TCFD Report

2023/2024

The Scottish National Investment Bank

"The challenge presented by climate change - both today and in the future – emphasises that we must not only better understand the impact the climate is having on us, the way we work and live, but also the impact that we are having on the climate."

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1. Introduction

Climate change and its impacts are already being felt globally. The rising temperatures, shifting rainfall patterns, periods of drought, mean sea level rise and wildfires we are seeing today will occur more frequently in the future, becoming progressively more complex and disruptive.

In Scotland, over the last 30 years, we have seen average temperatures rise by 0.5°C, with the 10 warmest years on record having occurred since 1997 – four of which were in the last decade (2014, 2020, 2022, 2023). We have seen an increase in rainfall, with Scottish winters becoming 5% wetter; sea levels around the Scottish coast have increased by up to 3cm each decade.

The challenge presented by climate change – both today and in the future – emphasises that we must not only better understand the impact the climate is having on us, the way we work and live, but also the impact that we are having on the climate.

The Scottish National Investment Bank (The Bank) is a mission-led impact investor. Our missions have been set to address three grand challenges facing Scotland – the climate emergency, place-based opportunity, and how we harness innovative industries.

In 2023 we published our first Carbon Management Plan (CMP) which set out how we measure and report emissions associated with both our operations and our portfolio. Our CMP sets out our pathway towards net zero for our operations.

Through our CMP we are seeking to be transparent with regards to our portfolio emissions, acknowledging that it is unrealistic that our portfolio will ever be 100% net zero. While our investments are chosen to enable a transition in Scotland's wider economy, our growth trajectory means it is likely that the aggregate emissions of our own investment portfolio will continue to increase. This is based on a reflection that, as a development bank, our investment is often in either heavy industries to enable a just transition through their changing role in the supply chain or developing technologies, or in companies who are scaling up their operations and outputs with the Bank's investment acting as a catalyst for growth.

For example, our investments in ports and harbours will be carbon intensive through the heavy requirement of concrete and steel. These investments will, however, provide critical infrastructure necessary to support the offshore renewable wind sector and decommissioning of oil and gas, thereby creating the long-term impact for Scotland in support of net zero.

With this in mind, we acknowledge for any business to truly get to net zero, they must understand their impact on the climate, prioritise reducing emissions, and then ensure the environmental integrity of any offsets used to become net zero.

This document represents our first dedicated report highlighting how we are aligning with the recommendations and framework of the Financial Stability Board's Task Force on Climate-related Financial Disclosures ("TCFD"). The portfolio emissions figures contained within this report are for the calendar year 2022.

2. About TCFD

The Task Force on Climate-related Financial Disclosure (TCFD) recommendations are designed to promote more informed investment decisions, enabling stakeholders to better understand the financial system's exposure to climate-related risks through effective climate-related reporting.

Since its inception in 2015, the TCFD framework has moved from being entirely voluntary; in the UK, companies who meet certain thresholds are required to produce TCFD-aligned reporting. The Bank does not fall within the scope of organisations who are required to report against the framework. However, this transparency and disclosure is strongly aligned with our missions and ambitions. We made a deliberate, voluntary commitment in our business plan not only to report our own data, but also to play an active role in Scotland to advocate for TCFD disclosure as part of carbon management plans and net zero strategies. We benefit directly from the insight this data offers, and the Bank is also uniquely well placed to use its connections across both private and public sectors to learn from available data and insights, and to lead and accelerate action across the economy in Scotland.

The TCFD disclosure framework is structured around four thematic areas: **Governance, Strategy, Risk Management** and **Metrics & Targets**. These overarching themes are supported by key climate-related recommendations, which populate the framework with information tailored to support investors and other stakeholders to understand how reporting organisations assess and manage climate-related issues.

Adopting the TCFD framework helps to promote climate resiliency and supports the identification and assessment of climate-related opportunities.

Climate change presents financial risk to the global economy

Financial markets need clear, comprehensive, high-quality information on the impacts of climate change. This includes the risks and opportunities presented by rising temperatures, climate-related policy, and emerging technologies in our changing world.

