Impact Framework

1. Purpose of the Impact Framework

The UK Infrastructure Bank's Impact Framework sets out a credible and transparent approach to measuring, evaluating, and communicating the impact of its investments. In developing this framework, we have been guided by our mandate as laid out in our Framework Document[1] and our first Strategic Plan[2]. Our mission is to partner with the private sector and local government to increase infrastructure investment to help tackle climate change - particularly the net zero emissions target by 2050 - and to support regional and local economic growth.

In designing our approach, we have listened to our shareholder and stakeholders. Our shareholder, HM Treasury, signalled for the Bank to set out further detail on how we will capture the impact of our investments and activities and develop a robust plan for evaluating the Bank's activities. The UKIB Bill[3] puts in statute an independent review of the Bank's activities, impact and additionality within 7 years. The National Audit Office also recommended that the Bank evaluates its impact.

This framework is designed to be appropriate and proportionate for the organisation, the stage of its development as an institution and its purpose. The Bank's Strategic Plan[4] included an initial set of metrics that we use to assess the impact of our individual deals at the point of making investment decisions. We were clear in the Plan that we would develop a more rigorous and comprehensive approach that will allow us to take a more rounded view of impact, both before and after an investment has been made.

We have also developed our Environmental, Social, Resilience and Governance (ESRG) framework that will enable us to consider material risks in the context of our partners and projects that we invest in and contribute to impactful investments.

Expanding the UK's clean infrastructure will be critical to the transition to a Net Zero economy. High quality infrastructure will also be critical to increasing economic growth across the UK. It connects people, can increase productivity, and provides economic opportunities that allow individuals to make the most of their skills without having to leave their local area to find employment.

[1] UK_Infrastructure_Bank_Framework_Document.pdf (publishing.service.gov.uk)

[2] https://www.ukib.org.uk/sites/default/files/2022-06/UKIB%20Strategic%20Plan%202022%20-%20Full_1.pdf

[3] CBP-9652.pdf (parliament.uk)

However, infrastructure projects are often complex, costly, large-scale, long-term, and characterised by positive externalities – all of which can contribute to under-investment. The UK's infrastructure and investment needs are significant, with the Committee on Climate Change estimating that £50 billion additional per year of investment is required by 2030 under the government's pathway to achieving net zero by 2050.[5] Both public and private sector investments will be required to address this. The private sector is responsible for around half of the financing and delivery of UK infrastructure currently. We will aim to further mobilise these private sector capital sources, crowding finance into our priority sectors.

Development of the framework was also guided by a set of core principles around being: **(1) credible and transparent; (2) evidenced-based and consistent; (3) proportionate; and (4) focused on learning and feedback.** These principles have been considered alongside the harmonised principles led by IFC.

The Framework will enable internal learning and feedback loops, whilst also fulfilling our obligations to our key stakeholders: our shareholder, His Majesty's Treasury (HMT), Parliament, the public, and other stakeholders across the country. It will allow us to measure, evaluate and communicate our impact across all our private deals and local authority lending and advisory, for individual investments as well as across the portfolio. This framework has been developed for an organisation that is new and growing, is designed to be both enduring and flexible and to create the right incentives for risk taking and learning. It has been designed to consider the lessons learned from peer institutions around planning and embedding a rigorous approach to impact across the whole organisation from the outset.

