The Allied Irish Banks Socially Responsible Investment Bond Framework is recognised and sponsored by:

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1. Introduction

The investment community is in a unique position to lead global change for a more socially responsible and sustainable planet. Investors are becoming increasingly aware of the social and environmental impacts of the entities in which they invest in.

As an established buy-to-hold bond investor, Allied Irish Banks plc (AIB) can promote and support the transition to a more sustainable global economy and contribute to positive environmental and social change via the sustainable bond market. AIB aim to fund sustainable projects via global sustainable bond issuances, thus contributing to a more sustainable planet.

AIB is committed to a low-carbon economy, and is active across the entire renewable energy mix including solar and wind, waste to energy, across the island of Ireland and beyond. AIB was the first Irish bank to become a Founding Signatory of the United Nations Environment Programme Finance Initiative (UNEP FI) Principles for Responsible Banking. This demonstrates a clear commitment to proper governance, culture, transparency and accountability, working responsibly with both clients and stakeholders. AIB was also the first Irish bank to publish Green and Social Bond Issuance Frameworks that align with the ICMA Principles.

2. Portfolio Ambition

In order to ensure we maintain a strong presence in the sustainable bond market, and thus continue to fund positive impact projects, it is our continued ambition to grow the Socially Responsible Investment (SRI) portfolio to at least 10% of AIB’s total Investment Securities. We believe sustainable investment is of paramount importance to the global economy, and will continue to contribute to a more socially responsible world for generations to come.

To affirm this commitment to the sustainable bond market, we disclose the size of our SRI portfolio in AIB’s Sustainability Reports.
AIB’s Sustainability Journey

- Sustainable Communities becomes AIB’s 5th strategic pillar
- Pledge to Do More Commitment
- €5BN Climate Action Fund
- Main sponsor of Climate Finance Week
- Green Mortgage First of a range of Green Propositions
- Founding Signatory of the UNEP FI Principles for Responsible Banking
- Supporter of the TCFD (Commitment to disclose climate-related financial risks)
- Achieved the Business Working Responsibly Mark
- Eliminated Plastic Coffee Cups & Disposables (12.5m items)
- Named Large Green Organisation of the Year
- Dublin Chamber of Commerce Sustainability Partnership
- Published Responsible Supplier Standards
- Launched a Socially Responsible Investment Bond Framework
- Committed €5m to community causes for COVID-19
- Launch new COVID-19 propositions and additional supports for vulnerable customers
- Electric Vehicle Proposition Launched – 0% finance
- Awarded Chambers Ireland Outstanding in Sustainability 2020
- Published a defined list of Excluded Business Activities
- Issued 1st Green Bond for €1bn
- Pledged to become Carbon Neutral in our Operations by 2030 & 70% Green & Transition Lending
- Provided number of Sustainability Linked Loans
- 4th Sustainability Report based on refreshed materiality exercise
- Sponsored Chair in Sustainable Business University College Cork (3 years)
- Published Human Rights Commitment & joined UN Global Compact
- Mandatory Sustainability Training for all Employees
- 3 year Food Cloud Partnership - €1.5m
- 2nd Green Bond Issuance - €750m
- First Irish Bank to join the Net Zero Banking Alliance
- Launch of Green Personal Loan for Retrofitting
- Launch of Haven Green Mortgage
- Partnership with TASC for community strategic action planning on climate change issues
- Sustainable Lending Framework for categorizing Green and Transition Lending
- Deeper Integration of ESG into Borrower Assessment
- Biodiversity initiative with Coillte to plant 100k trees
- Well-being Programme & Employee Value awards
- Engaged in Power Purchase Agreement for direct sourcing of renewable energy
- Partnership on Agri Signpost Programme
- Sustainability Programme for Employees
- Customer Green Hub Launched
- New Interdisciplinary Schools Programme focussed on life skills

