 OECD (excluding Ireland and the UK) 9

4 Macro-category 1 – Social Housing 10

4.1 Ireland 10

4.2 UK 10

5 Macro-category 1 – Healthcare 11

5.1 Ireland 11

5.2 UK 11

5.3 OECD (excluding Ireland and the UK) 12

6 Macro-category 1 – Affordable basic infrastructure 13

7 Category 2 – Results 14

Appendices 17

Appendix A Assumptions 18

Figures

Figure 2.1: AIB loans by type of service and country 7
Figure 6.1: Total jobs impacts of outstanding term loans by sector 15
Figure 6.2: Total jobs impact of outstanding RCFs by sector 16

Tables

Table 2.1 Summary of beneficiaries by type of service and country 8
Table 7.1: Impact of AIB's SME lending by type of loan 14

Table A.1: Average household size by number of bedrooms in England and Wales 18
Table A.2: Average household size in Ireland 18
Table A.3 : Average length of stay in hospital in France and Germany (days) 18
Table A.4: Hospital bed occupancy rates in France and Germany (%) 18

1 Introduction

Cambridge Econometrics (CE) was commissioned by AIB to provide (1) an impact assessment methodology, and (2) quantify the impacts of AIB's social bond portfolio in Ireland, the UK, and the OECD (excluding Ireland and the UK). This assessment follows the publication of AIB's Social Bond Framework dated March 2023, which will serve as a tool to create transparency around funds targeted to provide positive societal impact and/or mitigate social problems.[1] In addition, with its Social Bond Framework, AIB strives to further its focus on economic and social inclusion and being a responsible member of society.

AIB's Social Bond Framework has been established in accordance with the International Capital Market Association (ICMA) Social Bond Principles 2021 (SBPs) with June 2022 Appendix 1. In alignment with its social sustainability strategy and goals, the Framework focuses on the following Use of Proceeds categories, which will serve to achieve social benefits for targeted population groups, in alignment with National Policy Frameworks, where applicable:

- **Access to Healthcare**
  - Social benefits: (i) Increase access to quality, timely and accessible healthcare; (ii) Enhance quality and accessible care for an aging population; and (iii) Enhance availability of quality medical equipment to healthcare facilities and individuals
  - Target population: (i) General public; (ii) Individuals with specific physical and/or mental conditions, including cognitive deficit(s); (iii) Elderly people; and (iv) Individuals in need of rehabilitation services
- **Access to Education**
  - Social benefits: (i) Increase access to quality and accessible education and vocational training; and (ii) Increase access to quality, safe and affordable student accommodation
  - Target population: (i) Students, including low-income students; and (ii) Adults benefitting from vocational training
- **Social and Affordable Housing**
  - Social benefits: (i) Allow for universal access to decent housing; (ii) Promote the social inclusion of all, including low-income people and groups with no or restricted access to housing or home ownership
  - Target population: Individuals and families, which due to income and/or affordability constraints and restricted access to finance, meeting the relevant social and/or affordable housing requirements as defined by local authorities, or authorised government bodies, in Ireland and the UK

[1] https://aib.ie/investorrelations/debt-investor/social-bond-framework

- **SME Financing**
  - Social benefits: (i) Employment generation and retention; (ii) Reduction of social and economic inequalities; and (iii) Foster economic growth in deprived areas
  - Target population: SMEs in socioeconomically disadvantaged areas in Ireland
- **Affordable Basic Infrastructure**
  - Social Benefits: (i) Allow for universal access to basic infrastructure (ii) Promote the social inclusion of all, including low-income people, vulnerable and marginalised people
  - Target population: (i) General population, including marginalised, rural and vulnerable populations (ii) Populations with limited or no access to the relevant infrastructure

In the context of the above Social Bond Framework, the purpose of this report is to assess, on a best-effort basis, the social impacts of AIB's loans.[2]

AIB and Cambridge Econometrics have a multi-year partnership to assess the impacts of AIB's loans in its social bond pool. As ESG reporting and data improve over time, the impacts of projects may be restated.

