



# Ethical Investment Policy

The  
Scottish  
National  
Investment  
Bank



The Scottish National Investment Bank is Scotland's development bank, established in 2020 and tasked with delivering investment that supports the delivery of missions designed to address the grand challenges that the Scottish economy is facing.

These challenges and the missions to address them require long term patient investment.

The Bank's missions will be the initial filter it applies when considering to invest in an opportunity, alongside the following:

- ◆ The financial risk and return profile of any investment. In line with investment industry best practice the Bank will carefully analyse the financial risks and returns of any proposed investment. The Bank is not a grant making body, so when it invests it does so commercially and seeks to ensure its capital is returned to it at the end of the investment term with additional income generated over the period of the investment from that capital being invested.
- ◆ The ethical and governance standards of the business or project the Bank is providing investment to. The Bank will focus on encouraging businesses and projects to comply with common minimum ethical investment standards and also improve and report on compliance with these ethical standards and principles of good governance.
- ◆ The ability of an investment to improve equality and diversity in Scotland. The Bank will encourage the businesses and projects it invests in to improve and report on equality and diversity within its workforce and potentially wider beneficiaries of a business or projects goods or services.

This policy considers the ethical investment standards the Bank will seek to encourage and promote. This policy includes specific exclusions where the Bank will not invest with clarifications of the types of investment the Bank may do to encourage and promote these



## 1. Financial Crime Prevention and 'Know Your Customer'

In accordance with relevant financial crime prevention standards, the Bank undertakes robust due diligence and 'know your customer' checks in respect of all proposed investments in order to understand the nature of the investment opportunity and identify the ultimate beneficial owners of the business or project being considered. These checks aim to address risks around potential money laundering, bribery and corruption, and fraud. This due diligence includes considering corporate governance and conduct, as well as the environmental and social standards, of the investee organisation and its affiliates.

## 2. Human Rights and Modern Slavery

The Bank will carry out human rights due diligence before making any investment. Appropriate investigation and analysis will be carried out throughout the Bank's consideration of a business or project, and will include assessment of a relevant organisation's human rights record both in Scotland and worldwide.

## 3. Debt Recovery

The Bank will act as a responsible lender and will carefully manage its debt recovery practices to ensure they are fair and in line with best practice in the market.

## 4. Corporate Governance

The Bank will consider the corporate governance standards of a business or project it invests in ahead of its investment as part of its due diligence and will continue to monitor an investment's governance standards throughout the duration of its investment. The Bank will focus on the following, in line with best practice:

- ◆ The Bank and the businesses and projects in which it invests will comply with all applicable laws, including environment, planning, regulation and permits.
- ◆ The Bank will invest in business or projects that already have good governance arrangements in place, or require the adoption of, or improvement in good governance, as part of its investment conditions.



## 5. Specific Ethical Exclusions

### i. Fossil Fuel Extraction:

The Scottish National Investment Bank will exclude investments, whether direct or indirect, in activities or organisations that promote the exploration or extraction of fossil fuels.

The Bank may make investments, directly or indirectly, in business or projects:

- ◆ Which operate in energy intensive or fossil fuels industries, where that investment supports a planned transition or diversification of an organisation's activities, or a significant reduction in its emissions consistent with Scotland's ambitions for net zero;
- ◆ Where that investment supports an organisation to transition or diversify its activities, or to make a significant reduction in its emissions consistent with Scotland's ambitions for net zero, and that organisation produces or retails energy or heat from fossil fuel (coal, oil, and gas) power plants (utilities).

### ii. Construction of New Property (Residential and Commercial):

The Scottish National Investment Bank will exclude investment in new property construction and refurbishment projects where those are not consistent with the energy efficiency standards set in the Scottish Government's Energy Efficient Scotland programme.

The Bank will invest in construction activities that will deliver reduced carbon emissions through energy efficient practices and other measures, and which are compliant with the Scottish Government's targets for renewable and low carbon heating system usage at a minimum.

The Bank will prefer to invest in brownfield redevelopment and regeneration than green field property development, however it will consider greenfield development projects on a case by case basis.

### iii. Natural Environment and Biodiversity:

The Bank supports the need to preserve and where needed renew, Scotland's natural environment and promote the development of nature based solutions. The Bank will consider the overall environmental impact of any investment it makes in a business or project at the time of investment and on an ongoing basis.

The Bank will exclude investments in businesses and projects whose activities would negatively impact Scotland's natural environment and biodiversity without appropriate mitigation via sustainable sourcing and/or environmental management guidelines.

The Bank will invest in businesses and projects that have plans in place to reduce the emissions resulting from their activities, consistent with Scotland's ambitions for net zero, and who seek to achieve a net improvement in biodiversity and environmental wellbeing as a result of their activities.

### iv. Fair Work:

The Bank supports the adoption of fair work practices and will encourage the adoption of fair work criteria in the businesses and projects it invests in.

The Scottish National Investment Bank will exclude investments in businesses or projects that do not already have fair work practices in place, or are unwilling to commit to adopt these.



**v. Equality:**

The Bank will exclude investment in businesses or projects that do not have in place, or are not willing to put in place, policies and practices that are aligned with the Bank's equalities objectives. The Bank will encourage the businesses and projects it invests in to improve diversity and equality in their workforces and boards.

**vi. Tobacco and Tobacco Products:**

The Bank will exclude investments, whether direct or indirect, for the purposes of the production of tobacco or tobacco products, or to companies who sell such products under their own name. Tobacco products include, but are not limited to, finished products such as combustible cigarettes and cigars, and key materials necessary for their production such as cigarette papers.

**vii. Gambling:**

The Bank will exclude investment, whether direct or indirect, for the purposes of the development, production or sale of gambling products, or for the provision of financial services related to gambling.

**viii. Animal Testing:**

The Bank will exclude investment in businesses or projects using animal testing for cosmetic, personal care, household goods or industrial manufacturing purposes.

**ix. Munitions:**

The Bank will exclude investment in organisations which are primarily engaged in the manufacture of munitions or weapons.

**x. Brothels, pornography and adult entertainment:**

The Bank will exclude investment, whether direct or indirect, in businesses or projects involved with unregulated/illegal sex trade, or in businesses or projects that produce or design pornographic or adult entertainment products or services.

**Policy Management:** This policy belongs to the Managing Director, Sustainable Investment Origination. This policy was approved by the Bank's Board in June 2021. It will be reviewed at least every 18 months, or as necessary. The exclusions contained within this policy are subject to a de minimis threshold at the discretion of the Bank's Investment Committee.