

From: [redacted] <[redacted]@gov.scot>
From: [redacted] <[redacted] >
Sent: 03 October 2022 12:17
To: [redacted] <[redacted]@gov.scot>
Cc: [redacted] <[redacted]@gov.scot>
Subject: RE: URGENT - BlackRock

[redacted] I'd like to flag to FM so could you send me the summary below and I can add in my content and send up as one e-mail?

Thanks,
[redacted]

From: [redacted]
Sent: 03 October 2022 12:04
To: [redacted] <[redacted]@gov.scot>
Cc: [redacted] <[redacted]@gov.scot>
Subject: URGENT - BlackRock

[redacted] – would you have a few minutes to summarise the two articles below so FM is [redacted]. No need to update the briefing itself, just send it in a “for info” e-mail on the back of sending up the brief. [redacted] Literally 3-4 lines and the links [redacted]is all that's needed.

[redacted]

[redacted]

[redacted]



[redacted] Head of Financial and Professional Business Services
Scottish Government | Riaghaltas na h-Alba
M: [redacted]

Working Pattern: Full Time, Monday – Friday



From: [redacted] <[redacted]@gov.scot>
Sent: 03 October 2022 13:02
To: [redacted] <[redacted]@gov.scot>; First Minister <firstminister@gov.scot>
Cc: Rollison R (Richard) <Richard.Rollison@gov.scot>; Thomas P (Philip) <Philip.Thomas@gov.scot>; [redacted] <[redacted]@scotent.co.uk>; [redacted] <[redacted]@gov.scot>; [redacted] <[redacted]@gov.scot>; [redacted] <[redacted] @gov.scot>; [redacted] <[redacted] @gov.scot>; Matheson C (Catriona) <Catriona.Matheson@gov.scot>

Subject: RE: Briefing - First Minister - Meeting with Stephen Cohen, BlackRock Head of Europe, Middle East and Africa - 3rd October (12.15-12.45)

Dear [redacted],

Huge thanks to [redacted] for rapidly pulling together the brief at such short notice. [redacted]

Thanks,
[redacted]



[redacted]
Head of Financial and Professional Business Services
Scottish Government | Riaghaltas na h-Alba
M: [redacted]

Working Pattern: Full Time, Monday – Friday



Investment Association (IA) Annual Survey [FOR INFO ONLY]

- The IA Annual Survey has just landed and shows that in 2021, assets under management (AUM) from Scotland reached £700 billion, a small increase on the previous year. This is equivalent to 7% of total UK AUM.
- However, the report also notes that the longer-term trend observed over the past decade has been an overall decrease in the proportion of assets managed in Scotland. In 2011, the proportion of Scotland-managed assets was 12% of UK AUM, almost double the level observed in 2021. This is a reflection of merger and acquisition activity among Scottish firms which has caused growth to stall, as well as the faster relative growth in London and elsewhere in the UK, rather than a fall in Scottish managed assets in absolute terms.
- Over ten years, there has been a ten-percentage point increase in the proportion of firms headquartered in London. The share of Scotland headquartered firms has fallen from 28% in 2011 to 19% in 2021.
- The IA's report argues that much of the portfolio management capability of Scottish headquartered firms is based in London, which is why we see a difference between the 7% of assets managed in Scotland versus the 19% of assets managed by Scottish headquartered firms.
- Scotland continues as the leading centre for operations and fund administration in the UK, with more than a quarter of people directly employed by the industry in Scotland working in operations and fund administration (24%). [redacted].
- This data underscores the positive opportunity today to [redacted].

[redacted]

- [redacted].
- [redacted]. [redacted].
- [redacted]
- [redacted]

- [redacted].

[redacted]

[redacted]

From: [redacted] <[redacted]@gov.scot>

Sent: 30 September 2022 15:41

To: First Minister <firstminister@gov.scot>

Cc: [redacted] <[redacted]@gov.scot>; Rollison R (Richard) <Richard.Rollison@gov.scot>; Thomas P (Philip) <Philip.Thomas@gov.scot>; [redacted] <[redacted]@scotent.co.uk>; [redacted] <[redacted]@gov.scot>; [redacted] <[redacted]@gov.scot>; [redacted] <[redacted]@gov.scot>; [redacted] <[redacted]@gov.scot>; Matheson C (Catriona) <Catriona.Matheson@gov.scot>

Subject: Briefing - First Minister - Meeting with Stephen Cohen, BlackRock Head of Europe, Middle East and Africa - 3rd October (12.15-12.45)

Hi all,

See attached for First Minister's briefing ahead of Monday's meeting with Stephen Cohen from Blackrock. If you need anything further ahead of the meeting please let us know.