- Establishment of Energy, Climate Action & Infrastructure team
- Achieved CDP Climate A Leadership Rating
- Sponsorship of UCD Chair in Behavioral Economics DCU Chair in Data Analytics
- Procured 100% renewable energy
- 1st Annual Sustainability Conference (2017)
- Annual Sustainability Report (2017)
- Governance: Establishment of Sustainable Business Advisory Committee (SBAC)
- Partnerships with FoodCloud and SOAR
- Signed the Low Carbon Pledge to reduce emissions by 50% by 2030
- Group-wide certification to ISO 14001 & ISO 50001 (Energy & Environmental Mgt. Standards)
- 1st Annual Sustainability Conference (2017)
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- Governance: Establishment of Sustainable Business Advisory Committee (SBAC)
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- 2017 & 2018
- 2019
- 2020
- 2021 (H1)
3. SRI Portfolio Eligibility Criteria

1. The following bond types are eligible for the SRI Portfolio:
   - Green bonds
   - Social bonds
   - Sustainability bonds
   - Sustainability-Linked bonds (SLBs)

2. Issuers’ Bond Frameworks must align with ICMA Principles/Guidelines.

3. Frameworks must have a Second Party Opinion (SPO) as recommended by the ICMA Principles.

4. We rely on external ESG ratings to contribute to our investment decisions. In rank order of priority, our ESG rating requirements for Banks and Corporates are as follows:
   - MSCI rating of BB or better;
   - Sustainalytics score below 40;
   - ISS rating of D+ or better;
   - Should a rating/score not be available from any of the above, ratings/scores from other environmental agencies may be considered on a case-by-case basis.

5. Notwithstanding the minimum ratings required, Banks and Corporates with a rating less than MSCI BBB, Sustainalytics 30 or ISS C-, will form no more than 10% of the SRI portfolio.

6. AIB has developed a Sustainability Exclusion List (see Exclusions section p. 10 for further detail). Issuers who are deemed to engage in business activities on the Exclusions List will not be considered for investment.

7. We will only invest in SLBs with an adjustable coupon.

As regulation and best practice evolves in the ESG market, we will continue to review our scoring criteria and Framework to reflect new developments.

While we will note issuers’ degree of alignment with the EU Taxonomy we believe it is too early to compel issuers to attain a minimum level of alignment for portfolio eligibility as the EU Taxonomy is still in its infancy and companies are not yet required to disclose alignment levels (as of March 2022). Our EU Taxonomy alignment criteria will develop as the market evolves.
4. Investment Philosophy

AIB has established a SRI Bond portfolio to fund domestic and international initiatives aimed at global sustainability, carbon emission reduction, and social improvement, all under the over-arching themes of Environment, Social, and Governance (ESG).

Sustainable bonds aim to deliver sustainable value in areas, including, but not limited to, some of the following sectors:

1) Green areas
   - Renewable energy
   - Energy Efficiency
   - Pollution prevention and control
   - Terrestrial and aquatic biodiversity
   - Clean transportation
   - Environmentally sustainable management of living natural resources and land use
   - Terrestrial and aquatic biodiversity conservation
   - Sustainable water and wastewater management
   - Climate change adaptation
   - Circular economy adapted products, production technologies and processes
   - Green buildings

2) Social areas
   - Affordable basic infrastructure
   - Access to essential services
   - Affordable housing
   - Employment generation including through the potential effect of SME financing and microfinance
   - Food security and sustainable food systems
   - Socioeconomic advancement and empowerment
   - Promoting and providing positive social impact for target populations such as those:
     - Living below the poverty line
     - Excluded and/or marginalised populations/communities
     - People with disabilities
     - Migrants and/or displaced persons
     - Undereducated
     - Underserved, owing to lack of quality access to essential goods and services
     - Underemployed
     - Women and/or sexual and gender minorities
     - Aging populations or vulnerable youths
     - Other vulnerable groups, including as a result of natural disasters.

