

Digital Infrastructure Investment Fund (DIIF) Follow-On Investment deal: factsheet

Deal Information	
Deal signed	25/08/2022
Project status	Live
Sector	Digital
Location	UK wide
Counterparty	Infracapital ⁱ
Total Investment	Up to £200m
UKIB Finance	Up to £100m
Product	Equity fund co-investment



Summary

UK Infrastructure Bank is investing up to £100 million alongside Infracapital and other private investors to support the roll out of quality, high speed broadband to homes and business across the UK. This builds on our existing relationship with Infracapital through the Digital Infrastructure Investment Fund (DIIF), created by HM Treasury in 2017ⁱⁱ. The investment will improve connectivity in rural areas, create direct employment opportunities and increase productivity for customers of FTTP. Companies in the initial DIIF portfolio predominantly focus in areas underserved by the larger broadband providers, across rural England and South Wales.

Sector context

The Government’s objective is to ensure every UK home and business can access fast and reliable digital connectivity. Their target is for at least 85% of UK premises to have access to gigabit capable broadband by 2025, withⁱⁱⁱ the Levelling Up white paper^{iv} increasing this target to 99% by 2030. The increase in demand for connectivity requires a transformation of the digital infrastructure on which the telecoms sector is built. At the end of 2021, 28% of UK

homes and businesses had access to a Fibre-to-the-Premises (“FTTP”) based broadband network.^v

Impact and Additionality

By improving digital connectivity across the country this project is expected to contribute to UKIB’s strategic objectives of supporting regional and local economic growth and the transition to Net Zero because:

- DIIF Portfolio companies target the majority of their rollout in ‘Geographic area 3’, as defined by Ofcom, which are considered areas that are unlikely to see material commercial deployment of rival networks.
- Full-fibre is the most energy efficient broadband technology, leading to emission savings compared to copper.^{vi}

In the absence of the bank’s investment, it is likely that rollout in these areas would occur significantly later. The initial DIIF investment has supported four UK full-fibre businesses to scale up and connect more than 400 thousand homes and businesses to date^{vii}, and UKIB funding will incentivise further investment from the finance sector. UKIB’s involvement also serves as a signal to the market and will crowd-in additional finance through matched-funding.

ESRG considerations

The project was assessed for ESRG risks.^{viii} Infracapital has an ESG policy, which is regularly reviewed and updated. All its portfolio companies have ESG as a standing board agenda item, and ESG-related KPIs are collected on a quarterly and annual basis. Infracapital focus on diversity and inclusion within the firm and investee companies, aspiring to achieve 45% female representation, 25-30% minority ethnic representation and foster social mobility by 2035. They are committed to achieve net zero carbon emissions by 2030 at the latest.

Impact Metrics

4	# Deals in the Digital sector
£450m	Total Investment in Sector
1,600	Jobs (Created and Safeguarded)^{ix}
6,000 tCO ₂ e	Emissions^x
£100m	Private Finance Mobilised

Note: this factsheet has been completed retrospectively based on the information which was available to the bank at the time of investment decision making.

ⁱ Infracapital is a wholly owned subsidiary of M&G plc. M&G plc Registered Office: 10 Fenchurch Avenue, London EC3M 5AG

ⁱⁱ [Billion pound connectivity boost to make buffering a thing of the past - GOV.UK \(www.gov.uk\)](https://www.gov.uk)

ⁱⁱⁱ [Gigabit-broadband: Funding for rural and hard to reach areas - House of Commons Library \(parliament.uk\)](https://www.parliament.uk)

^{iv} [Levelling Up the United Kingdom - GOV.UK \(www.gov.uk\)](https://www.gov.uk)

^v Fibre to the premise (FTTP) means the connection from the exchange to the premises is entirely fibre (no copper), meaning that generally speed doesn't degrade with distance. FTTP has other benefits above copper including resilience and lower energy consumption. See: [Connected Nations 2021: UK report \(ofcom.org.uk\)](https://www.ofcom.gov.uk)

^{vi} <https://digital-strategy.ec.europa.eu/en/library/fibre-most-energy-efficient-broadband-technology>

^{vii} [The Bank is investing up to £100 million alongside Infracapital and other private investors to support digital rollout across the UK | UK Infrastructure Bank \(ukib.org.uk\)](https://www.ukib.org.uk)

^{viii} UKIB developed its approach to ESG over time, establishing a robust framework which is used to assess all current deals. Before this framework was finalised, a qualitative assessment based on the Equator Principles was carried out on investments.

^{ix} Circa 800 attributable jobs based on UKIB share of total investment

^x Circa 3,000 tCO₂e attributable emissions based on UKIB share of total investment. GHG emissions figures are self-reported ex-ante estimates provided by the underlying company/project sponsor. The scope boundaries vary in each case and UKIB cannot guarantee alignment with the GHG protocol.