The Financial Stability Board (FSB) created the Task Force on Climate-related Financial Disclosures (TCFD) in 2015 to improve and increase reporting of climate-related financial information.

TCFD | TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

3. Governance

As Scotland's national development bank, the climate emergency is at the core of our missions. We aim to support Scotland's transition to net zero by integrating climate change and carbon management considerations across both our own operations and our portfolio.

At the Bank, we believe that climate action must be considered across all of our functions. Oversight of climate-related issues by both our Board and Executive Committee is instrumental for evaluating and managing potential impacts of climate change on our strategic planning and performance.

As a relatively young company, we are further developing and integrating climate-related considerations into our evolving governance structure.

To deliver on our ambitions in this space, we will continuously review, evolve and improve our approach and governance over time – particularly as our portfolio matures, our data increases, and our sphere of insight and influence grows.

3.1 Governance structure

The governance structure of the Bank is unique, as it has been established as both a public limited company and as a public body. The Bank is accountable to the Scottish Ministers (as the Shareholder) but has operational and administrative independence.

The Scottish National Investment Bank Act 2020 recognises that the Bank is both a financial services institution and a public body. It gives the Scottish Ministers the power to set the Bank's strategic direction and to hold it to account for its performance in delivering against this direction but safeguards the Bank's autonomy to decide how it invests to meet these objectives, its missions.

3.2 The Board and committees

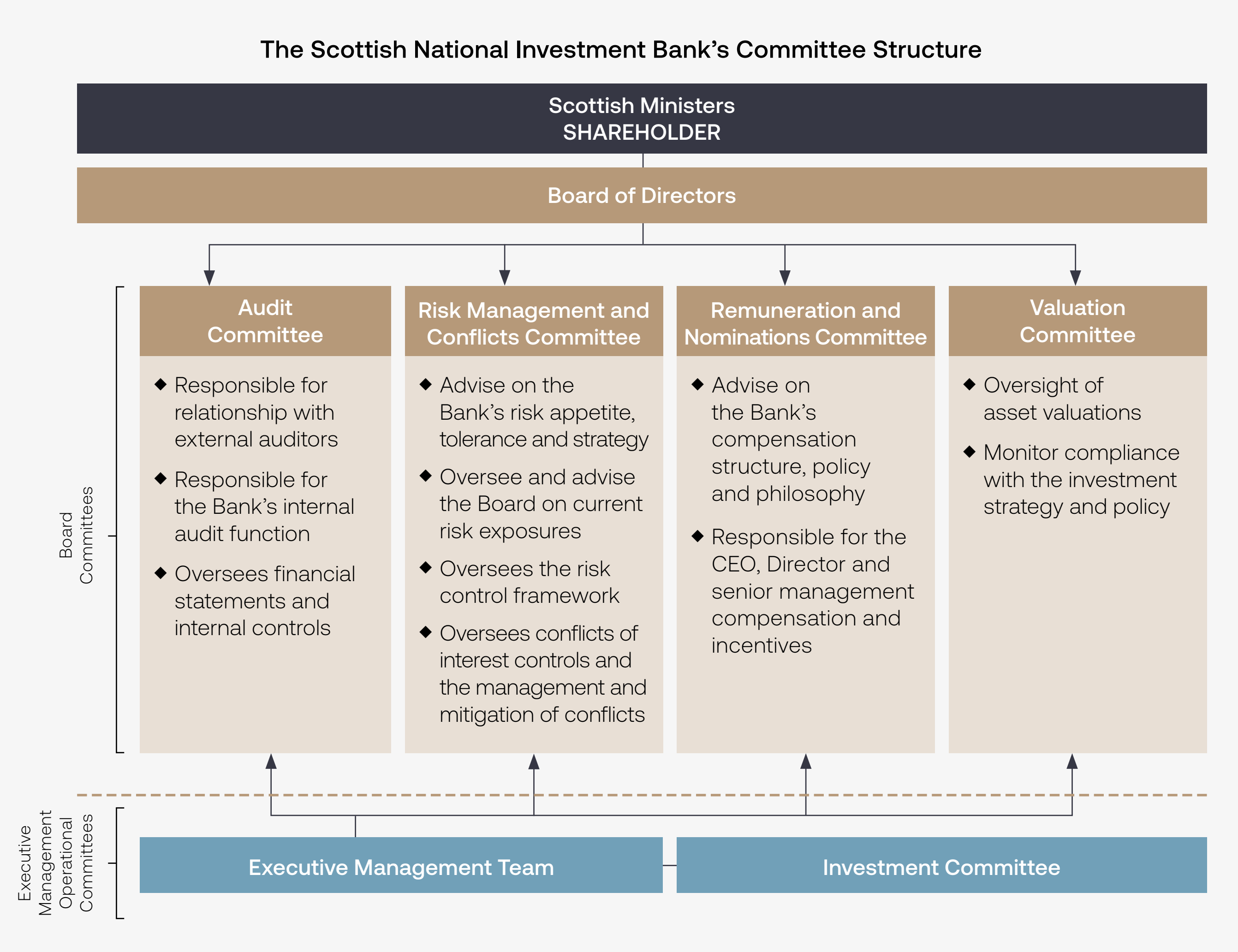
As a public limited company, the Bank has a Board of Directors made up of two Executive Directors and nine Non-Executive Directors, one of whom acts as Chair of the Board.