Thanks,

[redacted]



gov.scot

[redacted]

Policy Advisor, Financial Services – Relationships, Regulation and International
Scottish Government |

Working Pattern: Monday - Friday

BRIEFING FOR THE FIRST MINISTER

BILATERAL MEETING WITH STEPHEN COHEN – BLACKROCK, HEAD OF EUROPE, MIDDLE EAST AND AFRICA

03 OCTOBER 2022

Key message	<ul style="list-style-type: none">• Welcome the significant commitment BlackRock has made to Scotland through their operations in Edinburgh and investment in the wider Scottish economy.• [redacted]
What	In person meeting with BlackRock Head of Europe Middle East and Africa, Stephen Cohen

Why	BlackRock are a global investment management company and are the world's largest asset manager, with \$10 trillion Assets Under Management. [redacted]. [redacted]. This meeting with Stephen Cohen, BlackRock's Head of Europe, Middle East and Africa, will provide an opportunity to: <ul style="list-style-type: none"> • Establish a relationship with Stephen, BlackRock's Head of Europe • Welcome BlackRock's investment and presence in Scotland • [redacted]. Discuss recent events in the UK's financial markets following the UK Government's recent fiscal statement
Who	Stephen Cohen – BlackRock, Head of Europe, Middle East and Africa
Where	First Minister's Office, St Andrews House
When	Monday 3 rd October (12.15 – 12.45)
Likely themes	<ul style="list-style-type: none"> • BlackRock's existing operational footprint in Scotland and opportunities for expansion • Capital Investment Opportunities for BlackRock in Scotland • Recent events in UK's financial markets
Media	None – confidential
Supporting Officials	[redacted], Head of Financial and Professional Business Services M: [redacted] [redacted], Inward Investment Specialist, SDI M: [redacted]
Attached Documents	Annex A – Summary Annex B – Biography Annex C – Background briefing

Annex A

SUMMARY

You have a private meeting with **Stephen Cohen - BlackRock, Head of Europe, Middle East and Africa**. BlackRock are one of Scotland's leading inward investors.

BlackRock in Scotland

- You should thank Stephen for today's meeting and welcome the commitment and investment Blackrock have made in Scotland.
- You may wish to use today's meeting as an opportunity to focus on the future of the Scottish economy and the role BlackRock can play as a key enabler, employer and investor. We would

encourage BlackRock to consider the role it can play in supporting the delivery of NSET and would certainly welcome any plans they may have to increase their operations or capital investment in Scotland.

- [redacted]
- Today is also a chance to build on existing conversations with BlackRock staff on Scotland's capital investment opportunities and promote our values driven approach to recovery. BlackRock have a focus on long-term sustainability and you may wish to promote Scotland's commitment to world leading climate change targets and our desire to work with investors, like BlackRock, who share our values.

UK's financial markets

- Given the negative reaction of financial markets to the UK Government's recent fiscal statement, today is a chance to get expert insight from Stephen on the impact the UK Government plans will have on BlackRock as a company but also his take on the wider effect on the Scottish and UK economies.

Annex B **Biography**



Stephen Cohen - BlackRock, Head of Europe, Middle East and Africa

Stephen Cohen is Head of the Europe, Middle East and Africa region for BlackRock. He is a member of the Global Executive Committee and chairs the EMEA Executive Committee.

Before taking up this role in April 2021, he was Head of iShares & Wealth business and Index Investments in EMEA, responsible for leading BlackRock's relationships with wealth management firms and platforms, the development and distribution of technology, data and investments, and overseeing the firm's index portfolio management capability in the region.

Mr. Cohen has previously served as Global Head of Fixed Income Indexing for BlackRock, where he led the iShares fixed income business and oversaw the fixed income index investment group. Prior to that, he was the Chief Investment Strategist for International Fixed Income and iShares.

Mr. Cohen joined BlackRock in 2011 from Nomura, where he was Global Head of Equity Linked Strategy, and led the #1 Institutional Investor ranked Convertibles research team. He joined Nomura from ING Barings in 2003, having started his career in fixed income at UBS in 1996 .

In addition, Mr Cohen has been a Director of Enovara, an Irish funds company. He earned a First Class honours degree in Economics from the University of Southampton in 1996 .

Annex C

Background Briefing

- 1. BlackRock Company Profile**
- 2. BlackRock's present in Scotland**
- 3. Recent inward investment and Ministerial engagement with BlackRock**
- 4. Scotland's financial services capabilities**
- 5. Inward Investment**
- 6. Capital Investment in Scotland**
- 7. National Strategy for Economic Transformation**
- 8. UK Government September fiscal statement and market reaction**

1. BlackRock Company profile

- BlackRock, Inc. is a New York HQ'd global investment manager, founded in 1988. BlackRock is the world's largest asset manager, with US\$10 trillion in assets under management (Jan 2022).
- BlackRock has 70 offices in 30 countries around the world and provides investment, advisory and risk management solutions to its clients.
- In the UK BlackRock employs 3,500 staff and invests around £500billion in the UK economy on behalf of clients.
- BlackRock invests in a wide range of asset classes including – Equity, Multi-Asset, Fixed Income, Commodity, Cash, Real Estate and Alternatives.
- BlackRock place a strong emphasis on technology and risk management – their Aladdin software is used extensively across the investment industry.
- BlackRock's purpose is to help more and more people experience financial well-being. In pursuit of this purpose, a focus on long-term sustainability is embedded across the business.
- ESG is viewed through 4 groups of stakeholders – Clients, Shareholders, Employees and Communities. BlackRock embeds ESG investing in 4 main ways – Exclusionary Screens, Thematic, ESG Broad, Impact.
- BlackRock CEO Larry Fink is one of the most well-known figures in Global Finance and his annual letter to CEO's is closely studied. In his 2022 letter he discusses the importance of stakeholder capitalism and 5 strategic themes:
 - Company Purpose
 - A new world of work
 - New sources of capital fuelling market disruption
 - Capitalism and sustainability
 - Empowering clients with choice on ESG votes
- BlackRock was included by Dow Jones in its index of most Sustainable Companies in North America and became a member of the Bloomberg Gender-Equality Index.
- In 2020, The Principles for Responsible Investment (PRI) assessed BlackRock's ESG integration capabilities to be rated an A+ or A across every reporting segment. BlackRock has been a signatory to the United Nations (UN) supported PRI since 2008.
- In September 2021, the UK's Financial Reporting Council (FRC) published the list of signatories to the 2020 UK Stewardship Code. BlackRock was recognized among the first signatories.
- BlackRock was named one of Fortune's most admired companies for 2022.

