

Revised Equality Impact Assessment

**Scottish National
Investment Bank Bill**

September 2019



Scottish Government
Riaghaltas na h-Alba
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REVISED EQUALITY IMPACT ASSESSMENT

Title of Policy:

Scottish National Investment Bank Bill

Summary of aims and desired outcomes of Policy:

1. The Scottish National Investment Bank is central to delivering the Scottish Government's Economic Strategy. The Bank will be a mission-oriented institution meaning that much of its investment will be directed towards addressing societal challenges set for it by Scottish Ministers. By committing funding towards addressing these societal challenges it is anticipated that the Bank will create and shape new markets and crowd in private sector investment.
2. It aims to address weaknesses within the economy arising from a shortage of investment by private lenders in small and medium-sized enterprises (SMEs) and other organisations located in Scotland by providing a source of funding for those that are unable to secure investment from private financial institutions.
3. The Bank will provide financial assistance to a wide range of commercial activities that find themselves unable to access capital from private lenders but with a specific focus on acting as a source of strategic patient finance to fund the development of emerging innovations and technologies. The Bank will contribute to increasing levels of productivity within Scottish businesses.
4. As a new entity established to make and manage commercial investments, the Bank is intended to become self-sustaining, recycling funds back into the economy and growing its asset base. Moreover, by being an equal, transparent, diverse and inclusive institution from its inception the Bank will act as a model investment institution.
5. The Scottish National Investment Bank will, wherever possible, seek to consolidate existing investment activities provided by the Scottish Government and its agencies. It will align with and complement activity by the Enterprise Agencies, Scottish Futures Trust, and other key partners including Local Authorities, who will have a critical role to play in providing the advice and support that businesses and communities need to ensure that they are market ready. This will include ensuring there is a strong pipeline of viable firms and projects for investment when the Bank is operational.

Background:

6. The Scottish Government published an Equality Impact Assessment (EQIA) in respect of the Scottish National Investment Bank Bill in February 2019. It set out that: "It is intended that this EQIA be updated throughout 2019 as the policy for the implementation of the Bank continues to be developed. The findings of the completed EQIA will support the establishment of the Bank in 2020 and the development of its Investment Strategy and Ethical Statement."

7. The scope of that document included the Bill (as introduced) and the creation of the Bank, which itself does not form part of the Bill.
8. The EQIA published in February also set out the background to our proposals for the establishment of the Scottish National Investment Bank. Further information is available on the Scottish Government website¹.
9. Since the publication of that EQIA the Scottish Parliament has commenced its scrutiny of the Scottish National Investment Bank Bill, led by the Economy, Energy and Fair Work Committee. The Committee issued a call for evidence and the stakeholder evidence it received, and the Committee's Stage 1 Report on the Bill, can be accessed on the Scottish Parliament's webpages².
10. The Committee's Stage 1 Report recommended in particular that: "The Committee seeks a fully revised EQIA before the Stage 1 debate, one significantly improved by the input of Close the Gap and Engender, compliant with the Fairer Scotland Duty Assessment, and which also presents a comprehensive overview on how the various strands of work on this Bill and concerning the establishment of the Bank will help to reduce inequality."
11. This revised EQIA aims, in concert with the published Fairer Scotland Duty Assessment, to respond to that request and build upon the EQIA published in February, using the further evidence available since that point.
12. The Scottish Government's view is that as the Bank is not yet operational, and many of the decisions about its activities and policies will be taken by the Bank itself, as is appropriate for an operationally independent organisation, it is not yet possible to fully evaluate the impact of its actions. This view has been discussed with the Equality and Human Rights Commission which has agreed with this conclusion. The EHRC also supports the Scottish Government's commitment to make the Bank subject to the Public Sector Equality Duty to ensure that full evaluation takes place.
13. This document is therefore split into two key sections. The first presents evidence gathered in this EQIA process of barriers faced by people with protected characteristics³ in access to finance, and includes some identified actions that the Bank can consider to eliminate discrimination and advance equality of opportunity in this area. This section of the EQIA has also identified some steps the Bank may consider to mitigate the risk that any groups of people with protected characteristics do not benefit from the Bank's establishment and activities. This evidence, along with the evidence and suggestions provided by stakeholders, will be passed to the Bank to inform its consideration of how these matters will be taken into account in its activities and governance. This evidence should be supplemented by the Bank's own evidence gathering and research to ensure that its considerations are fully informed. The Bank can conduct or commission further research to build on this evidence to

¹ <https://www.gov.scot/policies/economic-growth/scottish-national-investment-bank/>

² <https://www.parliament.scot/parliamentarybusiness/CurrentCommittees/109855.aspx> and <https://sp-bpr-en-prod-cdnep.azureedge.net/published/EEFW/2019/7/4/Scottish-National-Investment-Bank-Stage-1-Report/EEFWS052019R09.pdf>

³ The protected characteristics are: age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation, and marriage and civil partnership.

address any evidential gaps or insufficiencies it identifies. The Bank will be required to consider the latest evidence published which can inform its activities. The Bank can consider the impact of its activities not only on its own employees and on recipients of investment, but also through the activity its investment has enabled.