Our investments will be linked to the four key pillars of investment.
5. Pillars of Sustainable Investment

AIB has designed four key Pillars of sustainable investment for our SRI Portfolio, as follows:

- **Focuses and Exclusions**
- **Reporting**
- **Pillars of Investment**
- **SRI Engagement**
- **Living the Sustainable Way**

**Focuses and Exclusions**

**Focuses**

**Use of Proceeds Bonds (UoP Bonds)**

UoP bonds enable issuers to raise capital for new and existing green/social/sustainable projects. The cornerstone of UoP bonds is the utilisation of the bond’s proceeds for eligible projects which should be appropriately described in the legal documentation of the security. Transparency, disclosure and reporting are critical to ensure the integrity of UoP bonds and the UoP bond market more generally.

We expect to see the 4 key headings listed below within the issuing framework:

1. Use of Proceeds
2. Process for Project Evaluation and Selection
3. Management of Proceeds
4. Reporting

For the purposes of the SRI Portfolio, we will focus on the project categories listed below, however we will not necessarily be limited to these categories.
Positive environmental impact

Renewable Energy
- Solar energy
- Wind energy (on and off-shore)
- Hydropower
- Geothermal
- Tidal energy

Sustainable Water Management
- Sustainable management of wastewater
- Efficient urban and rural drainage
- Environmentally-friendly flood mitigation systems

Pollution Prevention
- Reduction of greenhouse gases
- Waste prevention and reduction
- Recycling
- Soil-and-grass regeneration

Green Buildings
- Construction of low-emission buildings
- Retrofitting of domestic properties to be more environmentally friendly

Energy Efficiency
- Energy storage
- District heating, smart grids, appliances and products
- Energy-efficient solutions for industrial plants

Positive social impact

Social Projects
- Affordable housing
- Access to essential services
- Affordable basic infrastructure
- Employment generation through SME financing
- Projects targeting vulnerable groups

Sustainability-Linked Bonds (SLBs)

SLBs are a forward-looking performance-based instrument where the financial and/or structural characteristics vary depending on whether the issuer achieves predefined Sustainability/ESG objectives. Issuers are therefore committing explicitly to future improvements in sustainability outcome(s) within a predefined timeline. The proceeds of SLBs are intended to be used for general corporate purposes, hence the use of proceeds is not a determinant in its categorisation.

We expect to see the 5 key headings listed below within the issuing framework:

1. Selection of Key Performance Indicators (KPIs)
2. Calibration of Sustainability Performance Targets (SPTs)
3. Bond Characteristics
4. Reporting
5. Verification
Exclusions
AIB is committed to embedding sustainability at the core of everything we do. With this in mind, AIB has developed a Sustainability Exclusion List where a number of sectors considered to be incongruent with our views of sustainability have been identified for exclusion from investment. In this regard, corporate issuers whose primary business activities are in the following sectors will be excluded from the SRI Portfolio:

Energy & Climate Action:
- Exploration, extraction and upgrading of sand oil projects
- Nuclear power generation
- Nuclear waste transportation, decommissioning and/or final disposal of high-level nuclear waste
- Coal or oil fired power generation (other than emergency or stand by oil generation) except where less than 25% of revenues are generated from this activity and only where there is a plan to move to sustainable fuels by 2025
- Onshore/offshore exploration, extraction or refining of coal or oil
- Natural gas fracking

Animal Welfare:
- Producing, processing animal fur
- Support of any type of animal fights for entertainment
- The use of dynamite or poison to the catch marine and fresh water species (including shellfish) in the wild

Ecosystem Protection:
- Deforestation or the burning of natural ecosystems for the purposes of land clearance;
- Timber from illegal trading or logging operations
- Production or trade in wood or other forestry products other than from sustainably managed forests

Healthcare/Genetic Engineering:
- The development of Genetic Engineering or Genetic Modification on humans
- The development of Genetic Engineering or Genetic Modification on animals for non-medical purposes

Adult Entertainment:
- Online pornography

Surveillance/Arms Related/Military:
- Anti-personnel landmines/Cluster munitions
- Weapons of Mass Destruction including the production, maintenance or trade of nuclear, biological, chemical and toxin weapons
- Any activity that adversely impacts Human Rights defined by the UN

Excluded sectors will always be determined by the most up to date AIB Group Credit Risk Policy and therefore the list above is subject to revision.

