AIB

Social Bonds Impact – Results

Portfolio Date: 31 December 2022

Results

February
2023

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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 establishment of AIB's Social Bond Framework, 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.[2] The Social Bond Framework also recognises the significant elements of the EU Platform on Sustainable Finance, June 2021. 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) Increase 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
  - Target population: Low-income individuals and families meeting the social and/or affordable housing requirements defined by local authorities in Ireland and the UK

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

[2] https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/social-bond-principles-sbp/

- **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

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.[3]

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 and healthcare. The focus of these impacts is on the estimated number of beneficiaries of these three services.
- 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*'.[4]

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 6.

A description of the approach, any underlying assumptions, and limitations for Macro-category 1 and Category 2 is provided in a separate method note.[5]

[3] 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).

[4] https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Harmonised-Framework-for-Impact-Reporting-Social-Bonds_June-2022-280622.pdf

[5] Social Bonds Impact Report - Method Note, February 2023.

2 Macro-category 1 – Summary

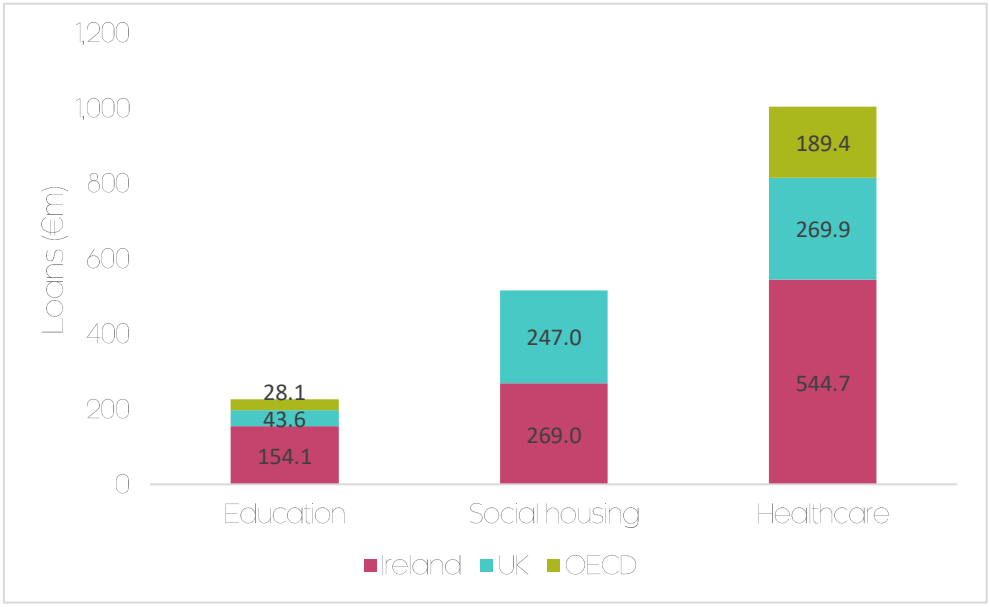
2.1 Summary results

Figure 2.1 presents the total value of outstanding loans AIB provided to support facilities in education, housing and healthcare, broken down by country. This represented the identified eligible pool as at 31/12/2022.[6]

AIB provided loans with a total value of **€1.745bn** across all services and countries. Of that €1.745bn, **58% (€1bn)** was provided to support facilities in **healthcare**, followed by **30% in social housing (€515.9m),** and the remaining **13% in education services (€225.8m).**

Ireland has been the largest beneficiary for education and healthcare lending, receiving **€154.1m** and **€544.7m**, respectively. Social housing lending is split between the UK and Ireland with **€247m** in the UK and **€269m** in Ireland.

Figure 2.1: AIB loans by type of service and country



[6] 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[7]	Healthcare
Ireland	**1,617** students in student accommodation; and **4,094** students attending university	**6,005** people in social homes	**956,795** people using care services and in hospitals
UK	**652** students in student accommodation[8]	**15,129** people in social homes, once fully operational	**904,885** people using care services and in hospitals
OECD (excluding Ireland and the UK)	**66,000** students attending universities[9]	-	**>44m** patients in hospitals

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.
Source(s): AIB; Cambridge Econometrics.

[7] 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.