The scope of our assessment covers the following categories:

- Macro-category 1: Access to essential services including education, housing, healthcare, and affordable basic infrastructure. The focus of these impacts is on the estimated number of beneficiaries of these activities.
- Category 2: SME lending. The focus of these impacts is on the estimated number of jobs created and/or retained by lending to SMEs.

In performing this assessment, we considered alignment with the portfolio approach described in ICMA's '*Harmonised Framework for Impact Reporting for Social Bonds*'.[3]

The first part of this report presents the findings for Macro-category 1, with estimates of the number of beneficiaries of projects that have been at least part-funded by AIB. Data limitations prevent us from identifying the number directly attributable to AIB loans. A brief summary of the impacts is given in Chapter 2, with the subsequent chapters presenting the results for each service category.

The second part of this report presents the findings for Category 2, with estimates of the number of jobs created and/or retained by AIB lending to SMEs. A brief summary of the impacts is presented in Chapter 7. A

[2] As highlighted in the EU's Platform on Sustainable Finance, social impacts are more challenging to quantify than environmental impacts, as social impacts are often described in more qualitative terms (Draft Report by Subgroup 4: Social Taxonomy, July 2021: https://ec.europa.eu/info/sites/default/files/business_economy_euro/banking_and_finance/documents/sf-draft-report-social-taxonomy-july2021_en.pdf).

[3] Harmonised-framework-for-impact-reporting-for-social-bonds-June-2023-220623.pdf (icmagroup.org)

description of the approach, any underlying assumptions, and limitations for Macro-category 1 and Category 2 is provided in a separate method note.[4]

[4] Social Bonds Impact Report - Method Note, February 2024.

2 Macro-category 1 – Summary

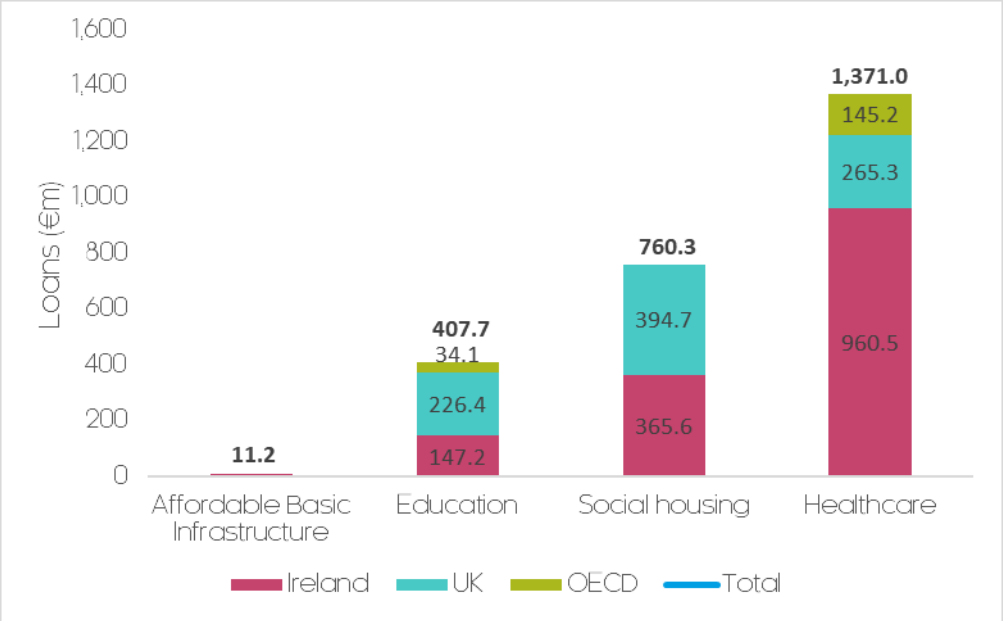
2.1 Summary results

Figure 2.1 presents the total value of outstanding loans AIB provided to support facilities in affordable basic infrastructure, education, housing and healthcare, broken down by country. This represented the identified eligible pool as at 31/12/2023.[5]

AIB provided loans with a total value of **€2.550bn** across various services and countries. Of that €2.550bn, **54% (€1.4bn)** was provided to support facilities in **healthcare**, followed by **30% in social housing (€760.3m),** and **16% in education services (€407.7m).** A further **€11.2m** in loans were provided to affordable basic infrastructure projects providing access to broadband in Ireland.

