



The  
Scottish  
National  
Investment  
Bank



# Biodiversity Duty Report

2020-2023



“The fact is that no species has ever had such wholesale control over everything on Earth, living or dead, as we now have. That lays upon us, whether we like it or not, an awesome responsibility. In our hands now lies not only our own future, but that of all other living creatures with whom we share the Earth.”

David Attenborough

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## Introduction

Biodiversity is a combination of all the different kinds of life you will find in an area, including different animals, plants, fungi, and even microorganisms such as bacteria that make up our natural world. Each of these species and organisms work together in ecosystems, like an intricate web, to maintain balance and support life. Biodiversity supports everything in nature that we need to survive: food, clean water, medicine, and shelter.

Pressures such as habitat loss and fragmentation, pollution, climate change and invasive non-native species are resulting in biodiversity loss, which means action must be taken to protect and restore biodiversity locally and nationally.

The Nature Conservation (Scotland) Act 2004 places a statutory duty on all public bodies in Scotland to further the conservation of biodiversity when carrying out their responsibilities.

This biodiversity duty is about connecting people with the environment and managing biodiversity in the wider environment all around us, not just in specific protected sites. It seeks to secure the public sector's commitment and good practice towards the environment so that this can inspire people across society to take active care of nature whilst carrying out their normal duties.

The Wildlife and Natural Environment (Scotland) Act 2011 further requires public bodies in Scotland to provide a publicly available report, every three years, on the actions which they have taken to meet this biodiversity duty. As we do not engage directly or indirectly with communities, young people or the public and do not own or manage land, regulate land use, or have responsibilities linked to biodiversity, we fall under the category of a level three organisation.

This report outlines how we have given consideration to biodiversity in line with its duty under the Nature Conservation (Scotland) Act in the three-year period between 2021 to 2023. The report itself is structured in accordance with reporting guidance available at the time of reporting.

“This biodiversity duty is about connecting people with the environment and managing biodiversity in the wider environment all around us, not just in specific protected sites.”



## Section 1. Introductory information about your Public Body

Please describe your organisation's role and purpose, including any particular environmental responsibilities.

The Scottish National Investment Bank (the Bank) was established in 2020 by Scottish Ministers. All of our investments must meet the aims of at least one of our three key missions – to support Scotland on its journey to net zero, to improve places and communities, or to harness innovation.

The Bank is a public limited company incorporated in Scotland, the sole shareholder of which is the Scottish Government (the “Shareholder”). Pursuant to The Scottish National Investment Bank Act 2020 (the “Act”), the Shareholder is responsible for setting the strategic missions for the Bank, which describe the socio-economic or environmental challenges that the Bank seeks to address. In respect of climate change this will evolve as we grow and mature in certain areas, such as aligning to the Task Force on Climate-Related Financial Disclosures framework (TCFD) and look to align to future frameworks (e.g. Task Force for Nature Based Financial Disclosures).

The Bank is led by a Board of Directors who are responsible for delivering our missions. The Board is made up of a Non-Executive Chair, two Executive Directors, and eight other independent Non-Executive Directors.

The Chief Executive Officer reports to the Board and is responsible for managing and operating the Bank, supported by the Executive Committee. The Executive Committee oversees development and adoption of sustainability and climate policies, plans and strategies, which are overseen and developed by the Impact team.

The Risk Management and Conflicts Committee (RiskCo) oversees our climate actions with the Non-Executive Director who chairs the committee having designated responsibility for climate risk and opportunities. This includes the climate plan, strategic priorities, initiatives, and other actions aimed at addressing climate change risks and opportunities.

The Valuations Committee (ValCo) oversees the investment methodology and processes, and the effective operation of the Executive Investment Committee. ValCo monitors progress against our responsible investment objectives and commitments from an economic and non-financial performance perspective, including climate-related performance related to our investments.



## Section 2. Actions to protect and enhance biodiversity

Please describe and explain any actions that your organisation has undertaken alone or as part of a partnership to benefit biodiversity directly, to tackle the main drivers of biodiversity loss, or to achieve wider outcomes for nature and people.

The Bank considers biodiversity as part of its broader climate and environment activities.

Business travel across the Bank follows the sustainable travel hierarchy, whereby active and public modes of transport should be considered over cars or flights. We have also introduced a cycle to work scheme for staff.

