

Scottish National Investment Bank plc

Terms of Reference for the Investment Oversight and Valuations Committee

1 Constitution

- 1.1 Pursuant to the Scottish Government and Scottish National Investment Bank plc Shareholder Relationship Framework Document, dated November 2020 (the "**SFRD**"), the Scottish National Investment Bank plc (the "**Bank**") is expected to have a Valuations Committee, of which the Bank's chair and at least one other non-executive director shall be members.
- 1.2 The Valuations Committee, renamed the Investment Oversight and Valuations Committee on 5 December 2024, (the "**Committee**") was constituted as an independent committee of the Board on establishment of the Bank, in accordance with the articles of association of the Company (the "**Articles**"). The procedures of the Committee shall at all times be compatible, and consistent, with the provisions of the Articles.

2 Role of the Committee and Scope

- 2.1 The primary function of the Valuation Committee is to provide independent review and oversight of the Bank's investment process and investment valuation methodologies.
- 2.2 In discharging its function, the Committee shall also assist the board of directors of the Bank (the "**Board**") in fulfilling its oversight responsibilities by providing independent review and monitoring:
 - 2.2.1 The Bank's Investment Strategy, making recommendations on any changes to the Board;
 - 2.2.2 The process and practices used to arrive at investment valuations;
 - 2.2.3 The quarterly investment valuations and any related reporting;
 - 2.2.4 The effectiveness of the operation of the investment process and decision making through the full investment cycle, to deliver an appropriate portfolio construction in line with the Bank's Missions;
 - 2.2.5 The portfolio management process and engagement with investee companies; and
 - 2.2.6 Impact and Mission related performance measurement.

3 Membership

- 3.1 The Committee shall comprise at least three members. Members of the Committee shall be appointed by the Board, on the recommendation of the Remuneration and Nomination Committee and Chair of the Committee (the "**Committee Chair**").
- 3.2 All members of the Committee shall be independent non-executive directors. The Committee as a whole shall have competence relevant to the business of the Committee. The Chair of the Board shall be a member of the Committee.
- 3.3 Appointments to the Committee shall be for a period of up to four years, which may be extended, provided the director still meets the criteria for membership of the Committee.
- 3.4 The Committee Chair shall review membership of the Committee annually, as part of the annual performance evaluation of the Committee.

- 3.5 The Board shall appoint the Committee Chair. In the absence of the Committee Chair and/or his or her appointed deputy at a committee meeting, the remaining members present shall elect one of themselves to chair the meeting. Any person nominated to chair the Committee must be a member of the Committee.
- 3.6 Only Committee members and the Secretary have the right to attend Committee meetings. However, the Chief Executive Officer, Chief Financial Officer and Chief Investment Officer will be invited to attend meetings of the Committee on a regular basis and the Committee Chair shall have the discretion to decide if others should be invited to attend all or part of any meeting as and when appropriate.

4 Secretary

The Bank's Company Secretary, or his or her nominee, shall act as the secretary of the Committee and will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration of the relevant issues.

5 Quorum

The quorum necessary for the transaction of business at a Committee meeting shall be two members.

6 Meetings

- 6.1 The Committee shall meet at least four times a year and otherwise as required.
- 6.2 Outside of the formal meeting programme, the Committee Chair will maintain a dialogue with key individuals involved in the Bank's governance, including the Chair of the Board, the Senior Independent Director, the Chief Executive Officer, the CIO, the CFO and the Chair of any regulated subsidiary board.
- 6.3 Meetings of the Committee may be conducted when the members are physically present together or in the form of either video or audio conference.
- 6.4 Decisions at a meeting shall be decided by a majority of votes. In the case of an equality of votes, the Committee Chair shall have a casting vote.
- 6.5 A resolution in writing, circulated with at least two business days' notice, and signed by a majority of Committee members will be as effective as a resolution passed at a Committee meeting. Any written resolution shall be tabled and noted at the next meeting of the Committee.
- 6.6 The Committee Chair shall attend the Company's annual general meeting or be available at least annually to answer any shareholder questions concerning the Committee's activities.

7 Notice of meetings

- 7.1 Meetings of the Committee shall be called by the Secretary of the Committee at the request of any of its members if they consider it necessary.
- 7.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee and any other person required to attend, no later than five working days before the date of the meeting. Supporting papers shall be sent to committee members (and to other attendees as appropriate) at the same time. All documentation shall be sent in electronic form.

8 Minutes of meetings

- 8.1 The Secretary shall minute the proceedings and decisions of all meetings of the Committee, including recording the names of those present and in attendance and any conflicts of interests declared by the members of the Committee.
- 8.2 Draft minutes of Committee meetings shall be circulated to the Committee Chair and once reviewed, to all members of the Committee.
- 8.3 Final approved minutes of the meetings of the Committee shall be available to the other members of the Board unless, exceptionally, it is determined by the Committee Chair that it is not appropriate to do so. Final signed copies of the minutes of the meetings of the Committee shall be maintained by the Secretary.