The Board directs the Bank's operations though an Executive Committee of senior managers who manage the Bank's day-to-day business operations. The Board is accountable to the Scottish Ministers, as the Bank's Shareholder.

The Board has formal committees to enable strong corporate governance, namely:

- **Remuneration and Nominations Committee**
- **Risk Management and Conflicts Committee**
- **Audit Committee**
- **Valuation Committee**

3. Governance continued



Governance responsibilities in relation to climate

Within our governance structure, the **Risk Management and Conflicts Committee** is charged with oversight of the Bank's climate actions, including overseeing the climate work plan, strategic priorities, initiatives, and actions that are specifically aimed at addressing risks and opportunities associated with climate change. The Non-Executive Director who acts as Chair of the Risk Management and Conflicts Committee has been allocated responsibility for climate change at the Board level.

Our **Valuation Committee** is responsible for ensuring that the Bank's valuations methodology, policies and oversight of the investment process are robust. The Committee also monitors progress against the Bank's responsible investment objectives and commitments during the year from an economic and non-financial performance perspective, including the climate-related performance of our investments.

The Bank's **Remuneration and Nominations Committee** oversees the implementation of the Bank's Pay and Reward Framework. This includes agreeing with the Shareholder any climate-related performance conditions associated with the Long-Term Incentive Plan (LTIP), and The Mission Contribution Reward Scheme, which recognises staff contributions to the achievement of the Bank's missions, including net zero.

3. Governance continued

3.3 Management governance

While the Board are ultimately responsible for risk management at the Bank, the Risk Management Framework is owned on behalf of the Bank's management by the Chief Risk Officer. At a senior management level, the Chief Investment Officer oversees the Bank's Investment teams, which includes the Impact team, led by the Executive Director for Impact Assessment and Reporting. The Impact team includes the Associate Director of Climate Impact, who has responsibility for coordinating climate-related activities across the Bank, including day-to-day decision making and reporting including operational governance related to our CMP. They are also responsible for leading on climate risk and opportunities associated with our investments, and the collation of climate-related data for both our operational activities and our portfolio. Activities include:

- Overseeing the deliverables within the CMP;
- Provision of annual corporate carbon performance updates to both the Board and Executive Committee;
- Submission of annual Public Bodies Climate Change Duties Reports;
- Publication of carbon performance within the Bank's annual accounts;
- Delivery of TCFD disclosures;
- Collaboration and shared learning on CMP delivery with other public bodies via the public sector Environmental Managers Forum;
- Overseeing the Bank's climate risk assessments in relation to investments;
- Delivery of behavioural change campaigns, and climate change related seminars and activities;
- Engagement with partners, stakeholders, and expert bodies on climate change and carbon emission best practice

The diagram opposite outlines our Management Climate Governance Structure.