14. As set out above, the Bank will coordinate with and complement activities of the wider public sector and its key partners to ensure there is a strong pipeline of viable firms and projects for investment. Those partners will retain the key role in building business capacity. This has therefore been considered out of the scope of this EQIA beyond noting the need for the Bank to dovetail with and support that work as appropriate and necessary.

15. Although this EQIA makes reference to individual protected characteristics and how these can be considered in isolation, it is recognised that there is common intersectionality where persons share multiple protected characteristics. Further intersectionality can occur where a person who shares one or more of the protected characteristics also experiences socio-economic deprivation which is considered in the Fairer Scotland Duty Assessment that has also been published on the Scottish Government's webpages. In addition to considering the information provided in this document regarding impacts of particular protected characteristics, the Bank will be need to consider that intersectionality across protected characteristics exists and may require particular consideration.

16. The second part of this document concerns the conclusions and recommendations reached in this EQIA process relating to the Scottish Government Programme to establish the Bank. These can support the action of the Bank to realise those positive impacts and mitigate risk as set out above. The EQIA has not found actions that impact particularly upon any of the protected groups but considers that these actions can support the Bank's actions and impacts across each of the protected groups and accounting for the differential experiences and needs of each. These findings relate to: the Bill, the recruitment of the Bank's Chair and Board, and the missions to be set for the Bank by Scottish Ministers. The attached Annex also sets out how the Building Scotland Fund, administered by the Scottish Government, is taking into account the findings of this EQIA process.

Key Findings

17. This EQIA has identified a number of areas where the establishment of the Bank can deliver positive impacts by reducing discrimination and advancing equality of opportunity, particularly in relation to access to finance. It has not found evidence of potential impacts on fostering good relations between groups, but has identified barriers to access to finance that can be addressed by the Bank. It has not identified any areas where the establishment of the Bank will have a negative impact upon people with protected characteristics. There is, however, a risk that the potential benefits envisaged in the establishment of the Bank will not be experienced equally by people with protected characteristics, and that the Bank's operation does not sufficiently address existing inequalities.

18. It is also recognised people that the barriers to access to finance experienced by people who share the protected characteristics identified in this EQIA may be

experienced differently by persons who share more than one of the protected characteristics. There can also be interconnections between socio-economic deprivation and equality; however, this will not be the case for all people who share protected characteristics or experience socio-economic disadvantage so specific approaches are likely to be required. This intersectionality should be considered in the implementation of the recommendations in this EQIA by the Scottish Government, and the Bank's consideration of its own activities and policies once it is created.

19. This EQIA sets out the evidence identified in relation to each of the protected characteristics, and makes recommendations for the Scottish Government's ongoing work to establish the Bank.

20. The EQIA process did identify that in some places there was insufficient evidence to draw firm conclusions in relation to the prospective impacts of the Bank. This was the case for some of the protected characteristics – in particular gender reassignment, pregnancy and maternity, and religion and belief. In general, the Bank will need to keep the evidence about equality impacts under review in its future considerations of equality issues.

21. In general, there was little evidence of a prospective role for the Bank in fostering good relations between groups and therefore the conclusions below focus on eliminating discrimination and advancing equality of opportunity.

Disability

22. This EQIA process has found some evidence of barriers for disabled entrepreneurs in accessing, including in a UK and Scottish context, with other evidence identified at an international level.

23. It has been suggested that barriers to access to finance, including for start-up capital, may result from other factors relating to disabled people's experiences of discrimination such as exclusion from labour market or educational opportunities – there is evidence that disabled people are disproportionately likely to be self-employed, which may be connected to these experiences. Disabled people may also prefer flexibility in their working patterns. These factors indicate that the removal of barriers to access to finance can deliver significant positive impacts for disabled people.

24. Access to appropriate information and guidance was also raised as a potential issue for disabled entrepreneurs and business owners. Stakeholders suggested that ensuring the Bank is an inclusive employer, including for disabled people, would give reassurance that disabled people were welcome and that the Bank understands the issues that disabled entrepreneurs and business owners face such as, for example, particular communication needs.