[8] The number of students in student accommodation has decreased substantially from the number reported in the 2021 social bonds impact analysis. This is because the majority of the students reported in this category in the 2021 report were attributed to one borrower, which has since redeemed its loan and is no longer in AIB's 2022 social bond pool.

[9] This includes a loan to a university that was also part of the loan portfolio in 2021. The number of students attending that university was under recorded by 10,400 students in the 2021 social bonds impact analysis. This has been corrected in this year's reporting, and as a result, it has increased the number of students attending the universities in this pool.

3 Macro-category 1 – Education

In education, as at 31/12/2022, outstanding loans provided by AIB totalled **€225.8m**, 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 **€97.5m**, as a contribution towards new student housing developments. In their entirety, the total number of beneficiaries of these developments is estimated to be **1,355 student residents each year**.

An additional **€56.5m** of AIB loans was also provided to support the capital requirements of a medical university, with an attendance of 4,094 students.

3.2 UK

AIB provided **€43.6m** in loans as part of wider financing to support student housing development in the UK. The project is estimated to benefit **914 student residents each year**.

3.3 OECD (excluding Ireland and the UK)

A total of **€28.1m** of AIB loans was issued to fund the capital requirements of two education service providers in two other countries (not necessarily/entirely for accommodation): the exposure is split across a French University with 41,000 students; and a Spanish University with 25,000 students.

4 Macro-category 1 – Social Housing

As at 31/12/2022, AIB had **€515.9m** 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 **€269m** of AIB loans helped to support social housing providers and the development of **2,101 social housing units** (252 apartments and 1,849 houses).[10] These housing projects are estimated to benefit **6,005 residents each year**.

4.2 UK

AIB provided a total of **€247m** of loans to support social housing in the UK, of which:

- **€169.5m** was provided to support social housing providers. We estimate that the funded schemes have already benefitted **10,397 residents (by 2022)**, and will benefit an **additional 4,732 residents once all developments have been completed**.
- **€77.5m** was provided to facilitate the capital requirements and refinance needs of housing associations which own over 38,000 homes.

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

5 Macro-category 1 – Healthcare

As at 31/12/2022, **€1bn** 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 **€251.7m** of loans which helped to support residential and care providers in Ireland. AIB's data show that there are 6,555 beds in these providers' facilities. Under the assumption of one bed per person per year, these providers will have supported an estimated **6,555 people per year**.

Hospitals, clinics, and patient care

A total of **€293m** 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 **950,240 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).

5.2 UK

Residential and care facilities

AIB provided **€238m** of loans, which supported residential and care service providers across the UK. AIB's data show that there are 34,885 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 **34,885 people (elderly, children and adults under specialist care) per year**.

General hospitals

A total of **€31.9m** of loans was provided to support a leading hospital group in the UK. This group receives a reported **870,000 patients a year**. The number of patients is reported by the hospital group.

5.3 OECD (excluding Ireland and the UK)

General hospitals

AIB provided a total of **€111.3m** of loans to support hospitals around the world, of which:

- **€39.2m** was provided to two US hospitals that treat **over 35m patients per year –** the number of patients is taken from a combination of patient numbers provided by AIB and published annual reports.

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

- **€43m** was provided to a French hospital that treats **over 9m 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 **198,000 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][13]
- **€14.2m** was provided to a German hospital that is estimated to treat **295,170 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.[14][15]

Others

AIB also provided **€78.0m** of loans to support other 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.[16] Examples include: a manufacturer that makes and distributes wheelchairs, a general medical equipment supplier, as well as a healthcare data-analytics firm. Beneficiaries from these service providers have not been estimated.

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.2 and Table A.3 in Appendix A.

[13] The hospital bed occupancy rate in France has decreased from 75.6% (in 2017, which was used in the 2021 social bonds impact analysis) to 72.8% (in 2020), which has reduced the number of inpatients reported compared to the 2021 report.

[14] See Table A.2 and Table A.3 in Appendix A.

[15] The hospital bed occupancy rate in Germany has decreased from 77.2% (in 2019, which was used in the 2021 social bonds impact analysis) to 67.3% (in 2020), which has reduced the number of inpatients reported compared to the 2021 report.

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

6 Category 2 – Results

As at 31/12/2022, AIB's social bonds lending portfolio consisted of €505.1m in term loans and €84.6m in RCFs; both to SMEs.

