



The
Scottish
National
Investment
Bank



Impact Report

2024



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The Scottish National Investment Bank is a state-owned investment and national development bank. We invest on a long-term and commercial basis in innovative businesses, projects and communities, through debt, equity and fund investment. www.thebank.scot

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Introduction

The Bank is a mission-led impact investor. Our investments are made with the intention to generate positive, measurable social and environmental impact alongside a commercial return.

This report provides an overview of how and why we invest, the performance of our portfolio against our impact objectives, and our impact priorities for 2024 - 2030.

Our investment impacts are reported annually on a calendar year basis. This report includes a summary of our 2023 impact performance, representing our second full year of impact reporting.

The data presented in the report details capital committed and our investment impact up to 31 December 2023¹.

“Transforming Scotland through our insight, investment and impact.”



Chief Executive Officer’s Foreword

I’m pleased to introduce our annual Impact Report for the calendar year 2023, to share the progress the Bank is making against our three missions of Net Zero, Place and Innovation to deliver real benefit for the people of Scotland.

As Scotland’s development bank, we are seeking to address key challenges facing Scotland – the climate emergency, place-based opportunity, and demographic change and innovation deficit in the economy – by providing long-term patient capital on commercial terms. As an impact investor, our investments must go beyond commercial returns, to deliver real change through the businesses and organisations that we support.

We enable impact and positive change in various ways: directly through mission-aligned impact investment; through holding investee companies to account to deliver measurable social, environmental, and economic outcomes – including working with them to help support higher standards in areas such as Fair Work and Carbon Management; and through our role in the investment ecosystem to share insights, champion impact investing and crowd in additional private sector capital.

All our investees need to demonstrate the impact they are delivering against pre-agreed, relevant key performance indicators (KPIs). This is the information we have gathered here. For our investees this represents a major commitment, often introducing a new set of metrics for them to measure and report against. But as you will see from the report, thinking long-term and pushing for change amounts to considerable, real benefits for society.

We have a privileged role within the investment ecosystem in Scotland and I am especially keen for us to lead change in relation to Equality, Diversity and Inclusion (EDI). During 2023, we undertook research to develop our understanding of issues in the market surrounding unequal access to finance. We also reviewed and made changes to key internal processes including our recruitment practices and our procurement strategy. We know from the data we collect that we must do more to tackle inequality, and I am pleased that we have made some ambitious commitments for the year ahead, such as our Pathways Forward pledges to help influence and shape a better future for women in entrepreneurship.

As an impact investor we offer patient capital with a long-term view. We work with others and share our expertise around the Scottish economy, its geography and the key connections that need to be made to deliver the best outcomes in the most direct way possible.

Whether it’s a just transition for the energy sector in the North East of the country, innovation clusters around our leading universities, or supporting companies to deliver housing and digital infrastructure to enable communities to thrive, we are measuring and reporting clear positive outcomes from our investment activity.

Some highlights from the report show that in 2023:

- ◆ 1,310 jobs were directly supported by the Bank’s investments.
- ◆ 540 further jobs were supported by the indirect and induced impacts from the Bank’s investments.
- ◆ 24 out of 32 Scottish Local Authorities benefitted from portfolio operational activity.
- ◆ £92.3 million supply chain spend in Scotland was reported by portfolio companies.
- ◆ 52,841 tCO₂e[†] was avoided, reduced or removed across our portfolio. The equivalent of 1,215 full capacity, return flights from Glasgow to London.

We’re delighted that the rigour we, and our investees, apply to gathering and reporting impact data has been recognised. An independent verification from BlueMark, a leading provider of verification services, concluded that we have a clearly defined and robustly evidenced strategy and noted how well we integrate impact management throughout our investment process. You can read more about the detail of their assessment later in this report.

As I close, I wish to recognise the tremendous amount of work from our investees and Scotland’s investment ecosystem over the past year in helping to deliver the impact reported here. We are still a new organisation, but we are learning and evolving fast, gaining great momentum and bringing others along with us. Meaningful and long-lasting change doesn’t happen overnight, and it doesn’t happen alone, so thank you to everyone supporting and driving this change alongside us.

AI Denholm
Chief Executive Officer



“I wish to recognise the tremendous amount of work from our investees and Scotland’s investment ecosystem over the past year in helping to deliver the impact reported here.”



Executive Summary

2023: A Year in Review

Delivering sustainable impact through investment is a marathon, not a sprint, but we've taken important steps this year to lay the foundations to deliver our investment impact objectives. Thanks to our investments and support, companies and projects throughout Scotland are addressing the climate emergency and making a positive change within the communities they operate, helping to develop a fairer and more sustainable economy.

During the past year, we have continued our journey to develop into an ambitious and active impact investor. Our 2024 Impact Report celebrates the achievements of our team, our portfolio, and our partners over the past 12 months:

Developing clear and ambitious impact targets

- ◆ We've defined our impact ambitions, which will help us to deliver our missions. We've laid out in detail the number of people we want our investments to reach, the jobs we want to support, and the emissions we want to avoid, reduce or remove through our investment activity.

Putting in place strong impact governance, and assessment and reporting frameworks

- ◆ In March 2023, the Bank became an official signatory to the Operating Principles for Impact Management (OPIM). At the end of 2023, we produced our first Disclosure Statement to show how our processes align with those principles, and undertook an external OPIM verification exercise, which determined that our impact management is on par with or more advanced than our peers.
- ◆ We published a refreshed version of our Ethical Investment Policy.

Increasing our investment impact

- ◆ Investing money is only one part of the support we offer – we also encourage companies and projects to embed impact management and reporting in their businesses, including adopting Fair Work and Equality, Diversity, and Inclusion practices, integration of environmental and social management systems and the design of Carbon Management Plans.

Leading by example through carbon reporting

- ◆ Measuring the carbon emissions from our portfolio – as well as our own emissions – is essential, and we now require all our companies and projects to develop a Carbon Management Plan and/or Net Zero Strategy.
- ◆ We published our first Carbon Management Plan and developed our first Task Force on Climate-Related Financial Disclosures report, which was released in January 2024.

Supporting the creation of an impact investors network

- ◆ Our scale-up summit in March 2023 brought together investors and small business owners to highlight scaling-up strategies and address common challenges.
- ◆ A range of organisations and initiatives are helping us to improve access to investment finance for under-represented groups.

Our Portfolio in 2023



7 New businesses supported (**31²** businesses in our portfolio).

6 Existing portfolio businesses supported by follow-on investment.

£130 million Investment capital committed.

£149.5 million Third party capital supported.

1,310 Jobs directly supported by the Bank's investments.

540 Further jobs supported by the indirect and induced impacts from the Bank's investments.

24 out of 32 Scottish Local Authorities benefitted from portfolio operational activity.

£92.3 million Supply chain spend in Scotland reported by portfolio companies.

52,841 tCO₂e has been avoided, reduced or removed across our portfolio³. This is the equivalent of 1,215 full capacity, return flights from Glasgow to London⁴.



Executive Summary continued

Our Approach to Impact

The Bank became an official Signatory to the **Operating Principles for Impact Management (OPIM)**, joining a global community of impact investors who publicly demonstrate their commitment to implementing a common standard for managing investments for impact.

BlueMark, a leading provider of impact verification services, independently reviewed our alignment with the OPIM identifying 'Advanced' or 'High' alignment across seven of the eight principles. In comparison to our direct peers (other DFIs), we outperformed the peer group median across four pillars while achieving parity on three others⁵.

The table below summarises findings from BlueMark's verification of the Bank's alignment to the Impact Principles, using the following four ratings:

- ◆ **Advanced** (Limited need for enhancement);
- ◆ **High** (A few opportunities for enhancement);
- ◆ **Moderate** (Several opportunities for enhancement); and,
- ◆ **Low** (Substantial enhancement required).

Principle	Alignment
1. Define strategic impact objective(s), consistent with the investment strategy	Advanced
2. Manage strategic impact on a portfolio basis	Advanced
3. Establish the Manager's contribution to the achievement of impact	High
4. Assess the expected impact of each investment, based on a systematic approach	Advanced
5. Assess, address, monitor, and manage potential negative impacts of each investment	High
6. Monitor the progress of each investment in achieving impact against expectations and respond appropriately	Advanced
7. Conduct exits considering the effect on sustained impact*	Moderate
8. Review, document, and improve decisions and processes based on the achievement of impact and lessons learned	Advanced

*As a young institution with a focus on the provision of patient capital, the Bank has not yet undertaken any exits.

The Bank's full Verification Statement can be found here: <https://www.thebank.scot/bluemark-verifier-statement>.



“BlueMark was pleased to engage with the Bank team to verify the firm’s alignment to the OPIM. Their team exemplified a culture of transparency and a commitment to continuous learning, essential for advancing best practices in the market.”



Executive Summary continued

2030 Mission Ambitions

 Net Zero	“Address the climate crisis, through growing a fair and sustainable economy”	
	By 2030, the Bank will have invested £800 million - £1 billion in high potential Net Zero businesses and projects.	By 2030, the Bank’s investments will have helped to avoid, reduce or remove 185,000 – 225,000 tCO ₂ e from the Earth’s atmosphere.

 Place	“Transform communities, making them places where everyone thrives”	
	By 2030, the Bank will have invested £400 million - £500 million in improving Scotland’s places and communities.	By 2030, the Bank’s investments will have positively impacted the lives of 350,000 – 430,000 people through regeneration, high-quality housing, and connectivity (both digital and physical).

 Innovation	“Scale up innovation and technology, for a more competitive and productive economy”	
	By 2030, the Bank will have invested £400 million - £500 million in innovative, productive businesses.	By 2030, the Bank’s investments in innovative industries will have contributed towards the creation and safeguarding of 6,300 – 7,700 jobs.

Introducing our Impact Ambitions

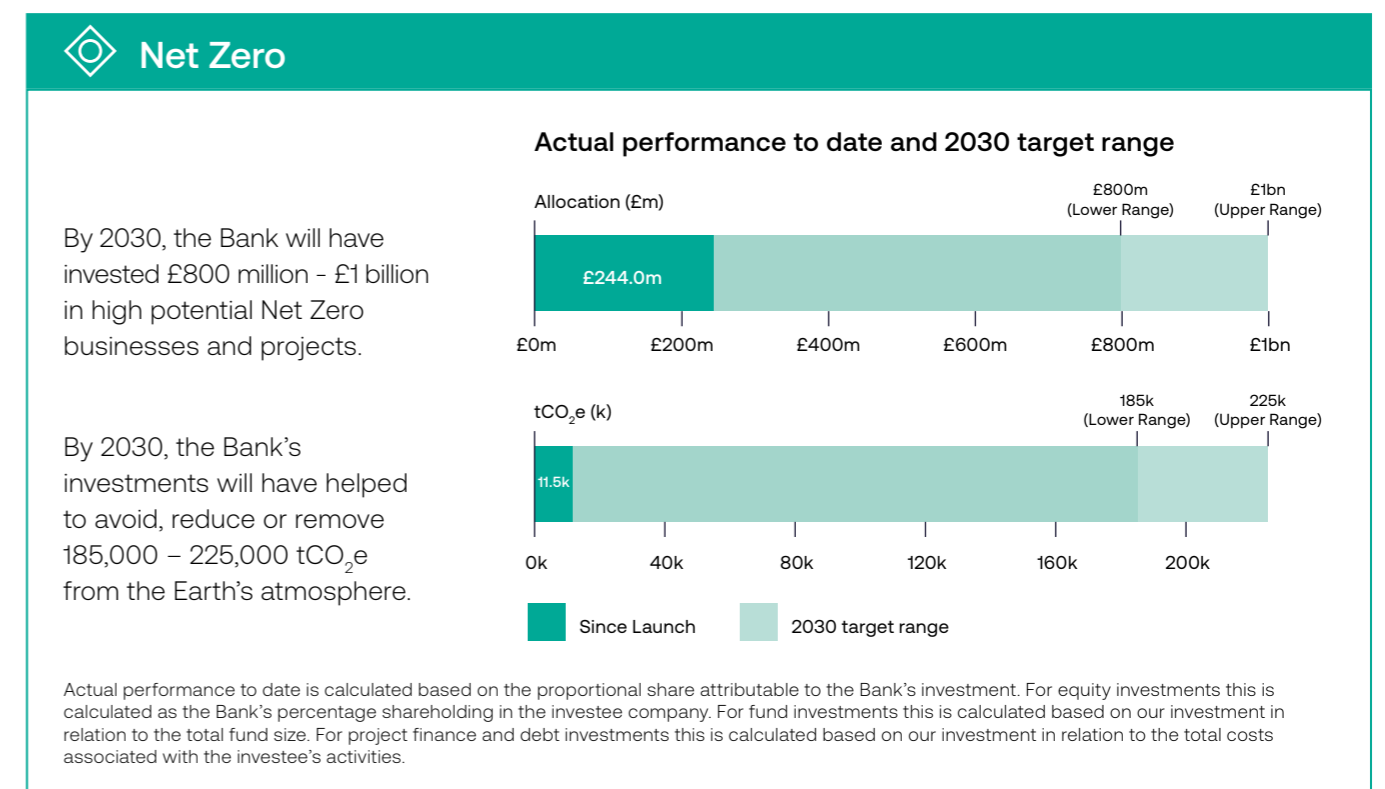
Accountability is essential as we strive for long-term impacts through our investments. To support this, and reflecting industry best practice, this year we have introduced a set of quantitative impact targets against which we’ll be able to track progress.

For each mission we have set two clear Ambitions for the Bank to achieve by 2030. These have been designed to drive focus and intent in our investment decisions and ensure that we are able to meet the mission objectives by 2040 and 2045. We will report progress against the Ambitions, and our wider impact objectives, on an annual basis⁶.

However, we recognise this is an area where we continue to evolve. These targets are based on the data and insight received to date from our portfolio and represent a long-term expression of our Impact Ambitions. They are also subject to real-world volatilities, including companies’ commercial performance, changes to the construction and profile of our portfolio, and external or market factors beyond our control.

As the Bank and its investees learn more about how best to measure and manage impact, and as the depth and extent of our impact data grows, we expect to re-baseline the targets as necessary between now and 2030. This principle of continuous improvement is a core pillar of our approach and acknowledges the value in learning and adapting as we (and our portfolio) mature over the coming years.

Whilst the charts below set out a target range for each of our 2030 Ambitions, the Bank continues to strive to achieve the highest possible level of impact: aiming at the top end of each range and, where we can, exceeding it as we pursue greater social and environmental outcomes through our investments. We will calculate our impact performance using a contribution based analysis. In this way, we include only the proportional share of impact that can be attributed to our investment. The total impact achieved by our portfolio companies will therefore exceed what is captured within our Ambitions reporting.