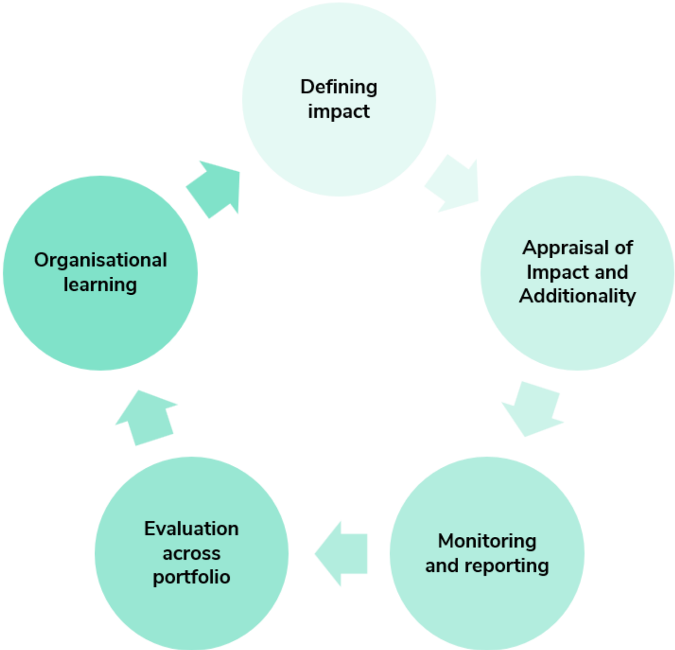
Our additionality approach and guidance[6] published in November 2022 explains how we are testing and judging the extent to which our investments are generating and contributing to impact that would not have materialised without us, and actively considers how we will judge our role in infrastructure investments under greater risk and uncertainty. The use of investment narratives and metrics will enable us to amplify how we shape and target impactful investments.
The framework is divided into three sections: (1) our approach to impact, including principles and pathways to impact; (2) how we plan to measure and track progress against our intended impact – our proposed metrics; (3) how we will monitor and evaluate our impact, and ensure continuous learning. The latter two are captured in Figure 1 below.

[5] Infrastructure investment: evidence summary - gov.scot (www.gov.scot)

Independent Assessment: The UK's Net Zero Strategy - Climate Change Committee (theccc.org.uk) - p.11

[6] Additionality of UKIB investments: Our approach | UK Infrastructure Bank

Figure 1: Why the framework matters



2. Understanding our overall impact through Impact Pathways

The Bank's mission is to partner with the private sector and local government to increase infrastructure investment that tackles climate change and promotes economic growth across the regions and nations of the United Kingdom.

Our Impact Pathways as seen in Figure 2 are grounded in the two strategic objectives set out in our statute. Our overall impact goal has been drawn from this mandate. The pathways show how our inputs and interventions can deliver the additional infrastructure investment required to achieve net zero and improve economic opportunity and productivity across the UK.

The pathways to impact are the building blocks of this impact framework. They help define our overall impact, outcomes and explain the path to achieving this impact through our activities and financing. This tried and tested approach supports outcomes-based and systems-orientated thinking.

