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John Flint,
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2nd March 2022

Dear John,

We are writing to you as leaders from a group of UK organisations representing business, finance, trade unions, academia, and civil society. We have engaged actively with the establishment of the UK Infrastructure Bank over the past year, and we are particularly interested in supporting the development of the Bank's approach to investment.

The Government's new Levelling Up White Paper¹ reiterates that there is a clear role for the UK Infrastructure Bank to play in delivering sustainable economic outcomes across the whole of the UK. This includes generating good quality green jobs, providing training opportunities, enhancing the natural capital asset base of the nation², and creating sustainable infrastructure across the whole of the UK. The Bank also has the chance to set out a world-leading vision of the transformative impacts that mission-led public finance can achieve. However, delivering this requires the Bank to bake in the right key performance indicators (KPIs) from the outset.

We were therefore pleased to see the new Strategic Plan discussion paper reflect many of the recommendations set out in our previous briefing by outlining a progressive range of KPIs within three impact assessment categories: **Climate**

¹ [Levelling Up White Paper Gov.uk](https://www.gov.uk/levelling-up-white-paper)

² The Economics of Biodiversity: The Dasgupta Review; & Natural Capital Committee (2020) Final Response to the 25 Year Environment Plan Progress Report



Change, regional and local economic growth (Levelling Up), and Financial Indicators.

These categories provide a solid framework to support the Bank in investing in a wide range of projects which address market failures and create markets in crucial infrastructure sectors. Many of these were suggested in our previous joint paper³, which set out a clear vision for Bank's investment principles to ensure that its investments are additional and impactful.

We suggest the following five recommended actions to help guide the next iteration of the Bank's investment strategy:

1. **Take a broad interpretation of return when evaluating portfolio-level investment performance⁴**, i.e. not just financial, but also social, climatic, and environmental. To remain sustainable as an institution, Treasury has stipulated that the Bank's investments need to deliver financial returns. However, as a public bank, the UKIB has an opportunity to give social and environmental co-benefits equal priority to financial performance. It is also essential to recognise that for the Bank to fulfil its ambition to spur innovation and create new markets, not every project will work and not every project will generate a financial return.
2. **Employ an ex-ante investment screening process which uses a broad range of KPIs.** For example, we agree with the suggestion in the discussion paper that the Bank's investments should eventually align with the UK green taxonomy and **implement minimum Do No Significant Harm Standards, aligning these with the taxonomy as soon as possible.** For example, projects should also be screened against measures of whether they will contribute to a nature positive economy.
3. **Expand the impact assessment categories to include Resilience and Nature Positive assessment.** This should come through as part of the plan to align with the UK green taxonomy, as the criteria for all six environmental objectives are developed⁵, but should also be explicitly acknowledged by the Bank.

³ [UK Infrastructure Bank investment principles](#)

⁴ E3G, Upcoming Publication March 2022, Unleashing Investment: Balancing return expectations to maximise impact

⁵ The six taxonomy environmental objectives are: 1) climate change mitigation; 2) climate change adaptation; 3) sustainable use and protection of water and marine resources; 4) transition to a circular



4. **Expand the impact assessment categories to include Just Transition.** As stated in the framework document, an investment screening list and Do No Significant Harm principle should be used to ensure that pursuit of one objective does not create actively harmful outcomes to the other.
5. **Over time, expand the list of potential KPIs** to ensure a broad range of co-benefits is assessed⁶. Potential examples are set out in the table in the appendix to this letter. Note that this is a non-exhaustive list and that some KPIs may be easier to implement in the first phase of the Bank's strategic plan. We would therefore be happy to discuss these further.

We would expect the Bank to adopt a high level of transparency when reporting against its impact KPIs. We would recommend consideration of the Impact Management Project⁷ approach to impact analysis, which is gaining traction in the financial services sector, and sets out a clear approach to describing, assessing, and reporting impact performance. We would also recommend the Bank learns from international public banking examples, e.g. EIB, EBRD, ADB.

Concerning investment delivery, we welcome the mention of an expert advisory service to support local authorities and note the importance of ensuring that this service is adequately resourced and structured to meet the needs of places and investors. Local authority capacity is consistently cited as one of the most prominent barriers to delivering meaningful investment for place-based impact. One example of where a centralised resource has been successfully made available to local authorities is the Inclusive Growth Network⁸, and we would collectively encourage the Bank to make a full evaluation of the most effective interventions of this kind when considering how to deliver this service.

