



The
Scottish
National
Investment
Bank

The
supporting
Scotland's
sustainability
Bank

This note provides an overview of the Scottish National Investment Bank's establishment, function, and missions, as well as the Bank's operations and investments since launch in November 2020.

Two appendixes are included. Appendix 1 includes biographies of members of the Bank's Board. Appendix 2 provides details of the Bank's investment portfolio.

Summary

- The Scottish National Investment Bank was launched in November 2020.
- The Bank is a mission-led development investment bank and is wholly publicly owned.
- The Bank's three strategic missions focus on:
 - supporting the Just Transition to net zero;
 - addressing place-based inequalities; and
 - fostering innovation.
- It was established as a public limited company and has full operational independence.
- The Bank invests on commercial terms and aims to become a self-sustaining financial institution in the medium term, and be classified as a public financial corporation.
- The Bank is also seeking FCA approvals and aims to raise and manage third party capital in future.
- Since its launch, the Bank has committed £249.4 million of investment across 19 innovative businesses and projects.
- The Scottish Government has committed to capitalise the Bank by £2 billion over its first 10 years of operation.

Overview

In 2017, the Scottish Government's Council of Economic Advisers outlined the positive impacts that development banks can have on investment, innovation, and economic growth. This evidence led to Scottish Government ministers committing to the establishment of the Scottish National Investment Bank.

Legislation to underpin the Bank's establishment was passed unanimously by the Scottish Parliament on 21 January 2020. State Aid permissions for the Bank's establishment and operation were obtained from the European Commission in November 2020.

While the Bank is a public body, with Scottish Ministers the sole shareholder, it has also been established as a public limited company. As a PLC, the Bank has an independent Board of Directors who ensure its operational independence is maintained.

Investment decisions and day to day operations are the responsibility of the Bank. Maintaining that operational independence is crucial to ensure that the Bank's investment decisions are based on commerciality, and free from political influence. The Bank also intends to seek FCA permissions. Once obtained, this will allow the Bank to raise and manage third party funds.

Willie Watt serves as Chair of the Bank's Board. An experienced Board of non-executive directors have been appointed. The board combines both private sector experience and public sector investment expertise.

Sarah Roughed is interim Chief Executive Officer, and is the Bank's permanent CFO. She was previously the CFO at Scottish Equity Partners and specialised in private equity audit and advisory at KPMG.

An experienced team has been recruited since the Bank's launch, with investment leads recruited from across the private and public sectors. The Bank has scaled up significantly over its first year and now has more than sixty permanent employees.

Investment Strategy and Bank missions

Scottish Ministers have set the Bank three long-term strategic missions:

- Net Zero - Achieving a Just Transition to net zero by 2045;
- Place - Extending equality of opportunity through improving places by 2040; and,
- Innovation - Harnessing innovation to enable our people to flourish by 2040.

These missions were identified after extensive public and parliamentary consultation, and align with government priorities.

The Bank is a mission impact investor. Every investment it makes contributes to at least one of its missions. The Bank invests on patient terms. It will invest in projects or businesses requiring between £1 million and £50 million and can provide both debt and equity investment.

The Bank always seeks to generate commercial returns on its investments. Investing on commercial terms is both a requirement of the Bank's state aid permissions, and crucial to the Bank becoming financially self-sustaining.

The Bank does not provide grants or sub-commercial funding. The Bank does not provide government guarantees or 'first loss' investments. The Bank does not invest in distressed businesses, or those in need of emergency immediate or short-term financial support.

Operational Priorities

The Bank works closely with partners across the public and private sectors. The Enterprise Agencies in Scotland, such as Scottish Enterprise, South of Scotland Enterprise, and Highlands & Islands Enterprise.

The Bank has also built relationships with UK-wide bodies engaged in business support and investment including the Catapult Centres, the Net Zero Technology Centre, and Innovate UK. The Bank engages regularly with the British Business Bank and the new UK Infrastructure Bank.

Engaging and collaborating with private sector actors, and particularly with prospective co-investors, is a key focus for the Bank. The Bank seeks to maximise the impact of its capital by leveraging in private capital and co-investing where appropriate. The Bank's first investment of £12.5 million in high-tech business M Squared Lasers, was accompanied by £20 million of co-investment from Santander.