Ireland received the majority of loans provided for healthcare projects (**€960.5m**), while the UK was the largest beneficiary of loans for education (**€226.4m)**. Social housing lending is split between the UK and Ireland with **€394.7m** in the UK and **€365.6m** in Ireland.

Figure 2.1: AIB loans by type of service and country



[5] AIB advised that the pool of loans provided is not exhaustive, nor does it represent all eligible loans they have identified for each category.

Based on the information about the loans and the size/nature of the projects, Table 2.1 summarises the estimated numbers of beneficiaries of projects to which AIB loans have contributed.

Table 2.1: Summary of beneficiaries by type of service and country

	Education	Social housing[6]	Healthcare
Ireland	**2,842** students in student accommodation; and **16,200** students attending university, of which **5,700** received training in medical and health related fields	**7,680** people in social homes; and **1,123** people in homes via the First Home Scheme	**979,617** people using care services and in hospitals
UK	**4,068** students in student accommodation*	**15,171** people in social homes, once fully operational[7]	**956,797** people using care services and in hospitals
OECD (excluding Ireland and the UK)	**200,000**[8] students attending universities, of which **19,700** received training in medical and health related fields	-	**3.9m** patients in hospitals[9]

Note(s): Estimated numbers of beneficiaries are for entire projects, to which AIB loans have contributed at least in part, though not necessarily in full.
The number of beneficiaries is estimated based on assumptions or taken directly from a combination of patient numbers provided by AIB and published annual reports. See later chapters for details.
The table does not include beneficiaries of AIB loans associated with i) healthcare service providers, whose services are not directly associated with providing services to the users of a healthcare facility or creating more capacity for a healthcare facility; and ii) housing association, when a loan is not directly attributable to a certain housing development.
The table does not include beneficiaries of AIB loans associated with affordable basic infrastructure, due to insufficient available data. Chapter 6 provides summary figures for these loans.
* The number of students in student accommodation in UK universities benefitting from AIB loans has increased from 652 in the 2022 social bonds impact analysis following the inclusion of six new loan recipients in this pool.
Source(s): AIB; Cambridge Econometrics.

[6] The seemingly disproportionate ratios of beneficiaries to loan volume for social housing in Ireland and the UK is a factor of the nature of the projects financed and AIB's overall role in those projects. In Ireland, AIB is the sole financier of a smaller number of projects, whereas in the UK, AIB's contribution is in relation to larger syndicated facilities that finance a larger number of social housing units.

[7] This figure omits the beneficiaries for two large social housing developments of 13,500 and 24,400 units respectively, due to data availability issues.

[8] This includes a large upward revision in the number of students attending a university included in the 2022 social bonds impact analysis, in which it was under reported by 131,000 students.

[9] This is a large decrease in patient numbers from 44m in the 2022 social bonds impact analysis, as a result of a large hospital operator being removed from the social bond pool (35m patients), and reporting only inpatients (3m) for another healthcare provider (when previously in and outpatients were reported (9m)).

3 Macro-category 1 – Education

In education, as at 31/12/2023, outstanding loans provided by AIB totalled **€407.7m**, supporting multiple service providers around the world. For Ireland and the UK, we estimate the number of beneficiaries on the assumption that all new student accommodation is fully occupied.

When the loans were not funding a specific asset, but provided for more general purposes, the number of beneficiaries cannot be estimated in the same way. Instead, the number of students attending the institution has been provided. This is not the same as the number of beneficiaries and, instead, gives a sense of the scale of the recipient. This applies to the OECD (excluding Ireland and the UK) only.

3.1 Ireland

In Ireland, outstanding loans provided by AIB totalled **€52.5m**, as a contribution towards new student housing developments. In their entirety, the total number of beneficiaries of these developments is estimated to be **2,842 student residents each year**.