We have been developing our first Carbon Management Plan which sets out our processes for the management of emissions across our operations and portfolio profiles. It will set an operational reduction target and identifies a number of projects for both profiles.

From the start of the financial year 2023/24 (FY23/24), we have established a requirement for all new investee companies to develop an Environmental and Social Management System and a Carbon Management Plan or Net Zero strategy. These requirements are aimed at establishing good practises for our investees, good emissions management and environmental awareness.

Our Impact team works closely with investment teams to ensure climate and biodiversity is considered, as appropriate, within the due diligence undertaken to support investment decision-making. The Impact team also works closely with the companies within the Bank's portfolio to support them in the measuring and management of the social and environmental impact of their business activities.



## Section 3. Mainstreaming biodiversity

Please describe and explain any actions that your organisation has undertaken alone or as part of a partnership to benefit biodiversity directly, to tackle the main drivers of biodiversity loss, or to achieve wider outcomes for nature and people.

Within the Impact team, we have an Associate Director for Climate Impact, who leads on defining the Bank's net zero ambitions, alongside wider environmental and sustainability considerations and reporting, in relation to both operational and investment activities. They are also responsible for coordinating the Bank's efforts to define and deliver a climate strategy. This is aimed at supporting the transition to net zero at a portfolio level, and to drive progress towards a net zero corporate structure and ambition.

This includes leading on the evaluation and reporting of the Bank's corporate environmental and climate performance, including statutory requirements, the preparation of Climate Risk Assessments, and TCFD reporting.

We are a mission led impact investor, which have been defined by our Shareholder, Scottish Ministers, to address three grand challenges facing Scotland:

- ◆ the climate emergency,
- ◆ place-based opportunity,
- ◆ and demographic change.

Each has a mission which directly corresponds to grand challenge, these are:

**Net Zero Mission** - Grow a fairer, more sustainable economy through the journey to net zero.

**Place Mission** - Transform communities, making them places where everyone thrives.

**Innovation Mission** - Scale innovation and technology, growing a more competitive and productive economy.

Our missions offer a clear strategic direction and focus for our investment activity and are supported by a set of Mission Impact Objectives.

The mission objectives relevant to biodiversity, sustainability and climate change are:

### Mission Impact Objectives – Net Zero:

- ◆ To catalyse investment in businesses and projects connected to Scotland that support the shift to a net zero economy and / or provide employment and training opportunities for those currently working in Greenhouse Gas (GHG) intensive industries.
- ◆ To increase Scottish based expertise in technology, services and industries that:
  - a. Accelerate decarbonisation.
  - b. Mitigate climate change through capturing GHGs from the atmosphere.
  - c. Ameliorate the effects of climate change.
- ◆ To grow the circular economy within Scotland by 2045.
- ◆ To support Scotland's transition to net zero.

### Mission Impact Objectives – Place-based Opportunity:

- ◆ To enhance the natural and built environment of Scotland through utilisation of undervalued space and the regeneration and improvement of built and natural environments (including use of natural capital and nature-based solutions).
- ◆ To improve by 2040 physical and digital connectivity across Scotland to increase access to services (including health care and education), training and employment opportunities, and greenspace.

### Mission Impact Objectives – Innovation:

- ◆ To develop products, services and technology that improve Scotland's human wellbeing and environmental resilience.



## Section 3. Mainstreaming biodiversity continued

We also have a number of commitments within published documentation relevant to biodiversity, environment, sustainability and climate change listed below:

### Mission Report 2022

The Bank's missions have been designed to address three grand challenges facing Scotland (the climate emergency, placed based opportunity, and demographic change). Specifically in terms of the climate emergency the Bank considers the social, environmental, and economic impacts of a warming climate (including energy, labour, infrastructure, and supply chains) during the transition to a low carbon economy as part of the due diligence of all investments, and actively seeks investments in business and technologies that solve for climate change risk (for example renewable energy, decarbonising heat, resource efficiencies and the circular economy).

### Investment Strategy

The Bank's missions were set by the Scottish Government in 2020, with the aim of contributing to the delivery of Scotland's National Outcomes, which focus on creating a more successful country with opportunities for all of Scotland to flourish through increased wellbeing, and sustainable and inclusive economic growth. With regard to climate change the Bank's investment strategy emphasizes a focus on achieving a just transition by 2045, investment in sustainable technologies, services and industries that drive for less than 1.5°C warming and promote progress towards a net zero economy.