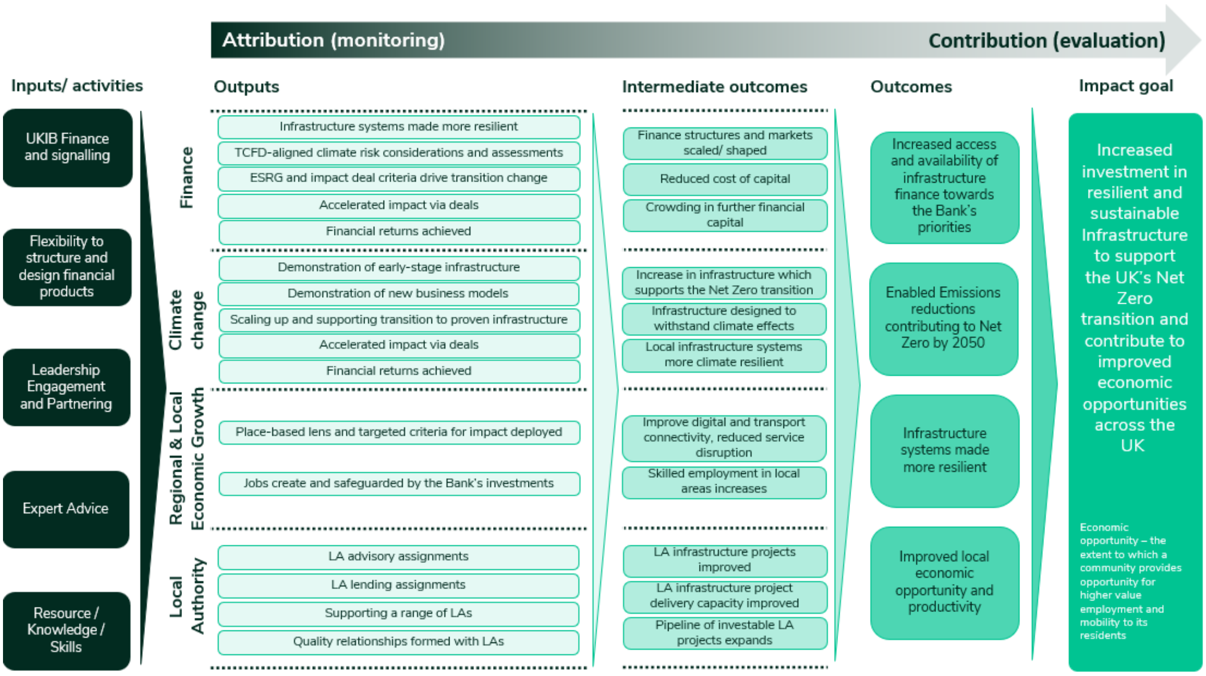
Box 1: Overall Impact Goal

Our overall impact goal is to increase investment in resilient and sustainable infrastructure to support the UK's Net Zero transition and contribute to improved local economic opportunity and productivity. Through our investments, leadership and partnering, and expert advice, we intend to; increase access and availability of infrastructure finance towards our strategic priorities, enable emissions reductions, contribute to more resilient infrastructure systems and improve local economic opportunity and productivity.

The pathways have been tested against published evidence on what works to achieve the outcomes that we consider most important. They articulate how we can deliver impact at the deal and portfolio level and build consistency in how we think about the long-term change needed to achieve our strategic objectives. The process of engaging across the Bank to discuss and refine the pathways has helped embed impact thinking and understanding.

The pathways show how, through a combination of the Bank's available inputs we can deliver outputs attributable to our activity which in turn *contribute* to longer-term outcomes that support the Bank's strategic objectives. Investments will often contribute to multiple outcomes stemming from other pathways, they are not just linear through to a single outcome.

Figure 2: Impact Pathways



Box 2: Attribution versus contribution

Changes attributable to the Bank are those where we can be confident that they were caused by our activity and that we can observe with confidence. At output level most change will be attributable to the Bank.

Changes where the Bank contributes are those where we have reason to believe that we have made a difference, but where there are factors beyond our sphere of influence. At outcome level the Bank will generally only contribute to change.

3. Assessing and tracking progress: Metrics

We have identified a broader suite of metrics derived from our Impact Pathways which will allow us to measure, monitor, and evaluate the Bank's impact both before and after our investment decisions, and across our portfolio. We have drawn on industry knowledge, approaches taken by our peer organisations, HMT, and other governmental departmental approaches, and external experts such as the Office of National Statistics in selecting our metrics. We have identified these based on their measurability, proportionality, and relevance. They are neither exhaustive nor definitive at this stage. These are an initial set that we believe will give us an opportunity to understand our impact against our objectives over time. The evaluation of our approach undertaken later this year, will offer an opportunity to add, refine or drop some of these (see Section 4 for more detail).

We do not expect to capture every metric for every deal, nor do we plan to report on all of these metrics. Our metrics (**link to metrics table here)** are designed to be applied flexibly across the portfolio, measuring what we care about and what is most relevant. They will empower the Bank to capture the information we collect from investments in a systematic and effective way, so we can be transparent about our impact potential and track and communicate the progress we are making. We have included metrics that are more contextual in nature and will serve as 'leading indicators' as well as those that would be developed as part of our impact evaluations through primary data collection. We expect to refine and develop some of these further through external engagement with organisations like ONS.

Core deal metrics

We have six project metrics that we currently collect and will track across every deal. Both pre-investment when expected impact will be estimated – and post-investment, when we will monitor and then evaluate actual impact. These are outlined in the table below.