An additional **€94.6m** of AIB loans was also provided to support the capital requirements of three universities with a combined attendance of **16,200** students, of which **5,700** received training in medical and health related fields.

3.2 UK

AIB provided **€226.4m** in loans as part of wider financing to support student housing development in the UK. The project is estimated to benefit **4,068 student residents each year**.

3.3 OECD (excluding Ireland and the UK)

A total of **€34.1m** of AIB loans was issued to fund the capital requirements of two education service providers in other countries (not necessarily/entirely for accommodation): the exposure is split across a French University with 173,000 students; and a Spanish University with 27,000 students, of which 19,700 received training in medical and health related fields.

4 Macro-category 1 – Social Housing

As at 31/12/2023, AIB had **€760.3m** in outstanding loans extended to social housing providers across the UK and Ireland.

The assumptions described in the accompanying method note are used to estimate the overall impacts of the projects to which AIB has contributed, broken down by country.

4.1 Ireland

Operational

A total of **€337.2m** of AIB loans helped to support social housing providers and the development of **2,598 social housing units** (388 apartments and 2,210 houses).[10] These housing projects are estimated to benefit **7,680 residents each year**.

Through the provision of **€28.4m** to the First Home Scheme, AIB has helped facilitate the purchase of 410 homes benefiting an estimated **1,123 residents**.

4.2 UK

AIB provided a total of **€394.7m** of loans to support social housing in the UK, of which:

- **€331.2m** was provided to support social housing providers. We estimate that the funded schemes have benefitted **15,171 residents.**
- **€63.5m** was provided to facilitate the capital requirements and refinance needs of housing providers which own over **37,900 homes.**

[10] The social housing providers develop social housing units for Approved Housing Bodies.

5 Macro-category 1 – Healthcare

As at 31/12/2023, **€1.4bn** in outstanding loans had been provided by AIB to support healthcare service providers around the world, supporting site developments and corporate expansions, as well as providing refinancing support. Based on the type of healthcare facilities and information available (i.e. number of beds), different assumptions were applied to estimate the number of beneficiaries (see the accompanying method note for more detail). The total estimated impacts (to which AIB's loans will have contributed in part) are reported by country and type of service.

5.1 Ireland

Residential and care facilities

AIB provided a total of **€463.5m** in loans which helped to support residential and care providers in Ireland. AIB's data show that there are 7,963 beds in these providers' facilities. Under the assumption of one bed per person per year, these providers will have supported an estimated **7,963 people per year**.

Hospitals, clinics, and patient care

A total of **€477.6m** of AIB loans was provided in support of organisations operating private hospitals and clinics including Primary Care Centres (PCCs).[11] The estimated total number of patients received by these facilities is **971,654 per year**. The number of patients received has been calculated from a combination of patient numbers provided by AIB and published annual reports (e.g. in the case of hospitals).

Other

A combined total of **€19.3m** was lent to: a pensions trust, financing the development of a number of primary care facilities across Ireland; and a medical equipment supplier, operating across the UK and Ireland. For these loan recipients there is insufficient data to accurately estimate the number of beneficiaries and so only the loan values are reported here.

5.2 UK

Residential and care facilities

AIB provided **€213.7m** of loans, which supported residential and care service providers across the UK. AIB's data show that there are 30,297 beds available in these providers' facilities. In combination with funding from other sources and under the assumption of one person per bed per year, the projects are estimated to support **30,297 people (elderly, children and adults under specialist care) per year**.

General hospitals

A total of **€36.6m** of loans was provided to support a leading hospital group in the UK. This group receives a reported **750,000 patients a year**. The number of patients is provided by AIB.

Other

€15m was provided to an international wheelchair manufacturer and distributor. There is insufficient data to accurately estimate the number of beneficiaries of this loan, and so only the loan value is reported here.

[11] The private hospitals are part of the public treatment procurement schemes.