The Bank has also worked alongside institutional investors through its cornerstone commitments to a forestry fund established by Gresham House, and an onshore wind fund led by Asper Investment Management.

The Bank aims to be financially self-sustaining within the medium term. In time the Bank also anticipates being in position to be classified as a public financial corporation. In the longer term, it is intended that returns from the Bank's investment activities, and repaid capital, will be reinvested in businesses and projects to create a perpetual investment fund.

The Bank has the ambition to manage mission aligned, third party capital in future, for investment alongside the Bank's own public capital. The Bank is seeking dispensation from HM Treasury to have the flexibility to manage and carry-forward cash balances for the Bank over financial year-ends. The dispensation would operate similarly to that already in place for the BBB.

Scottish National Investment Bank Board*Willie Watt, Chair and Valuations Committee Chair*

Willie retired in December 2019 from Martin Currie, an equities investment management firm, after 19 years as the company's Chief Executive and as Chairman of the Board. Previously Willie spent 16 years with the 3i Group, latterly as Managing Director responsible for the company's Scottish and Irish businesses and ran investment teams focusing on venture capital, energy and mid-market buyouts.

Candida Morley, Non-Executive Director and Senior Independent Director

Candida currently has a senior executive role in UK Government Investments. She has had a wide range of previous non-executive appointments, in both the private sector and government. Candida also has extensive experience in private equity and investment in private companies, having worked for LDC, HgCapital and 3i. Previously she was Head of Strategic Development at a FTSE250 company, following an early career in corporate finance.

Peter Knott, Non-Executive Director and Audit Committee Chair

Peter is highly experienced in impact investing as he was Chief Risk Officer and then Chief Financial Officer of the UK Green Investment Bank. He is currently a Managing Director in the Edinburgh office of the Green Investment Group, part of Macquarie. He has broader investment experience through positions with Standard Chartered Bank, JP Morgan Chase, and Robert Fleming. He is a Chartered Accountant, educated at the University of Reading. He is an Advisory Board member at the Centre for Climate Finance & Investment at Imperial College London.

Jonathan Taylor, Non-Executive Director

Jonathan brings extensive international development bank experience from his term as Vice President and Management Committee Member of the European Investment Bank (EIB). He led on the EIB Green agenda. Prior to this he was Director General of Financial Services and Stability HM Treasury, and Director General of the London Investment Banking Association.

Tracey Ashworth-Davies, Non-Executive Director and Remuneration and Nominations Committee Chair

Tracey is currently Director of Workforce at NHS Education for Scotland. She is also a highly experienced financial services professional having held senior roles with Legal & General, Toronto Dominion Bank Group, Royal London Group and Scottish Provident. She understands the challenges of scaling business as she co-founded and went on to lead Bright Grey, a life insurance company start-up. She also has experience in sectors outside financial services: health and care, FMCG, manufacturing, construction and real estate. She is a Trustee at Edinburgh Children's Hospital Charity and served as a member of The Court of Heriot Watt University for 8 years. Tracey is a Chartered Fellow of the CIPD.

Carolyn Jameson, Non-Executive Director

Carolyn is an experienced leader of technology businesses and investor in innovation. She is currently Chief Trust Officer at Trustpilot, a consumer review platform. Previously she was Chief Legal Officer at Skyscanner, where she led the sale of the business to Ctrip for £1.46bn, and subsequently became Head of International M&A for Ctrip. She is on the Advisory Board of Scottish Equity Partners, acts as a non-executive director on early stage company boards and has been a Board Member of VisitScotland.

Jason McGibbon, Non-Executive Director

Jason is a specialist within the investment industry. He has spent most of his career as a partner at the global private equity firm Bridgepoint, where he led their Consumer Investment team, living and working in the UK, Germany, Turkey and the Nordic region. He now has a portfolio of Board roles including Fable Data, Phlo, Lumity and acts as a mentor with the Saltire Foundation and with a range of early stage start-ups. He was educated at the University of Strathclyde Business School and qualified as a Chartered Accountant with Ernst & Young in Scotland.