We are committed to supporting the Bank towards publishing its strategic plan in Summer 2022 and would be pleased to discuss our recommendations in a meeting ahead of the finalisation of the strategic plan.

Yours Sincerely,
Shane Tomlinson, Acting CEO, E3G

economy; 5) pollution prevention and control; and 6) protection and restoration of biodiversity and ecosystems. The UK Government is initially developing the first two environmental objectives.

⁶ [UK Infrastructure Bank investment principles - E3G](#)

⁷ [Impact Management Project](#)

⁸ [Inclusive Growth Network](#)



On behalf of:

Nick Molho, Executive Director, Aldersgate Group

Steve Waygood, Chief Responsible Investment Officer, Aviva Investors

Dimitri Zenghelis, Special Advisor, Bennett Institute for Public Policy, University of Cambridge

Alice Bordini Staden, Managing Director, GLC Advisors Ltd

Nick Robins, Professor in Practice - Sustainable Finance, Grantham Research Institute, London School of Economics

Brendan Curran, Policy Fellow, Just Transition and Place-Based Investment, Grantham Research Institute, London School of Economics

Sarah Gordon, CEO, Impact Investing Institute

James Cameron, Senior Advisor, Pollination Group

Paul Nowak, Deputy General Secretary, Trades Union Congress

Polly Billington, Chief Executive Officer, UK100

Appendix

The below table contains suggestions for additional KPIs to support the impact assessment categories as laid out in the Bank’s discussion paper. As outlined in our recommendations above, it also suggests additional impact assessment categories, together with suggested KPIs. This long list of KPIs can be developed and streamlined as the Bank develops its approach to investment.

Impact Assessment Categories	Existing suggested KPIs ⁹	Additional suggested KPIs
Climate Change	<ul style="list-style-type: none"> > Relative carbon emissions in tCO₂e of our investment compared to the counterfactual > A measure of the increase in sustainable and resilient infrastructure capacity > The alignment of our portfolio with the green taxonomy being developed by the UK government. 	<ul style="list-style-type: none"> > Emissions saved, e.g. CO₂, Methane > New technologies supported. > Number of projects where net zero was an investment screen (ideally 100%) > Carbon Footprint of Bank (including scope 1,2,3)¹⁰ > Shadow Carbon Price¹¹ > Renewable energy generated (MWh). A non-exhaustive list of examples can be found below: <ul style="list-style-type: none"> ○ Buildings: Number of homes retrofitted with UKIB support; Number of social housing units retrofitted with UKIB support; Volume of private finance deployed into the built environment sector through UKIB co-financing (and public-private finance ratio) ○ EVs: Volume of private finance deployed into charge-points and through UKIB co-financing (and public-private ratio); kW charging capacity provided through UKIB co-financing
Levelling Up	<ul style="list-style-type: none"> > Number of jobs supported > Productivity through gross value-added measures > Measure of 	<ul style="list-style-type: none"> > Employment quality (supported by the creation of good quality jobs plans with unions) including: <ul style="list-style-type: none"> ○ Number of jobs created paying equal to or above the Real Living Wage ○ Number of secure jobs created (direct and permanent employment with guaranteed hours) ○ No. of employees (FTE) hired because of a

⁹ <https://www.ukib.org.uk/strategic-plan>

¹⁰ EBRD’s second TCFD report discloses new work on climate risk assessment Pg 22 onwards

¹¹ The EIB has set a gold standard approach which the UKIB could emulate. Its shadow cost of carbon will increase to €250 per tonne by 2030. By NZ 2050, this shadow cost will rise to €800 per tonne.