5.3 OECD (excluding Ireland and the UK)

General hospitals

AIB provided a total of **€102.1m** of loans to support hospitals around the world, of which:

- **€30m** was provided to a US hospital that treats **over 245,000 patients per year** – the number of patients is taken from published annual reports.
- **€43m** was provided to a French hospital that treats **over 3m patients per year** – the number of patients is taken from patient numbers provided by AIB.
- **€15m** was provided to a French hospital that is estimated to treat **337,416 inpatients per year**, based on the number of beds in the hospital and assumptions about the average length of stay in hospitals, and hospital bed occupancy rates.[12]
- **€14.2m** was provided to a German hospital that is estimated to treat **375,807 inpatients per year**, based on the number of beds in the hospital and assumptions about the average length of stay in hospitals, and hospital bed occupancy rates.[13]

Others

AIB also provided **€43.1m** of loans to support other French and US-based healthcare service providers, whose services are not directly associated with providing services to the users of a healthcare facility or creating more capacity for a healthcare facility.[14] Examples include: a company that specialises in designing diagnostic equipment and a healthcare data-analytics firm.

While it is not straightforward to measure the beneficiaries, it is still important to recognise the importance of these services to the healthcare system as a whole, especially in terms of improving the efficiency and quality of healthcare services.

[12] See Table A.3 and Table A.4 in Appendix A.

[13] See Table A.3 and Table A.4 in Appendix A.

[14] These are pure player companies as defined by AIB's Social Bond Framework.

6 Macro-category 1 – Affordable basic infrastructure

As at 31/12/2023, **€11.3m** in outstanding loans had been provided by AIB to **three borrowers** to enhance access to affordable basic infrastructure, and in particular to upgrade and expand existing infrastructure, in Ireland. While the number of beneficiaries of the three developments supported by AIB has not been estimated, owing to data limitations, a summary of the value and number of loans in this pool is provided.

7 Category 2 – Results

As at 31/12/2023, AIB's social bonds lending portfolio consisted of €542.9m in term loans and €77.3m in RCFs; both to SMEs.

Table 7.1 shows the estimated direct, indirect and induced impacts of AIB's SME lending in Ireland, by type of loan.

Table 7.1: Impact of AIB's SME lending by type of loan

	Term loans	RCFs
Gross output (€m)		
Direct	542.9	77.3
Indirect	379.4	66.6
Induced	415.4	61.6
Total	**1,337.7**	**205.5**
GVA (€m)		
Direct	244.5	34.8
Indirect	192.5	33.8
Induced	93.3	13.8
Total	**530.3**	**82.4**
GDP (€m)		
Direct	258.1	36.7
Indirect	203.2	35.7
Induced	98.4	14.6
Total	**559.8**	**87.0**
Employment (FTEs)		
Direct	2,772	346
Indirect	1,657	293
Induced	681	101
Total	**5,109**	**739**

Note(s): Final impacts are reported in current (nominal) prices.
Sum of direct, indirect and induced results may not precisely match reported totals due to rounding.
GDP impacts have been calculated by applying a (fixed) ratio of GDP to GVA to account for taxes less subsidies on products. This ratio has been calculated from the latest (2022) annual GDP and GVA data from the Central Statistics Office (CSO)[15].

Definition(s): Gross output: total goods and services produced in an economy i.e. the total sales value/revenue.
Gross Value Added (GVA): value of goods and services produced in an economy (i.e. gross output) minus the cost of inputs and raw materials attributable to that production. Out of GVA, firms pay wages/salaries and other employment costs; as well as taxes. The remainder is gross operating surplus (broadly, profit/loss).
Gross Domestic Product (GDP): market value of the finished goods and services produced in an economy, or GVA plus taxes less subsidies on products.
Full-time equivalent (FTE) jobs: a measure of employment that accounts for differences in working hours i.e. a full-time job counts as one FTE whereas a part-time job counts as a fraction of an FTE based on the ratio of average part- to full-time hours worked in the CSO data.