25. The realisation of these potential benefits, and the mitigation of potential negative impacts, will be determined in the Bank's operational decisions including its investment processes, customer outreach and its product offering.

Sex

26. The Equality Impact Assessment published in February 2019 concluded that there are several ways in which the Bank can eliminate discrimination and advance equality of opportunity: This relates to employees of the Bank (women are an under represented group in the finance sector); recipients of finance (women-led businesses have faced barriers in access to finance); and as employees of a recipient of finance from the Bank through the Bank's commitment to the Fair Work agenda.

27. The Equality Impact Assessment published in February 2019 set out that, "evidence has shown that women on average start their businesses with a third less capital than that of their male counterparts". Stakeholders have also highlighted that women-led businesses start with lower levels of overall capitalisation and are much less likely to use private equity or venture capital. That initial undercapitalisation can have a long-term effect and can constrain business growth prospects.

28. "UK VC and Female Founders' found that for every £1 of venture capital investment in the UK, all-female founder teams gets less than 1p. All-male founder teams get 89p and mixed gender teams the remaining 10p. It also found that teams with at least one woman appeared to be less likely that secure subsequent rounds of funding than all-male teams.

29. "Research has also demonstrated, however, that notions of women's risk aversion, reluctance to grow and poorer growth performance are wholly unfounded. The data shows no statistical differences in those areas between male and female owned businesses.

30. "The under-capitalisation of women-led businesses as a challenge cannot be viewed in isolation. While female self-employment has doubled in the last decade, women still represent just 35% of the self-employed population. On the other hand, work led by Professor Sara Carter from the Hunter Centre (University of Strathclyde) indicates that if women's participation rates matched men's there would be the potential of approximately 35,000 more direct jobs in the Scottish economy. It could also boost the economy by as much as 5% GDP, a difference of £7.6 billion GVA."

31. The Alison Rose Review of Female Entrepreneurship⁴, published in March 2019, found further clear evidence of a gap between male and female entrepreneurship, at significant cost to the UK. It concluded that a number of factors contribute to this, including "perceived bias" within the UK venture finance community, noting the underrepresentation of women in the sector. The Review made recommendations, including some measures of relevance to the Bank in the area of improving access to finance.

32. The Scottish Government is committed to supporting women's entrepreneurship. In 2014 the Scottish Government launched their Women in Enterprise Framework and Action Plan. This committed the Scottish Government to

⁴ <https://www.gov.uk/government/publications/the-alison-rose-review-of-female-entrepreneurship>

be “a key and active partner in driving the actions required to tackle the gender-gap in enterprise.”

33. Following a refreshing of the Framework in 2017, a Ministerial-led Women in Enterprise Action Group was convened. Working with Professor Carter and the Scottish Government’s Independent Advisor for Women in Enterprise, Dr Norin Arshed, the Government is committed to bringing forward a sustainable model, around the concept of a ‘Women’s Business Centre’, to tackle the gender gap in Scotland. The Scottish National Investment Bank will look to work with the resulting model to ensure that future gender-aware and gender-specific policies and interventions are compatible with the support and products offered.

34. The barriers in access to finance experienced by female business leaders and entrepreneurs represents considerable untapped potential in the Scottish economy. Stakeholders have suggested a number of means by which the Bank can contribute to advancing equality of opportunity in this regards through, amongst other things: specific training of staff, development of products with sufficient flexibility (for example, offering capital repayment holidays that can support entrepreneurs with care responsibilities or flexible working patterns), and taking approaches that are in keeping with a wide variety of tolerances around offering collateral among entrepreneurs. Stakeholders have also suggested that the Bank consider whether there is sufficient evidence available to inform its decision-making and development of its Investment Strategy and other key policies.

35. In setting and implementing its Investment Strategy the Bank can also, when reviewing its portfolio, be aware of the distribution of its investments across and within areas of the economy noting that persons who share any of the protected characteristics may be relatively underrepresented or face particular issues within any area of the economy.

36. With regard to women working in financial institutions, research and evidence from stakeholders suggests that large gender gaps exist regarding employment in financial services. A report published by the House of Commons Treasury Committee⁵ (June 2018) found that across 200 financial services firms, there was a 23 per cent female representation on Boards, and only 14 per cent on Executive Committees. The report also referenced research regarding the benefits of gender diversity in financial sector employment. As well as benefits regarding diversity of opinion and appealing to a wider range of clientele, it was found that *“firms with higher numbers of women in senior management positions perform better financially than counterparts with lower numbers of women in senior management, with returns above their national industry median”*.