2. BlackRock's presence in Scotland

- BlackRock's arrival in Scotland came about by acquisition of an indigenous investment manager in the late 1990s. Initial staffing numbered around 40 and this steadily increased to around 240 staff by 2010.
- [redacted].
- [redacted].
- [redacted].

3. Recent inward investment and Ministerial engagement with BlackRock

- [redacted].
- [redacted].
- At SE's request, BlackRock Edinburgh hosted the launch of UK Trade & Investment's (now DIT) Financial Services Centres of Excellence initiative attended by Lord Dunlop and Minister Wheelhouse (July 2016).
- James Charrington EMEA Chairman attended roundtable event hosted by TheCityUK in July 2016. This was attended by FM and aimed to understand key priorities for businesses as Brexit negotiations commenced.
- SE CEO met with James Charrington EMEA Chairman and Partick Olsson COO in London 22 Sept 2016.
- SE CEO met with Stephanie Epstein MD and Chief of Staff to the President and Derek Stein Senior MD Global Head of Business Operations and Technology, in NYC April 2017.
- [redacted].

4. Scotland's financial services capabilities

- Scotland provides access to a wide and varied talent pool of financial services expertise.
- Particular strengths relevant to BlackRock include asset management, operations, technology (including Data, Cyber) and Risk & Compliance. We are also working with key partners such as SFE and GEFI to establish Scotland as a Green Finance Centre of Excellence.
- Scotland's financial and professional services sector employs 145,000 staff (Source: TCUK 2022 based on 2020 data). All key sectors of financial services are represented in Scotland including Banking, Asset and Wealth Management, Asset Servicing, Insurance, Life and Pensions.
- A wide range of job functions are also represented in Scotland including – Senior Management, Portfolio Management, Operations, Technology, Risk and Compliance, Customer Service.
- Investment Association Survey 2020-21 estimates Scotland's asset management sector has AUM of £690 billion (7% of UK total) and employs 13,100 staff (11.5% of UK total). Direct jobs in the sector account for 6,600 jobs (16% of UK total).
- 6 of the world's largest asset servicing companies have operations located in Scotland (BNP Paribas, BNY Mellon, Citi, HSBC, JP Morgan, State Street).
- Scotland has world-leading capability in the field of Data Science and Scotland's digital sector employs 96,000 people. A number of leading Financial Services firms have developed technology centres in Scotland e.g. J.P. Morgan's Technology centre in Glasgow now employs more than 2,000 staff.

- Industry led Financial Services strategy for Scotland launched in May 2021, with a focus on 4 priorities:
 - Leading the journey to net zero
 - Supporting economic recovery
 - Responding to changing customer needs
 - Developing skills and inclusion
- Financial Services Growth and Development Board (FiSGAD) launched in 2022 co-chaired by FM and Chair of SFE, supports high level collaboration across the sector.
- Green Finance – Scotland has a unique combination of renewable energy assets and financial services sector expertise and launched a Scottish Taskforce for Green and Sustainable Financial Services in Feb 2022.
- Scotland has an internationally recognised Fintech cluster now comprising more than 200 fintech firms (27% of which have an international HQ).

5. Inward Investment

- **The Inward Investment Plan (IIP) sets out our ambition for Scotland as a leading destination for inward investment aligned with our values as a nation. We want to use our natural assets, proven skills and established infrastructure to support investors who share in these goals to expand and grow their operations in Scotland.**
- The IIP sets out the rationale and evidence for actions that position inward investment to play a key role in delivering a fair, sustainable, inclusive and low carbon economy. Although only 3% of business in Scotland are inward investors they account for over a third of jobs, around half of GVA, just under two thirds of Business Expenditure on Research and Development (BERD) and three quarters of international exports.
- Our clear, evidence-based approach considers Scotland’s strengths, global inward investment flows and Scotland’s values around fair work, net zero and sustainable and inclusive economic growth, and identified nine opportunity areas for a new strategic focus. The opportunity area identified also have the potential to maximise the delivery of ‘spillover’ impacts that will benefit the wider Scottish economy. This includes Digital Business and Financial Services.
- We will proactively identify inward investors in the nine opportunity areas that we want to work with, building relationships and supporting strategic decisions, prioritising Ministerial business engagement where appropriate. We will also communicate our targeted values-led approach clearly and effectively to the world. [redacted].
- Our revised approach will not only deliver the existing pipeline of planned inward investment but also develop of a portfolio of potential projects and investment strongly focused on longer term economic aims, including creating a low carbon economy.