The Bank's Management Climate Governance Structure

Our Management Climate Governance Structure works

Through our risk channels we have integrated climate risk into our risk management system and developed our Carbon Management Plan. Through investment we've established our mechanisms and approach for assessing climate-related risks and opportunities, and we are reporting our impact.

4. Strategy

4.1 Incorporating climate change into our processes

We believe that consideration of climate change across both our operations and our portfolio is vitally important to align with our missions. We have sought to implement a range of climate change-related risks and opportunities as part of our investment processes and overarching strategy.

A key component of our approach is to understand the economic impact of climate change on our investment portfolio. We currently measure these impacts through a combination of modelling scenarios derived from the Scottish Environmental Protection Agency's (SEPA) "Flood maps" and risks identified through the Climate Change Committee's (CCC) "Evidence for the third UK Climate Change Risk Assessment (CCRA3)".

Our investment strategy states that the Bank is a mission-led impact investor, and we have a focus on ensuring that we not only deliver a commercial return on its investments, but that its investments will deliver positive social, environmental, and economic impacts that support the delivery of the Bank's missions. This includes addressing other aspects of the climate emergency.

While our net zero mission is at the core of what we do and where we seek to invest, we believe that consideration must be given to all characteristics of climate change, including classifying and highlighting areas of climate risk and opportunities for our current or future portfolio companies. This includes identifying the need for companies to respond to changes in physical impacts to our environment, regulatory and technological transitions, and evolving consumer preferences.

As noted, this is the first stage in a phased approach to assessing climate risk internally. We expect to further develop our capabilities for evaluating climate change risk and exposure at a portfolio level. This includes engaging with companies beyond emissions, refining our existing analysis, and expanding our toolkit. Vital to this will be tailored scenario analysis beyond flooding and physical climate risks, as part of our planned future investment due diligence and risk management processes.

We have already engaged with investee companies to define their Scope 1 and Scope 2 emissions as part of the work to develop our carbon management plan. Many investees in our portfolio are relatively small, early-stage companies, and even this early work has added value and identified opportunities for them to better understand, manage and reduce emissions. We believe that over time, our work with companies to embed carbon management practices will add value to them directly, and as part of our wider contribution to our net zero mission.

4. Strategy continued

4.2 How we identify climate-related risks, opportunities and their potential impact

Climate-related risks and opportunities at the Bank are assessed using an in-house climate risk assessment, with the risks and opportunities falling under four key categories for assessment.

- The first is the impact an investment will have on the environment, which falls under the **"Boundary"** category. This is the identification of a company's carbon footprint boundary and the sources which we would expect them to report on, allowing the measurement of their emissions.
- The second category, **"Transition Risks"**, stems from the acceleration of the transition to a net zero, low-carbon economy. Transition risks include a change in policy or regulatory intervention, emerging markets or shifts in demand and behaviours, which may have an impact on our portfolio companies now or in the future. As part of its missions, the Bank is also focused on identifying key investment opportunities that may result from transition, so our understanding of likely up-chain impacts of risks and changes will be key to successfully seeing opportunities in the economy too.
- The third category looks at **"Physical Risk"**, and the impact climate change will have on our physical environment due to global warming and changing weather patterns. As noted previously, we currently assess flooding – which is the key risk identified for Scotland, with increased extreme weather events likely to happen in the future. We also assess key risks identified by the Climate Change Committee (CCC), which could lead to economic loss for our investees and in turn our own company.
- The **"Opportunity"** category assesses potential climate-related opportunities which may emerge, either as a direct result of our investment in a company, or as a result of the change in weather patterns, or the changes in our economy. The Bank is open to identifying and enabling opportunities aligned with its missions from both climate adaptation and a just transition to a net zero economy.

We provide further detail on how we measure climate risk on page 12.

4.3 Climate-related scenario planning

Climate-related scenario planning at the Bank has been limited thus far as we establish the relevant processes for measuring and reporting emissions, assessing the four categories within our climate risk assessment, and fulfilling our statutory climate reporting obligations.

This is an area which we aim to address and improve upon in future, particularly if there is a potential investment decision where climate change impacts are material to the transaction.