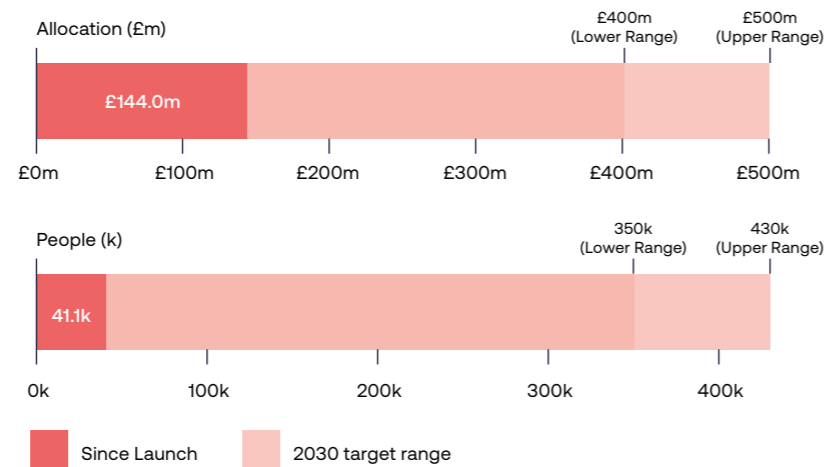
Executive Summary continued

Place

By 2030, the Bank will have invested £400 million - £500 million in improving Scotland's places and communities.

By 2030, the Bank's investments will have positively impacted the lives of 350,000 - 430,000 people through regeneration, high-quality housing, and connectivity (both digital and physical).

Actual performance to date and 2030 target range



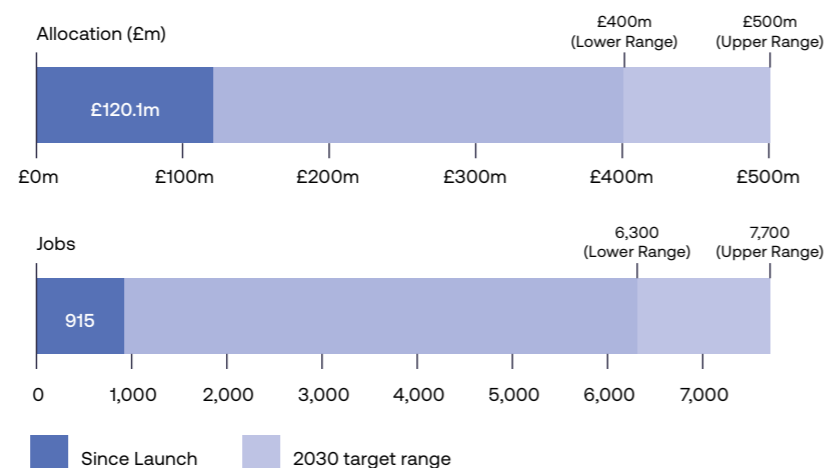
Actual performance to date is calculated based on the proportional share attributable to the Bank's investment. For equity investments this is calculated as the Bank's percentage shareholding in the investee company. For fund investments this is calculated based on our investment in relation to the total fund size. For project finance and debt investments this is calculated based on our investment in relation to the total costs associated with the investee's activities.

Innovation

By 2030, the Bank will have invested £400m - £500 million in innovative, productive businesses.

By 2030, the Bank's investments in innovative industries will have contributed towards the creation or safeguarding of 6,300 - 7,700 jobs.

Actual performance to date and 2030 target range



Actual performance to date is calculated based on the proportional share attributable to the Bank's investment. For equity investments this is calculated as the Bank's percentage shareholding in the investee company. For fund investments this is calculated based on our investment in relation to the total fund size. For project finance and debt investments this is calculated based on our investment in relation to the total costs associated with the investee's activities.

2024 - 2030 Impact Priorities and Roadmap

Our aim at Scottish National Investment Bank is to deliver transformative mission-focused investments and enable system change that will deliver sustained positive impact across Scotland.

By 2030 we will:

- ◆ Have made clear progress towards delivering our missions through the evidencing of impact against our Ambitions.
- ◆ Amplify our impact through supporting the growth of impact investing in Scotland. This will be achieved through:
 - Acting as a leading voice, a driver of system change, and an effective convener and enabler, crowding in investment to scale up the enterprises with the most potential to benefit Scotland and the world.
 - Demonstrating the ability to support and enable significant impacts together with commercial financial returns to encourage wider adoption of impact investment.
- ◆ Actively manage impact across our portfolio of companies, supporting their environmental, social and economic impacts to enable a catalytic effect into communities and the wider supply chain.
- ◆ Be widely recognised as a leading, best-in-class practitioner of impact measurement and reporting, known for our specific expertise in each of our mission themes and our proven delivery of positive investment impact in the Scottish economy and society.
- ◆ Have built a portfolio that has a positive, risk-adjusted, financial return, enabling the Bank to create a perpetual impact investment fund for the Bank's Shareholder on behalf of the people of Scotland.

How we will make this happen

We are an impact investor that will exemplify globally respected impact processes and standards. We will have the values, skills, experience and ambition to deliver our missions, while also seeking a commercial return.

Our impact approach is based on both the investments we make and the insights we develop through both our investment activity and engagement with the wider Scottish landscape. Every investment and insight will contribute towards delivering our missions. By showcasing our impacts and insights and by continuing to work collaboratively with other investors we will support the growth of impact investing across Scotland.

We have identified, and started to invest in, sectors in which we believe our capital can create the most significant progress towards achieving our missions. This progress towards our missions will benefit Scotland today as well as helping to create a fairer tomorrow.

Impact will be demonstrated beyond our missions, helping the businesses we have invested in to:

- ◆ Attract additional investment, both alongside our investments and for future investment rounds.
- ◆ Retain and grow a valued and valuable workforce.
- ◆ Provide benefits and growth in their supply chains.
- ◆ Develop key management processes and systems to effectively manage their environmental and social risks and impacts.
- ◆ Develop strong and effective Boards and leadership teams.



“The impact that our investments have on the lives of people and the health of the planet are equally as important as the pounds and pence being invested.”

2024 Impact Report

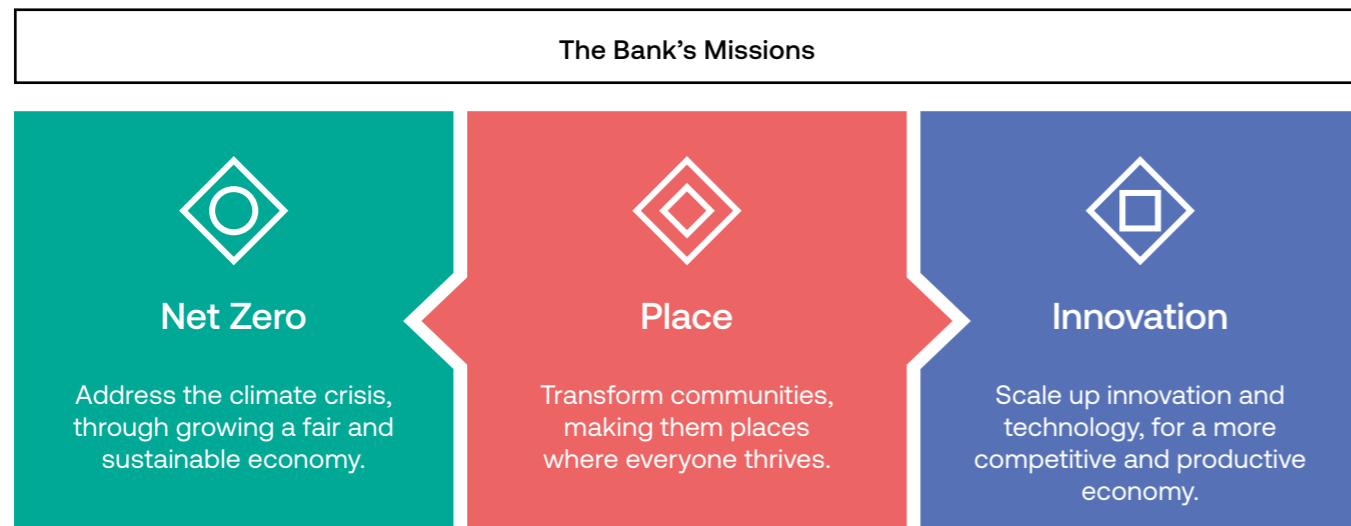


2024 Impact Report

Introduction

When it comes to investing, numbers will only ever tell half the story. The impact that our investments have on the lives of people and the health of the planet are equally as important as the pounds and pence being invested. That's why we report on the broader impact of our investments as well as their financial performance.

As a mission-led impact investor seeking to address three grand challenges facing Scotland – the climate emergency, place-based opportunity, and demographic change and innovation deficit – we know that our investments alone will not deliver all the solutions required. That is why we work with the private, public and third sector to support the growth of impact investing in Scotland, drawing on both public and private finance to achieve the necessary scale and impact required to make a real difference.



While it is early days, we are already beginning to see an impact from the investments that we've made. Companies and projects in our portfolio are using more than **£1.3 billion*** invested by us and our partners to help grow Scotland's economy and improve our environment and the lives of people living in communities throughout our nation.

This report covers 2023, our second full calendar year of impact reporting. It provides an overview of how and why we invest, the values that we promote through our investments and broader engagement activity, and – importantly – the results that demonstrate the impact that we are supporting through our investments.

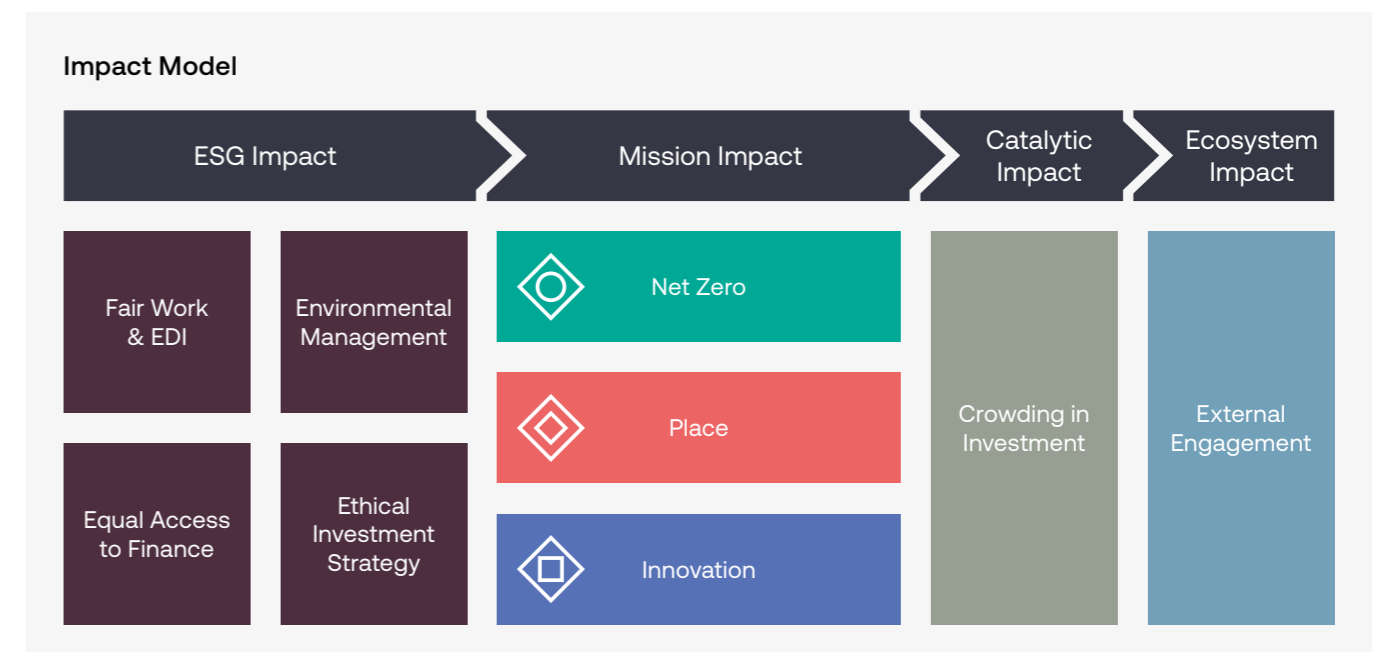
*Reported as of 31 December 2023.

Impact Model

As an impact investor, our missions and the wider environmental and societal benefits our investments can deliver are central to our decision-making. This goes beyond a more traditional ESG risk management approach to being focussed on delivering a positive impact while seeking a commercial return from our investments.

As our portfolio and knowledge of the Scottish investment landscape has grown, we have evolved our Investment Strategy to prioritise investment in sectors that we believe can create the most significant progress towards achieving our missions. Over time, our investment portfolio will enable impact in four distinct ways:

1. Delivery of our missions:
 - ◆ **Net Zero** – Address the climate crisis, through growing a fair and sustainable economy.
 - ◆ **Place-Based Opportunity** – Transform communities, making them places where everyone thrives.
 - ◆ **Innovation** – Scale up innovation and technology, for a more competitive and productive economy.
2. The promotion of a diverse and inclusive workforce through high-quality employment aligned to the 'Fair Work First Principles'.
3. Increasing business understanding around carbon emissions and climate risk.
4. Creating equality of investment opportunity for people who are marginalised, minoritised, or under-represented.





1. Portfolio Impact

Portfolio Overview

We want to build a portfolio of investments that will help address climate change and improve the lives of people in Scotland.

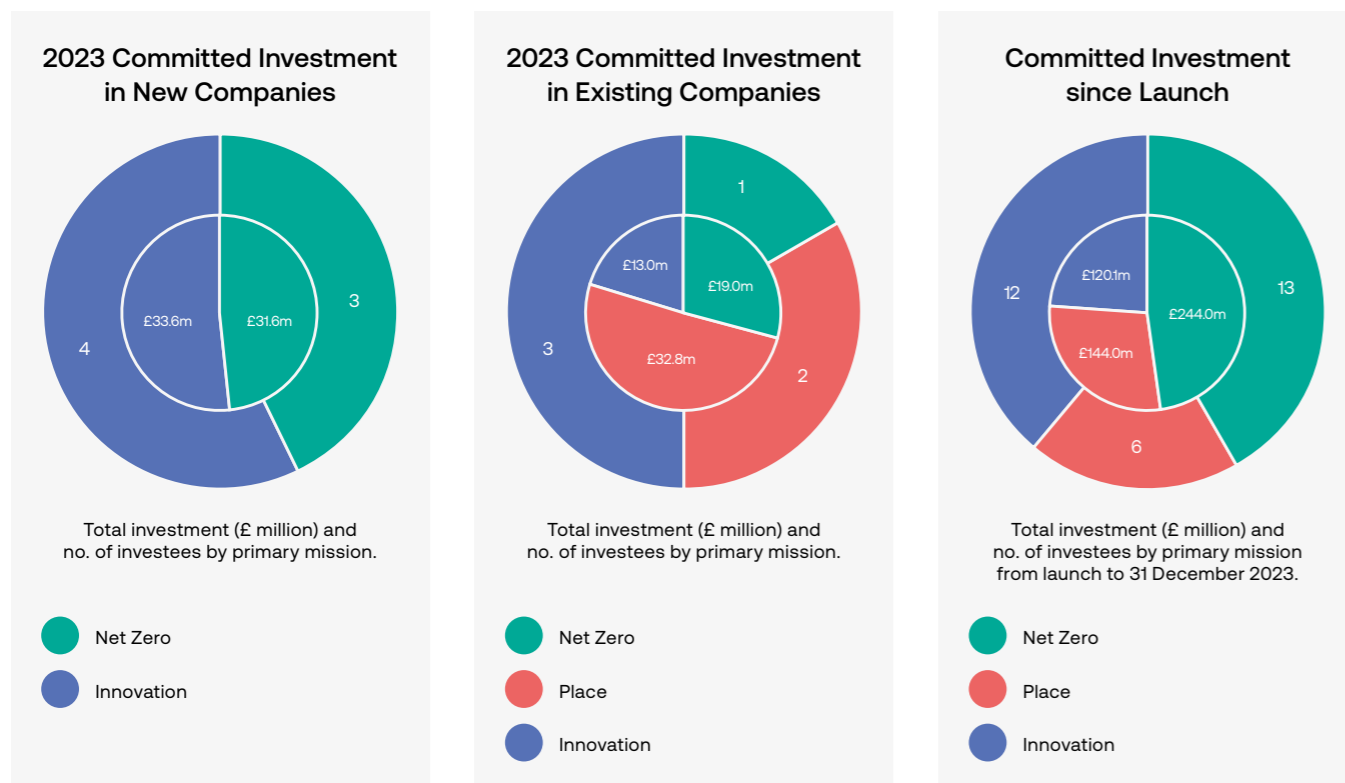
As well as individual investments contributing to our three missions, our aim is to build a portfolio that ensures the collective impact is greater than the sum of its parts. We therefore use our investment strategy to consider how our investments can support the growth of specific sectors to create the biggest impact for Scotland and its people.