### Impact Report 2023

1. Demonstrating leadership in Climate Reporting:
  - ◆ We will publish our first TCFD report and work to promote wider uptake of TCFD reporting in Scotland.
  - ◆ We will report on the Scope 1 and 2 emissions of investee businesses, in addition to the Bank's operational carbon footprint.

2. Climate Risk Assessment and Carbon Reporting: We are in the process of developing a Carbon Management Plan (CMP), which is expected to be formally adopted during 2023. The CMP will:

- ◆ Enhance our current mechanisms for measuring and monitoring our corporate carbon emissions related to our internal operations.
- ◆ Outline how we measure and attribute investment emissions from across our portfolio.

### Annual Report and Accounts 2023:

- ◆ To demonstrate leadership in Climate Reporting, including publishing our first TCFD report and working to promote wider uptake of TCFD reporting in Scotland. As part of this we will report on the Scope 1 and 2 emissions of investee businesses, in addition to the Bank's operational carbon footprint
- ◆ To monitor the near-term horizon for changes in the economic climate so that we can ensure our opportunities are calibrated for value against an accurate risk profile, as well as alignment with missions.
- ◆ Sustainability Reporting – emissions information for FY22/23

### Business Plan FY22/23

- ◆ The Bank will therefore continue to take the impact on climate change into consideration in every investment it makes, including climate change assessment and ongoing monitoring for all investments.
- ◆ The Bank will also move forward in its planning for a net zero portfolio, commencing its project on the TCFD in FY22/23 and later in the business plan period reporting formally on these disclosures and progress towards its net zero strategy.



## Section 3. Mainstreaming biodiversity continued

### Ethical Investment Policy

As an impact investor we invest to achieve specific positive environmental, social and economic benefits against these missions (outlined in our Impact Report and Investment Strategy, both of which are on our website). Additionally, as a responsible investor we also aim to “do no harm” in our investments and this Ethical Investment Policy (the “Policy”) sets out how we integrate Environmental, Social and Governance (“ESG”) requirements in our investments to underpin our commitments as a responsible investor. It also outlines how we integrate these requirements to influence and enhance ESG outcomes in our investment and portfolio management processes.

### Procurement Strategy

We will conduct our procurement processes in an open, fair, inclusive and transparent manner ensuring we can demonstrate both value for money and innovation in our approach. We fully embrace the principles of sustainable procurement to support the transition to a net zero society, implement community benefits and contribute towards reducing inequalities within Scotland.

Procurement Goal: Sustainable Procurement -  
Actions to deliver Goal:

- ◆ Considering sustainability for all our regulated procurement activities through use of the ‘Sustainability Test’ and embed the results of this in a proportionate manner. This includes Community Benefits, Fair Work First, Living Wage and Equality, Diversity and Inclusion considerations. We also seek to award contracts adhering to the Sustainable Procurement Duty.
- ◆ Where appropriate using Prior Information Notices (PINs) for procurements to raise earlier awareness of future tender opportunities.
- ◆ Identifying and progressing pre-market engagement opportunities.
- ◆ Continuing to monitor contractor provision of Fair Work Practices.
- ◆ Continuing to learn from best practice and other organisations, for example the Local Procurement Cluster group.
- ◆ Considering how to incorporate more Fair Work First principles into call-offs from collaborative framework agreements that we utilise.
- ◆ Contributing to Net Zero Scotland achievement and the global climate emergency through our procurements and supply chain where relevant to the contract through use of the Sustainability test for Regulated processes. We will do this by looking for opportunities to set evaluation criteria which consider their approach to this during delivery of the contract.
- ◆ Reviewing and identifying (where appropriate) alternative products from existing contracts/ framework agreements.
- ◆ Continuing to identify and embed best practice to maximise the inclusion and delivery of community benefits from our procurement activities.





## Section 4. Nature-based solutions, climate change and biodiversity

### How has your organisation integrated biodiversity into nature based solutions to the climate emergency and other socio-economic outcomes?

During FY23/24 we are due to publish our Carbon Management Plan and TCFD report.

We are also planning to engage of the newly developed Task Force for Nature Based Financial Disclosure with a view to aligning with their recommendations.

As a development bank, we have invested in 12 companies who are aligned to our Net Zero mission, ranging from renewable energy generation, electric charging infrastructure and woodland creation. We are also seeking where possible to invest in further Natural Capital opportunities.