37. These findings are echoed in the Moving Toward Gender Balance in Private Equity and Venture Capital report published by the International Finance Corporation in March 2019⁶. It was concluded in this report that women are significantly underrepresented among investment decision makers – women hold only 10 per cent of all senior positions in private equity and venture capital firms globally. It was

⁵ <https://publications.parliament.uk/pa/cm201719/cmselect/cmtreasy/477/477.pdf>

⁶ https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/gender+at+ifc/resources/gender-balance-in-emerging-markets

also found that only 15 per cent of senior investment teams are gender balanced, yet gender balanced teams often make better returns. Additionally, female partners are twice as likely to invest in female entrepreneurs as male partners.

38. The Scottish Government brought forward the Gender Representation on Public Boards (Scotland) Act in 2018 which commits public bodies to ensuring that there is at least 50 per cent female representation on non-executive board members. This legislation also applies to the Bank. More information regarding recruitment of the Bank's chair and board can be found below.

39. The *HM Treasury Women in Finance Charter: Annual Review 2018*⁷ (published in March 2019) surveys signatories of the Women in Finance Charter and outlines activities found to be helpful in improving gender diversity across senior management roles. These include: changing recruitment practices; promoting flexible working; promoting culture change and establishing network groups; diversity reporting; and establishing learning, development and talent programmes specifically for women. The Bank can consider the evidence and recommendations provided in this *Annual Review* in setting its own policies.

40. There is also evidence of working practices and cultures which can result in negative outcomes for women across financial institutions and not just at senior management levels. As highlighted in the same report mentioned above by the House of Commons Treasury Committee⁸, issues stemming from 'alpha-male' cultures, bonus cultures, presenteeism, unconscious biases, and the impact of maternity leave and childcare appear prevalent across financial institutions which can have a detrimental effect on achieving gender diversity. These issues can occur across all levels throughout an organisation, which can in turn hinder progress in achieving gender balance at senior management levels. It is therefore crucial that this evidence is considered by the Bank when setting the right working practices and culture when working towards eliminating discrimination and advancing equality of opportunity.

41. The Scottish Government also published its Gender Pay Gap Action Plan 'A Fairer Scotland for Women'⁹ on 8 March 2019. It committed to: "Ensure that the gender pay gap is included in work on the new Scottish National Investment Bank's Equality Impact Assessment. This will ensure the Bank's intended leadership role with regards to diversity and inclusiveness in its governance, operational arrangements and its Investment Strategy is fully embedded."

42. That Action Plan notes the range of factors that influence the gender pay gap including the distribution of unpaid care in Scotland, the over-representation of women in typically lower paid occupations, the lack of good quality part-time work (women are more likely to work part-time), and differences in geographic experience. It also found that women with additional protected characteristics (including disabled women, minority ethnic women and older women), living in areas of multiple

⁷https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/786164/2019.03.14_WIFC_FINAL_online_high_res.pdf

⁸ <https://publications.parliament.uk/pa/cm201719/cmselect/cmtreasy/477/477.pdf>

⁹ <https://www.gov.scot/publications/fairer-scotland-women-gender-pay-gap-action-plan/>

deprivation, and those caring for sick and disabled relatives, tend to experience greater labour market inequalities.

43. As the Equality Impact Assessment published in February noted: “The Bank will be subject to the duties under regulations made under the Equality Act 2010 which include reporting on the gender pay gap in the body.”¹⁰ This duty will apply to the Bank itself. The Bank should take both its duties and the findings of ‘A Fairer Scotland for Women’ into account in the development and implementation of its human resource, remuneration, and related policies. Stakeholders have also suggested that the Bank undertake equal pay reviews to ensure that any pay gaps are identified so that appropriate actions can be taken.

44. The Bank’s lending can also have an impact on mitigating gender pay gaps within organisations across Scotland. The Fairer Scotland Duty Assessment sets out the alignment of the Bank’s activity with the Fair Work agenda and with Fair Work First in particular. Another key component of this is action on gender pay gaps. Evidence suggests that women particularly benefit from Fair Work initiatives. This suggests that the Bank can have a real positive impact on addressing inequalities in organisations which receive investments from the Bank.

45. The Bank will also be aware of the existence of gender pay gaps across sectors and within the wider economy as a whole. The gender pay gap is a challenging issue with no single solution. However, the Bank should consider the contribution its activities can make and endeavour that those activities should reduce and not further entrench gender pay gaps across Scotland.

46. The realisation of these potential benefits, and the mitigation of potential negative impacts, will be determined in the Bank’s operational decisions including its investment processes, its product offering and its human resources, recruitment and remuneration policies and practices.