Table 6.1 shows the estimated direct, indirect and induced impacts of AIB's SME lending in Ireland, by type of loan.

Table 6.1: Impact of AIB's SME lending by type of loan

	Term loans	RCFs
Gross output (€m)		
Direct	505.1	84.6
Indirect	295.4	61.9
Induced	392.4	66.2
Total	**1,193.0**	**212.7**
GVA (€m)		
Direct	230.1	39.0
Indirect	130.7	26.8
Induced	88.9	15.0
Total	**449.6**	**80.8**
GDP (€m)		
Direct	244.3	41.5
Indirect	138.8	28.5
Induced	94.4	15.9
Total	**477.5**	**85.8**
Employment (FTEs)		
Direct	3,596	448
Indirect	1,614	347
Induced	1,008	170
Total	**6,218**	**965**

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 (2021) annual GDP and GVA data from the Central Statistics Office (CSO)[17].

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.

[17] Annual National Accounts 2021: https://www.cso.ie/en/releasesandpublications/ep/p-ana/annualnationalaccounts2021/

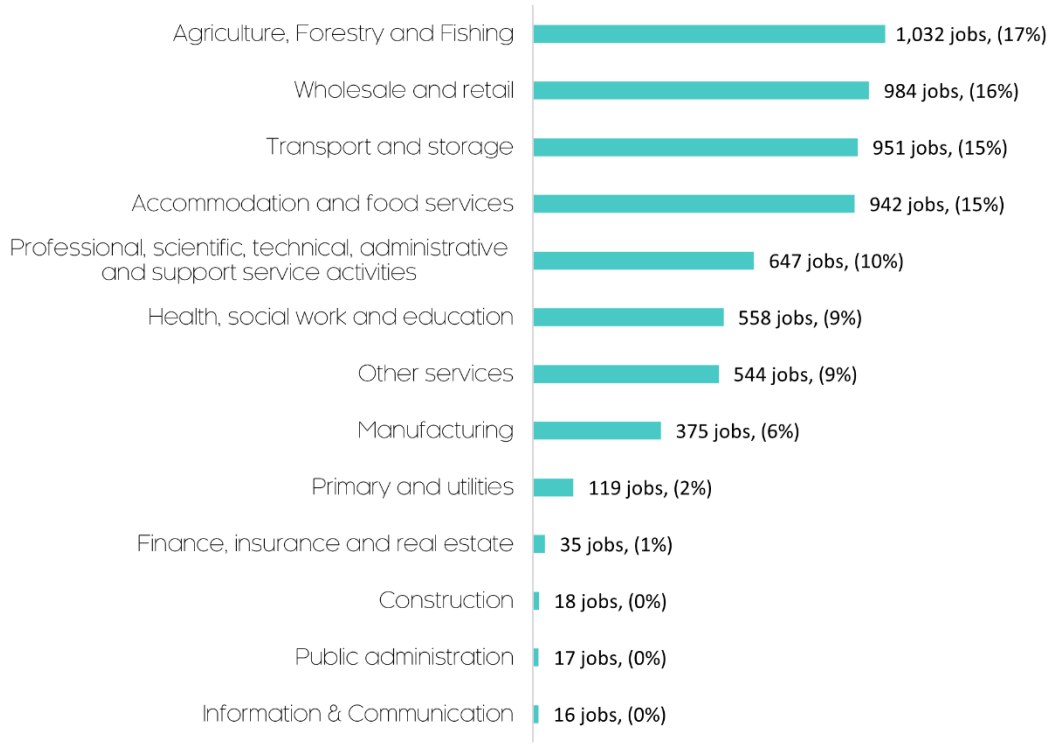
Term loans

An estimated €1,193.0m in (economy-wide) Gross Output is attributed to term loans. The corresponding Gross Value Added (GVA) amount totalled €449.6m, of which **€230.1m** is directly attributable to outstanding term loans provided by AIB (as above, term loans totalled €505.1m as at 31/12/2022). Through supply chains and higher incomes (paid to employees) this generates a further **€219.5m** of (indirect and induced) GVA elsewhere in the economy.

By our approach, these outstanding term loans have **directly created nearly 3,600 jobs** and **supported more than 2,600 additional jobs**, resulting in **a total of some 6,200** jobs created across the economy. This implies that, for every **€1m** loans provided to SMEs, approximately **12 jobs** are created, economy-wide.