6. Capital Investment in Scotland

- **Our Global Capital Investment Plan published in March 2021 seeks to achieve alignment between Scotland’s investment needs and the supply of internationally mobile capital.**
- We recognise that public sector investment alone will not be enough to respond to the challenges of the 21st Century.
- A just transition to net zero underpins all that we do.

- We need to attract private investment and use public spending more effectively to crowd in private capital.
- We are seeking to work with those investors who share our aim to address the ‘grand challenges’ that we face in Scotland and across the world.
- Government and the wider public sector must shift “from funding to financing”, and we are engaging to understand how we can create the right conditions for private investment to support policy objectives.
- The GCIP recognises the key sectors in Scotland that stand out for attracting high levels of private investment. These include low carbon, health and life sciences, high value manufacturing, and digital.
- **We are expanding our Green Investment Portfolio to bring together market-ready projects worth £3 billion in 2022.**
- The Green Investment portfolio allows us to show investors, market ready projects of scale and scope and promote projects which demonstrate that Scotland is a world leader in future and innovative green industries.
- By assessing these projects before they go to market, the Portfolio provides investors with the confidence they need to back credible and sustainable projects in Scotland.
- We are expanding our Green Investment Portfolio and our target for 2022 is to bring together £3 billion of projects.
- Through our investor promotion, projects on the portfolio have landed initial investment or are in active discussions with investors.
- We are adding new projects to the portfolio all the time and approximately £1bn of investment in the portfolio has either been landed or in active discussions with investors.
- **The NSET committed to establishing an Investor Panel chaired by FM to bring market intelligence to Scotland’s capital investment opportunities.**
- Market intelligence will highlight where investors have identified current and future growth opportunities in Scotland.
- Establishing the Panel will demonstrate a commitment to working with the private sector to attract investment to support our just transition and challenge investors to do more.
- Build good relationships with investors and Asset Managers with a shared purpose.
- We expect to make an announcement in the coming weeks and months on the appointment of the co-Chair, membership and the proposed scope and remit of the Panel.

7. National Strategy for Economic Transformation

- Our National Strategy for Economic Transformation contains bold and ambitious actions - within the powers currently available to us - to deliver economic prosperity for all Scotland’s people and places.
- Scotland has extraordinary economic potential through our natural resources, talent, creativity, academic institutions and business base, with strengths in sectors such as financial services, food and drink, and tourism and hospitality.
- With fair work and a just transition at its heart, the strategy builds on the Covid Recovery Strategy and will support progress towards net zero, help restore the natural environment, stimulate innovation and create jobs.

- The strategy is a route to a strong economy with good, secure and well-paid jobs and growing businesses, maximising Scotland's strengths and natural assets to increase prosperity, productivity and international competitiveness.
- The strategy seeks to incentivise entrepreneurship, support lifelong skills development and remove barriers to participation in the labour market so that everyone is enabled and empowered to participate in our economic success.
- By 2032 Scotland will be a nation of entrepreneurs and innovators, with resilient supply chains and competitive advantages in the new industries generated by technological change, scientific advance and the climate and nature crises.
- We will build on our strengths in sectors like energy, financial services and life-sciences, and develop new strengths in technology, space and decarbonisation.
- We recognise financial services plays a crucial horizontal role in supporting and enabling long-term economic and sectoral transformation.

8. UK Government September fiscal statement and market reaction

- On 23rd September the UK Government announced a "mini budget" containing spending commitments, tax cuts and plans for deregulation. Key announcements were:
 - **Household tax cuts** – Reversing the temporary 1.75% in National Insurance contributions and scrapping the Health and Social Care Levy due in April 2023. A 1p reduction in the UK basic rate to 19p and the removal of the Additional Rate Band reducing the tax rate of those earning over £150k from 45p to 40p.
 - **Business tax cuts** – Planned increase to 25% Corporation Tax scrapped with the existing 19% rate maintained.
 - **Supply side reform** – Removing the bankers bonus cap, planning reforms to accelerate infrastructure delivery and the introduction of investment zones across the UK which will benefit from tax incentives and planning deregulation.
 - **Welfare** – Increasing the Administrative Earnings Threshold meaning around 120,000 people will be expected to search for more or better paid work as well as changes to the Universal Credit sanctions regime which also could see many face a reduction in their benefits.
- This announcement marked a profound shift in UK economic policy, aimed at permanently boosting the UK's long-term economic trend growth rate to a target of 2.5%.
- The package of spending commitments and tax cuts is primarily funded through higher government borrowing. With no independent OBR forecasts the final impact on public finances and the Scottish Budget remains uncertain but independent think tanks have warned that the plan is likely to put the UK's public finances on an unsustainable path.
- Following the UK Government announcement financial markets reacted negatively to the UK growth plan
- Sterling plunged to a 37-year low against the US dollar on Monday 26th September as markets reacted to the UK government's plans to significantly increase government borrowing to fund £45 billion worth tax cuts whilst committing to significant spending commitments.
- UK 30-year Gilt yields had touched a 20-year high of just above 5 percent as prices fell, significantly increasing the cost of UK Government borrowing and risking the stability of the UK financial market.