As detailed in the SRI Portfolio Eligibility Criteria section; bonds issued under a framework not aligned to the ICMA Principles will not be eligible for the SRI portfolio.
Reporting

Transparency, accuracy and integrity of the information disclosed by issuers is of the utmost importance. Therefore, we require issuers’ reporting to align with the ICMA Principles’ reporting recommendations. Consistent and comparable ESG reporting will reinforce issuers’ accountability whilst providing the investor with key information on how funds are being utilised and how organisations are performing against ESG objectives.

We require the issuing framework to have a Second Party Opinion, as per the ICMA Principles.

We will not include bonds in our SRI portfolio where the issuer does not intend to publish any information, reports, or impact metrics regarding their sustainable bond issuance.

Use of Proceeds Bonds

Allocation reporting should include:

(i) The size of the proceeds available for allocation
(ii) The total amount of proceeds allocated to the eligible projects
(iii) Details of the projects where feasible

Impact reporting should include

(i) Quantitative performance indicators such as energy consumption/Co2 saving
(ii) Qualitative metrics regarding projects’ environmental and/or social impacts where feasible

Reporting should be published at least annually until the bond is fully allocated.

Sustainability-Linked Bonds

Reporting should include:

(i) Up-to-date information on the performance of the selected KPI(s) including baselines where relevant
(ii) A verification assurance report relative to the SPT outlining the performance against the SPTs and the related impact
(iii) Any information enabling investors to monitor the level of ambition of the SPTs

Reporting should be published at least annually and in any case for any date/period relevant for assessing the SPT performance leading to a potential adjustment of the SLB’s financial and/or structural characteristics.
SRI Engagement

We will look more favourably upon issuers who actively engage in the world of socially responsible investment and demonstrate strong environmental, social and governance practices. Engagement through ESG bond/framework roadshows, one-on-one meetings and conferences is crucial as it helps us to understand investee ESG strategies, provides an opportunity for investees to increase visibility and showcase their ESG credentials and enhances the exchange of new ESG-related knowledge in a rapidly evolving market. Additionally, it also allows us to communicate AIB’s sustainability agenda and SRI Portfolio ambitions to the market.

We will also look favourably upon issuers whose issuing frameworks reference the UN Sustainable Development Goals (SDGs). The SDGs are a set of 17 goals with 169 targets covering a broad range of sustainability issues. They are the blueprint to achieve a better and more sustainable future for all. Investors/investees are in a prime position to contribute to the SDGs through their business activities and investment decisions.

We endeavour to identify and invest in issuers who in addition to the above, promote the role that global debt capital markets can play in financing progress towards environmental and social sustainability.

UN Sustainable Development Goals:

Living the Sustainable Way

The three domains of social, environmental and governance are intimately linked to the concept of responsible investment. In this regard, governance is a significant factor in our analysis of a sustainable bond issuer as it is an indicator of an issuer’s collective conscientiousness for environmental and social factors. We look favourably upon issuers who not only meet legal obligations but go above and beyond to invest in human capital, the environment and conduct business activities in socially responsible manner.

Issuers with strong governance structures and frameworks in place, and who continually strive to improve and progress in areas such as board diversity, transparency and accountability, audit practices, executive pay and business ethics will all be looked upon favourably.

Transparent and open communication is consistent with strong internal governance and fosters confidence in issuers’ actions and processes. We therefore value relationships with issuers who provide direct access to their ESG research, ESG departments, and are open to dialogue with investors.