We also consider biodiversity risks and opportunities as part of new investment due diligence on a case-by-case basis (i.e., we would require EIAs to be addressed, construction/infrastructure to show due care to biodiversity, requirements around the presence of proper environmental policies, etc.). We also require all investees to develop and implement an environmental policy.

We have committed to investing over £55 million into two companies who are directly working towards nature based solutions, these are:

#### **Gresham House Forestry Fund**

Gresham House Forestry Fund are focussed on woodland creation in Scotland. This investment primarily aligns to our Net Zero mission and supports our place mission.

The fund itself is focussed on wide scale new planting and is forecast to sequester 1.2 million tonnes of CO<sub>2</sub>. Further there is a commitment to sustainable forestry management promoting climate resilience, protecting biodiversity and restoring ecosystems. The fund will

also provide sustainable building materials and help to displace steel and other carbon intensive products in building and construction.

In addition, there are environmental benefits from biodiversity, flood defence, improved air quality, reduced soil erosion and outdoor recreation. The investment will also support existing and new jobs in rural Scotland.

#### **IndiNature**

Our investment will enable IndiNature to scale up production at a new manufacturing facility in the Scottish Borders.

IndiNature has developed a natural fibre construction insulation system for both new-build and retrofit housing, and commercial buildings, using hemp grown in the UK. The company's core products result in a net carbon capture and use 1/8th of the energy to manufacture compared to current mainstream insulation materials.

IndiNature's innovative insulation solutions have the potential to deliver significant reductions in embodied carbon in the construction process (c.4.4 tonnes of carbon can be saved building the average UK home compared with traditional products) and can enable the transition to net zero in the construction industry.

Companies within our portfolio are also seeking to ways to integrate biodiversity into nature based solutions in response to the climate emergency, such as Orbex who are supporting research work to monitor Scottish peatland restoration using satellite and ground radar data.



## Section 5. Workforce development

**Workforce skills and training - Detail activities that have been undertaken to support the development of your workforce, particularly in relation to skills relevant to biodiversity, nature, or outdoor learning and community engagement in the natural environment. Identify any opportunities that are available to your staff to take part in practical action.**

There have been a number of activities we have been taking at the Bank to engage with our staff and wider stakeholders, these include;

- ◆ Presenting our staff with climate literacy training aimed at understanding the science behind climate change, the impacts and the responses.
- ◆ Developing a climate action network, who will be charged with delivering the projects listed within our Carbon Management Plan.
- ◆ Our Associate Director of Climate Impact has been appointed as a member of the Sustainable Scotland Network's Steering Group.
- ◆ We are assisting the Scottish Government in the development of both the Public Sector Guidance in relation to Climate Change and the next iteration of the adaptation programme.
- ◆ We have offered staff multiple volunteering opportunities, including litter picks and beach cleans.
- ◆ Hosting the Public Sector Environmental Manager Forum
- ◆ Engaging with academia and wider natural capital sector on offsetting best practise



## Section 6. Research and monitoring

**Describe any research activities that your organisation has undertaken that may be relevant to biodiversity or nature.**

We have complied with the statutory reporting requirement under Schedule 44 of the Climate Change (Scotland) Act 2009 and Schedule 1 of the 'Climate Change (Duties of Public Bodies; Reporting Requirements) (Scotland) Order 2015'.

We have undertaken a commute travel to work survey to understand emissions associated with our staff travelling to work.

We have undertaken an assessment of the emissions associated with our investment and reported these via our Impact Report.

We are developing a Carbon Management Plan which will baseline our operational carbon footprint and outline the process to allocate our proportional share of emission from our investments.

Where appropriate to a specific investment, biodiversity metrics are reported on within the Bank's impact monitoring and reporting frameworks.

## Section 7. Biodiversity highlights and challenges

**Describe your organisation's main achievements for biodiversity over the reporting period and what you are most proud of (this can include processes, plans, projects, partnerships, events and actions).**

As a relatively young organisation, we are proud of the strides we are taking in embedding good practise across our organisation and portfolio. This includes developing the tools and processes for the measurement of emissions, understanding the climate risk and opportunities associated with our investments and providing staff with training and volunteering opportunities.

**Looking ahead, what do you think will be the main challenges over the next three years?**

The reporting requirements across the public sector in relation to climate change, the environment and sustainability will only continue to grow. This coupled with the addition of reporting frameworks such as TCFD and TNFD will likely lead to resource pressure, as each report requires a lot of work and detail.



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