- The Bank of England are trying to counter the high levels of inflation in the economy by raising interest rates – effectively reducing demand in the economy by increasing the cost of borrowing on firms and households, discouraging borrowing and spending whilst incentivising greater saving. Although to date the Bank has indicated that it will not bring forward its next decision on interest rates, which is scheduled for 3 November, the Bank of England’s Chief Economist said on Tuesday that there would need to be a “significant monetary response” to the UK fiscal expansion.
- Households are usually most exposed to interest rates via mortgages and short-term debt, such as credit cards. Mortgage availability has already fallen, with providers withdrawing 25% of products overnight (a record high). Interest rates on available products have also increased and the markets are now pricing in expectations of significantly higher interest rate rises – with some expecting them to potentially go as high as 6% by the Summer of 2023.
- The IMF has criticised the UK Government’s plan, warning that they will increase both inflation and inequality.
- The Bank of England took emergency action on 28th September in a £65 billion bond-buying programme to calm financial markets in response to significant selling of UK Gilts.

DRAFT READOUT	
Meeting	First Minister’s Bilateral with Stephen Cohen – BlackRock Head of EMEA
When	03 October 2022, 16:15-16:45, St Andrew’s House
Attendees	<p>First Minister (FM)</p> <p>Stephen Cohen, BlackRock, Head of EMEA (SC) Megan Bietzk, Chief of Staff to Head of EMEA, BlackRock (MB)</p> <p>[redacted], Inward Investment Specialist, SDI [redacted] [redacted], Head of Financial and Professional Business Services, Scottish Government [redacted] [redacted], Deputy Private Secretary to the First Minister [redacted]</p>
Readout	<p>1. Meeting began with an exchange on the recent market turmoil, today’s announcement on income tax by the chancellor [redacted] and the need to closely monitor what happens when the Bank of England Gilt intervention ends. [redacted]. First Minister acknowledged that global factors are driving some of this volatility and was hopeful that the particular features of the UK causing concern would settle down.</p> <p>2. [redacted]. As a firm, BlackRock continues to grow and will celebrate its 25th anniversary in Scotland next year. The firm are focussing on investment and how to finance the transition, a conversation that dominates engagement with clients and governments.</p>

Capital Investment and Financing the transition

3. FM set out that SG is keen to intensify that conversation and to engage with BlackRock. Financing the transition is a major preoccupation for government. She set out the Scottish landscape – GCIP, Green Investment Portfolio and the work of SNIB. Reiterated the desire to have an ongoing conversation and to develop mutual interests.
4. [redacted].
5. FM reflected on a key challenge for Scotland being offering projects at scale, in order to harness the potential benefits of the transition for our environment, economy and people. [redacted].
6. FM recognised the importance of Oil and Gas as a significant employer and the role of the supply chain, setting out that the transition would need to be managed carefully. [redacted]. Example of hydrogen a reason to be optimistic.

Investment Environment

7. [redacted]. She stressed the benefits of keeping as much of the related economic activity and benefits here in Scotland and the excellent partnership working emerging from Scotwind, which is seeing developers and the supply chain, collaborate.
8. [redacted]. She recognised the current split of powers between Scottish and UK Government around offshore planning and consenting, and acknowledged the need to be careful that upcoming legislation does not complicate the picture further.
9. FM then invited Stephen to relay the asks of the investment community. [redacted].
10. [redacted]. She noted that Scotland has innate strengths – an ability to move quickly on infrastructure and the advantages of a mature oil and gas sector, which would hopefully be a basis for deepening the conversation between SG and BlackRock.
11. On skills and access to labour, FM set out that labour market issues are a high priority for SG and acknowledged the challenging headwinds. She noted that Scotland’s demography means that immigration is more important for our economy than elsewhere in the UK, and reflected on the challenges of post-Brexit UK migration policy. She set out the work SDS do in reskilling our population, noting that whilst Scotland has a very low unemployment rate we

still have a significant economic inactivity rate, with more to be done on bringing more of our people who can participate into the labour market. She noted the significant workforce that exists in the energy sector, including an oil and gas workforce that was ageing but being replenished by firms' talent pipeline programmes.

Economic Strategy

12. SC asked for a broader update on economic priorities. FM set out the aims of NSET and its focus on areas of competitive/comparative advantage. She noted the Logan Review and the focus on entrepreneurship (including appointment of Mark Logan as Chief Entrepreneur) and reflected on Scotland's history and reputation for entrepreneurship, and the need to build on that spirit. FM then focussed on the realities of operation in a post-Brexit trading environment, focussing on exports, inward investment (where Scotland performs really well) and internationalisation – noting that we cannot be complacent given wider forces (flagging SG trade efforts and the building up of our international presence).

BlackRock and Scotland

13. [redacted].

14. SC set out that BlackRock are focussing on their brand for talent – they want to grow their cache with graduates in Scotland. FM set out that many FS companies are doing well in the diversity space and noted the opportunities to attract values-driven young people with opportunities in green investment and sustainable financial services. FM noted that when she visits schools, the thing that strikes her is the sense of purpose young people have – perhaps there is a need for employers to appeal to those values. SC felt that FM's observations echoed the feedback BlackRock get from many young graduates, who desire purpose and a range of reasons (including impact) to work there. FM and SC both noted the change in attitudes since the time they joined the labour market post higher education.