SEPA's flood maps have allowed us to assess the potential future impact of flooding on our investees. Moving forward over the coming years, we are aiming to identify and develop further proficiencies in assessing material climate risks and opportunities, looking at the wider risk matrix beyond flooding, such as risks associated with high temperatures and other extreme weather events.

5. Risk management

The Bank's strategic approach to climate risk is intrinsically linked to both our regular risk management processes and the Bank's overall strategy.

5.1 Our risk management approach

The Bank's approach to risk management seeks to add value through challenge and independent oversight of business activities. Through this framework the Bank aims to deliver the following strategic risk objectives:

- Clear articulation of the level of risk the Bank is willing to take in pursuit of its business objectives and missions;
- Risk management activities are proportionate to the nature, scale and complexity of the Bank as it changes over time;
- A positive risk management culture at the Bank – where each employee understands their personal responsibilities and leads by example in delivering these;
- Risk is taken into account in every decision, from day-to-day operations to strategic resource allocation;
- There is a culture of proactive compliance where regulatory requirements are followed in spirit and in letter;
- Operational incidents and failures of internal control are seen as a source of risk intelligence and an opportunity to learn and improve;
- **Ensure that climate related risks and opportunities, both physical and transition, are appropriately identified, reported and managed;** and
- The principles of risk management applied to the Bank are extended to the wider enterprise, including key third party suppliers.

The Bank's strategic approach to climate risk is intrinsically linked to both our regular risk management processes and the Bank's overall strategy.

5. Risk management continued

5.2 Risk classification

The Bank is exposed to a wide range of uncertainties, arising from within the Bank and in the external environment. To aid with the understanding and management of these, the Bank classifies its risk universe into several risk types. This supports the clear allocation of ownership of risk, the documentation of root causes and impacts, and the design of mitigation strategies, as well as providing structure to risk reporting for interested stakeholders.

It should be noted that these risk types may not always be mutually exclusive, with boundary risks and contagion between risk types possible.

The main tool of risk classification is the Bank's risk taxonomy. The taxonomy seeks to define (at a high level) the main types of risk that the Bank is exposed to. Seven of these "Level 1" risk types have been identified, as shown below:

Our risk classification

Risk	Risk Appetite Statement
Mission Risk	The Bank has a low appetite for failing to deliver the expected mission impact ambitions.
Investment Risk	As a development Bank, the Bank will seek out underinvested risk which by its nature will be high risk. The Bank therefore has a high appetite for investment risk.
Financial Risk	The Bank accepts the funding risk associated with relying solely on the Scottish Government for its funding. The Bank has a low risk appetite for not having the ability to recycle capital, recognising it is the ambition of both the Bank and Scottish Government for the Bank to be a perpetual institution. The Bank has a low appetite for inaccurate and untimely financial reporting.
Operational Risk	The Bank has a low appetite for operational risk.
Environmental, Social and Governance Risk	The Bank has a low appetite for risks arising from a failure to establish, maintain and develop frameworks for the management of ESG risk, including a low appetite for compliance errors and breaches.
Culture Risk	The Bank has a low appetite for any behaviour that goes against the Bank's values.
Stakeholder Risk	The Bank has a low appetite for reputational risk due to actions by its staff, partners, third parties or invested companies or from failing to proactively manage reputation.

5. Risk management continued

5.3 How we measure climate risk

As noted earlier, we measure climate risk across four categories; the table below provides an overview of our Climate Risk Assessment template. The assessment is undertaken as part of our investment decision making process, prior to a company becoming one of our investees. If we believe that there is an area of concern highlighted through this assessment, we will engage during the due diligence process to ensure that we can reach an acceptable level of comfort in terms of its mitigation or management.