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	<p>impact on connectivity.</p>	<p>recruitment programme who were ‘Not in Employment, Education, or Training’ (NEETs).</p> <ul style="list-style-type: none"> ○ Number of jobs created with guaranteed training and skills development ○ Number of jobs created with opportunities for voice and representation at work ○ Number of projects supported that empower local stakeholders to play an active role in decision-making and/or build community wealth through community or employee co-ownership of assets or revenue-share. ○ Expansion of skills and training provision (informed by local market need), e.g. number of people completing high-quality skills training. <p>> Requirements for Contractors:</p> <ul style="list-style-type: none"> ○ Do all contractors have a good record of health and safety and compliance with employment law? Have any employment tribunal claims against the contractor been upheld? ○ Percentage of contractors in the supply chain required (or supported if they are a micro or small business) to pay at least the Real Living wage. <p>> Gender and race equity impact</p> <p>> Geographic distribution of projects</p> <p>> Accessibility of finance</p> <p>> Number of new homes enabled (split by tenure type).</p> <p>> Digital connectivity (e.g. expansion of gigabit broadband).</p> <p>> Improved equity in access to green spaces¹² in alignment with forthcoming standards for green infrastructure, such as the Natural England Green Infrastructure Framework¹³</p>
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¹² <https://smartsurfacescoalition.org/analysis/baltimore-report-document-july-14-2021>

¹³ <https://designatedsites.naturalengland.org.uk/GreenInfrastructure/Home.aspx>



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Financial Indicators	<ul style="list-style-type: none"> > Private finance mobilised through private investments and an annual financial return target¹⁴. 	<ul style="list-style-type: none"> > Portfolio-level rate of return > Leverage ratio (ratio of private capital crowded in as a multiplier of public capital deployed)¹⁵ > Number of co-investors > Number of projects financed > Additionality, i.e. metrics for scale-up of technologies¹⁶ > Requirement not to compete with/crowd out the private sector, e.g. offshore wind
Resilience and Nature Positive assessment	<ul style="list-style-type: none"> > Not currently considered 	<ul style="list-style-type: none"> > Alignment with the UK's 2050 Resilience target and the Environment Act species abundance target > Overall impact of project portfolio on biodiversity as measured by change in habitat condition, Biodiversity Net Gain Metric 3.0 units, and/or number of species on UK Biodiversity Action Plan and/or IUCN Red List within the project footprint. > Alignment with the five transitions recommended to place the infrastructure and built environment system on a nature positive pathway:¹⁷ <ul style="list-style-type: none"> ○ Contributes to a compact built environment, e.g. reducing sprawl and protecting ecosystems from conversion ○ Shifts towards nature-positive or green-gray infrastructure design¹⁸, e.g. leveraging nature alongside engineered infrastructure, including through Smart Surfaces in urban contexts¹⁹ ○ Provides planet-compatible urban utilities to reduce airborne and waterborne pollution, and solid waste ○ Restores and protects nature as infrastructure ○ Uses nature-positive connecting

¹⁴ This target rate is yet to be publicised: [UKIB_Policy_Design.pdf \(publishing.service.gov.uk\)](#)

¹⁵ The EBRD has a useful definition for 'annual mobilised investment' European Bank for Reconstruction and Development, June 2019, Mobilisation Approach Paper, pg. 6

¹⁶ [UK Net Zero Research and Innovation Framework \(publishing.service.gov.uk\)](#) Figure 6, Pg 23

¹⁷ https://www3.weforum.org/docs/WEF_The_Future_Of_Nature_And_Business_2020.pdf

¹⁸ https://www.conservation.org/docs/default-source/publication-pdfs/ci-green-gray-practical-guide-v08.pdf?Status=Master&sfvrsn=62ed4b48_2

¹⁹ <https://smartsurfacescoalition.org/>



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		<p>infrastructure for transport links to prevent habitat fragmentation</p> <ul style="list-style-type: none"> > Improvements in air and/or water quality > Improvements to the coastal system > Ecosystem service provision/enhancement
Just Transition	> Not currently considered	<ul style="list-style-type: none"> > Jobs created in regions and/or industries where jobs are at risk of offshoring or closure (because of decarbonisation, carbon leakage or automation) > Parity of job quality in jobs created, using comparable incumbent industries as a benchmark (e.g., for renewable energy projects, parity of job quality to gas or nuclear energy jobs) > Number of people supported to access upskilling/training > Domestic content (UK primary industries/supply chain job creation or GVA) > Natural capital investments are conducted with consideration of the most appropriate form of land rights arrangements to avoid displacement and ensure local communities benefit from the natural environment