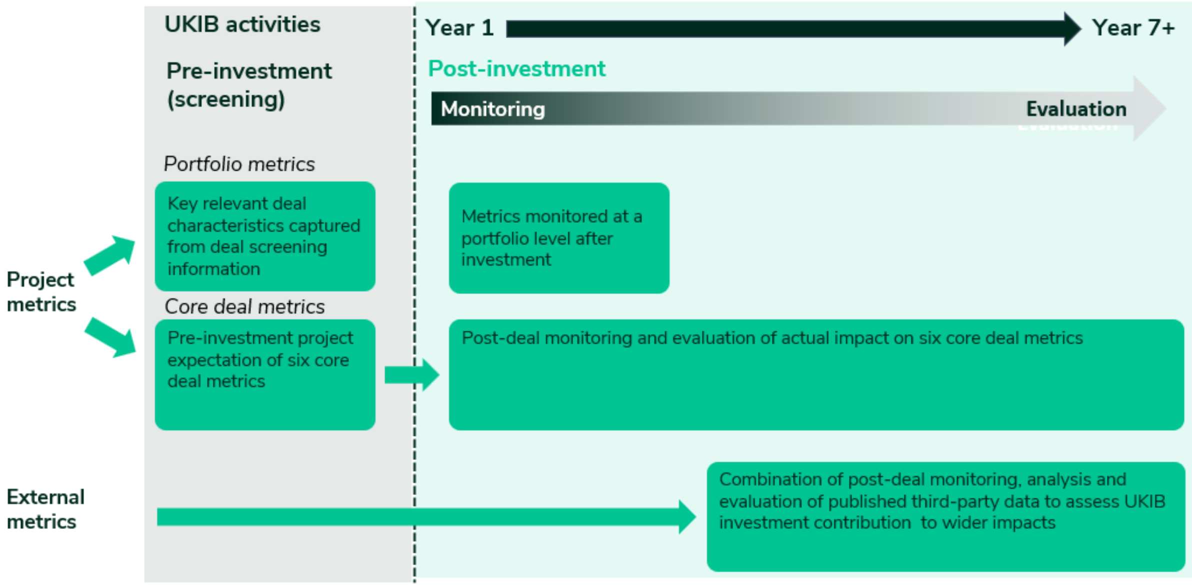
Table 1: Core deal metrics overview

Metric	Description
Direct private co-investment	Private sector co-investment at the point of investment
Further private co-investment	Further private investment in projects supported by the Bank
Capacity increases	Sector-specific capacity increases associated with the Bank's investments, for instance Megawatt Hours (MWh) for Clean Energy investments
Employment	Direct employment impact of the Bank's investments, both permanent and temporary jobs created/ supported
Greenhouse Gas (GHG) emissions	Relative GHG impact of the Bank's investments, which is the impact compared to a suitable counterfactual
Wage premium	To proxy productivity we will calculate the wage premium of jobs created/ supported by our investments by comparing them to local wage levels

We will supplement our core deal metrics with a range of other metrics derived from the data and information we routinely collect as part of our investment process. Portfolio metrics are among these and can be aggregated to provide a view of our overall impact potential as several of these would measure outputs and intermediate outcomes beyond the core deal metrics. We have also included several indicative external metrics obtained from external data sources, including published statistics and data, alongside metrics that will rely on any bespoke/ primary data we might collect through our evaluation programme. Local authority metrics will be collected specifically for local authority lending/ advisory projects.

The different types of metrics complement each other by combining data captured directly from projects with data from other sources to give a more complete picture of overall impact over time. Combining internal and external sources also allows us to minimise the burden on project sponsors, triangulating evidence in a way that our measurement is proportionate and robust. Figure 3 gives an indication of when we expect our different metric types to be collected. For example, the data for our portfolio metrics will be gathered pre-investment through the screening process and could be combined with evaluative methods ex-post. External metrics will be used to assess impact on our outcomes a few years post-investment, when data becomes available and wider impacts begin to emerge.

Figure 3: UKIB metrics and timings overview



4. Monitoring Evaluation and Learning

Evaluation is the process of determining **what** impacts have occurred to **whom, whether** they were intended and of the anticipated quality, understanding **why** effects have or haven't taken place and **how** they came about. It is a systematic assessment of the design, implementation, and outcomes of an intervention (HM Green Book).

High-quality evaluation is a crucial policy learning tool and a key part of a culture of continual improvement, supporting learning and accountability.[7]

As the HMT Magenta Book states, evaluation can inform our thinking and effectiveness, before, during and after we make our investments. Monitoring our progress and evaluating the impact of our investments is central to how we learn and shape our investment decisions. We are taking a phased approach (Figure 4) to evaluations and learning that drives feedback-loops, which improves decision making and strikes a balance between undertaking internal analysis and getting external independent views.