Financial Education

15. SC was keen to explore how we connect up on the issue of financial education. [redacted] set out the sector's own unified schools programme, where SFE and its member firms aim to inspire all young people in Scotland to consider the wide range of careers in financial services, including those who may not have considered a career in the industry before. FM noted the role of FISGAD and the consistent theme of financial education in those discussions. [redacted].

	<p>Conclusion</p> <p>16. A brief concluding conversation on the FM's visit to London and the good relationship between Scotland and the City, which has developed in recent years.</p> <p>[redacted], DITI M: [redacted]</p>
<p>Actions</p>	<p>Continue dialogue on Potential Capital Investment Opportunities [redacted], SG</p> <p>[redacted] [redacted], SDI</p> <p>Follow-up with Government Affairs team at BlackRock to build policy relationship [redacted], SG</p>
<p>Copy List</p>	<p>[INTERNAL]</p> <p>Deputy First Minister Swinney Minister McKee</p> <p>[redacted], DITI [redacted], DITI [redacted], DITI [redacted], DITI Richard Rollison, DITI Philip Thomas, DITI [redacted], DITI [redacted], DITI [redacted], DITI [redacted], DITI [redacted], DITI James McLellan, DITI DG Economy Office Gary Gillespie, OCEA Catriona Matheson, Special Adviser Kersti Berge, DECC</p>

[EXTERNAL]

[redacted], SDI

[redacted], SDI

[redacted], SDI

[redacted], SDI

[redacted], SDI

From: [redacted]

Sent: 30 September 2022 17:39

To: First Minister <firstminister@gov.scot>

Cc: Deputy First Minister and Cabinet Secretary for Covid Recovery <DFMCSCR@gov.scot>; McCaig C (Callum) <Callum.Mccaig@gov.scot>; Rollison R (Richard) <Richard.Rollison@gov.scot>; Thomas P (Philip) <Philip.Thomas@gov.scot>; DG Economy <DGEconomy@gov.scot>; Minister for Business, Trade, Tourism & Enterprise <MinisterBTTE@gov.scot>; Gillespie G (Gary) <Gary.Gillespie@gov.scot>

Subject: [OFF SEN] [Briefing] FM meeting with RBS CEO - Tuesday 4th October

Hi [redacted]

FM Rose 2022 ERDM Final details - Objective ECM (scotland.gov.uk)

I hope all is well with you. Please find attached briefing for First Minister's meeting with Alison Rose (CEO, NatWest) on Tuesday 4th October (15.15 – 15.45) at the Scottish Parliament. Alison will be joined by Mike Crow and Judith Cruickshank, and they will all arrive in good time to go through security. In case needed, [redacted] number is [redacted].

Thanks to [redacted] in my team who will be providing official support.

Kind Regards,
[redacted]



[redacted] Head of Financial and Professional Business Services
Scottish Government | Riaghaltas na h-Alba
M: [redacted]

Working Pattern: Full Time, Monday – Friday



From: [redacted] <[redacted]@gov.scot> **On Behalf Of** First Minister
Sent: 26 August 2022 11:54
To: [redacted] <[redacted]@gov.scot>; [redacted] <[redacted]@gov.scot>; [redacted] <[redacted]@gov.scot>; [redacted] <[redacted]@gov.scot>
Cc: First Minister <firstminister@gov.scot>; Deputy First Minister and Cabinet Secretary for Covid Recovery <DFMCSCR@gov.scot>; McCaig C (Callum) <Callum.Mccaig@gov.scot>
Subject: FM meeting with RBS CEO - Tuesday 4th October - briefing request

[redacted]

As you know, we have agreed a meeting between FM and RBS CEO, Alison Rose, on Tuesday 4th October (15.15 – 15.45), at Parliament. Grateful if relevant briefing can be prepared and sent to us by COP Friday 30 September.

Official support will be required.

Thanks,
[redacted]

[redacted] **Deputy Private Secretary to the First Minister**
Office of the First Minister
5th Floor | St Andrews House | Regent Road | Edinburgh | EH1 3DG | [redacted]



Office of the First Minister of Scotland
FirstMinister.gov.scot
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BRIEFING FOR THE FIRST MINISTER
Bilateral Meeting with Alison Rose, CEO of NatWest Group Plc
Tuesday 4th October 2022

Key message	We encourage financial institutions to stand behind their business and personal customers during the cost crisis, and ask them to take an approach that maximises security for businesses, homeowners and families across the country.
What	In-person bilateral meeting

Why	You are meeting at NatWest Group's request to continue previous discussions on the Scottish Economy. You last met in October 2021.
Who	Alison Rose , Chief Executive Officer, NatWest Group Mike Crow , Director of Public Policy, NatWest Group Judith Cruickshank , Managing Director Commercial Mid-Market, NatWest Group
Where	First Minister's Office, Fourth Floor, Scottish Parliament
When	Tuesday 4 th October, 15.15 – 15.45
Likely themes	<ul style="list-style-type: none"> • Market reaction to the UK Government's "mini budget" and growth plan • Cost of living and doing business crisis • Scotland's constitutional future and Economy Prospectus
Supporting official	[redacted], Financial and Professional Business Services Unit, DITI Mobile: [redacted]
Attached documents	Summary Note Annex 1 – Background Annex 2 – Biographies