9 Duties

The Committee shall, unless required otherwise by regulation, carry out the duties detailed below for the Bank, its subsidiary undertakings and the group as a whole, as appropriate:

9.1 Implementation of Investment Strategy and Related Policies

- 9.1.1 Review of any policies allocated to the Committee in accordance with the Bank's policy framework.
- 9.1.2 Review the effectiveness of investment process of the Bank and the governance arrangements for and decision making of the Investment Committee and the process by which it assesses and approves or rejects investment propositions in line with the Bank's Investment Strategy and Investment Risk Policy and make recommendations as to improvements required in the processes, Strategy or Policy.
- 9.1.3 Ensure there is a process in place for the Investment Committee to establish models for the valuation of investment assets and that the models themselves are appropriate.
- 9.1.4 Oversight of the deployment pipeline and planned investment activity in order to assess the appropriateness of the portfolio construction to meet the Bank's business plan, performance targets and objectives and make recommendations to the Board on the same.
- 9.1.5 Review any internal audit reports relating to the investment strategy or related policies and process.

9.2 Valuation of Investments

- 9.2.1 Review and challenge the appropriateness of the valuation methodology and related practices in relation to the Bank's investment assets.
- 9.2.2 Validate and recommend to the Board and/or the Audit Committee, valuations attributed to the investment assets of the Bank for the purposes of financial reporting.
- 9.2.3 Approve valuations attributed to the investment assets of the Bank for the purpose of the management fee payable to Scottish Investments Limited.
- 9.2.4 Consider and make recommendations to the Audit Committee and the Board in relation to valuations for the purpose of the Bank's financial statements.

9.3 Portfolio Management and Other Engagement with Third Parties

- 9.3.1 Oversee and monitor the process for management of the Bank's portfolio of investments.
- 9.3.2 Oversee the portfolio company exit process, making any recommendations to ensure the exit process maximises the return to the Bank in financial and non-financial impact terms and is transacted in a responsible and orderly manner.
- 9.3.3 Identify and monitor any risks relating to the Bank's portfolio, including sector concentration, market risk, credit risk, environmental, social and governance ("**ESG**") risks and other investment related risk and advise the Board of the same.
- 9.3.4 Review the effectiveness of the portfolio management process and ensure appropriate action is taken to address any underperformance and/or monitor outperformance of investee companies.

9.4 Other Reporting

- 9.4.1 Review of the Bank's strategies, policies, procedures, performance and disclosures relating to sustainability and ESG, including any climate-related matters, as they relate to the investee companies or the investment process and advise the Board on the same.
- 9.4.2 Advise the Board on the Bank's sustainability and ESG-related engagement activities.
- 9.4.3 Review and make recommendations to the Board on the Bank's Impact and Mission Reports and related disclosures.
- 9.4.4 Review the methodology for determining the Bank's Total Rate of Return and monitor performance and reporting against it.
- 9.4.5 Monitor performance against any Impact or Mission key performance indicators ("**KPIs**") on a periodic basis and advise the Board on the determination of any new KPIs.
- 9.4.6 Monitor performance against any equality, diversity or inclusion KPIs or action plans and advise on the determination of any new KPIs as they relate to the Bank's investee companies.
- 9.4.7 Monitor and assess performance against the Bank's Long-Term Incentive Plan performance conditions as they relate to the investment portfolio, ESG (including climate-related conditions), Impact or Mission objectives and targets, and advise the Remuneration and Nominations

Committee on the outcomes and the determination of any new performance conditions within that same remit.

10 Reporting responsibilities

- 10.1 The Committee Chair shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 10.2 The Committee shall compile a report on its activities to be included in the Bank's annual report and accounts. The report should meet the requirements of the UK Corporate Governance Code and also explain any non-compliance with the relevant provisions of the UK Corporate Governance Code.
- 10.3 The Committee shall also formally report to the Board on the results of its own periodic effectiveness review.
- 10.4 The Committee, through its Chair, will report to the Board matters that should be brought to the attention of the Board including instances where the Committee has been unable to reach full agreement together with any recommendations which require Board approval or action.

11 Other matters

The Committee shall:

- 11.1 have access to sufficient resources in order to carry out its duties, including access to the Company Secretary for assistance as required;
- 11.2 be provided with appropriate and timely training, both in the form of an induction program for new members and on an ongoing basis for all members;
- 11.3 give due consideration to all relevant laws, regulations, the provisions of the UK Corporate Governance Code and published FRC guidance and any other rules, as appropriate;
- 11.4 oversee any investigation of activities which are within its terms of reference;
- 11.5 work and liaise as necessary with other Board committees ensuring interaction between committees and with the Board is reviewed regularly, taking particular account of the impact of risk management and internal controls being delegated to different committees;
- 11.6 ensure that a periodic evaluation of the Committee's own performance is carried out; and
- 11.7 at least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

12 Authority

The Committee is authorised to:

- 12.1 request the attendance of any employee at a meeting of the Committee as and when required and/or seek any information it requires of the Bank in order to perform its duties;

- 12.2 obtain, at the Bank's expense, independent legal, accounting or other professional advice on any matter it believes it necessary to do so;
- 12.3 delegate any matter or matters to a sub-committee or person as it deems appropriate; and
- 12.4 have the right to publish in the Bank's annual report, details of any issues that cannot be resolved between the Committee and the Board.

These Terms of Reference were reviewed and approved by the Board of Scottish National Investment Bank plc on **5 December 2024**

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