Making an investment is only the start of the journey for us. We work with our companies and projects to promote positive management of their operations, which then has a ripple effect in the wider economy. For example, we encourage our portfolio companies to use carbon management practices and environmental and social management systems. Our investments also carry conditions to promote secure and inclusive employment by requiring our portfolio companies to develop Equality, Diversity, and Inclusion (EDI) policies and implementing practices put forward by the Fair Work Convention.

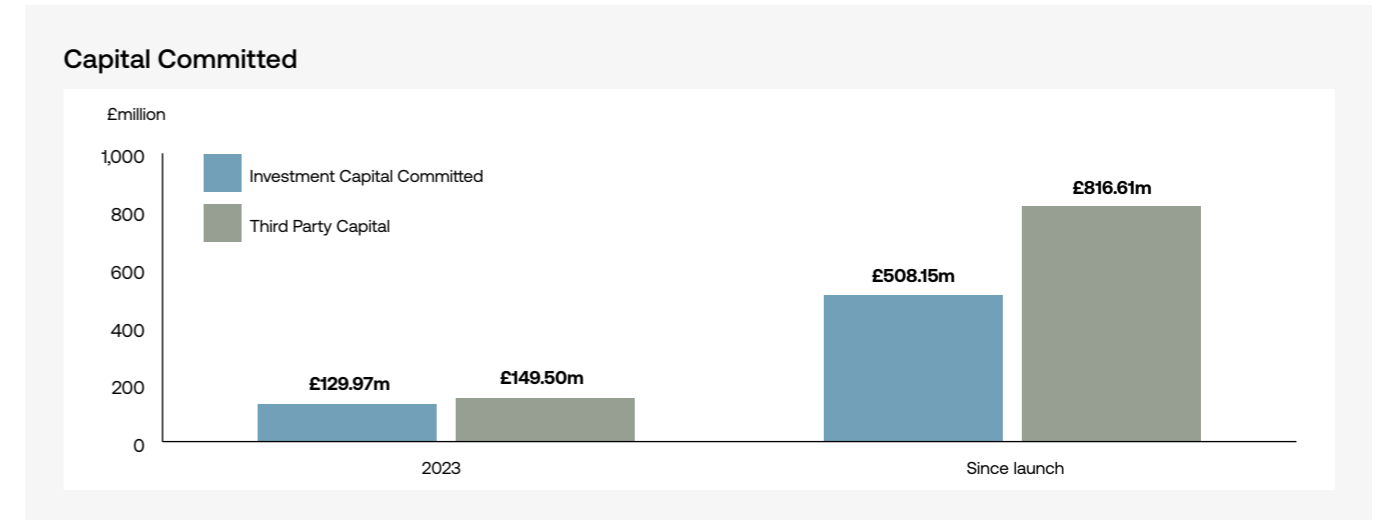
Through building a portfolio that contributes to a greener, more inclusive, and more productive Scotland, we aim to demonstrate that positive social and environmental impact can go hand-in-hand with financial returns.

Our Portfolio in Numbers

Below we show the portfolio split across our three missions, in terms of number of investees and amount invested. In 2023 we committed £130 million in investment, including seven new investees and follow-on investment into six existing investees.



Over **£1.3 billion** has been committed to the Scottish economy as a result of our engagement with the market:



Portfolio Impact Performance⁷

2.25GWh Since launch our investment portfolio has generated approximately **2.25 GWh** of renewable energy – the equivalent of powering **610** homes in a year⁸.

52,841 tCO₂e In 2023 our investment portfolio avoided, reduced or removed **52,841 tCO₂e**. This is the equivalent of **1,215** full capacity, return flights from Glasgow to London.

57,847 tCO₂e Since launch our investment portfolio has avoided, reduced or removed **57,847 tCO₂e**. This is the equivalent of **1,341** full capacity, return flights from Glasgow to London.

1,850 In 2023 our investment portfolio supported **1,850** jobs.

111 In 2023 our investment portfolio supported **111** apprenticeships or internships (self-reported).

24 out of 32 In 2023 our investment portfolio had operations in **24 out of 32** Scottish Local Authorities and in all **8** Regional Economic Partnership areas.

£92.3 million In 2023 **38.1%** of total supply chain spend by reporting portfolio businesses was expended in Scotland. This equated to **£92.3 million**.



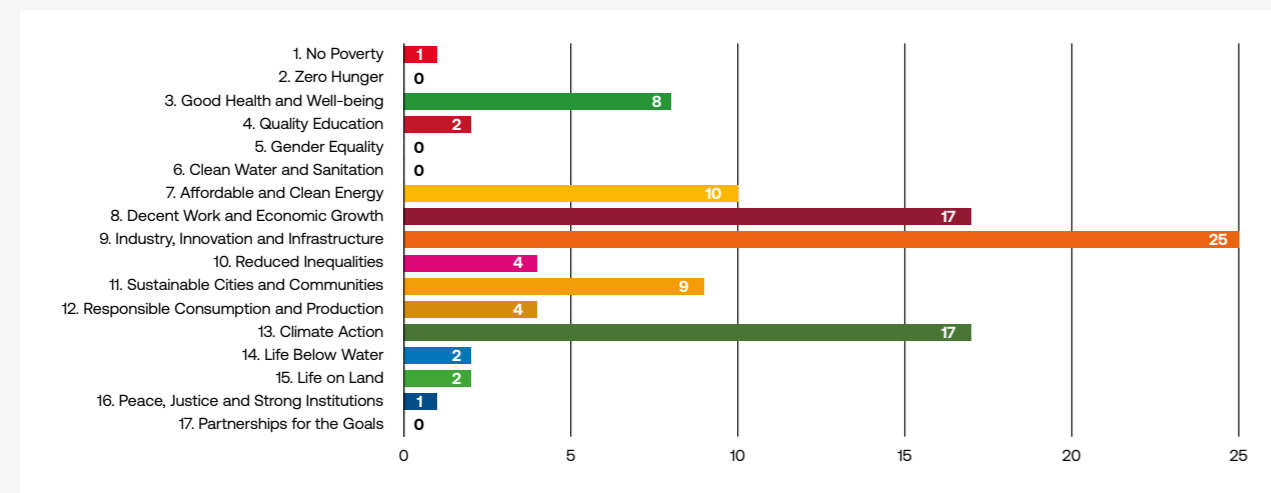
1. Portfolio Impact continued

UN Sustainable Development Goals

All investments we make support the delivery of the UN's Sustainable Development Goals (UN SDGs) with the mission focus specifically contributing to delivering the six goals shown below.



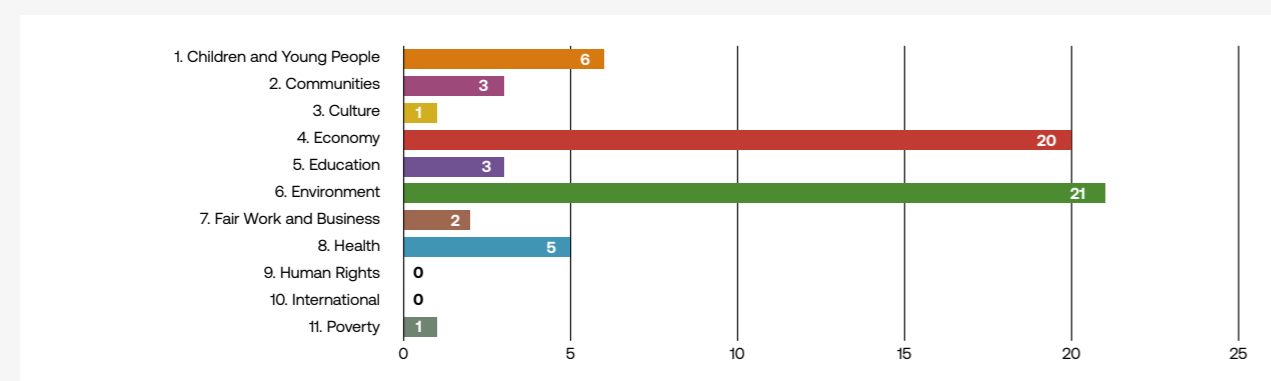
UN SDGs supported through investment:



Scotland's National Performance Framework (NPF)

Our Investment Strategy actively supports the delivery of the NPF through investment in sectors that support positive social, economic and environmental change within and beyond Scotland.

NPF National Outcomes supported through investment:



Geographical and Regional Impacts

The Bank seeks to invest across Scotland, enabling impact with a broad geographic spread. Below we show the Scottish Local Authority Areas that have been reached by Bank investment:

Overview of Scottish Local Authority Areas that have benefitted from our investment

- | | |
|--------------------------|-------------------------|
| 1. Aberdeen City | 13. Moray |
| 2. Aberdeenshire | 14. North Lanarkshire |
| 3. Argyll and Bute | 15. Orkney |
| 4. City of Edinburgh | 16. Perth and Kinross |
| 5. Dumfries and Galloway | 17. Renfrewshire |
| 6. Dundee City | 18. Scottish Borders |
| 7. East Ayrshire | 19. Shetland |
| 8. East Lothian | 20. South Ayrshire |
| 9. Fife | 21. South Lanarkshire |
| 10. Glasgow City | 22. Stirling |
| 11. Highland | 23. West Dunbartonshire |
| 12. Midlothian | 24. West Lothian |





2. Mission Impact

Net Zero

Investment Impact:

- ◆ A just transition is achieved by 2045.
- ◆ Scotland’s economy contributes to and is aligned to global GHG emission reduction targets and goals by 2045.
- ◆ Scotland is internationally recognised as a leader in sustainable technology services and industry.

Net Zero theory of change

Our Net Zero mission aims to help rebalance Scotland’s economy towards sustainable industries, services, and technologies, playing our part in the wider push towards our nation’s 2045 net zero target. At the front of our minds is making sure that this low-carbon transition is fair and just – both the challenges and the opportunities need to be distributed evenly.

Scotland’s rich history and deep-rooted expertise across both energy and innovation mean that the net zero transition creates positive opportunities for change, both for society and the environment. That’s why our 2030 commitments include a promise to make investments in net zero that will deliver the biggest impact:

Mission Ambition:	“Address the climate crisis, through growing a fair and sustainable economy”	
Mission Commitments:	By 2030, the Bank will have invested £800 million - £1 billion in high potential Net Zero businesses and projects.	By 2030, the Bank’s investments will have helped to avoid, reduce or remove 185,000 – 225,000 tCO ₂ e from the Earth’s atmosphere.

To find the investments that can deliver the greatest impact, we use four objectives:

1. Catalyse investment in businesses and projects connected to Scotland to move towards a net zero economy.
2. Increase Scottish-based expertise in technology, services and industries that support decarbonisation, mitigation, and climate change amelioration activity.
3. Grow the circular economy within Scotland.
4. Support Scotland’s overall transition to net zero.

In the years ahead, investing in the renewable energy sector, and specifically offshore wind, will be one of the Bank’s priorities, helping businesses and communities to capitalise on the opportunities to build a strong domestic supply chain, as well as harnessing opportunities to export products and services. Other key sectors with high impact potential include those such as domestic heat, transportation, and industrial energy where decarbonisation will be essential if we are to reach net zero.

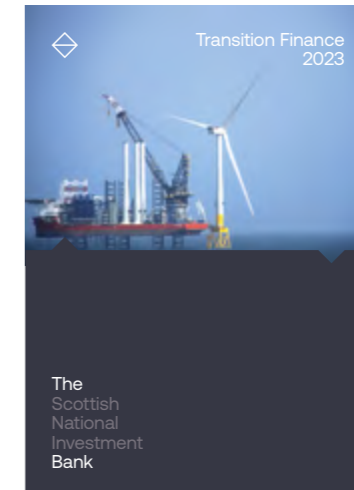
Just Transition Fund and transition finance

In April 2023, the Scottish Government allocated £25 million from its Just Transition Fund to the Bank for investment during the 2023-24 financial year (FY23/24) on opportunities to accelerate a just energy transition in the North East and Moray.

Aberdeen and the surrounding region form the beating heart of Scotland’s oil and gas sector. We want to harness and preserve the core skills and expertise found in the region by supporting businesses that want to pivot from fossil fuels towards renewables and decommissioning activity, or grow their presence in other green industries.

Our just transition investments are guided by a set of high-level principles:

- ◆ **Purposeful businesses** – we will work with companies that have made a clear commitment to transition opportunities, or that are committed to doing so as a result of our investment.
- ◆ **Focussed investment** – we’ll focus capital on businesses in the energy supply chain that can reach scale or deliver a wider impact in their industry; we will also focus where we can do more than provide our own capital.
- ◆ **Safeguarding the transition** – each investment will include targeted covenants, including timelines for change, on the target minimum proportion of revenue from renewables; a shift in revenues from oil and gas; or specific targets for reduced emissions. Recognising that oil and gas will continue to be produced in the North Sea, we acknowledge in some cases, for example, to improve safety or the efficiency of production or decommissioning, it may be appropriate to maintain a percentage of fossil fuel-based revenue in the short-term.



You can read more about our approach in our Transition Finance⁹ report.



Just Transition – A spotlight on the North East¹⁰

Making a fair and just transition from oil and gas to renewable energy will not only require investments in our industries, but also investments in our people, our supply chains, and the way we use power for heating and transport. Making the right investment choices in the North East will help to accelerate that just transition throughout Scotland.

Scotland’s people

Harnessing the decades of knowledge and experience that have been built up in the North East will be key if Scotland is to hit its 2045 net zero target. Investing in businesses and projects that will help individuals and communities to make that transition is one of the key ways in which the Bank can contribute to our nation’s low-carbon future.