Summary

1. You have a private bilateral meeting with Alison Rose, CEO of NatWest Group on Tuesday 4th October 2022. You met last Autumn and discussed a range of issues including financing the transition to Net Zero, female entrepreneurship, economic recovery and COP26. Alison will be joined by Mike Crow (Director of Public Policy) and Judith Cruickshank (Regional MD for Scotland and member of FISGAD).
2. Today's meeting comes at an inflection point for the Scottish Economy, as the cost crisis, rising interest rates and the market reaction to the UK Government's "mini budget" converge. [redacted]
3. Financial markets are now forecasting that interest rates could rise to 6% by next Summer, well above the 1.5% rate projected a few months ago. [redacted].
4. [redacted]. The upcoming launch of the Economic prospectus is a timely reminder of the importance of maintaining an open dialogue between government and the financial services

industry as we seek to shape the best possible future for the financial system, financial stability and the industry. [redacted]. [redacted].

5. [redacted]. Evidence gathered by the Green Financial Services taskforce suggests that much of this activity is clustering in London.

Annex 1 – Background

[redacted]

- The market reaction to the UK's growth plan released on Friday 23rd September (and the lack of independent forecasts for the public finances from the OBR) has been strongly negative. On Monday 26th September the pound fell to its lowest level against the dollar since 1985.
- The Bank of England took emergency action on 28th September in a £65 billion bond-buying programme to calm financial markets in response to significant selling of UK Government bonds (Gilts).
- UK 30-year Gilt yields had touched a 20-year high of just above 5 percent as prices fell this morning, significantly increasing the cost of UK Government borrowing and risking the stability of the UK financial market.
- [redacted]

B. Financial services within the economy

- Scotland's economy operates within a UK-wide context of weak relative productivity growth, high inequality, rapid ageing and high public and private debt. The supply of private finance – and the buy in of institutions like NatWest Group – will be important in helping Scotland's businesses realise their growth potential by removing financial and knowledge barriers to expansion.
- Financial and related professional services account for nearly 10% of the Scottish economy, the largest area contribution outside London. Scotland has particular strengths in banking, life assurance and pensions and the industry employs 145,000 people here. Edinburgh is an important international financial centre, however it fell six places in recent global rankings. Glasgow has emerging strengths in general insurance, asset administration, legal services, accountancy and digital and rose nine places in recent international rankings.
- The 2022 EY Attractiveness Survey consistently shows that Scotland has been the top UK destination for foreign direct investment outside London, with financial and business services a leading part of that success story. With a double-digit increase in terms of market share for UK projects, Scotland recorded its highest ever level of the past decade — far outpacing the growth and recovery of the rest of the UK and Europe following COVID-19.
- A key trend in the industry is the pivot to green finance. As demonstrated by their role as principal banking partner to COP26, NatWest has a clear objective to be a leading bank in addressing climate change. Scotland's industry-led Financial Services Strategy sets out a clear ambition to pivot to Green Financial Services and our taskforce for Green and Sustainable

Financial Services (on which RBS are represented) is drawing up Scotland's action plan to capitalise on the opportunities of financing the global shift to net zero

C. Industry Engagement

- You co-chair the Financial Services Growth and Development Board. The Board met in August with the Deputy First Minister to discuss the cost crisis, exploring the industry's current efforts to tackle the crisis, as well as looking at different measures industry and government can partner on to support households and businesses in Scotland dealing with unprecedented price rises.

D. NatWest Group – Profile

- NatWest Group plc is a banking and insurance holding company, headquartered in Edinburgh. The group operates a wide variety of banking brands offering personal and business banking, private banking, insurance and corporate finance. In the UK, its main subsidiary companies are National Westminster Bank, Royal Bank of Scotland, Ulster Bank, NatWest Markets and Coutts. The group issues banknotes in Scotland and Northern Ireland.
- Before the 2008 collapse and the general financial crisis, the Royal Bank of Scotland Group (as NatWest Group was formerly known) was very briefly the largest bank in the world, and for a period was the second-largest bank in the UK and Europe and the fifth-largest in the world by market capitalisation.
- The group is one of the largest private sector employers in Scotland, supporting one in three businesses, one in five people (through personal banking services) and one in seven homebuyers.
- [Redacted]
- Ms Rose set out that the bank was "neutral on the issue of Scottish independence" [Redacted]
- Ms Rose insisted that any move of the bank's headquarters would not affect its commitment to Scotland, saying "it is really just the size of the balance sheet at that point." A spokesperson for NatWest at the time said the decision would not affect customers and there were no current plans to move staff.
- 2020 saw the group change its name from The Royal Bank of Scotland Group plc to NatWest Group plc. The Board decided that it was the right time to align the parent company name with the brand under which the majority of their business is delivered. The RBS brand was ranked joint bottom in the most recent official survey of retail bank customer satisfaction in February 2021, with NatWest joint 10th of 16.

E – Cost Crisis

- The cost of living and doing business has been increasing across the UK since early 2021 with the annual inflation rate at the highest it has been in July 2022 (10.1%) since 1982. In its August Monetary Policy Report, the Bank of England estimated that inflation will peak at 13% in Q4 although investment bank Citi have estimated that UK inflation could be as high as 18% next year. This was before the recent energy market interventions and the market turmoil following the Chancellor's "mini budget."