Our Climate Risk Assessment template

<table>
<tr><th>Category</th><th>Applicable to Opportunity</th><th>Risk Description</th><th>Risk/Opportunity (Low/Medium/High)</th></tr>
<tr><td colspan="4">Boundary and climate impact – Consideration of the emissions associated with the investments as defined by the GHG (Greenhouse Gas) Protocol
◆ Direct and indirect emissions originating from sources that are owned or controlled by the Company
◆ Other indirect emissions that are a consequence of the Company's activities but occur at sources owned or controlled by another entity</td></tr>
<tr><td>Boundary</td><td></td><td></td><td></td></tr>
<tr><td>Scope 1</td><td></td><td></td><td></td></tr>
<tr><td>Scope 2</td><td></td><td></td><td></td></tr>
<tr><td>Scope 3 (Selected)</td><td></td><td></td><td></td></tr>
<tr><td colspan="4">Climate risk and opportunity</td></tr>
<tr><td colspan="4">Transition risks
The regulatory and market risks associated with commitments to a net zero economy that will be evident over the life of the investment, and which could create adverse risks to investment performance and returns (i.e. stranded assets, increased operating costs, tech innovation by others that reduces product utility/market share).</td></tr>
<tr><td>Policy and legal</td><td></td><td></td><td></td></tr>
<tr><td>Technology</td><td></td><td></td><td></td></tr>
<tr><td>Market</td><td></td><td></td><td></td></tr>
<tr><td>Reputation</td><td></td><td></td><td></td></tr>
<tr><td colspan="4">Physical risks
The risk that short term (acute) or longer term (chronic/systematic) impacts of climate change will have a material effect on the operations, growth and success of an investment. Typically assumed to be weather related (drought, storm, heat), these risks may be more complicated (and sector specific) and need to be viewed through the lens of global supply chains in many instances.</td></tr>
<tr><td>Acute</td><td></td><td></td><td></td></tr>
<tr><td>Chronic</td><td></td><td></td><td></td></tr>
<tr><td colspan="3">Opportunities
Whether the investment offers potential opportunities to drive energy/resource efficiency, products, or services etc. that support the transition to a lower carbon economy. Typically, the Bank's investments should proactively seek out these opportunities</td><td>Opportunity?</td></tr>
<tr><td>Resource efficiency</td><td></td><td></td><td></td></tr>
<tr><td>Energy source</td><td></td><td></td><td></td></tr>
<tr><td>Product and services</td><td></td><td></td><td></td></tr>
<tr><td>Markets</td><td></td><td></td><td></td></tr>
<tr><td>Climate</td><td></td><td></td><td></td></tr>
</table>

5. Risk management continued

Having introduced this process in the past year, we are assessing companies already in our portfolio to ensure that we have a full understanding of the climate risks associated with our investees.

Having created a good foundation for climate risk assessments, we will continue to refine and improve as we develop. Currently, the reporting boundaries for investee companies' GHG emissions are established within the climate risk assessment and shared and drawn out through their impact thesis and theory of change. We will also engage with companies if we identify any elements with a high degree of climate risk. Our impact investment process is designed to work with investees to add value through identifying risks and opportunities that align with our impact ambitions, as well as helping those companies to develop practices that will add value for them in their next stage of growth.

5.4 Integration of climate risk into our risk management system

Climate related risk falls under the Bank's Level 1 risk "Environmental, Social & Governance" and has been sub-classified into "Level 2" risk types, which is the level at which the risk management methodology (ownership, analysis, mitigation, reporting, etc.) is applied.

Details of the Bank's Level 1 risks and the corresponding Level 2 key sub-risks are shown below.

Our risk management system

Mission Risk	Investment Risk	Financial Risk	Operational Risk	Environmental, Social & Governance (ESG) Risk	Culture Risk	Stakeholder Risk
Mission Alignment	Equity Investment Risk	Financial Management	Technology and Cyber Risk	Corporate Governance	People Risk	Shareholder Engagement
Mission Reporting	Debt Investment Risk	Financial Reporting	Business Continuity	Regulatory and Legal Compliance	Corporate Social Responsibility	Media, Marketing and Communications
	Portfolio Risk	Funding Risk	Outsourcing and Third-Party Risk	Financial Crime	Equality, Diversity, and Inclusion	
	Ethical Investment Risk	Tax Risk	Employment Practice and Workplace Safety	Climate Related Risk		
	Model Risk		Information and Data Governance			
	Subsidy Control		Execution Delivery and Process Management			

