



For the future  
you're after

# Socially Responsible Investment Bond Framework

January 2025



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# 1. Introduction

At Allied Irish Banks plc (AIB), we are committed to playing a leadership role in sustainability, acknowledging the influence financial services institutions can bring to bear in deepening and embedding this agenda both here in Ireland and further afield. As an established buy-to-hold bond investor, 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.

The purpose of the Socially Responsible Investment (SRI) Bond Portfolio is to fund domestic, EU based and international projects aimed at global sustainability, carbon emission reduction, and social improvement, all under the over-arching themes of Environment, Social, and Governance (ESG).

## 2. Portfolio Ambition

In order to ensure we maintain a strong presence in the sustainable bond market, and continue to fund positive impact projects, it is our continued ambition to grow the SRI Bond Portfolio to at least 14% of AIB's total Investment Securities in the medium-term. At year-end 2023, the SRI Bond Portfolio totalled €2.0bn and AIB's Investment Securities totalled €17.35bn which equates to 11.5% (SRI Bond Portfolio figure can be found in [Detailed Sustainability Report For 2023](#) and AIB's total Investment Securities figure can be found in [2023 Financial Results](#)).



## Our Sustainability Strategy 2024-2026

With a new segment dedicated to Climate Capital from 2024, sustainability remains at the very core of AIB Group's strategy. Our Climate Capital segment, alongside our other segments, will increase our capability, support business growth, and demonstrate our position as a driving force in the transition to a zero-carbon future.

| Our purpose  | Empowering people to build a sustainable future  |   |  |
|--|--|---|--|
| ESG Strategic Pillars                                      | Climate & Environmental Action   | Societal & Workforce Progress   | Governance & Responsible Business  |
| Areas of Focus   | <ul style="list-style-type: none"> <li>Lend responsibly and steer our portfolio towards net zero by 2040 (Agriculture by 2050).</li> <li>Reach net zero in our own operations by 2030.</li> <li>Increase consideration and management of climate and environmental- related risks.</li> <li>Contribute to protecting nature and safeguarding natural ecosystems/habitats.</li> </ul> | <ul style="list-style-type: none"> <li>Put our customers first, always treating them fairly and with respect.</li> <li>Continue to pro-actively contribute to a robust and sustainable future economy and society.</li> <li>Empower own workforce and foster a safe, inclusive and supportive work environment.</li> <li>Positively support sustainable communities and local initiatives.</li> </ul> | <ul style="list-style-type: none"> <li>Facilitate a culture that promotes our values and fosters engagement.</li> <li>Boards and Management to work to the highest standards to deliver long-term value.</li> <li>Operate responsibly at all levels, while managing cyber security, data security and operational resilience risks.</li> </ul> |
| Alignment with UN SDGs*                                    |      |     |    |
| Some key measures of how we bring our ESG Strategy to life | <ul style="list-style-type: none"> <li>We have increased our existing Climate Action Fund from €10bm (by end 2023) to a cumulative €30bm by 2030.</li> <li>We aim to have 70% of new lending to be Green or Transition by 2040.</li> </ul>   | <ul style="list-style-type: none"> <li>We will build a brighter and fairer future for our customers by lending more than €6bm to first-time buyers by 2026.</li> <li>We will continue to support sustainable communities and local initiatives through AIB's community fund and charity donations.</li> </ul>   | <ul style="list-style-type: none"> <li>We will act responsibly and build an inclusive workforce that reflects our culture and promotes our values.</li> <li>We will further improve our efforts to manage cyber security, data security and operational resilience risks, protecting customers and the bank.</li> </ul>                        |

\*While AIB supports all 17 United Nations Sustainable Development Goals, we believe we can make the most sustained and scalable impact in those listed above.



# 3. SRI Bond Portfolio Eligibility Criteria

1. The following bond types are eligible for the SRI Bond Portfolio:
  - Green bonds
  - Social bonds
  - Sustainability bonds
  - Sustainability-Linked Loans financing Bonds (SLLBs)
2. Issuers' Bond Frameworks must align with ICMA Principles/Guidelines and/or the EU Green Bond Standard (EuGBS) when applicable.
3. Frameworks must have a Second Party Opinion (SPO) as recommended by the ICMA Principles. An exception is allowed for sovereigns and public institutions where the issuer may not necessarily provide a formal SPO alongside a bond issuance. Such instances will be reviewed on a case by case basis and it is envisaged any exceptions will largely consist of multilateral development banks.
  - AIB will look favourably upon issuers whose SPO contains a full EU Taxonomy Alignment exercise.
4. While we recognise the limitations that exist in the ESG ratings universe including differing methodologies and consequent inability to cross-compare ratings, we use 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:
  - Sustainability score below 35;
  - MSCI rating of BBB 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;
  - While the convention is that many Sovereigns and SSAs do not have ESG ratings, where ratings are available, the ratings criteria outlined above will apply.
5. Notwithstanding the minimum ratings required, Banks and Corporates with scores higher than Sustainability 30 or ratings lower than MSCI A, will form no more than 10% of the SRI Bond Portfolio.
6. AIB has developed a Sustainability Exclusion List (see Exclusions section page 9 for further detail). Issuers who are deemed to engage in business activities on the Exclusions List will not be considered for investment.
7. AIB have developed an internal ESG scorecard, driven by our own internal methodology, which will be used in conjunction with the above eligibility criteria to score and categorise AIB's SRI bond investments.