We must invest to help retrain people who have worked in the oil and gas industry so that they can use their valuable knowledge and skills in new low-carbon industries, as laid out in our report, ‘A Just Transition’¹¹.

Aurora Energy Services is putting that concept about transferable skills into practice. We have provided debt financing of up to £20 million – part financed by capital from the Just Transition Fund – to expand its network of regional training hubs and workshops, which already includes sites in Aberdeen, Huntly, Wick, and Houston, as well as its recently-opened Renewable Energy Training Centre in Inverness, the first facility of its kind in the Highlands.

Creating opportunities and developing skills in local communities – Aurora Energy Services

“To meet net-zero levels by 2045, we have to put in place a skilled workforce to construct, maintain and service the wind farms and related grid infrastructure which is already in place or coming over the next few years, and Aurora will play an integral part in that process.”

As the Highland’s only GWO, IRATA and ECITB accredited training centre, we have already had a lot of interest from experienced oil and gas workers who want to obtain the necessary qualifications which will allow them to transition into renewables. This is a model we intend to replicate in other locations to aid the transition process throughout the UK.”

Doug Duguid
CEO
Aurora Energy Services



Supply chain

Our investments are also helping to ensure that businesses in the oil and gas industry’s supply chains can pivot to begin servicing renewable energy projects – and especially to keep up with demand from the rapidly-growing offshore wind market.

Aberdeen-based **North Star** manages offshore support vessels to help meet the evolving demand for offshore wind operation and maintenance. In 2022, we recognised an opportunity to invest in North Star’s decades of knowledge and experience in offshore operations by providing £50 million to help the company move from oil and gas into renewables and giving a boost to Scotland’s wider offshore wind supply chain in the process.

North Star’s shift into renewables builds on our wider work in the North East, including our £35 million investment in the **Port of Aberdeen’s** south harbour expansion project. The facility will play a vital role in providing more land and greater water access for offshore wind developers, cementing the North East’s position as a hub for large-scale energy projects.

Investing in new opportunities for green growth – Port of Aberdeen

“The Bank’s investment is designed to give an enhanced capability to the port, which is an important part of the just transition, bringing new opportunities for Aberdeen and the wider North East.”

We believe that a just transition is a concept that goes beyond moving on from oil and gas and simply looking for something else to fill the gap, but includes new opportunities that will support an overall response to climate change – something that’s far broader and which has other advantages associated with it around people’s standard of living, equality of opportunity, and equality of reward.”

Jon Oakey
CFO
Port of Aberdeen





Just Transition – A spotlight on the North East continued

The challenges of moving to an energy system that's centred on renewables are not just limited to logistics, it also requires innovation across the entire energy generation and storage supply chain. That's why we have invested £6.6 million in clean energy pioneer **Verlume**, which has developed underwater energy management and storage technologies that deliver a constant output of power from renewable sources. Verlume's suite of products can be used across multiple applications in the underwater and offshore sectors to enable the adoption of renewable technology within offshore decarbonisation projects and minimise energy loss from electricity generated from offshore wind.

Innovative energy storage solutions

"The just transition is a fantastic opportunity for Scotland's businesses to use their expertise to transition our economy to a sustainable future. At Verlume, we are contributing to this transition by utilising our intelligent energy management and seabed energy storage technology to enable the adoption of renewable technology within offshore operations, to minimise energy loss from offshore wind operations and to provide power to challenging offshore locations which would otherwise be powered by carbon-intensive methods."

Richard Knox
CEO
Verlume



Beyond generation and storage

Power generation and storage is just one part of the energy transition. Scotland also needs to decarbonise its heating and transport, as well as finding new fuels and raw materials for industrial processes that currently rely on oil and gas.

Trojan Energy wants to support and accelerate the transition to electric vehicles (EVs) by deploying EV charging points and making them available to greater numbers of potential users. Trojan's chargers are designed and manufactured at the company's head office and production facility situated in Aberdeen's Energy Transition Zone. In 2023, we provided £18 million of follow-on funding, taking our total investment to £28 million, to help Trojan create more jobs in the North East, and to boost efforts towards Scotland, and the wider UK, hitting their net zero targets.

Find out more

Read about how our portfolio companies are supporting Scotland's communities in our 'A Just Transition' paper¹², published in early 2024.

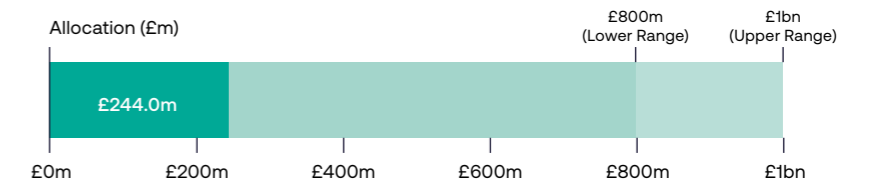
2. Mission Impact continued

2023 Net Zero Mission Scorecard

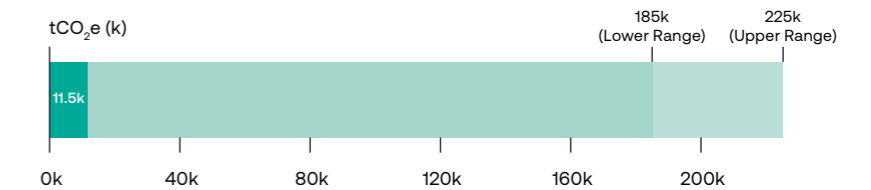
2023 Ambitions

Actual performance to date and 2030 target range

By 2030, the Bank will have invested £800 million - £1 billion in high potential Net Zero businesses and projects.



By 2030, the Bank's investments will have helped to avoid, reduce or remove 185,000 - 225,000 tCO₂e from the Earth's atmosphere.



■ Since Launch ■ 2030 target range

Actual performance to date is calculated based on the proportional share attributable to the Bank's investment. For equity investments this is calculated as the Bank's percentage shareholding in the investee company. For fund investments this is calculated based on our investment in relation to the total fund size. For project finance and debt investments this is calculated based on our investment in relation to the total costs associated with the investee's activities.



2. Mission Impact continued

To support our impact framework, we have developed a set of objectives and associated key performance indicators (KPIs) for each of our three missions. This framework allows us to aggregate data from across our portfolio to manage and report our collective investment impact against our mission objectives.

Mission Objective 1: To catalyse investment in businesses and projects connected to Scotland to move towards a net zero economy.

- ◆ Percentage of our investment portfolio where the primary mission identified is Net Zero:
 - 43%** of new investments in 2023.
 - 42%** of total investments since launch.
- ◆ **48%** of our total investment portfolio contributes to the shift to a net zero economy.
- ◆ Amount invested by the Bank supporting businesses and projects contributing to the shift to a net zero economy:
 - £50.6 million** in 2023.
 - £277.8 million** since launch.
- ◆ Third party capital associated with Bank investment supporting businesses and projects contributing to the shift to a net zero economy:
 - £75.8 million** in 2023.
 - £554.5 million** since launch.
- ◆ **305** just transition jobs supported directly through Bank investment as self-reported by portfolio companies.
- ◆ **1,255** jobs supported¹³ by Net Zero investment during 2023.

Mission Objective 2: To increase Scottish based expertise in technology, services and industries that support decarbonisation, mitigation, and climate change amelioration activity.

- ◆ **38.7%** of our investment portfolio contributes to accelerating decarbonisation.
- ◆ **3.2%** of our investment portfolio contributes to mitigating climate change through capturing GHGs (natural / technological processes) from the atmosphere.
- ◆ **48.4%** of our investment portfolio contributes to ameliorating the effects of climate change.
- ◆ By the end of 2023, **693** Electric Vehicle (EV) charging points had been installed in total spanning **9** Scottish Local Authority Areas and **3** London boroughs.
 - 523** EV charging points were installed in 2023.

Mission Objective 3: To grow the circular economy within Scotland by 2045.

- ◆ In 2023 **6.5%** of our investment portfolio contributed to the circular economy*.

*In 2022 the Bank made a £9 million investment to fund the development of Circularity Scotland Limited (CSL), which was the operator of Scotland's Deposit Return Scheme. CSL are now in administration. CSL have not been included in this calculation.

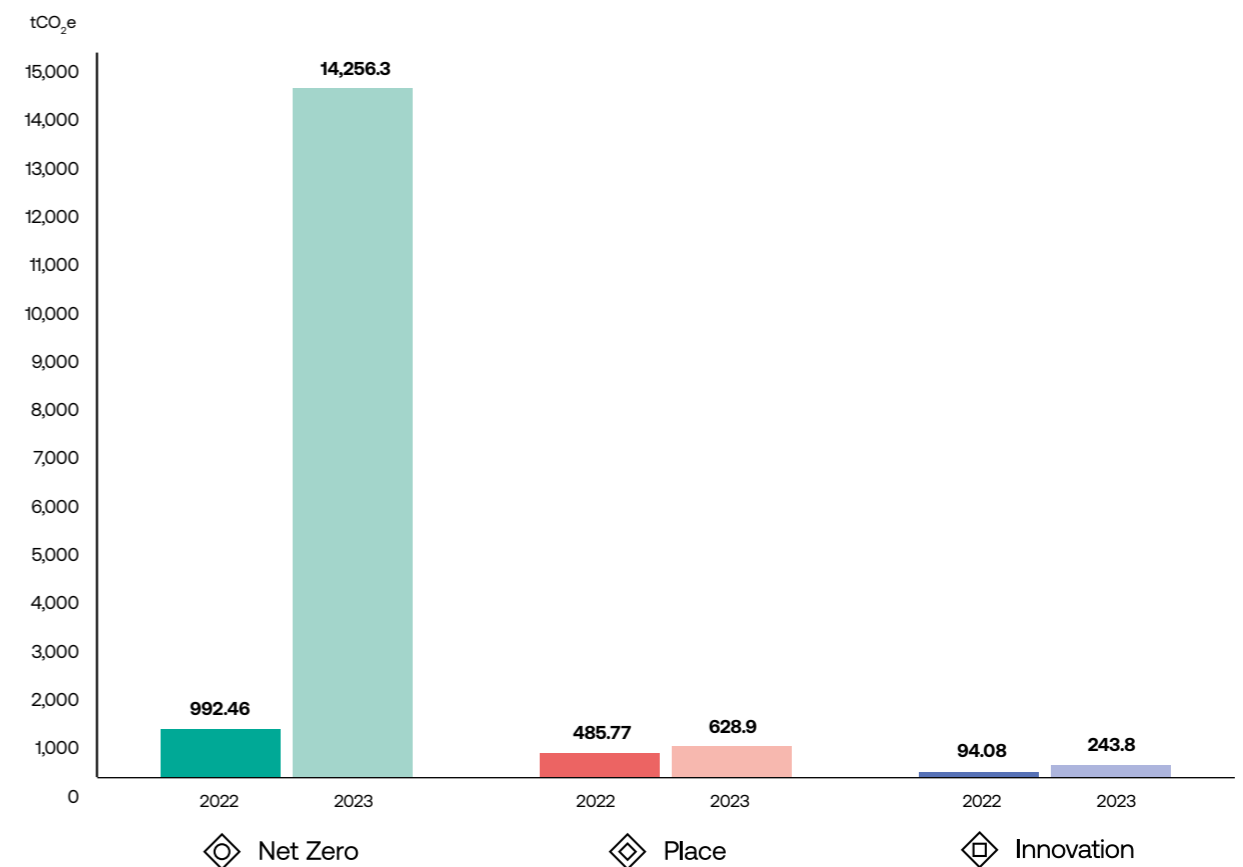
Mission Objective 4: To support Scotland's transition to net zero.

In 2023 our portfolio reported a total of **15,128.9 tCO₂e** of Scope 1 and Scope 2 emissions. Of this, **257 tCO₂e** of scope 2 emissions were reported by investees as being avoided through purchase of green energy from a green tariff.

We seek to invest in high growth companies – many of whom are likely to increase their carbon footprint as they grow. 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.

Further information on how we support the organisations we invest in to manage and reduce their own emissions can be found in the Bank's 'Pathway to Net Zero – Carbon Management Plan'¹⁴.

tCO₂e of Scope 1 and Scope 2 emissions by mission





2. Mission Impact continued

Place

Investment Impact:

- ◆ Place-based regeneration – our natural and built environment in Scotland is valued, protected, enhanced and enjoyed.
- ◆ Reduction in inequality – our communities are inclusive, empowered, resilient and safe.
- ◆ Improved outcomes for people and communities.



Place theory of change

Reducing inequalities and improving opportunities for people throughout Scotland sits at the heart of our **Place** mission. To achieve that goal, we need to invest in projects that promote equality, inclusion, and sustainability in our communities.

That’s why we’ve outlined the following ambition and commitments to drive projects that will deliver the greatest impact:

Mission Ambition:		“Transform communities, making them places where everyone thrives”	
Mission Commitments:	By 2030, the Bank will have invested £400 million - £500 million in improving Scotland’s places and communities.	By 2030, the Bank’s investments will have positively impacted the lives of 350,000 – 430,000 people through regeneration, high-quality housing, and connectivity (both digital and physical).	

We’re using these five objectives to help us fulfil our **Place** mission:

1. Enhance the natural and built environment of Scotland through utilisation of undervalued space and the regeneration and improvement of built and natural environments.
2. Improve by 2040 the physical and digital connectivity across Scotland to increase access to services, training and employment opportunities, and greenspace.
3. Increase the supply of high-quality affordable homes and support the transition to net zero for existing homes with corresponding sustainable infrastructure by 2040.
4. Invest in businesses and projects that promote high quality place-based employment and training opportunities.
5. Invest in businesses and projects that provide community benefit and support local supply chains.

Many of the themes that the Bank aims to address through place-based investment – for example, those focussed on addressing inequality and improving access to opportunity – cut across all three missions and are areas of impact that we look to incorporate into all investments that we make. Further detail on our approach to this (what we refer to as ‘Responsible Investor’ activities) can be found on page 39 of this report.

Investment to support thriving communities

Our Place mission investments focus on enabling equality of opportunity and improved quality of life. Understanding the nature of local economies and the different needs of communities throughout Scotland – rural and urban, highland and island, or agricultural and industrial – lies at the heart of determining the impact that our investments can make.

Three portfolio investments¹⁵ bring to life how the Bank is delivering Place-based impact that benefits communities in different locations across Scotland:

Employment – Tourism is a hugely important industry across Scotland and is especially important in rural communities, where the local hotel can be both a key community hub and an anchor employer, generating jobs in its wider chain of suppliers and service providers. That’s why we’ve invested £6.95 million in **Highland Coast Hotels**, a collection of hotels in locations predominantly around the North Coast 500 tourist route. Highland Coast Hotels seek to develop good-quality career paths in hospitality, improve the sustainability of their operations, and support local Scottish suppliers. Importantly, it will also benefit the wider local economy through increasing visitor footfall.