Pregnancy and Maternity

47. This EQIA found relatively little information available that entrepreneurs or business owners may face barriers to accessing finance due to pregnancy or maternity. It is recognised that the Scottish National Investment Bank must be an inclusive institution and that there should be no negative impacts or discrimination experienced by women due to pregnancy or maternity. This includes the Bank’s employees. The Equality and Human Rights Commission has found evidence of pregnant women and new mothers being viewed more negatively in the finance sector than in other sectors¹¹. The Bank should be aware of this background in the sector as it develops its human resources policies in particular.

Race

¹⁰ <https://www.gov.scot/publications/scottish-national-investment-bank-bill-equality-impact-assessment/> paragraph 33.

¹¹ Equality and Human Rights Commission; *Pregnancy and Maternity-Related Discrimination and Disadvantage: Experiences of Employers* (2015); 3.1.

48. The Equality Impact Assessment published in February 2019 identified a number of positive impacts that may result from the Bank's activity through removing barriers in access to finance and advancing equality of opportunity for persons from minority ethnic communities.

49. The Scottish Government's Race Equality Framework for Scotland 2016 to 2030¹², and the Hunter Centre for Entrepreneurship and the University of Strathclyde Business School-commissioned study 'Taking steps to combat barriers to ethnic minority enterprise in Scotland'¹³, highlighted particular areas to be addressed by the Scottish Government and its partner organisations. The report also noted a general lack of clarity on both the availability of support and of its suitability to business owners and entrepreneurs from minority ethnic communities, which in turn may contribute to an identified over reliance on informal sources of finance.

50. The EQIA process found anecdotal evidence of barriers experienced by business owners and entrepreneurs from minority ethnic communities in access to finance with the conduct of application processes and credit requirements noted to be potentially restrictive in their application. These factors may contribute to the underrepresentation of ethnic minority-led businesses as recipients of some ranges of finance as identified in the previously published EQIA.

51. There can also be perceptions among members of minority ethnic communities of possible discrimination. Stakeholders have suggested this could be addressed by publicising the Bank's activities to communities and taking a transparent approach to lending practices and the criteria used by the Bank. This could be complemented by providing particular training for staff to support their engagement with potential customers who are members of minority ethnic communities. These are factors related to what is often termed 'discouragement'; a situation in which a firm could apply for finance but does not do so due to fear of rejection. When publicising its activities and practices it should be aware of the potential particular communication requirements of members of minority ethnic communities.

52. It should also be recognised that the experiences of different minority ethnic communities in Scotland will vary and any interventions designed by the Bank will have to accommodate this. There will also be individuals within minority ethnic communities who are subject to very particular experiences and needs. For example, refugees in Scotland may particularly struggle to establish a credit history or meet collateral requirements as a result of the conditions that forced them to leave their country.

53. As a result of this EQIA process, we have concluded that, given the degree of anecdotal evidence in this area, it would be useful to carry out further research. To address this, the Scottish Government Bank Programme Team will commission a study to better understand the experiences and structures of finance available to business owners and entrepreneurs from minority ethnic communities. The research

¹² <https://www.gov.scot/publications/race-equality-framework-scotland-2016-2030/pages/1/>

¹³

https://pureportal.strath.ac.uk/filesasset/81463837/Mwaura_etal_2018_Taking_steps_to_combat_barriers_to_ethnic_minority.pdf

will include examination of the supply side of finance provision gaining insight into any possible disadvantage or discouragement facing these communities. This will outline and inform current practices and structures of finance provision directly or indirectly affecting business owners and entrepreneurs from minority ethnic communities in Scotland. This will be a resource available to the Bank when it is determining its activities and policies where its findings are of relevance to the scope of the Bank's activities.

54. It should be recognised that the Bank will not solely be able to resolve all the issues facing business owners and entrepreneurs from minority ethnic communities, including in relation to demand side issues. The Bank will have to work with the enterprise agencies to ensure that appropriate support is available to business owners and entrepreneurs from minority ethnic communities so that equality of opportunity can be advanced.

55. The realisation of these potential benefits, and the mitigation of potential negative impacts, will be determined in the Bank's operational decisions including its investment processes and its product offering. The Bank's customer outreach policies and practices are particularly likely to have an impact in this context.

Age

56. This EQIA process has not identified clear evidence of barriers faced by entrepreneurs or business leaders in access to finance based on their age, or of particular steps which the Bank should take to advance equality of opportunity, or of any particular negative impacts which require mitigation.

57. It can, however, be anticipated that many of the findings of this EQIA in relation to access to finance for other protected groups may also apply to persons based on their age. For example, young people may face issues with accessing finance to support setting up a business because they have not had sufficient opportunity to build up a credit history or capital to meet collateral requirements.

58. Young people can also face particular difficulties accessing the property market meaning that, in turn, they are less able to use property for collateral.