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 related reporting requirements to the EU Taxonomy are still in their infancy. Our EU Taxonomy alignment criteria will develop as the market evolves and the EU Green Bond Standard comes into force.

# 4. Pillars of Sustainable Investment

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

1

**Focuses & Exclusions**

2

**Reporting**

3

**SRI Engagement**

4

**Living the Sustainable Way**

## 4.1 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 Bond Portfolio, we will focus on the project categories such as those listed below, however we will not necessarily be limited to these categories.



## Positive environmental impact – Green Bonds & Sustainable Bonds

### Green Projects

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

## Positive social impact – Social Bonds & Sustainable Bonds

### Social Projects

- Affordable basic infrastructure
- Access to education and healthcare
- Affordable housing
- Employment generation
- Food security and sustainable food systems
- Socioeconomic advancement and empowerment

### Sustainability-Linked Loans financing Bonds (SLLBs)

Sustainability-Linked Loans financing Bonds (“SLLBs”) are any type of bond instrument (i) where the proceeds or an equivalent amount will be exclusively applied to finance or re-finance, in part or in full, a portfolio of new and/or existing eligible SLLs aligned with the Sustainability-Linked Loan Principles (“the SLL Eligible Portfolio”) and (ii) which are aligned with the components detailed in the ICMA Sustainability-Linked Loans financing Bonds Guidelines (“SLLG”).

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. Loan Characteristics
4. Reporting
5. Verification

The key recommendations for heightened transparency are:

- SLLB Frameworks
- External Reviews

Issuers are also encouraged to provide information on their overarching entity level objectives, strategy, policy and/or processes relating to environmental and/or social sustainability.

## 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 Bond 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.



## 4.2 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/Guidelines 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 will not include bonds in our SRI Bond 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. High level project details

Impact reporting should include:

- i. Qualitative performance measures regarding projects' environmental and/or social impacts
- ii. Quantitative performance indicators and underlying methodology and/or assumptions, where feasible

Allocation and impact reporting should be published at least annually until the bond is fully allocated in the case of project specific bonds or until bond maturity in the case of a portfolio approach.

### Sustainability-Linked Loans Financing Bonds

Issuers should make, and keep, readily available up to date information on the eligible portfolio of SLLs to be renewed annually during the lifetime of the SLLB, and on a timely basis in case of material developments.

The annual SLLB report should include detailed information where possible on the SLLs to which the SLLB proceeds have been allocated, in particular with respect to:

- i. the amount of SLLB allocated and/or size of the portfolio of eligible SLLs;
- ii. the sector and geography of the borrowers;
- iii. information on, including achievement of, KPIs/ SPTs in combination with the underlying sector of the borrowers;
- iv. information on the year of origination of the eligible SLLs; and
- v. information on disqualified SLLs and newly added SLLs.

Where confidentiality agreements, competitive considerations, or a large number of underlying SLLs limit the amount of detail that can or is allowed to be made available, that information should be presented in generic terms or on an aggregated portfolio basis. Post issuance, the issuer's management of proceeds should be supplemented by the use of an external auditor, or other third party, to verify the internal tracking and the allocation of funds from the SLLB proceeds to eligible SLLs.

## 4.3 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 roadshows, one-on-one meetings and conferences is crucial, as it allows investees to showcase their ESG strategies and credentials, and AIB to communicate our sustainability agenda and SRI Bond Portfolio ambitions. Additionally, it allows for the exchange of new ESG-related knowledge in a rapidly evolving 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. Investors/investees are in a prime position to contribute to the SDGs through their business activities and investment decisions.

We will also look favourably on frameworks that align with positive national policy objectives in the area of ESG.

### UN Sustainable Development Goals:



## 4.4 Living the Sustainable Way

The three domains of Environment, Social 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 dialog with investors.

# 5. Disclaimer

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