Housing – There’s a shortage of good-quality, affordable homes to rent throughout Scotland, with demand regularly outstripping supply. The economic and social impact of this is considerable with the lack of quality housing in the right locations not only reducing access to services, employment and training opportunities, but adversely affecting health and community wellbeing outcomes. Our £40 million investment in **Thriving Investments** is helping to tackle this problem by financing housebuilding and regeneration projects through the New Avenue Living Fund, which provides good-quality, affordable¹⁶, and sustainable homes to rent in high need locations that allow people to stay in their local communities.

Connectivity – Digital connectivity is key to helping people live and work in rural areas, whether they’re running their own businesses or working-remotely. We’ve invested £40 million in **Highland Broadband** who is helping to make rural communities attractive places to live and work by providing ultra-fast internet access to areas not covered by other government or private-sector projects.

By investing in companies and projects across Scotland that provide high-quality homes, jobs, and connectivity, the Bank is fulfilling its **Place** mission to help individuals and their communities to thrive.

Investing in affordable homes

“We have never used mid-market before and find it value for money. The quality of the finish and the size of the property exceeded expectations. Compared to what we were paying before we find the utilities bills are more realistic and affordable. And definitely more energy efficient. Would highly recommend.”

**Tenant – New Avenue Living Fund
Thriving Investments**





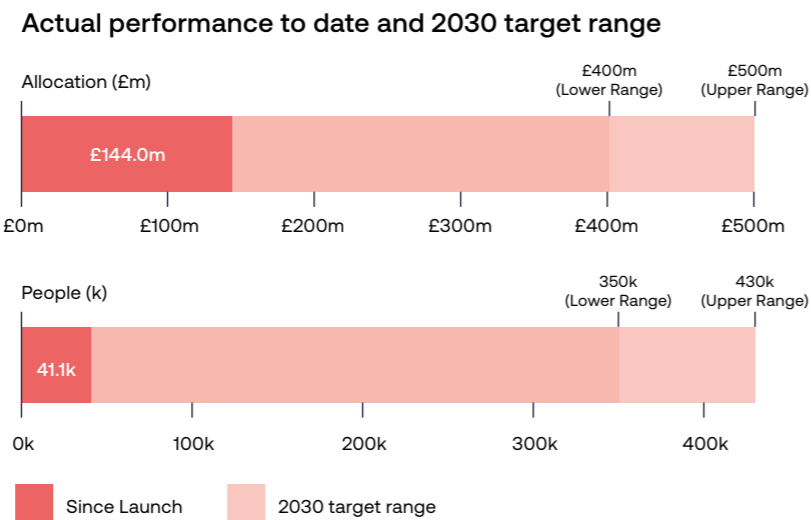
2. Mission Impact continued

2023 Place Mission Scorecard

2023 Ambitions

By 2030, the Bank will have invested £400 million - £500 million in improving Scotland's places and communities.

By 2030, the Bank's investments will have positively impacted the lives of 350,000 - 430,000 people through regeneration, high-quality housing, and connectivity (both digital and physical).



Actual performance to date is calculated based on the proportional share attributable to the Bank's investment. For equity investments this is calculated as the Bank's percentage shareholding in the investee company. For fund investments this is calculated based on our investment in relation to the total fund size. For project finance and debt investments this is calculated based on our investment in relation to the total costs associated with the investee's activities.

To support our impact framework, we have developed a set of objectives and associated key performance indicators (KPIs) for each of our three missions. This framework allows us to aggregate data from across our portfolio to manage and report our collective investment impact against our mission objectives.

Place-based Opportunity Overview

- ◆ % of our investment portfolio where the primary mission identified is Place-Based Opportunity: **19.4%** of total investments since launch .
- ◆ **42%** of our total investment portfolio contributes towards improving places.
- ◆ Amount invested by Bank (£) supporting businesses and projects that contribute to improving places: **£52.8 million** 2023. **£333.8 million** since launch.
- ◆ Third party capital associated with Bank investment supporting businesses and projects that contribute to improved places: **£87.1 million** 2023. **£545.2 million** since launch.
- ◆ In 2023, the Bank's investments directly supported around **1,310** jobs. The indirect and induced impacts from the Bank's investment supported a further **540** jobs across the Scottish economy.
- ◆ **1,078** number of jobs supported¹⁷ by Place-based investment during 2023.

Mission Objective 1: To enhance the natural and built environment of Scotland through utilisation of undervalued space and the regeneration and improvement of built and natural environments.

- ◆ **7.55** hectares of urban land regenerated or improved as a result of our investment.
- ◆ **10,332.8** hectares of rural land regenerated or improved as a result of Bank investment. **9,354.2** hectares of which is in Scotland (**90.6%**).

Mission Objective 2: To improve by 2040 the physical and digital connectivity across Scotland to increase access to services, training and employment opportunities, and greenspace.

- ◆ **18,553** homes and businesses have access to improved connectivity as a result of our investment (Physical and/or Digital). Investment to date has focused on the provision of ultrafast fibre broadband in rural areas. **13,142** homes and businesses were reached in 2023. **5,411** homes and businesses were reached in 2022.
- ◆ **38.7%** of portfolio businesses and projects support inclusive community service provision.

Mission Objective 3: To increase the supply of high-quality affordable homes and support the transition to net zero for existing homes with corresponding sustainable infrastructure by 2040.

- ◆ Our investment supported the building of **104** homes in 2023.
- ◆ Since our launch, our investment has supported the building of **585** homes available for mid-market rent.
- ◆ **99.6%** of homes financed through our investment achieved an energy efficiency rating of EPC B or higher.

Mission Objective 4: To invest in businesses and projects that promote high quality place-based employment and training opportunities.

- ◆ **100%** of our direct investees' HQ are based in Scotland.
- ◆ **55.5%** of our portfolio¹⁸ businesses offer training opportunities to all employees.
- ◆ **25.8%** of portfolio businesses have operations in the 20% most deprived areas of Scotland (Scottish Index of Multiple Deprivation: <https://simd.scot>)

Mission Objective 5: To invest in businesses and projects that provide community benefit and support local supply chains.

- ◆ **92.3%** of our direct investees are SMEs.
- ◆ **38.1%** of total supply chain spend by reporting portfolio businesses was expended in Scotland in 2023. This equated to **£92.3 million**¹⁹. **£108.3 million** supply chain spend has been expended in Scotland since launch.
- ◆ **45.4%** of our portfolio²⁰ businesses or projects receiving direct investment have reported that they have provided community benefit through their operational practices within the reporting period.



2. Mission Impact continued

Innovation

Investment Impact:

- ◆ Scotland is recognised as a leader in innovation and technology, including net zero.
- ◆ Scotland has domestic based expertise to solve future challenges.
- ◆ Scotland has a healthier and more resilient population.
- ◆ Scotland's economy is internationally recognised as sustainable, productive, competitive and entrepreneurial.



Innovation theory of change

Our **Innovation** mission is rooted in the opportunities presented by new technologies, products, and services. It also encompasses innovative practices and processes that can improve Scotland's productivity. By investing in – and scaling up – innovative companies, we aim to unlock the benefits that growing businesses can bring for society, the environment and the economy. Crucially, we recognise that innovation is sector agnostic and can come from either new or established businesses.

We have made the following commitments in support of the **innovation** mission:

Mission Ambition:	"Scale up innovation and technology for a more competitive and productive economy"	
Mission Commitments:	By 2030, the Bank will have invested £400 million - £500 million in innovative, productive businesses.	By 2030, the Bank's investments in innovative industries will have contributed towards the creation and safeguarding of 6,300 – 7,700 jobs.

Our four core objectives to help us to deliver this mission are to:

1. Grow the Scottish innovation ecosystem, by supporting innovative businesses to have a catalytic effect in their sector through the diffusion of ideas and learning.
2. Increase investment in the scaling of transformational and emerging technologies, discoveries and business processes.
3. Develop products and services that improve Scotland's human wellbeing and environmental resilience.
4. Invest in businesses and projects that enhance productivity through product or process innovation.

A key characteristic of innovative economies are strong knowledge exchange and collaborative networks. We therefore encourage our investee companies to contribute to the broader innovation ecosystem wherever practicable.

Scaling innovation and technology

Scotland has an enduring track record of producing innovations that benefit society and our universities have an outstanding global reputation for both their research and their teaching.

The Bank is connecting to Scotland's innovation clusters, allowing us to engage with and support businesses as they grow. We want to help high-potential companies in flagship sectors to scale-up their operations, laying the foundations to become global leaders while also bringing benefits for local communities in Scotland. Two sectors that we have focussed on over the past year are life sciences and digital technology²¹.

Life sciences and med tech

Scotland has a proud history of developing medicines and treatments that have saved and enhanced countless lives, from early breakthroughs with anaesthetics through to cloning and stem cell therapies. Clusters of innovative medical companies have grown up around our universities and teaching hospitals. Our investments have the twin aims of tackling key public health problems and contributing to the growth of Scotland's life sciences sector.

Elasmogen Ltd is a biologics company developing a pipeline of next-generation therapeutic drugs. The Bank's £3.5 million investment is enabling the company to develop its multi-functional biologic products, focused on autoimmune and inflammatory diseases and oncology, with the potential to significantly improve the health of people in Scotland and globally.

PneumoWave Ltd is a digital health business developing a respiratory monitoring device that can assist in early detection of potentially fatal respiratory conditions, including Opioid Induced Respiratory Depression and can be used in Paediatric Respiratory Monitoring. Our £5.2 million investment supports their innovation, which targets a specific Scottish public health challenge, and contributes to the national mission to reduce drug-related deaths, while developing a technology with wider applications that has the potential to be deployed globally.

We've invested £6 million in Edinburgh-based **Cumulus Oncology** which specialises in developing anti-cancer therapies. Anti-cancer drug development is a long, expensive and high-risk process. Cumulus Oncology has developed an innovative business model to speed up the drug discovery process by creating subsidiaries, each of which can develop drugs that are then sold or licensed to bigger companies to continue their journey to market. Meanwhile, Cumulus can reinvest the proceeds to create its next subsidiaries.

Supporting drug discovery – Cumulus Oncology

"Oncology remains a vast and important area of scientific and clinical research.

The ultimate goal is to increase the success rates at the vital phase III end of clinical testing, which currently remains at around 50%.

The support from the Scottish National Investment Bank means we can both support our existing companies, expand our portfolio and continue to develop the next generation of cancer therapies."

Dr Clare Wareing
Founder and CEO, Cumulus Oncology





Scaling innovation and technology continued

Innovation and technology

The growth of technological innovation is a global long-term trend. Harnessing its potential to solve complex challenges will be critical to the future of many key industries and the wider economy. We want to support the development of Scottish businesses that will become global leaders, creating jobs and wealth that can support communities throughout the nation. Three examples that illustrate how we are investing in technology to deliver positive impact are Forrit, Cyacomb and Orbex.

We've invested £5 million in **Forrit** who have developed a content management system which is scalable, disruptive and potentially transformative for customers allowing people to create websites even if they don't have any technical training. Its software is stored remotely on the cloud, so it can be accessed easily and kept secure. Our investment is helping Forrit to expand its workforce, target new markets, and contribute to the wider Scottish technology ecosystem.

Cyacomb was founded in 2016 by entrepreneur Ian Stevenson and former police forensics analyst Bruce Ramsay. The company was established out of a research project at Edinburgh Napier University with the aim to create new technology to make the online world a safer place, protecting the most vulnerable in society. With a growing team of technical and other experts, our £2.6 million investment supports Cyacomb in continuing to develop groundbreaking technology to pinpoint harmful content at its source, enabling law enforcement, social media and messaging companies to quickly and thoroughly find, block and remove illegal images and videos. Providing tools 100x faster than alternatives, the company is already helping law enforcement agencies catch offenders across the UK, EU, USA and India.

Orbex has developed one of the world's most advanced low-carbon, high-performance micro-launcher vehicles that will deliver orbital launch services to the small satellite industry. From its head office and production facility at Forres in Moray, the business also aims to inspire future generations to study science, technology, engineering and mathematics (STEM) and provide highly skilled engineering jobs. Our £17.8 million investment will support Orbex in its goals and the wider development of Scotland's space sector.

In all cases, our investment is enabling growth and scale-up, access to new markets, and added social benefit. For Forrit the additional social impact is through enabling high-value tech careers from apprentice level upwards, for Cyacomb it's a safer online world, and for Orbex it's the creation of new space-sector jobs in Forres and Sutherland.

Investing in scalable technology - Forrit

"We are incredibly proud of our Scottish roots, so working with another Scottish organisation was extremely important as both parties are focused on benefitting Scotland. We have ambitious plans and only want to add to the success of the Scottish tech ecosystem. We hope to continue to add to this both as a provider of an exemplary content management system, but also as a model employer providing high-value, high-skill career pathways for people from all backgrounds."

Peter Proud
CEO
Forrit



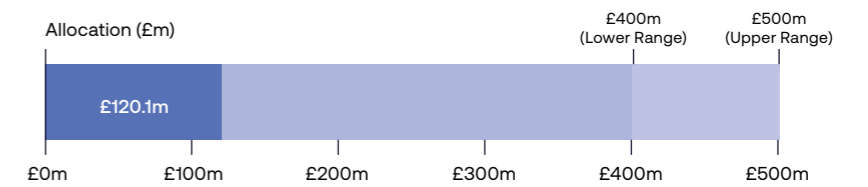
2. Mission Impact continued

2023 Innovation Mission Scorecard

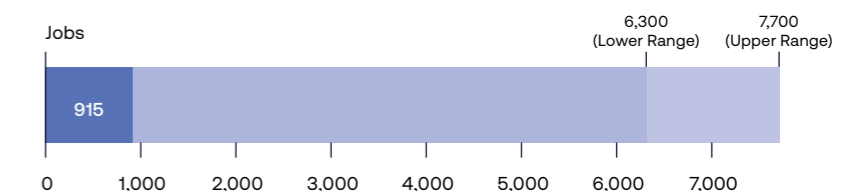
2023 Ambitions

Actual performance to date and 2030 target range

By 2030, the Bank will have invested £400m - £500 million in innovative, productive businesses.



By 2030, the Bank's investments in innovative industries will have contributed towards the creation or safeguarding of 6,300 - 7,700 jobs.



■ Since Launch ■ 2030 target range

Actual performance to date is calculated based on the proportional share attributable to the Bank's investment. For equity investments this is calculated as the Bank's percentage shareholding in the investee company. For fund investments this is calculated based on our investment in relation to the total fund size. For project finance and debt investments this is calculated based on our investment in relation to the total costs associated with the investee's activities.

To support our impact framework, we have developed a set of objectives and associated key performance indicators (KPIs) for each of our three missions. This framework allows us to aggregate data from across our portfolio to manage and report our collective investment impact against our mission objectives.

Mission Objective 1: To grow the Scottish innovation ecosystem, by supporting innovative businesses to have a catalytic effect in their sector through the diffusion of ideas and learning.