59. It should also be borne in mind that particular groups of young people will have particular experiences. For example, young people with experience of care are likely to have moved more frequently than other young people, potentially affecting their credit ratings, and are less likely to have access to financial support from other sources such as family. Young people in general can face challenges in opening Bank accounts (in practice a prerequisite for accessing entrepreneurial finance) if they do not have the necessary documentation and this can also be a particular issue for young people with experience of care.

60. The realisation of the potential advancement of equality of opportunity for young people by the Bank, and the mitigation of potential negative impacts, will be determined in the Bank's operational decisions and policy setting once it has become operational.

Other groups with protected characteristics - gender reassignment, sexual orientation, religion and belief, and marriage and civil partnership

61. This EQIA found relatively little information available about the barriers in access to finance that entrepreneurs or business owners may face as a result of their sexual orientation or gender reassignment. It is, however, crucial that the Scottish National Investment Bank be an inclusive institution and there should be no negative impacts upon persons from any of the protected groups during involvement with the Bank. This applies to customers, employees and any other persons who might engage with the Bank.

62. In regard to religion and belief with the caveat that some anecdotal evidence was received that some entrepreneurs or business owners will, because of their religious beliefs, only pursue Sharia compliant finance as a source of external finance. Other individuals may have a preference for Sharia compliant finance but also use other sources. The Bank could make an impact in this area and should consider its potential to offer sharia-compliant finance within the scope of its business activities or to establish means to co-invest with those that do.

63. The realisation of these potential benefits, and the mitigation of potential negative impacts, will be determined in the Bank's operational decisions including its investment processes, customer outreach and its product offering.

64. In regard to marriage and civil partnership, the Public Sector Equality Duty covers this protected characteristic with regard to eliminating unlawful discrimination in employment. This Duty will apply to the Bank in its determination of its human resources, recruitment and other policies which are out of the scope of this EQIA.

Conclusions

65. As set out above, this EQIA has found that the creation and operation of the Bank can have positive impacts upon a number of protected groups. This completed EQIA has been developed after the introduction of the Bill to the Scottish Parliament and the publishing of the Economy, Energy, and Fair Work Committee's Stage 1 Report on the Bill. Views from key stakeholders have also been sought in order to inform its content. The Bill as introduced has been considered again in that context. The impacts discussed above will be determined by the operational decisions of the Bank, and the processes the Bank puts in place. The evidence collected indicates that the operation of the Bank may impact in different ways on people with different protected characteristics. The Bank will have to take this differential impact into account in its decision making, and should keep evidence about equality impacts under review as it does so.

66. This EQIA has, however, reached a number of conclusions and recommendations that pertain to the Scottish Government programme to establish the Bank. The intention of these is to support the Bank's determination of its operations and policies in a way that will realise the potential positive impacts and mitigate any negative impacts.

67. These conclusions and recommendations have not found likely differences in particular impacts upon any of the protected groups, and therefore do not propose specific measures for any specific protected group, but recognise that differences in impact can arise in the operation of the Bank. These conclusions and recommendations focus upon: the Scottish National Investment Bank Bill, the recruitment of the Bank's Chair, and the Missions to be set for the Bank.

The Scottish National Investment Bank Bill

The Objects of the Bank

68. The Scottish Government has accepted the recommendations in the Committee's Stage 1 Report that the ancillary objects as set out in section 2 of the Bill be reconsidered with a view to their connection with the vision for the Bank set out in the Implementation Plan, and that the Scottish Government consider the anchoring of non-financial returns in the Bill

69. The Scottish Government has already taken steps to ensure its vision for the Bank is realised, including in its contributions to advancing equality. For example, the Bank's ancillary objects, as provided for in the Bill as introduced, include "investing in inclusive and sustainable economic growth" and, as set out above, an order will be brought forward to make the Bank subject to the Public Sector Equality Duty. The Scottish Government is, however, keen to do more to further support the delivery of positive impacts by the Bank.

70. The Scottish Government will therefore implement the Committee's recommendations in this area in line with its intention that the Bank's activities contribute to advancing equality of opportunity and is keen to work further with the Scottish Parliament and stakeholders in that regard.

Governance Structures

71. In its Stage 1 Report, the Committee recommended that consideration be given to whether the prospective Board committees of the Bank as described in the draft Shareholder Framework Document previously provided to the Committee, and in particular the Ethics Committee, should be provided for within the Bill. Following further consideration, including through the EQIA process, the Scottish Government considers that, on balance, there is an overall need for flexibility in this regard.