- [redacted].
- [redacted].
- [redacted].

Annex 2 – Biographies



Alison Rose
Chief Executive Officer
NatWest Group Plc

Alison Rose was appointed Chief Executive of NatWest Group plc in 2019 having joined the bank as a graduate in 1992. The first woman to lead one of the UK’s big four banks, Alison’s career at NatWest has included a number of senior leadership roles, including Deputy CEO NatWest Holdings, Chief Executive of Commercial & Private Banking, Head of Europe, Middle East and Africa, Markets & International Banking and Global Head of International Banking Capital and Balance Sheet. She is responsible for driving forward the recommendations of her influential review of female entrepreneurship, sitting on the Rose Review Board.



Mike Crow
Director of Public Policy
NatWest Group Plc

Michael is RBS Group’s Head of Public Affairs and a member of the bank’s Scotland Board. His background is in politics and journalism. From 1997 – 1999 he was Westminster Correspondent for STV covering the 1997 general election, the devolution referendum and the Scotland Act. He then returned to Scotland in 1999 to cover the opening and establishment of the Scottish Parliament. Michael worked as STV’s Political Correspondent until 2009 and also presented a number of the station’s programmes, both political and non-political. He then moved to the Conservative Party as Director of Strategy and Communications in Scotland before joining RBS in 2010.



Judith Cruickshank
Managing Director,
Commerical Mid Market

Judith has worked with NatWest (Royal Bank of Scotland) for 14 years in a variety of roles, predominantly focussed on customer solutions. Prior to her current role she was Regional MD for Scotland and the North of England, and before that Head of Strategy and Innovation for Retail Banking. Judith is replacing Malcolm Buchanan at RBS with Malcolm taking on a new role at the company in the north of England. Judith will also be Malcom’s replacement on the SFE Board and on FISGAD.

READOUT	
Meeting	First Minister’s Bilateral with Alison Rose – CEO, NatWest Group Plc
When	04 October 2022, 15:15-15:45, The Scottish Parliament
Attendees	<p>First Minister (FM)</p> <p>Alison Rose, Chief Executive Officer, NatWest Group (AR) Mike Crow, Director of Public Policy, NatWest Group (MC) Judith Cruickshank, Managing Director Commercial Mid-Market, NatWest Group (JC)</p> <p>[redacted], Head of Financial and Professional Business Services, Scottish Government ([redacted]) [redacted], Deputy Private Secretary to the First Minister, Scottish Government ([redacted]),</p>
Readout	<p>Reaction to Chancellor Kwarteng’s Mini-Budget</p> <p>8. AR set out that the events of the last few weeks had introduced uncertainty, which has had an impact for businesses and households. She noted that markets had settled down after the disruption of the “mini budget” and noted that NatWest Group were the only bank that stayed in the mortgage market throughout last week.</p> <p>9. AR noted the considerable volume of customers concerned about mortgage offers being withdrawn alongside increases in general anxiety regarding Cost of Living pressures. She noted that business confidence is also dropping, and cited the importance for NatWest of keeping a consistent and reassuring presence in the market.</p> <p>10. FM set out that the impact of the recent mini-budget had been significant and shared her view that for households and businesses things were likely to get even harder and tighter. She noted the cumulative impact of energy price rises, food inflation and interest rate rises on household budgets, and that the UK needed to be ready for a difficult few months ahead. She noted that SG was thinking hard about the action we could take within our budgetary limits, and acknowledged that the cost crisis was creating a host of short and longer-term challenges.</p> <p>Cost of Living and Doing Business Crisis</p>

11. AR set out that NatWest Group was conscious of the need to support people through the period, including the bank's staff. She noted exceptional pay rises for colleagues, that the group had put £4m into Citizens advice, was freezing fees, extending mortgage offers and allowing customers to fix six months early. NatWest were thinking hard about further targeted intervention where it is needed the most – fees, charges etc.

12. [redacted].

Mortgages and Interest Rate Rises

13. FM was interested to understand what trends could be understood from the bank's mortgage book. [redacted].

14. FM felt it would be helpful to get data to increase or understanding, noting that for a lot of households a move from e.g. 1% to 4% would represent a real existential change in circumstances. She was particularly interested on whether next year we would see an upsurge in defaults. She was keen to have visibility of as much data as possible and to understand the steps being taken by the industry and for data to help understand the customer base, as well as being able to understand employment impacts as we potentially see greater business failure.

15. [redacted].

ACTION →

16. [redacted]. FM acknowledged that access to skilled workers remained a challenge for both the public and the private sectors across a range of areas.

17. [redacted]. FM noted the parallels with the pandemic, and hoped banks could perform the same important role. MC set out that NatWest had learned from the C-19 experience.

Skills Development

18. FM reflected on a recent meeting she had with a major investment bank who flagged their building financial skills programme. AR noted NatWest's Career Sense programme and that the firm continued to support graduate, internship and early career opportunities to ensure the talent pipeline.

Branch Closures

19. [redacted].

	<p>20. There was then a short discussion about the political scene and recent events at Westminster.</p> <p>ENDS</p>
Actions	<p>[redacted] to follow up with NatWest regarding mortgage intelligence [DONE]</p>