- ◆ Percentage of our investment portfolio where the primary mission identified is innovation:
 - 57%** of new investments in 2023.
 - 39%** of total investments since launch.
- ◆ **55%** of our total investment portfolio contributes to developing the Scottish innovation ecosystem.
- ◆ Amount invested by Bank (£) supporting businesses and projects contributing to developing the Scottish innovation ecosystem:
 - £70.6 million** in 2023.
 - £168.5 million** since launch.
- ◆ Third party capital associated with Bank investment supporting businesses and projects contributing to developing the Scottish innovation ecosystem:
 - £61.2 million** in 2023.
 - £125.4 million** since launch.



2. Mission Impact continued

Mission Objective 1 continued: To grow the Scottish innovation ecosystem, by supporting innovative businesses to have a catalytic effect in their sector through the diffusion of ideas and learning.

- ◆ **100%** of innovation-focussed businesses who reported Research & Development (R&D) spending, expended more than 20% of budget on R&D.
- ◆ **86.6%** of innovation-focussed businesses within our portfolio actively supported the broader innovation community during 2023.
- ◆ **93.3%** of innovation-focussed businesses actively supported mentoring or education programmes linked to secondary or tertiary education during 2023.

Mission Objective 2: To increase investment in the scaling of transformational and emerging technologies, discoveries, and business processes.

- ◆ **16** of our portfolio businesses and projects are involved in developing disruptive and/or transformational technologies and discoveries.
- ◆ **96.9% (£163.3 million)** of our total innovation investment is directed at businesses involved in developing disruptive and/or transformational technologies and discoveries.

Mission Objective 3: To develop products and services that improve Scotland’s human wellbeing and environmental resilience.

- ◆ **7** of our portfolio businesses and projects are involved in developing technology that mitigates and protects against future risks to human welfare, wellbeing, and environmental resilience.
- ◆ **28% (£47.3 million)** of our total innovation investment is directed at businesses involved in developing technology that mitigates and protects against future risks to human welfare, wellbeing, and environmental resilience.

Mission Objective 4: To invest in businesses and projects that enhance productivity through product or process innovation.

- ◆ **116** patents had been reported as being supported by our investment since our launch. **73** patents were reported as being issued across all businesses supporting the innovation mission in 2023.
- ◆ **60%** of portfolio innovation focussed businesses contributed to developing new products, services or processes in 2023.

3. Having an impact beyond our missions



Introduction to responsible investment

Fulfilling our three missions is a great starting point from which to deliver wider positive impact through our investments. As a responsible investor, we have an underlying commitment to ‘do no harm’, which forms the solid base for our Ethical Investment Policy – which sets out the requirements we apply to all of our investments and how we help our companies and projects to meet higher standards – and our Environmental, Social, and Governance (ESG) framework. Beyond the impact of our missions, we promote and support equality, fair employment and strong environmental and social governance throughout our portfolio, and through engagement

with the wider investment landscape in Scotland. We want to help both our companies and our partners to take their responsibilities seriously towards people and the planet.

As well as measuring our own impact, we also encourage our companies and projects to build the knowledge and skills that they need to assess their impact by developing policies, procedures, management capabilities, and systems. We hope that the impact achieved by changing the culture within our portfolio companies for the better will be sustained beyond the time when we’re investors and will have a positive knock-on effect in the wider economy.




3. Having an impact beyond our missions continued

Responsible investor indicators²²

As a responsible investor we are committed to investing in businesses, projects and funds that both support the delivery of our missions and share our wider economic, environmental and social values.


Economic

- ◆ 100% of portfolio businesses receiving direct investment are aligned with Fair Work First principles.
- ◆ 100% of portfolio businesses pay direct permanent employees at least the real Living Wage.
- ◆ 100% of portfolio businesses don't inappropriately utilise zero-hour contracts.


Environmental

- ◆ 51.8% of portfolio businesses and Funds have a Carbon Management Plan and/or Net Zero Strategy or equivalent.
- ◆ 40.7% of portfolio businesses and Funds utilise an Environmental and Social Management System.


Social

- ◆ 100% of portfolio businesses and Funds undertake gender pay gap analysis.
- ◆ 13.3% of portfolio businesses and Funds have an equal²³ gender balance on the Board.
- ◆ 85.1% of portfolio businesses and Funds have an Equality, Diversity and Inclusion Policy.


Governance

- ◆ 96.3% of portfolio businesses and Funds hold formalised corporate governance policies.
- ◆ 55.5% of portfolio Funds hold an ESG policy.
- ◆ 54.8% of portfolio businesses and Funds have at least 50% of Board Members that are Non-Executive Directors or Independent Directors.

In the rest of this section, we provide a brief overview of the key aspects of responsible investment at the Bank.

Portfolio climate risk assessment and carbon management plans

Helping Scotland to meet its 2045 net zero emissions target sits at the core of what we do. The Bank has a real opportunity to help lead the just transition to net zero through our investments and our support for companies and projects in our portfolio.

During 2023, we worked with our portfolio, other financial institutions, and public bodies to help them on their climate journeys. We also supported universities, charities, and the Scottish Government by developing climate related proposals, studies, guidance, and programmes. Specifically, we have engaged with our investees to support the reduction, mitigation and amelioration of emissions through identifying improvements that will assist in the transition to net zero.

This is an evolving area for financial institutions, and we'll continue to support our portfolio to develop their own carbon management plans, net zero strategies, and greenhouse gas (GHG) reporting. All our investments are already subject to a climate risk assessment as part of our due diligence and – from FY23/24 – all our companies and projects must develop their own carbon management plan and/or net zero strategy in order to receive investment.

The collection and reporting of emission-related data and energy metrics from across our portfolio will allow us to track emissions associated with our investments over time. This data will assist us in our future investment decisions and portfolio management processes to ensure we meet our net zero mission objectives. We will report on the Scope 1 and Scope 2 emissions of our companies as well as the Bank's operational carbon footprint within our Task Force on Climate-related Financial Disclosures (TCFD) report²⁴.

Employment, equalities, and fair work: strategic frameworks and objectives

We promote equality, diversity, and inclusion (EDI) both within the Bank and externally through our investments and wider engagements. Our 2022 Equality Strategy²⁵ identified the current systemic challenges that lead to unequal access to finance, and we're working hard to understand and reduce these inequalities.

Our strategy sets out four Equality Outcomes for the period to 2025, which are designed to cover all protected characteristics, and include a commitment to consider socio-economic disadvantage:

Outcome 1 – Positive impact on equality in Scotland through the Bank's investments and improved equal access to investment.

Outcome 2 – Improve the diversity of the Bank's team.

Outcome 3 – Inclusive environment.

Outcome 4 – Positive impact on equality within suppliers and partners of the Bank.

During 2023, we took action to progress all four of these outcomes. This included research to explore barriers and opportunities in equal access to investment, a review of our recruitment policies, updates to our procurement strategy, and collaboration within the investment, entrepreneurial, and employer ecosystems to support greater equality and inclusion.

Within our portfolio, we collect information to monitor diversity, and we support our companies and projects to implement more ambitious and effective approaches.



3. Having an impact beyond our missions continued

An important element of addressing inequality is ensuring that employment is high quality and fair. That is why our Ethical Investment Policy sets out that we will only invest in companies that either have existing Fair Work practices²⁶ in place or are willing to commit to adopt these in a proportionate and relevant way. We require projects and companies we invest in to pay the real Living Wage to direct employees and to justify any use of zero hours labour to the Bank's satisfaction.

Many of the businesses within our portfolio are in the early stages of their growth and we can use our knowledge to share good equalities practice as they grow. Our investment covenants are designed to influence positive change in a way that's relevant and proportionate for each company or project. As a minimum these covenants include:

- ◆ reporting Fair Work data;
- ◆ reporting of diversity data;
- ◆ developing and/or reviewing EDI policies;
- ◆ putting a plan in place to increase equality of opportunity, as well as diversity and inclusion where appropriate;
- ◆ monitoring progress on agreed actions.

When we invest equity, we typically have observer rights on investee boards. This allows us to better understand the needs and challenges of each individual business, allowing us to offer support and point to relevant guidance.

We believe there's a wider role for us to promote EDI in businesses beyond our portfolio. Our interim Equalities Report²⁷ sets out our activity, as does our response²⁸ to Ana Stewart and Mark Logan's "Pathways Report"²⁹, which made two recommendations for the Bank:

- ◆ *Recommendation 12: "Where the Scottish National Investment Bank acts as a Limited Partner to "cornerstone" a fund, such participation should be contingent on the fund manager having at least 20% of its senior investment personnel being women."*
- ◆ *Recommendation 15: "Scotland should act strategically to establish the country as a global centre for Femtech start-ups" and as part of the recommendations detail "...SNIB should cornerstone a Femtech fund..."*

Our response to these recommendations can be found at thebank.scot/following-pathways-and-going-further³⁰. A key focus during 2024 will be engaging with the report's outcomes and with others in the investment community to address barriers to investment finance faced by minority or protected groups.

Employment, Fair Work, Equality, Diversity and Inclusion in our Portfolio

Employment³¹

In 2023, the Bank's investment directly supported around **1,310** jobs. The indirect and induced impacts from the Bank's investment supported a further **540** jobs across the Scottish economy.

- ◆ The average number of jobs supported per investment was **69**. It is estimated that **248** additional jobs were associated with the Bank's investment in 2023.

Summary of number of jobs supported, by primary mission*

	Net Zero	Place	Innovation	Total
Number of investments	11	5	11	27 ³²
Direct impacts	643	179	488	1,310
Indirect impacts	170	14	63	247
Induced impacts	193	21	79	293
Total	1,006	214	630	1,850
Average jobs supported per investment	91	43	57	69

*There was significant variation in the amount invested by mission during 2023. Investment has also been made across a variety of industry sectors. The performance of missions should therefore not be directly compared.



3. Having an impact beyond our missions continued

Fair Work, Equality, Diversity and Inclusion

During 2023:

- ◆ **100%** of the businesses and projects directly invested in:
 - Aligned with Fair Work First Principles.
 - Offered flexible working practices³³.
 - Paid at least the real Living Wage to all permanent direct employees in line with the expectations set out by the Living Wage Foundation.
 - Had no inappropriate³⁴ zero-hour contracts.

Diversity and inclusion can bring many advantages to businesses, that's why we challenge our portfolio companies to make sure that there is diversity within their organisation and in any shortlist for board positions. We will continue to promote diversity, including gender-balanced boards, and we're encouraged that the percentage of females sitting on our portfolio companies' boards has risen to 16% (from 13%) during the past year.

- ◆ **12.8%** of portfolio investment is in female-led³⁵ companies.
- ◆ **12.9%** of portfolio companies are female-led. In 2023, 19.4% of all companies active in Scotland were female-led³⁶ and in 2022 female-led businesses made up 12% of companies receiving investment in Scotland³⁷.
- ◆ **16.2%** of board members across our portfolio are female (average % across all boards within portfolio).
- ◆ **13.3%** of portfolio businesses and Funds have an equal³⁸ gender balance on the board.
- ◆ **31.2%** of jobs directly supported by the Bank's investments in 2023 were held by females.

Of the 21 investees measuring and reporting the ethnicity of their employees and board members in 2023:

- ◆ **6** businesses (**28.5%**) reported at least one board member having an ethnic minority background.
- ◆ **12** businesses (**57%**) reported having at least 8.2%* of employees representing an ethnic minority background (*the 2011 census for % of Scottish population with an ethnic minority background).
- ◆ **15.6%** of jobs directly supported by the Bank's investments in 2023 within those measuring and reporting the ethnicity of their employees were held by individuals with an ethnic minority background.

Many of the companies in our portfolio employ people in roles that use science, technology, engineering, and mathematics (STEM), which are fields in which there's a historical gender imbalance. We'll keep challenging our businesses to increase employee diversity and narrow the gender pay gap, while recognising that external constraints³⁹ in the labour market may disproportionately affect some industries and roles found within our portfolio.

- ◆ **85.1%** of companies which committed⁴⁰ to undertake an annual gender pay gap analysis have reported for 2023:
 - The **mean** gender pay gap for all employees – averaged across all companies reporting a positive figure – was **18.2%**. **One** portfolio company reported a negative mean gender pay gap (i.e. women earning more than men on average).
 - The **median** gender pay gap for all employees – averaged across all companies reporting a positive figure – was **17.3%**. **Two** portfolio companies reported a negative median gender pay gap.



Gender pay gap – UK and Scotland

The gender pay gap is the percentage difference between the average hourly earnings for men and women. It most commonly results from differing representation of men and women in senior roles and job functions, as well as the impact of part-time working. Gender pay is different from equal pay, which is about men and women being paid fairly for doing equivalent jobs, which has been a legal requirement since the Equal Pay Act 1970, and more recently, the Equality Act 2010.

For companies in Scotland most comparable to those in our portfolio, the **mean** gender pay gap for all employees – averaged across all companies reporting a positive figure – was 15.2%. The **median** gender pay gap for all employees – averaged across all companies reporting a positive figure – was 15.5%⁴¹.

While the gender pay gap in the UK has been declining over time, the ONS⁴² reports that there remain differences across employment type, ages, occupations, and industry sectors. Specifically:

- ◆ There remains a large difference between employees aged 40 years and over and those aged below 40 years.
- ◆ There are fewer women in their 40s and 50s in occupations such as managers, directors and senior officials, which is typically when pay for these occupations increases.
- ◆ The gap is typically larger for higher earners than lower-paid employees.

The pay gap for occupations typically found in our portfolio is higher than the national average. For example, the ONS reports that the median pay gap in 2023 for all employees is 29% for financial managers and directors, 18% for science, engineering and production technicians, and 13% for research and development (R&D) and other research professionals.



3. Having an impact beyond our missions continued



Equality, Diversity, and Inclusion

Our work to promote EDI within the Bank and across our investments was recognised at the 2023 Deal & Dealmakers Awards, at which the Bank was shortlisted for the Diversity & Inclusion Award.

As a young organisation, we recognise that we are still at the start of our investment journey and that we can learn from others. Improving access to finance and broader EDI objectives through our investment outcomes and engagement with investee companies is complex and multi-faceted. It is an area that requires collaboration across the investment community and importantly with affected groups. We therefore welcomed the opportunity to become a “founding signatory” for the Pathways Forward group to work alongside other committed organisations to support meaningful change across the entrepreneurial ecosystem.



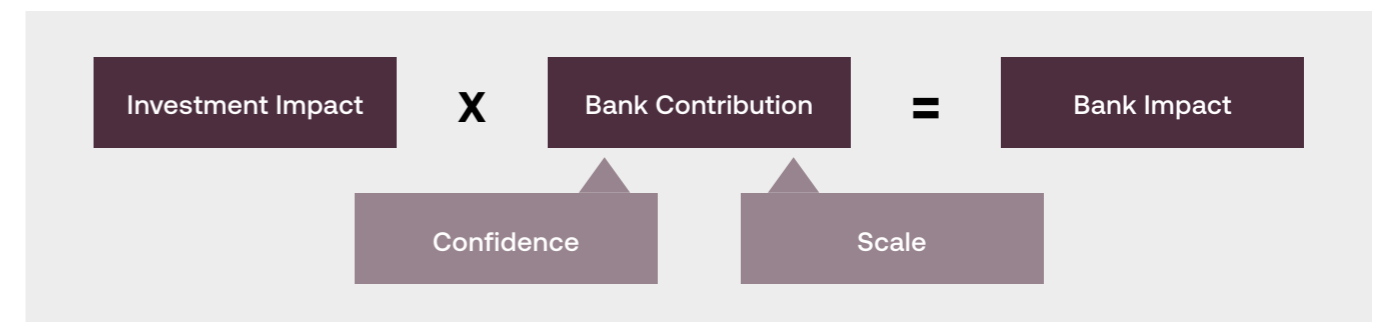
Making a wider contribution

The grand challenges that Scotland faces are complex – and that’s why we need input from the public, private, and third sectors to tackle these challenges together. One of our contributions is to use our public sector funding to attract private sector investment to Scotland. Investing alongside our private sector partners means we can deliver even greater impacts for our environment, economy and local communities.