72. On the Ethics Committee in particular, such a Committee would be intended to ensure that ethical decision-making – which would include implementation of some equality considerations (e.g. in investment decision making) – can be delivered in a number of ways which the Scottish Government is currently considering. For example, responsibility for ethics and equality could be formally set out as a main Board duty or, in respect of investment decision making, could be included in the remit of any Investment Committee. Conversely, some stakeholders have pointed out that establishing a separate Ethics Committee could risk 'pigeon holing' these issues. Further, the Scottish Government considers that there is a risk in imposing

processes upon the Bank that impede its operational independence in addressing these issues.

73. With these considerations in mind, we have at this stage not concluded that a separate Ethics Committee be provided for in the Bill. The Scottish Government will continue to examine potential action in this area; including through discussion with the incoming Chair.

Setting Missions for the Bank

74. The Scottish Government has accepted the recommendation in the Committee's Stage 1 Report that a process be developed by which the Scottish Parliament can formally be consulted on and inform the development of the missions for the Bank and is keen to work with the Committee in this regard.

75. The Scottish Government is currently working to develop an initial set of missions for the Bank. We have set out elsewhere in this document how this work is being conducted and how we are seeking to ensure that the initial set of missions takes account of equality considerations. It is important that these considerations are incorporated on an ongoing basis when missions are to be set for the Bank and in any process established for their development.

The Advisory Group

76. The Advisory Group is intended to provide advice to Scottish Ministers on the performance of the Bank and, given the potential for varying impact of the Bank's activities as identified in this EQIA, we have concluded that establishing a diverse Advisory Group is essential to ensuring that Scottish Ministers receive appropriate advice on the impact of the Bank on protected groups.

77. As a result, the response to the Committee set out the need "for the membership of the Group to reflect Scotland's population as far as possible" and include members able to: "speak to the issues facing communities and businesses across Scotland." This must include members of groups of people who share one or more of the protected characteristics, as well as those with sufficient knowledge, experience and competence of the protected characteristics.

78. As set out in its response to the Committee, the Scottish Government remains, on balance, of the view that provision for the Group is not a matter for the Bill.

Recruitment of the Bank's Chair and Board

79. The recruitment of the Chair of the Bank's Board is a major appointment for the Scottish Government. During this EQIA process stakeholders made clear the importance of the leadership of the Bank in determining its operation and impact in respect of addressing equality issues. Therefore the Scottish Government has worked with stakeholders to ensure that the recruitment process designed is able to attract a diverse field of applicants, which contributes to securing the best possible

field of candidates. As previously noted, the Bank will also be made subject to the Gender Representation on Public Boards (Scotland) Act 2018.

80. The timing of the appointment process has been determined to allow the new Chair and subsequently the Chief Executive to shape the Bank's development at least six months before establishment. This includes developing the ambitions, culture and values that Ministers have set for it and gives the best opportunities for this to be completed positively. The process for appointment of the Chair should be completed by October/November 2019.

81. The recruitment campaign for the Chair has been developed with input from organisations including Changing the Chemistry, Women on Boards, Women's Enterprise Scotland, the Ethical Finance Hub and SCVO whose input has ensured consideration of equality issues throughout the process. The campaign has been supported by a recruitment video which has been viewed almost 13,000 times and a diversity search agency to assist in this process. An experienced Selection Panel has been appointed who have undergone training to remove as far as reasonably possible any personal bias from the selection process.

82. Ministers are looking for a Chair with an outstanding ability and commitment to instil a culture of transparency, equality, diversity and inclusion in the Boardroom and beyond, and to create an ethical and trusted financial institution from inception. Fundamental to this is a commitment to deliver the Bank's objective of achieving growth that combines increased prosperity with greater equality.

83. The recruitment of the Bank's Board can equally have a significant impact upon the development of the Bank's operations and its ability as an organisation to address equality issues. Therefore, a similar process to that determined for recruitment of the Chair will be followed, incorporating any learning from the Chair's recruitment.

Missions

84. The Bank will adopt a mission oriented approach to investment in line with the framework produced by Professor Mariana Mazzucato. The purpose of these missions is to direct aspects of the Bank's activity towards addressing "Grand Challenges" facing Scotland.

85. In the paper produced for the Bank, Professor Mazzucato highlighted that a key principle of the mission oriented approach was that it must have wide societal relevance. The development of the missions has been carried out with this in mind. The starting point for this process was the illustrative missions put forward in the Bank's Implementation Plan, which received a broad base of support, as demonstrated by public consultation and early stakeholder engagement.

86. The ongoing work to turn these broad themes into concrete missions for the Bank has required further engagement with a wide range of stakeholders, as well as considered alignment with the UN's Sustainable Development Goals, Scotland's National Performance Framework and public sector duties, such as the Fairer Scotland Duty. By doing so, it is intended that their core concepts and values of

these initiatives, such as wellbeing and inclusive growth, are embedded within the Bank's missions.