[15] Annual National Accounts 2022: Annual National Accounts 2022 - CSO - Central Statistics Office

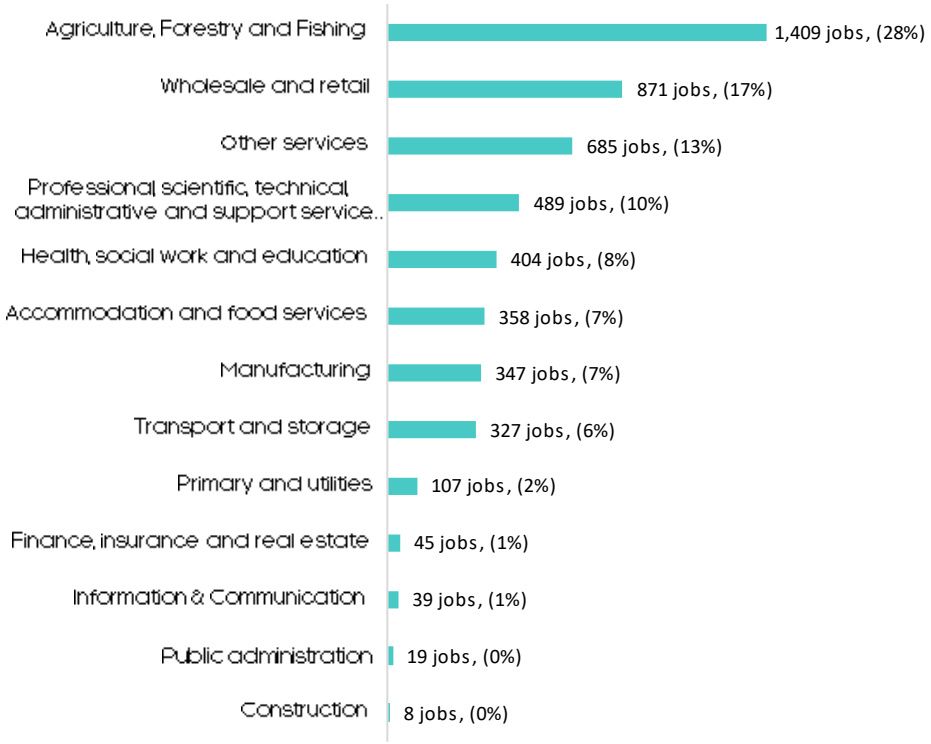
Term loans

An estimated €1,337.7m in (economy-wide) Gross Output is attributed to term loans. The corresponding Gross Value Added (GVA) amount totalled €530.3m, of which **€244.5m** is directly attributable to outstanding term loans provided by AIB (as above, term loans totalled €542.9m as at 31/12/2023). Through supply chains and higher incomes (paid to employees) this generates a further **€285.8m** of (indirect and induced) GVA elsewhere in the economy.

By our approach, these outstanding term loans have **directly created over 2,770 jobs** and **supported more than 2,300 additional jobs**, resulting in **a total of some 5,100** jobs created across the economy. This implies that, for every **€1m** loans provided to SMEs, approximately **9 jobs** are created, economy-wide.

As shown in Figure 7.1, the largest jobs impacts are in agriculture, forestry and fishing (accounting for around 28% of total jobs created), wholesale and retail (17%), and other services (13%).