That’s why our decision-making process for each investment includes all five dimensions of impact identified within the Impact Management Project (see the Impact Management Framework), including an analysis of the Bank’s “Contribution” to delivery of impact. We identify and score our contribution against three dimensions:

1. **Financial additionality** – the role of the Bank in situations where capital is not available, or not available in sufficient quantity or terms.
2. **Value additionality** – the role of the Bank’s knowledge, advice, governance support, ESG, climate and impact expertise in delivering investment outcomes.
3. **Mobilisation** – the role of the Bank’s presence in providing assurance or other comfort that allows others to invest at the same time or subsequently.

The Bank determines its level of contribution through a combination of the **confidence** we take that we are providing an additional financial and/or mobilisation role *and* the **scale** of our contribution, which is typically an assessment of the value-add the Bank can bring.



Supply chain

The way we pick our suppliers is designed to be proportionate to the size of the contract, in keeping with the rules set out by the Public Contracts (Scotland) Regulations 2015 and Procurement (Scotland) Regulations 2016. We look at each contract we award on a case-by-case basis and ask questions about equality and Fair Work practices when we’re choosing our suppliers.

More information about how we promote our values around EDI and Fair Work within our procurement contracts can be found in our Procurement Strategy⁴³.



3. Having an impact beyond our missions continued

Impact investment ecosystem engagement

Over the past year, we've been building on the success of our 2022 Impact Investing Summit by increasing our influence as an impact investor.

In March 2023, we became an official signatory to the Operating Principles for Impact Management (OPIM), joining a global community of impact investors that publicly demonstrates its commitment to implementing a common standard for managing investments for their impact. More information about the OPIM and how our investment processes are aligned with the principles can be found in the Impact Management Framework and our Annual Disclosure Statement 2024⁴⁴.

Closer to home, we have worked with a range of stakeholders and partners to promote impact investment within Scotland, develop our own impact practices, and share our knowledge and experience as our portfolio expands and matures:

Scale-up

Scotland's economy could be transformed if we increase the number of successful scale-up businesses, grow the size and productivity of their operations, and raise their ambitions. Building on our partnership with The Hunter Foundation to deliver Scale up Scotland 2.0, our engagement in 2023 focused on the issues facing scale-up businesses, especially those in innovation sectors.

In March 2023, the Bank partnered with the ScaleUp Institute to produce an insight report⁴⁵ to highlight and analyse the current trends and gaps in the Scottish scaleup investment landscape. The report fed into a Scaling Up Summit in partnership with The Times and Sunday Times⁴⁶, which brought together Scottish investors and Small and Medium-sized Enterprise (SME) business leaders to spotlight scaling-up strategies and address common challenges.

Business support

Companies tell us that there's a lack of dedicated support to help businesses seeking investments that focus on impact. To address this gap, we are partnering with the University of Strathclyde to launch an impact investor readiness programme in 2024.

Impact investor readiness programme

During 2023 we worked with the University of Strathclyde to develop an Impact Investor Readiness Programme, which will launch in 2024. The programme offers an innovative approach for the impact ecosystem, providing practical guidance on ways to consider, articulate, and enhance the role of impact and ESG as part of business strategy and execution.

The programme is aimed at senior leaders in organisations who are seeking to understand and enhance their impact on the environment and society, and ultimately grow their business for the wider benefit for Scotland.

It forms a core part of the Bank's impact engagement strategy to raise Scotland's profile as a centre of impact investment opportunities and give participants the tools and knowledge needed to embed impact-led thinking into their businesses.



Conclusions from our Chief Investment Officer

Since our launch in 2020, over £1.3 billion has been invested in the Scottish economy through money committed directly by, and alongside, the Bank. This investment supports the delivery of our missions and wider impact objectives.

As an investment team we aspire to go beyond delivering commercial outcomes alone. We intend to prove that through impact investing it's possible to deliver tangible and measurable benefits for Scotland's people, communities, and environment.

Throughout 2023 we have deepened our connections with key sectors in the Scottish economy and built up our networks across the private, public and third sector to share our missions and encourage others to support their delivery. Through building these communities of common purpose, we can be a catalyst for change. We can challenge the status quo, attract more investment into Scotland alongside our own, and build a better economy that is innovative, high-value, and delivers shared and sustainable prosperity.

We also focus on areas where we can improve ourselves too, and in the past year we've evolved and strengthened our own impact management practices. External verification has demonstrated that we are at least comparable and, in several instances, outperforming our peers and larger, more established impact investors. This is something to be proud of and will remain a key focus as we evolve and expand our portfolio.

In the year ahead, we will increase our focus on managing our growing portfolio to generate maximum positive impact. We will harness the knowledge and skills of our investee companies and create learning communities to share good practice and collectively address common challenges such as carbon management and net zero transition, diversity within Boards and management teams, and reducing the gender pay gap. We'll also work with other organisations to support change across the system and to prove the positive benefits of impact investment.

As you have read this report, I hope you will take away and share in our enthusiasm for the investment outlook in Scotland, which has great businesses doing exciting things to address society's grand challenges. At the Bank, we're proud to play a role in supporting and helping these businesses to scale, connect and create prosperity for generations to come.

Mark Munro
Chief Investment Officer





Portfolio Overview

We want to build a portfolio of investments that will help address climate change and improve the lives of people in Scotland.

Each of our investments has a primary and where relevant a secondary or tertiary mission, which determines how we measure the impact of each investment. We also measure the impact of our investments against the United Nations' Sustainable Development Goals and the Scottish Government's National Performance Framework as set out on page 20.

We measure the progress of our investments against their objectives at an individual, portfolio, and mission level. Our Impact Management Framework explains the measurements we use, and our Impact Management practices.

As well as individual investments contributing to our three missions, our aim is to build a portfolio that ensures the collective impact is greater than the sum of its parts. We therefore use our Investment Strategy to consider how our investments can support the growth of specific sectors to create the biggest impact for Scotland and its people.

Making an investment is only the start of the journey for us. We work with our companies and projects to promote positive management of their operations, which then has a ripple effect in the wider economy. For example, we encourage our portfolio companies to use carbon management practices and environmental and social management systems. Our investments also carry conditions to promote secure and inclusive employment by requiring our portfolio companies to develop equality, diversity, and inclusion (EDI) policies and implementing practices put forward by the Fair Work Convention.

Through building a portfolio that contributes to a greener, more inclusive, and more productive Scotland, we aim to demonstrate that positive social and environmental impact can go hand-in-hand with financial returns.

“Through building a portfolio that contributes to a greener, more inclusive, and more productive Scotland, we aim to demonstrate that positive social and environmental impact can go hand-in-hand with financial returns.”



Portfolio Overview continued

Primary Mission – Net Zero

Total Investment Since Launch until 31 December 2023 – £244 million*

For:Ev
£12 million



Overview

Investment in Scotland's Electric Vehicle charging network.

Impact

Supports the just transition to net zero and investment in innovative, scalable technology.

Investment date

2021
2022

Missions supported



UN SDG



NPF



IndiNature
£5 million



Overview

Investment to scale up production of a natural fibre (hemp) construction insulation system at a new manufacturing facility in the Scottish Borders.

Impact

Development of new construction materials that have the potential to result in net carbon capture and significant reductions in manufacturing energy compared to current mainstream materials. Creates employment in Scottish Borders.

Investment date

2021
2022

Missions supported



UN SDG



NPF



Gresham House Forestry Fund
£50 million



Overview

Cornerstone investment in forestry fund.

Impact

Supports wide scale new planting, biodiversity and carbon sequestration. The fund will also provide sustainable building materials and help to displace steel and other carbon intensive products in building and construction.

Investment date

2021

Missions supported



UN SDG



NPF



Nova Innovation
£6.4 million



Overview

Investment to expand manufacturing base, enabling production of innovative marine energy solutions to deliver clean, predictable, cost competitive electricity.

Impact

Support the development of a new source of renewable energy generation and reduction of carbon emissions.

Investment date

2021

Missions supported



UN SDG



NPF



Iona Wind Partnership
£13 million



Overview

Investment in onshore wind investment fund to develop turbines that are forecast to generate enough renewable energy to power 850,000 homes.

Impact

Support the production of renewable energy and reduction of carbon emissions.

Investment date

2021

Missions supported



UN SDG



NPF



Port of Aberdeen
£35 million



Overview

Investment to support the expansion of Aberdeen's South Harbour.

Impact

Support Scotland's net zero transition and renewables sector through the provision of greater land and water access for offshore wind developers.

Investment date

2022

Missions supported



UN SDG



NPF



*Portfolio data presented to 31 December 2023. Further investments were made by the Bank between January – March 2024. As of 31/3/2024 the Bank had committed £639.7 million and crowded in an additional £1 billion.



Portfolio Overview continued

Primary Mission – Net Zero

Total Investment Since Launch until 31 December 2023 – £244 million*

Orbital Marine Power £4 million



Overview

Project finance to support the continued operations of the O2 tidal energy device – an innovative, Scottish-grown technology which makes use of abundant, predictable tidal flow to generate clean energy.

Impact

Supports the transition to net zero through the development of renewable offshore energy.

Investment date
2022

Missions supported



UN SDG



NPF



Trojan Energy £28 million



Overview

Investment supporting the scale-up of innovative electric vehicle charging business.

Impact

Supports the just transition to net zero and investment in innovative, scalable technology.

Investment date
2022
2023

Missions supported



UN SDG



NPF



North Star Renewables £50 million



Overview

Investment to build service operations vessels to support the renewable energy sector.

Impact

Supports growth of UK offshore wind farms through enabling the construction of service operations vessels which are critical in supporting the operation of wind farms. Strengthens Scotland's position of a UK and global leader in the offshore wind supply chain, increasing the likelihood of further SOV contracts and growth.

Investment date
2022

Missions supported



UN SDG



NPF



Utopi £5 million



Overview

Investment in ESG monitoring platform for multi-tenant real estate that focusses on changing tenant behaviours. Investment will support scale-up and expansion.

Impact

Supports reduction in energy consumption and associated carbon emissions in the multi-tenant asset sector. Creation of new jobs within Scotland a high-tech sector and supports expansion into new global markets.

Investment date
2023

Missions supported



UN SDG



NPF



Verlume £6.6 million



Overview

Investment in clean energy. Verlume's technology uses intelligent energy management and storage to deliver a constant output of power from renewable sources.

Impact

Supports the adoption of renewable technology within offshore oil and gas decarbonisation projects and minimises energy loss from electricity generated from offshore wind.

Investment date
2023

Missions supported



UN SDG



NPF



Aurora Energy Services up to £20 million



Overview

Investment to bolster and expand Aurora's network of regional training hubs and workshop facilities to support the green energy supply chain including wind turbine and blade inspection and repair.

Impact

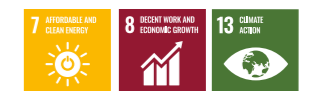
Supports the transition to net zero through servicing of projects across the renewables sector, including wind, solar, hydrogen, carbon capture and storage, as well as pumped hydro and waste to energy. Creates jobs and training in rural Scotland.

Investment date
2023

Missions supported



UN SDG



NPF



*Portfolio data presented to 31 December 2023. Further investments were made by the Bank between January – March 2024. As of 31/3/2024 the Bank had committed £639.7 million and crowded in an additional £1 billion.



Portfolio Overview continued

Primary Mission – Place

Total Investment Since Launch until 31 December 2023 – £144 million*

Thriving Investments £40 million



Overview

Investment to deliver affordable, quality rental homes in Scotland through the New Avenue Living Fund.

Impact

Provision of access to affordable rental housing, allowing people to remain in their local communities. Improved energy efficiency of rental stock contributing to reduced emissions from the housing sector.

Investment date
2020

Missions supported



UN SDG



NPF



Strathcarron Homes £3.3 million



Overview

Investment to build 25 high quality affordable family homes to be sold to local social housing tenants and first-time buyers.

Impact

Regeneration of a brown field site. Provision of access to affordable housing. Reduction in inequalities and improved outcomes for the local community.

Investment date
2021

Missions supported



UN SDG



NPF



Highland Broadband £40 million



Overview

Investment to improve Scotland's digital infrastructure in rural and highland areas.

Impact

Reduction in digital inequality and improved access to digital infrastructure in rural communities and small towns across Scotland.

Investment date
2021
2023

Missions supported



UN SDG



NPF



Highland Coast Hotels £6.95 million



Overview

Investment to support more sustainable and community-led hospitality, predominantly around the North Coast 500 tourist route.

Impact

Increased tourism and employment opportunities in remote areas of Scotland. Supports the local economy through wider supply chain spend helping to sustain communities and businesses.

Investment date
2022

Missions supported



UN SDG



NPF



Lost Shore £38.8 million



Overview

Investment to transform disused quarry in the west of Edinburgh into a multi-purpose country park and leisure facility.

Impact

Regeneration of brown field site that will improve the environment for local communities and create new job opportunities. The surfing facility will provide year-round surfing, including training for beginners, and a commitment to work with local communities and charities to enhance access to the mental health and well-being benefits of surfing.

Investment date
2022
2023

Missions supported



UN SDG



NPF



Social and Sustainable Capital £15 million



Overview

Investment into Social and Sustainable Capital's second Social and Sustainable Housing Fund (SASH II), allowing high performing charities to build portfolios of properties to house vulnerable individuals.

Impact

Fund will provide access to safe, stable and appropriate housing for vulnerable individuals. Improved energy efficiency with the Bank's investment ensuring that financed properties meet the same standards as homes provided by registered social housing providers.

Investment date
2022

Missions supported



UN SDG



NPF



*Portfolio data presented to 31 December 2023. Further investments were made by the Bank between January – March 2024. As of 31/3/2024 the Bank had committed £639.7 million and crowded in an additional £1 billion.



Portfolio Overview continued

Primary Mission – Innovation

Total Investment Since Launch until 31 December 2023 – £120.1 million*

M Squared
£20.2 million



Overview

Investment in the development of photonics and quantum technology.

Impact

Supports development of Scottish innovation and tech sector. Development and application of new nanotechnology will support wider scientific and health research and discoveries, including atmospheric modelling required to assess climate change.

Investment date

2020
2023

Missions supported



UN SDG



NPF



Krucial
£4.3 million



Overview

Investment in the Internet of Things (IoT) communication and data service provider to scale business.