Nicholas Moon, Non-Executive Director

Nick brings near 20-years of public and private sector impact investment and leadership experience, formerly as Executive Director of Strategy for the Development Bank for Wales, and currently as a Partner at LeapFrog Investments, a leading international private equity impact investor. He is also an advisory board member for the World Bank IFC operating principles for global impact and a trustee board member for the Social Enterprise Academy.

Jacqueline Redmond, Non-Executive Director and Risk Management and Conflicts Committee Chair

Jacqueline has extensive energy and technology industry experience. She is currently Non-Executive Chair of CENSIS (the SME-focused Innovation Centre for Sensing, Imaging and Internet of Things technologies), and has recently been appointed as the Executive Director of PNDC, Strathclyde University's industrialisation centre focused on delivering whole energy solutions. Her previous experiences include Chief Risk Officer at the Green Investment Bank, VP Technology Strategy with Shell and Director Corporate Strategy with Scottish Power. She is a chartered engineer.

Sarah Roughead, interim Chief Executive Officer and Chief Financial Officer

Sarah is responsible for finance and operations at the Bank. She has significant experience in private equity, venture capital and infrastructure funds. Prior to joining the Bank, Sarah was the CFO at Scottish Equity Partners and previously specialised in private equity audit and advisory at KPMG. Sarah is a fellow of the Institute of Chartered Accountants in England and Wales.

Scottish National Investment Bank portfolio

Since its launch in November 2020 the Bank has committed £249.4 million of investment, across 19 businesses and projects.

Those investments speak to all three of the Bank's missions. Of the 19 investments concluded to date:

	Net Zero	Place	Innovation
Primary mission alignment	8	5	6
Primary and secondary mission alignment	14	11	10

The Bank will seek to maximise the impact of each investment against its missions and uses mission covenants to both ensure those impacts are delivered and are reported on.

The Bank's investments to date are:

- M Squared Lasers – a £12.5 million investment of growth capital to support the scale up of a high tech SME;
- PFP Capital – a £40 million commitment to a mid-market rent housing fund, taking the fund's total size to £183 million;
- R3 IoT – a £1 million investment in a growing tech firm, alongside US VC investment;
- Forev – a £2 million investment to support planned roll out of 1,700 EV charging points;
- Indinature – a £3 million investment in a natural fibre insulation manufacturer, to open a new manufacturing facility in Jedburgh;
- Gresham House Forest Growth & Sustainability LP – a £50 million commitment to a forestry fund focussed on new planting and forest expansion;
- Nova Innovation – a £6.4 million investment in a tidal turbine manufacturer, supporting them to meet growing domestic and international demand;
- Sunamp – a £6 million investment to support the scale up of East Lothian-based heat battery manufacturer that is exporting globally;
- Iona Wind Partnership – a £13 million commitment to an onshore wind development fund that aims to deliver renewable energy for up to 850,000 homes;
- Strathcarron Homes – a £3 million investment that will deliver 25 high quality family homes for local social housing tenants and first-time buyers in Nitshill; and,
- Lothian Broadband Group – a £20 million cornerstone investment to extend digital infrastructure to rural communities and small towns across Scotland.
- Highland Coast Hotels – a £4.45 million loan, with £2.5 million of follow on investment, to upgrade hotels along the North Coast 500 route;
- Port of Aberdeen – a £30m loan for the expansion of Aberdeen Harbour, the largest marine infrastructure project in the UK;
- Travelnest – a £3million investment in a travel technology business to support the creation of new jobs and allow the company to target new markets;
- Circularity Scotland – a £9million investment to fund the development of Scotland's Deposit Return Scheme;
- Elasmogen – a £3.5 million investment in an Aberdeen-based biologics company, supporting the Bank's mission to invest in innovation for a healthier population;

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- Orbital Marine – £4m project finance for tidal power project off the Orkney with the capability to power 1,700 homes.
 - pureLiFi – £10m investment in Edinburgh-based global tech leader developing ultra high speed data transmission using the light spectrum
 - Wavegarden – £ 26m investment to develop new country park and world-class on-land surfing facility on previous brownfield site, as part of a more-than £50m package of investment.