Key

Level 1 Risk Type
Level 2 Risk Type

6. Metrics and targets

6.1 Our approach

We have developed metrics and targets to monitor progress against our Carbon Management Plan (CMP). In developing these we have aligned our methodology to the Greenhouse Gas protocol, using a consolidation approach to monitor our operational performance, and the protocol's category 15 "Investments" to measure and manage our climate-related risks and opportunities. As the financial year 2022/23 (FY22/23) acts as our operational emissions baseline, we have summarised this baseline in the table on page 15, broken down by emissions source.

Within our operational metrics and targets, we include Scope 1 and Scope 2 greenhouse gas emissions as well as selected Scope 3 emissions which are the most appropriate and applicable to our business. The reporting of operational emissions is also a mandatory duty placed on the Bank by the Scottish Government through the Public Bodies Climate Change Duties reporting. These are also included within our annual report and accounts.

We have outlined our current approach to assessing the climate-related risk associated with our investments within the risk management section of this report (page 11) and note how we will seek to advance this area in the future.

Although the 2021 TCFD Annex Recommendations include guidance on disclosing the extent to which our financial activity is aligned with a well below 2-degree scenario, this has yet to be assessed by the Bank. We will be seeking to address this in the coming years to ensure that we are fully aligned with the recommendations in the future.

Achieving net zero operations is at the heart of our mission alignment and purpose. As a publicly funded institution, we also have a duty to reduce our emissions to help deliver the ambitions set by the Scottish Government to transition to a net zero economy by 2045, and we feel we can contribute more widely to that aim through our wider impact and influence. This is reflected in the targets which have been included within our recently published CMP.

Over the coming years we will be seeking to work with our partners across all areas associated with our operations, particularly those in relation to the leased premises which we occupy, to ensure that there is a clear pathway for the transition to renewable sources of energy (associated with our Scope 1 and 2 emission sources).

As part of our Long-Term Incentive Plan conditions and measures, for FY23/24 we have set a specific climate-related remuneration component which is measured against the Bank publishing its first TCFD report and our portfolio companies working towards carbon management plans and net zero strategies.

6. Metrics and targets continued

6.2 Operational footprint

During the development of our CMP, we undertook a review of our GHG emissions inventory across all three scopes. This was aimed at improving the transparency of our operational emissions sources and our published disclosures.

To report on operational emissions for FY22/23, our calculation applies the relevant GHG emissions factors (published by the Department for Energy Security & Net Zero) to the sources identified through our operational control approach. The emissions captured both in our CMP and this report differ from those reported in our Public Bodies Climate Change Duties report, as they are estimated based on estate changes and an expanded boundary.

For FY22/23, our operational emissions were 58.66 tCO_2e. The table below provides information around the split of these emissions across the identified sources.

Our operational carbon footprint FY22/23

Source	Emissions Scope	Measure	2022-23
Gas	Scope 1	tCO_2e	6.49
Electricity	Scope 2*	tCO_2e	10.98
Water	Scope 3	tCO_2e	0.18
Waste	Scope 3	tCO_2e	0.22
Business Travel	Scope 3	tCO_2e	8.54
Hotel	Scope 3	tCO_2e	1.12
Commute Travel	Scope 3	tCO_2e	23.63
Homeworking	Scope 3	tCO_2e	7.50
Total Emissions		**tCO_2e**	**58.66**

*Includes Scope 3 - Electricity transmission and distribution.

While the FY22/23 emissions will form our operational baseline, we plan to continually review our performance data to ensure it remains fit for purpose – either as we improve our data collection methods, or as we see a shift in emissions performance within our business.

6. Metrics and targets continued

6.3 Investment portfolio emissions

As Scotland's national development bank, we want to be ambitious when it comes to net zero. We also need to be realistic. There is a wide variety of carbon management readiness within our portfolio. For some, net zero transition and carbon management are fundamental to their organisation's purpose. However, the majority of companies that join our portfolio are only just starting on their own journey to net zero. This means it takes time and engagement before we can agree a net zero target with them. We can add value by taking an ambitious but methodical approach to support and encourage investees to develop their capability and management processes to measure, manage and report their emissions profile.