Figure 7.1: Total jobs impacts of outstanding term loans by sector

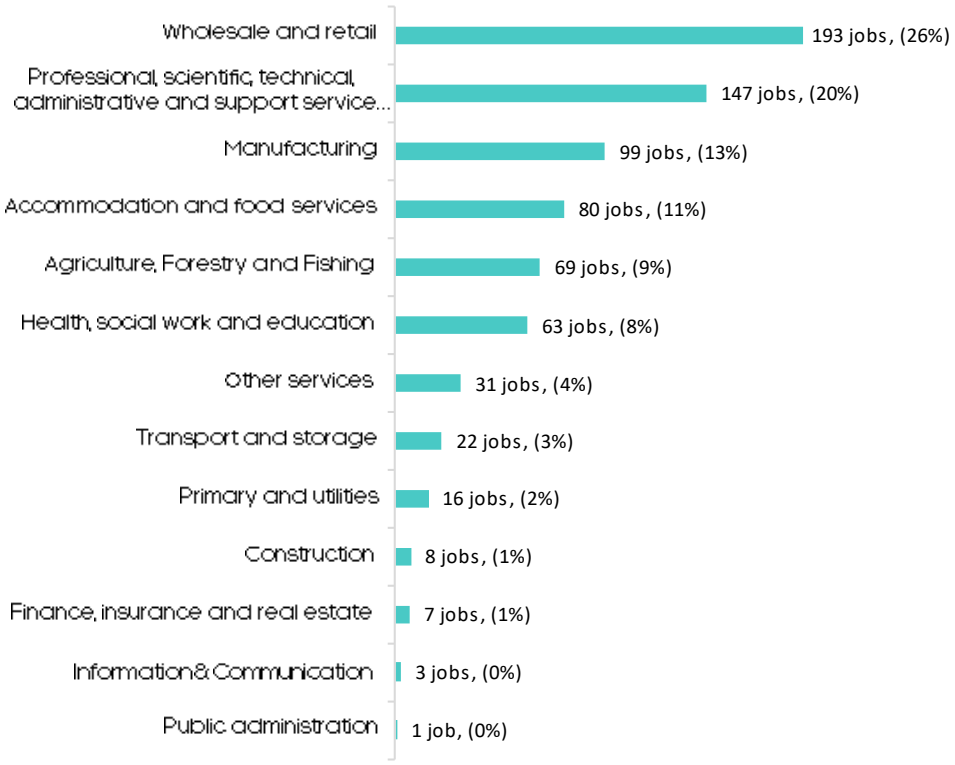


RCFs

Following a similar approach, an estimated €205.5m of Gross Output and €82.4m of GVA is attributable to RCFs (with loans themselves totalling €77.3m as at 31/12/2023). Of the €82.4m of GVA, **€34.8m** is directly attributable to the loans, with a further **€47.6m** of (indirect and induced) GVA supported elsewhere in the local economy. In this case, our approach interprets the jobs as being safeguarded by outstanding RCFs provided by AIB, with **some 345 jobs retained directly** and **395 further jobs supported**: **a total of 740 safeguarded jobs in the economy**. This implies that, for the selection of loans we assessed, for every **€1m in RCFs** provided by AIB to SMEs, approximately **10 jobs** are retained across the economy.

Figure 7.2 shows the sectors with the most safeguarded jobs to be: wholesale and retail (accounting for 26% of the total number of jobs retained), professional, scientific, technical, administrative and support service activities (20%), and manufacturing (13%).

Figure 7.2: Total jobs impact of outstanding RCFs by sector



Appendices

Appendix A Assumptions

Table A.1: Average household size by number of bedrooms in England and Wales

	1 bed	2 beds	3 beds	4 beds	5 beds	Average
Tenure - Social rented	1.2	2.2	3.1	4.1	4.0	2.9

Note(s): Figures are calculated by dividing the reported number of people by the reported number of households.
In the absence of any social housing data on household size by number of bedrooms for Ireland, these figures from the England and Wales 2021 Census are used as a proxy for Ireland.
Source(s): Census 2021: Tenure by household size by number of bedrooms.

Table A.2: Average household size in Ireland

	Ireland
Average Household size	2.74

Source(s): The Housing Agency: Average Household Size of Ireland [Census] (https://www.housingagency.ie/data-hub/population-households)

Table A.3 : Average length of stay in hospital in France and Germany (days)

	Average length of stay in hospital
France (2022)	5.6
Germany (2022)	7.4

Source(s): OECD, 2022 (https://data.oecd.org/healthcare/length-of-hospital-stay.htm).

Table A.4: Hospital bed occupancy rates in France and Germany (%)

	Hospital bed occupancy rate
France (2021)	71.9
Germany (2021)	69.9

Source(s): Statista (https://www.statista.com/statistics/1116612/oecd-hospital-acute-care-occupancy-rates-select-countries-worldwide/).