As shown in Figure 6.1, the largest jobs impacts are in agriculture, forestry and fishing (accounting for around 17% of total jobs created), wholesale and retail (16%), transport and storage (15%) and accommodation and food services (15%).

Figure 6.1: Total jobs impacts of outstanding term loans by sector

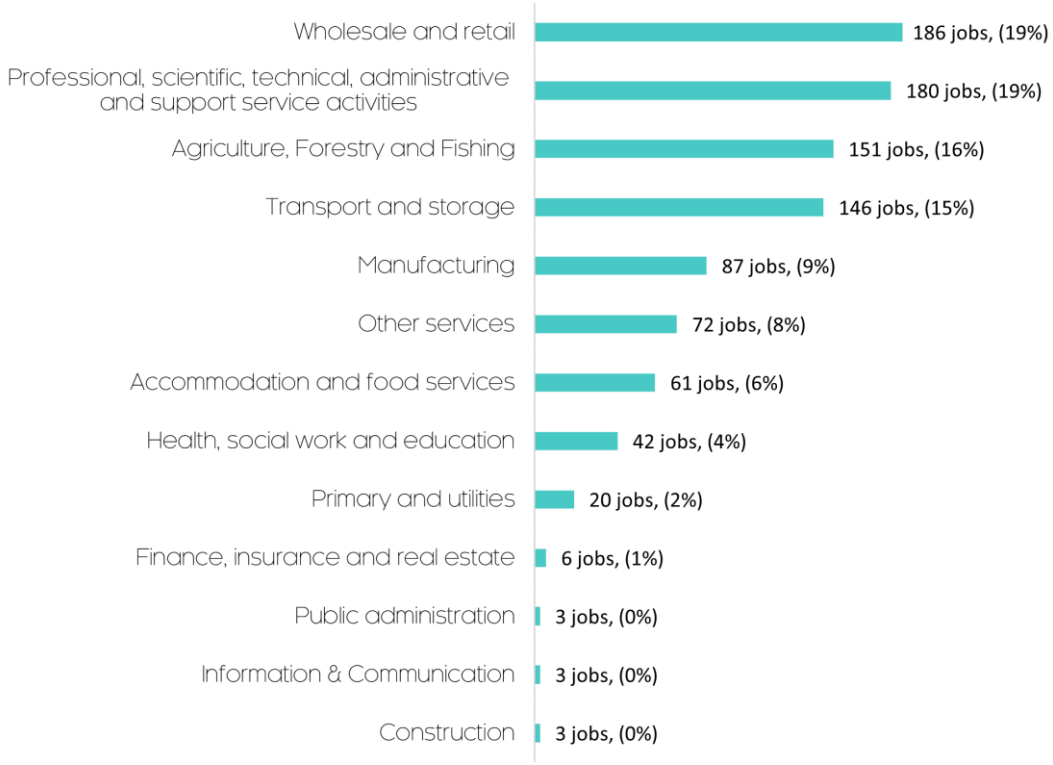


RCFs

Following a similar approach, an estimated €212.7m of Gross Output and €80.8m of GVA is attributable to RCFs (with loans themselves totalling €84.6m as at 31/12/2022). Of the €80.8m of GVA, **€39.0m** is directly attributable to the loans, with a further **€41.8m** 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 nearly 450 jobs retained directly** and **more than 500 further jobs supported**: **a total of 965 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 **11 jobs** are retained across the economy.

Figure 6.2 shows the sectors with the most safeguarded jobs to be: wholesale and retail (accounting for 19% of the total number of jobs retained), professional, scientific, technical, administrative and support service activities (19%) and agriculture, forestry and fishing (16%).

Figure 6.2: 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	1.3	2.1	3.0	3.9	3.8	2.8

Note(s): Figures are calculated by dividing the reported number of people by the reported number of households.
Source(s): Census 2011: Tenure by household size by number of bedrooms.

Table A.2 : Average length of stay in hospital in France and Germany (days)

	Average length of stay in hospital
France (2021)	5.5
Germany (2021)	7.4

Source(s): OECD, 2021 (https://data.oecd.org/healthcare/length-of-hospital-stay.htm).

Table A.3: Hospital bed occupancy rates in France and Germany (%)

	Hospital bed occupancy rate
France (2020)	72.8
Germany (2020)	67.3

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