We aim to consider net zero in everything that we do at the Bank. As Scotland's development bank, we are here to support and contribute to Scotland's transition to net zero, not to deliver it. This is why we have chosen to embed the importance of carbon management processes at the core of the investments we make. As set out in our CMP, we now require companies who join our portfolio to either develop a carbon management plan and associated interim reduction targets, or a net zero strategy with a clear pathway for reduction, with transparency around any form of offset being used.

To meet this ambition, we work closely with our investees to enable them to measure their own emissions and ensure that it aligns with our own methodology for measuring financed emissions.

The calendar year 2022 forms our first baseline for our portfolio. As we are a development bank, we expect these emissions will grow year-on-year, therefore we will re-baseline annually and report this via future reporting disclosures.

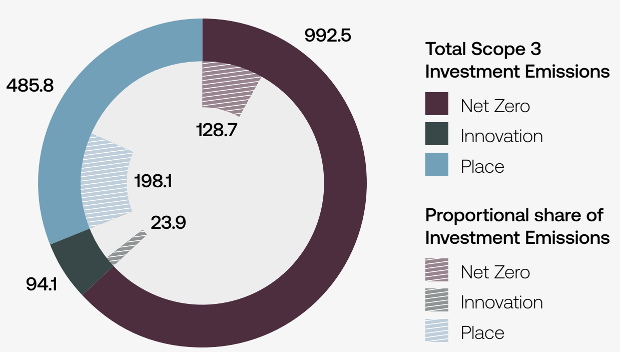
Across the financial sector there are multiple approaches to measuring and reporting investment emissions. As set out in our CMP, we have identified our portfolio emissions as downstream Scope 3 emissions and will allocate a proportional share of these emissions in line with the guidance provided in category 15 of the GHG protocol. We plan to include selected Scope 3 emissions associated with the following sectors in the future, once a robust dataset has been compiled: Infrastructure, Manufacturing, and the Built Environment.

Upon completion of the calendar year 2022, the Bank's total Scope 3 Investment emissions were 1572.4 tCO_2e. Our proportional share of these emissions was calculated as 350.7 tCO_2e, which was the equivalent to 0.93 tCO_2e per £1 million invested. The table below provides details of emissions from our portfolio by their primary mission alignment, with the accompanying chart providing our proportional share of emissions in relation to each mission.

Emissions by primary mission 2022 (tCO_2e)

	Scope 1	Scope 2
Net Zero	437.8	554.7
Innovation	28.3	65.8
Place	236.8	249.0
Total	702.9	869.5
Total Scope 3 Investment Emissions	1572.4	
Proportional share of Investment Emissions	350.7	

Scope 3 Investment Emissions Breakdown (tCO_2e)



6. Metrics and targets continued

6.4 Targets

Through the publication of our CMP, we have committed to transparent disclosure of the management and measurement of emissions associated with both our operations and our portfolio. This includes enhancing the scope of our disclosures as we mature, as emerging data and/or new metrics become available, and as our approach evolves.

Our CMP outlines a number of projects which will seek to reduce our operational emissions, and we have set an absolute reduction target of **5% by FY28/29** against the FY22/23 baseline. In line with Scottish legislation, we have also set a net zero target for our operations. The target date we have set ourselves to deliver net zero operations is 2030, with the next iteration of our CMP due in 2029. While we will continuously review and improve our performance, this next update of our CMP in 2029 will therefore set out our approach and any additional processes needed for achieving net zero operations based on a realistic view of what is necessary at that time.

As highlighted throughout this report, carbon management plans and net zero strategies form an important element of the management and measurement of our portfolio emissions. The importance of this to the Bank is further highlighted with the performance conditions and targets in our LTIP.

The Bank is fully committed to enabling and supporting a just transition to net zero across all areas of its strategy, governance, management and wider influence. Through this first voluntary disclosure using the TCFD framework we are pleased to have the opportunity to further develop and communicate our approach in line with best practice.

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