By setting out our approach to evaluation early in the Bank's development, we are ensuring that evaluation becomes an integral part of the Bank's investment cycle and generates learning in the near term from our activities, which we can then feedback into our decision-making.

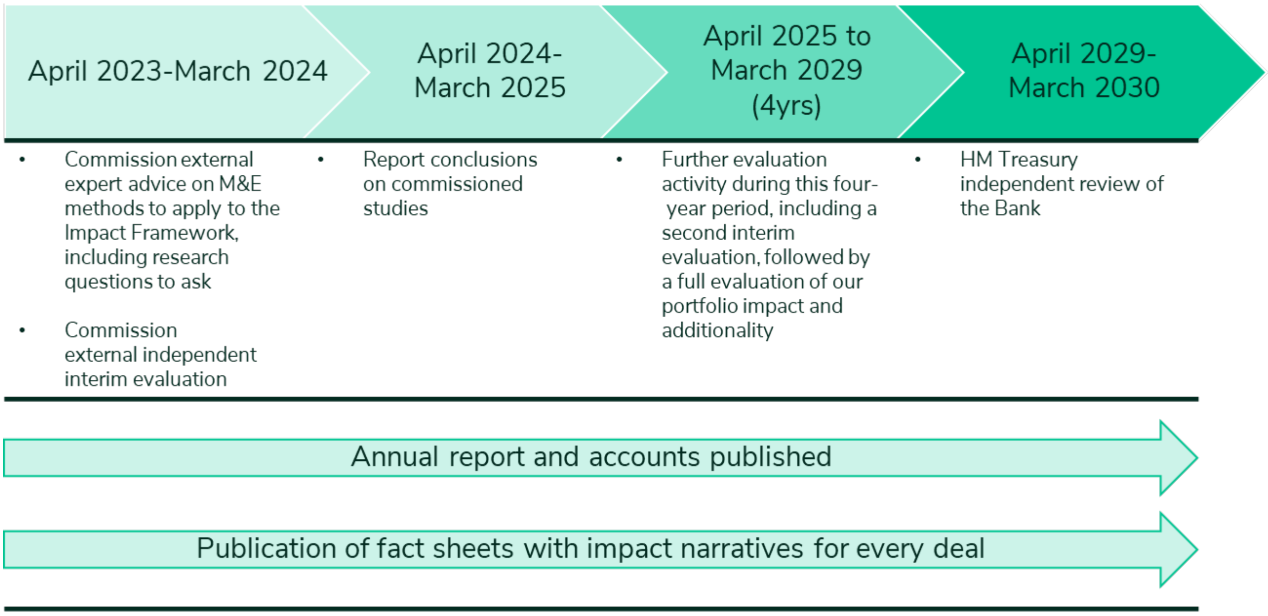
[7] HMG () Magenta Book

We plan to externally commission our overall approach and methodologies to be used in our evaluations. We expect this evaluation to help us identify the most important questions to ask for our evaluations in due course. We also plan to undertake an externally commissioned interim evaluation in 2023/24.

The broad aims of this interim evaluation would be to understand what we can learn from how we are managing our investments, and analyse early outputs being realised across the portfolio, giving us the confidence that we are on track to making progress towards delivering our impact.

We are also proposing that we publish, in our Annual Report and Accounts, a comprehensive analysis of our portfolio. We will also publish fact sheets with impact narratives for every deal that we invest in.

Figure 4: Monitoring, Evaluation and Annual Publications Plan



5. Impact and ESRG

Impact and ESRG are interlinked in that ESRG is both an opportunity and risk for impact. If done well, it can help improve our overall impact from an investment. Equally, if material risks exist for an investment, they can reduce overall impact if not mitigated for. ESRG risk and impact risk can influence our overall judgment of impact and where possible, we work with our clients to remove, reduce, or mitigate these risks.

We will implement our Impact Framework in the investment process alongside our new ESRG framework. Figure 5 highlights the key elements pre and post investment.

Figure 5: The Bank's investment process

Pre-investment screening/ due diligence

Assessment of expected impact, and additionality rating applied

ESRG screening

Reporting requirements established

Post-investment monitoring and reporting

Monitoring of realised/ observed project impact

Analysis of portfolio impact