Impact

Improved access to communication and data analytical services in historically hard to reach locations. Creates new jobs in the Scottish tech ecosystem.

Investment date

2021
2023

Missions supported



UN SDG



NPF



Sunamp
£16 million



Overview

Investment to allow Sunamp to scale up production of innovative heat batteries and progress international expansion from their East Lothian base.

Impact

Supports the development of thermal energy storage technology, reducing commercial and residential energy consumption.

Investment date

2021
2022

Missions supported



UN SDG



NPF



Travelnest
£9.5 million



Overview

Investment in travel technology business Travelnest to support the development of its innovative software platform, creation of new jobs and allow the company to target new markets raising Scotland's international profile.

Impact

Supports Scottish technology ecosystem and creation of high-value jobs.

Investment date

2022
2023

Missions supported



UN SDG



NPF



Elasmogen
£3.5 million



Overview

Investment in the development of the next generation of therapeutic drugs through the development of multi-functional biologic products, focused on autoimmune and inflammatory diseases and oncology.

Impact

Supports innovation and industries of the future for a healthier, more resilient and productive population. Supports the biologics cluster in Aberdeen, creating highly skilled jobs.

Investment date

2022

Missions supported



UN SDG



NPF



Pure LiFi
£10 million



Overview

Investment to develop communications systems and protocols allowing ultra high-speed transmission of data using the light spectrum rather than radio waves – LiFi rather than WiFi.

Impact

Supports the development of disruptive technology and address the growing challenge of internet security, cyber-attacks and cyber theft. Supports the creation of highly skilled technology jobs in Scotland and the wider tech ecosystem. Creates jobs and training in rural Scotland.

Investment date

2022

Missions supported



UN SDG



NPF



*Portfolio data presented to 31 December 2023. Further investments were made by the Bank between January – March 2024. As of 31/3/2024 the Bank had committed £639.7 million and crowded in an additional £1 billion.



Portfolio Overview continued

Primary Mission – Innovation

Total Investment Since Launch until 31 December 2023 – £120.1 million*

Orbex
£17.8 million



Overview

Investment in low-cost Orbital launch services, serving the needs of the small satellite industry.

Impact

Supports development of Scotland's space sector, including the creation of skilled jobs in Forres and Sutherland. Reduces the carbon emissions associated with the sector through the development of innovative rocket technology.

Investment date
2022

Missions supported



UN SDG



NPF



PneumoWave
£5.2 million



Overview

Investment to continue clinical trials of biosensor technology that monitors potential fatal respiratory changes. The device can assist in early detection of potentially fatal respiratory conditions, including Opioid Induced Respiratory Depression and Paediatric Respiratory Monitoring.

Impact

Supports development of new medical technology. Potential to address a significant public health problem within Scotland and beyond. Creates new high-skilled jobs in Scotland's life sciences sector.

Investment date
2022

Missions supported



UN SDG



NPF



Forrit
£5 million



Overview

Investment to scale-up and target new markets for cloud-based Content Management System.

Impact

Scales disruptive and transformational technology to meet changing demographic needs. Supports Scottish innovation and job creation in the IT sector.

Investment date
2023

Missions supported



UN SDG



NPF



Cyacomb
£2.6 million



Overview

Investment in cutting edge digital forensic technology to detect and block harmful online content.

Impact

Supports the scale-up of Cyacomb's operations, expansion into new markets, and a reduction of harm online.

Investment date
2023

Missions supported



UN SDG



NPF



Par Equity
£20 million



Overview

Cornerstone investment to launch new venture fund supporting innovative technology companies with high-growth potential in Scotland and the North of the UK.

Impact

The fund will enable significant access to crucial scale-up funding to drive growth in the tech sector within Scotland, supporting innovation, job creation and economic benefits.

Investment date
2023

Missions supported



UN SDG



NPF



Cumulus Oncology
£6 million



Overview

Investment for cancer therapeutics development specialist to create spin-out companies involved in the development of groundbreaking new treatments.

Impact

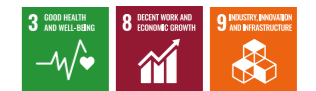
Accelerate the way new cancer drugs are progressed from discovery, through clinical trials to patients. Aims to fast-track therapies for cancers that don't respond well to existing treatments.

Investment date
2023

Missions supported



UN SDG



NPF



*Portfolio data presented to 31 December 2023. Further investments were made by the Bank between January – March 2024. As of 31/3/2024 the Bank had committed £639.7 million and crowded in an additional £1 billion.



End Note: How we calculate our data

Investment information included on our Impact Report

We report impact performance on a calendar year basis. This report contains data relating to investments held in our portfolio up-to and including 31 December 2023.

Impact data is typically collected on a biannual year basis for direct investments and annually for indirect investments. Investments held for less than 6 months of the reporting period may be exempt from reporting and therefore excluded from reporting calculations.

Carbon Emission Reporting

Emissions associated with our investee companies have been calculated in line with the GHG Protocol Corporate Accounting and Reporting Standard, and the UK Government Conversion Factors for greenhouse gas (GHG) reporting. The reporting of Scope 1 and 2 emissions represent the totality of each business' emissions.

Emissions related to our specific investment for this reporting period will be captured within our subsequent TCFD reporting. Our proportional share of emissions will be calculated using Category 15 – Investments of the GHG Protocols Technical Guidance for Calculating Scope 3 Emissions.

As the Bank's portfolio and reporting matures, selected Scope 3 emissions will be identified and may be included in our reporting in the future, specific to the type of investment we are making.

Fair Work

Investments made prior to the Bank's Fair Work Direction⁴⁷ (October 2021) may not be subject to our Fair Work reporting requirements and may therefore be excluded from any analysis on the adoption of the Fair Work Principles within our portfolio.

Employment Data

The Bank undertook external economic analysis to determine the employment impact of its investment within 2023. The methodology is set out below. The methodology differs from that used during the 2022 reporting period, the total number of jobs supported as reported in the 2024 Impact Report should therefore not be directly compared with the figures reported in the 2023 Impact Report.

Analysis methodology:

Four investments from the 31 within the Bank's portfolio were excluded from the analysis:

- ◆ Aurora Energy Services – Investment too recent (December 2023)
- ◆ Cumulus Oncology – Investment too recent (December 2023)
- ◆ Circularity Scotland Limited – Company in administration
- ◆ Strathcarron Homes – Build project not started.

The Bank calculated the indirect and induced impact of job creation based on knowledge of the direct employment from the Bank's activities and associated information such as supply chain spend and operational location. Where necessary data was supplemented with FAME⁴⁸ (Companies House Data⁴⁹) employment data.

Scottish Government produced Input-Output tables⁵⁰ for Scotland were used to provide type I and type II employment multipliers, which quantify the impact of a change in output or demand in a specific sector on employment throughout the economy. 2019 multipliers were used, representing the last available pre-covid 19 pandemic year available.

A standard counterfactual scenario was established whereby it was assumed that had the Bank not invested into a specific company then there would be no alternative investment made. As it is not possible to determine what employment the Bank's investment specifically contributes to, all employment numbers should be interpreted as having been supported by the Bank's investment as opposed to it being wholly and exclusively attributable to our investment.

The analysis methodology was guided by the Green Book⁵¹ with estimated impacts adjusted for deadweight, displacement and leakage.

Direct impacts:

The benefits accrued from individuals who are directly under the investment companies' employment in both full-time and part-time positions.

Indirect impacts:

Increasing demand for goods supplied by parties in the investment companies' supply chain result in firms within the supply chain employing more labour.

Induced impacts:

The direct and indirect impacts of the Bank's investments generate economic impacts that extend to the economy at large, beyond the investment companies and the parties in their supply chains.

Jobs supported:

Aggregate total of the direct, indirect and total employment impacts, including all employees in Scotland whose jobs are "supported" by the funding received from the Bank. The analysis only considers the number of jobs supported by the investments, including both full-time and part-time employment, and does not provide an estimate of full-time equivalent (FTE).

Additional jobs:

An estimate of additional jobs associated with the investment portfolio. It is the sum of the direct, indirect and total employment impacts, adjusted to only consider new jobs created in 2023.



References

1. Investment impact is measured and reported on a calendar year basis. Further investments were made by the Bank in the final quarter of the 2023-24 Financial Year, which are not captured in this report. As of 31/3/2024, the Bank had committed £639.7 million, and crowded in an additional £1 billion.
2. Figure includes Circularity Scotland Limited (CSL). CSL is now in administration.
3. For more information on the Bank's investment and proportional share of avoided, reduced and removed emissions, please see section of 2030 Mission Ambitions.
4. Flights are estimated based on a British Airways Airbus A319-100 with 144 passengers travelling from Glasgow International to London Heathrow (556 km) and calculated using the relevant UK Government GHG Conversion Factors for Company Reporting: (Domestic to/from UK Average passenger) $0.27258 \text{ kgCO}_2\text{e/passenger km}$: $556 \times 0.27258 = 0.151 \text{ tCO}_2\text{e} \times 144 = 21.744 \text{ tCO}_2\text{e}$ for capacity flight.
5. [Making the mark 2023 - BlueMark](#)
6. The delivery of impact is not linear and will be affected by a variety of factors including stage of growth and economic conditions.
7. Companies are typically only required to provide impact data after the first 6 months of investment and hence may be excluded from some reporting metrics until data is available.
8. Renewable energy generated is translated to an equivalent number of homes powered using the most recent available data for mean domestic electricity consumption in Scotland. 2023 data uses [Subnational Electricity and Gas Consumption Statistics](#) (published January 2024).
9. [Transition Finance | Scottish National Investment Bank \(thebank.scot\)](#)
10. Investment figures provided are correct as of 31 December 2023.
11. <https://www.thebank.scot/a-just-transition-putting-people-first>
12. [A Just Transition - putting people first | Scottish National Investment Bank \(thebank.scot\)](#)
13. Jobs supported total includes direct, indirect and induced jobs associated with any investment that contributes to the delivery of the Bank's Net Zero mission.
14. [Pathway to Net Zero - Carbon Management Plan | Scottish National Investment Bank \(thebank.scot\)](#)
15. Investment figures provided are correct as of 31 December 2023.
16. The New Avenue Living Fund delivers affordable homes to rent throughout Scotland. Properties are let at a discount to open market rents (Mid-Market and Rent tenure).
17. Jobs supported total includes direct, indirect and induced jobs associated with any investment that contributes to the delivery of the Bank's Place mission.
18. Four companies were not required to report for 2023.
19. Supply chain spend includes CapEx and may have significant variance across years.
20. Four companies were not required to report for 2023.
21. Investment figures provided are correct as of 31 December 2023.
22. Four companies were not required to report for 2023.
23. To account for Boards which may be small or contain an odd number of individuals, we include Boards where there may be a 60/40 split in favour of either gender. This is in line with Women on Boards diversity targets which advocates for a 40:40:20 target for board gender diversity; 40% male, 40% female and 20% fluctuation either way.
24. [TCFD Report \(Task Force on Climate-related Financial Disclosures\) | Scottish National Investment Bank \(thebank.scot\)](#)
25. [Equality Strategy | Scottish National Investment Bank \(thebank.scot\)](#)
26. [Fair Work action plan: becoming a leading Fair Work nation by 2025 - gov.scot \(www.gov.scot\)](#)
27. [Interim Equalities Report 2023 | Scottish National Investment Bank \(thebank.scot\)](#)
28. [Following Pathways, and going further | Scottish National Investment Bank \(thebank.scot\)](#)
29. [Pathways: A new approach for women in entrepreneurship - gov.scot \(www.gov.scot\)](#)
30. [Following Pathways, and going further | Scottish National Investment Bank \(thebank.scot\)](#)
31. Information on how the 2023 employment impact data was calculated is provided in the Annex. The more in-depth methodology utilised for this analysis differs from that applied in the 2023 Impact Report. It is therefore not possible to provide a direct comparison or trend data.
32. Four companies were not required to report for 2023.
33. The Bank recognises that some roles are not suitable for flexible working and excludes these from its analysis.
34. The Bank recognises that appropriate use of zero hours contracts may offer mutual benefit to the employee and employer when it is mutually requested.
35. In our reporting "Female-led" includes companies that have either a female founder or CEO.
36. [TGI-2024-Report.pdf \(thegenderindex.co.uk\)](#)
37. [Pathways: A New Approach for Women in Entrepreneurship \(www.gov.scot\)](#)
38. To account for Boards which may be small or contain an odd number of individuals, we include Boards where there may be a 60/40 split in favour of either gender. This is in line with Women on Boards diversity targets which advocates for a 40:40:20 target for board gender diversity; 40% male, 40% female and 20% fluctuation either way.
39. [Gender pay gap in the UK - Office for National Statistics \(ons.gov.uk\)](#)
40. Four companies were not required to report for 2023.
41. Based on Bank analysis using UK Government gender pay gap data for the reporting year 2022-23. Companies deemed most comparable to the Bank's portfolio were those based in Scotland which shared a SIC code with at least one Bank portfolio company - [Gender pay gap service \(gender-pay-gap.service.gov.uk\)](#)
42. [Gender pay gap in the UK - Office for National Statistics \(https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/bulletins/genderpaygapintheuk/2023\)](#)
43. [Procurement Strategy 23/24 | Scottish National Investment Bank \(thebank.scot\)](#)
44. <https://www.thebank.scot/operating-principles-for-impact-management>
45. [Scaling Up Scotland | Scottish National Investment Bank \(thebank.scot\)](#)
46. [The Times and The Sunday Times launch the Scaling Up Summit, in partnership with The Scottish National Investment Bank | Scottish National Investment Bank \(thebank.scot\)](#)
47. [Scottish National Investment Bank: Fair Work direction - letter from the Cabinet Secretary for Finance and the Economy - gov.scot \(www.gov.scot\)](#)
48. FAME provides access to 10 years of financial data, including balance sheets, profit and loss accounts and ratios, and number of employees, for companies in the UK and Republic of Ireland.
49. [Nature of business: Standard Industrial Classification \(SIC\) codes \(companieshouse.gov.uk\)](#)
50. [Supply, Use and Input-Output Tables: 1998-2020 - gov.scot \(www.gov.scot\)](#)
51. [The Green Book \(publishing.service.gov.uk\)](#)



Scotland's National Performance Framework (NPF)

Outcome	National Outcome
1 	Children and Young People We grow up loved, safe and respected so that we realise our full potential
2 	Communities We live in communities that are inclusive, empowered, resilient and safe
3 	Culture We are creative and our vibrant and diverse cultures are expressed and enjoyed widely
4 	Economy We have a globally competitive, entrepreneurial, inclusive and sustainable economy
5 	Education We are well educated, skilled and able to contribute to society
6 	Environment We value, enjoy, protect and enhance our environment
7 	Fair Work & Business We have thriving and innovative businesses, with quality jobs and fair work for everyone
8 	Health We are healthy and active
9 	Human Rights We respect, protect and fulfil human rights and live free from discrimination
10 	International We are open, connected and make a positive contribution internationally
11 	Poverty We tackle poverty by sharing opportunities, wealth and power more equally



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