87. Framing the missions in such a way that they allow space for societal relevance and value to flow from investments made under them is a significant aspect of their development. But how the Bank ultimately measures their societal impact is also of importance. Another benefit of aligning with the NPF is the potential it holds for assessing the Bank's missions through its outcomes and indicators. Work is ongoing to explore how this might be best achieved, and how it sits alongside other aspects of measurement, such as returns on investment and economic impact.

88. A key principle of the missions currently under development is that they are sector and technology neutral; they define a problem that the Bank will seek to respond to through its investments. As they do not specify solutions (i.e. through defining specific sectors, technologies, or business to be invested in), it is not envisioned that the development of the missions themselves will have a particular impact on any of the protected characteristics. This will be considered by the Scottish Government during the development of the missions to ensure that they do not have negative impacts on the protected characteristics, or inhibit the ability of the Bank's activities to deliver positive impacts. The missions have been framed in such a way that supports the mainstreaming of consideration of protected groups across all the missions and indeed across the Bank's activity. For example, as set out above addressing the relevant barriers to access to finance experienced by women-led businesses and female entrepreneurs is envisaged to be part of the core business of the Bank rather than a specific 'mission' for the Bank. Taking this sector and technology neutral approach to the development of future missions is intended to deliver a similar outcome in respect of equality impacts. This should, however, be carefully considered at the time to ensure that this is the case.

89. It has been concluded that the implementation of the missions does present the potential to deliver positive impacts on protected characteristics. However, there is also the potential for negative impacts to occur through failing to advance non-discrimination or by not enabling some protected groups to fully realise the benefits of the Bank's activity. To address this the Bank will be required to consider fully the impact its investment activities, which will be developed in response to the set missions, will have on all protected characteristics as well as other public sector duties.

THE BUILDING SCOTLAND FUND

1. The Building Scotland Fund (BSF) is a precursor to the Scottish National Investment Bank and will provide some of its initial capitalisation. Launched in 2018, the £150 million Fund across three years to 2021 provides loans or equity, supporting development of housing across all tenures, modern industrial and commercial space and industry-led research and development. BSF is available to non-public sector organisations including businesses, housing associations and universities. The Fund continues to actively seek eligible opportunities for investment and is working with Scottish Enterprise, Highlands and Islands Enterprise, Scottish Funding Council, Scottish Government More Homes and the Scottish Futures Trust to advance a strong pipeline of significant investment projects and opportunities.
2. As a precursor to the Scottish National Investment Bank, BSF is committed to reflecting its emerging values, principles and ambitions including place making, supporting the transition to a zero-carbon society and the promotion of ethical and inclusive business practices.
3. The EQIA process carried out for the establishment of the Bank identified some potential barriers to businesses gaining finance from lending institutions and BSF is working to ensure that those barriers do not impede its activities. The BSF ensure that the application process is as open, transparent and accessible as possible to all, with clear objectives, eligibility criteria and other information available on our website, and a short 'expression of interest' form. We welcome and consider applicants who meet the basic criteria from SMEs to large companies.
4. We assess each application on a case by case basis against agreed, transparent criteria, and we communicate the reasons for our decision to applicants. Applications are considered from companies that are out-with of Scotland as long as they can demonstrate that the investment will deliver economic benefit to Scotland.
5. The BSF was deliberately given a broad and flexible mandate during the first year as it established its delivery mechanisms and raised awareness as well as delivering investments. As BSF evolves and we move towards the establishment of the Scottish National Investment Bank, we have focused on how BSF can be used to act as a catalyst for wider business practice change by requiring applicants to meet the following Fair Work investment standards:
 - Payment of the Real Living Wage
 - No inappropriate use of Zero Hours Contracts
 - Action to address gender pay gap
6. We also actively encourage applicants to sign up to the wider Scottish Business Pledge as an example of best practice in terms of Fair Work.

7. In order to assist with prioritising of investments we ask applicants to provide details, where relevant and applicable, on how their projects are:
- Supporting their local community
 - Helping to address demographic issues in Scotland, for example taking into account the needs of people with disabilities or our ageing populations, and;
 - Implementing wider community benefits, for example apprenticeships, recruitment/ training/ work experience or development opportunities for priority groups or those with protected characteristics.
8. This encourages applicants to take a more holistic and inclusive approach towards the potential wider benefits of their projects and at the same time ensure that BSF and by extension the Scottish National Investment Bank's emerging reputation and strong capitalisation basis is built.



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