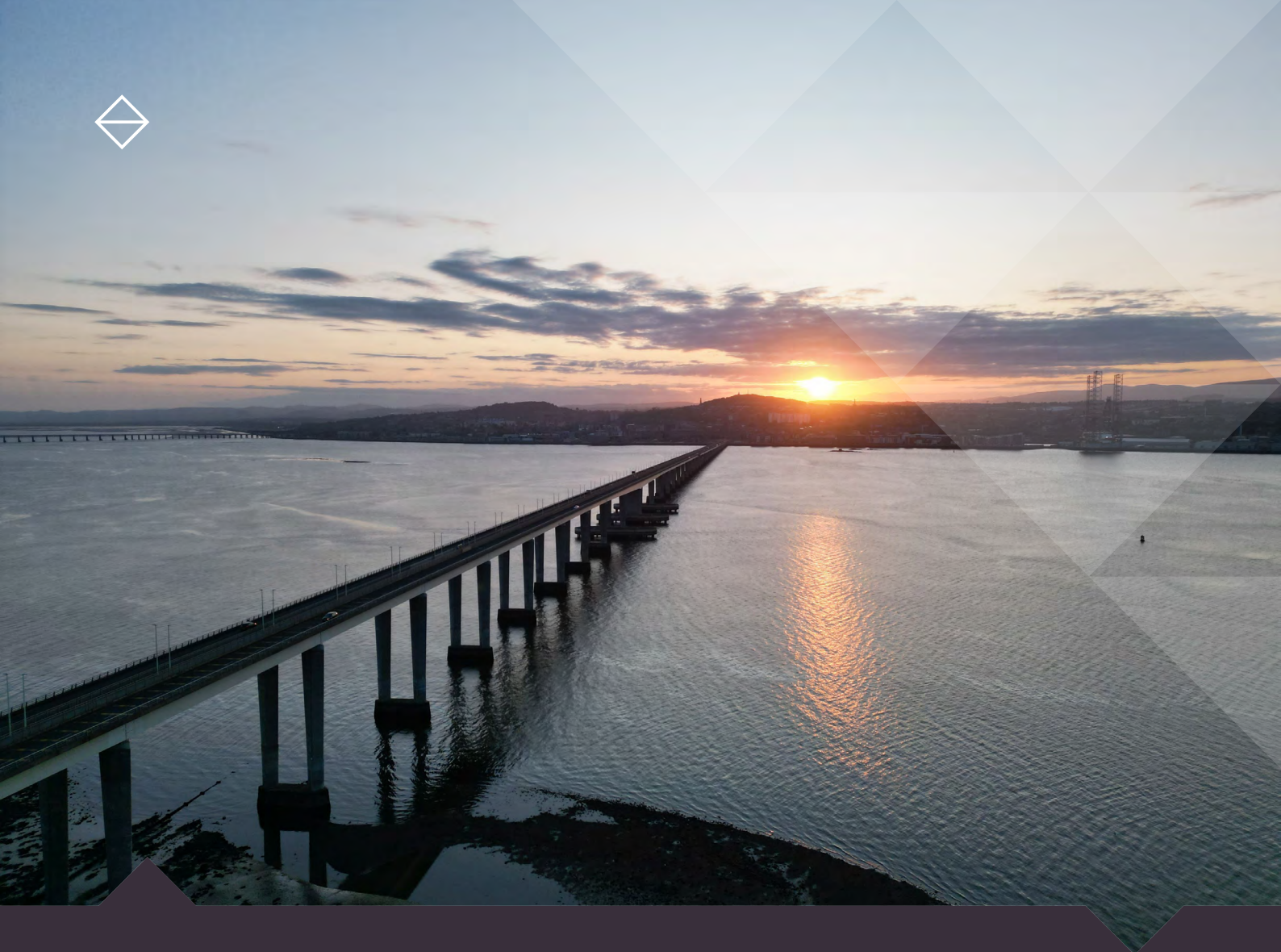




Business Plan

Financial Year
2025/26

The
Scottish
National
Investment
Bank



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Executive Summary

The Scottish National Investment Bank is Scotland's development bank. To support economic growth across Scotland, we invest in businesses and projects that support delivery of our missions and provide a commercial, risk-adjusted financial return. We invest for the long term and can make equity investments, provide debt or, where appropriate, invest in third party funds.

Our missions drive everything we do and are designed to reflect key challenges facing Scotland. They are:

- ◆ **Net Zero:** Address the climate crisis through growing a fair and sustainable economy.
- ◆ **Place:** Transform communities, making them places where everyone thrives.
- ◆ **Innovation:** Scale up innovation and technology, for a more competitive and productive economy.

The Bank's strategy remains consistent with what was set out in our Business Plan last year. The Bank continues to progress but there are areas where we expect to see our performance improve. From launch to the end of March 2025 we have committed £784.8 million of investment in support of our missions, £145.1 million of which was in the last financial year alone, £118.4 million of which was from our core capital allocation, and £26.7 million of which was drawn from the funds the Scottish Government has allocated to support the development of the Offshore Wind sector.

At the end of the Financial Year our portfolio had grown to 42 investee businesses. We work collaboratively and supportively with these businesses to help them to achieve their growth and fundraising ambitions.

The £784.8 million we have committed has also enabled more than £1.4 billion to be invested alongside the Bank, accelerating both economic growth and progress towards delivering our missions. The amount of investment we committed and deployed in the Financial Year 2024-2025 (FY24/25) was lower than that of FY23/24 and below what was available. This is due to market conditions becoming, and remaining, challenging. Historically, the Bank must deploy all its capital within the financial year – there is no ability to carry funds in to the next year. In the challenging market environment, many project timelines shifted, which meant that capital could not be committed in a prudent way, and timelines for deployment were unable to be hit.

In the future, the Bank has been granted a small amount of flexibility, with the allowance that a portion of capital can be carried over.

Our key strategic themes for the year ahead are consistent with those articulated in our Business Plan last year and are:



For each of these areas we are progressing against the outcomes we set out in our previous Business Plan, as set out in detail in Section 3. Within this plan we have again summarised what the Bank is aiming to achieve by 2030, including specific quantification for how we are progressing against our missions, and the key outcomes we are seeking to deliver for the year ahead.

As an impact investor our investments provide both financial and non-financial returns. Over this year we have reviewed how we can most efficiently and effectively support the delivery of our missions. Full details of this work, along with our performance to date, are set out in our separate Impact Report, published on our [website](#).

The total amount of investment we have committed and deployed since launch has continued to grow, driving an associated increase in income. For the second year in succession, the income from our investments has more than covered the costs of our operations. Within our Business Plan we do include an initial view of our results for FY24/25, while noting that these figures are still undergoing audit. Given the provisional nature of these figures, and that this Business Plan is a forward looking document, the detailed commentary about our results will be set out in our audited Annual Report and Accounts.



1. Introduction from the Chief Executive Officer

Our Ambition

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

At the Bank we are ambitious for the positive impact our investments and market insights can deliver.

This Business Plan outlines that the Bank has now committed over three quarters of a billion pounds in under five years. This capital has enabled over £1.4 billion of funding from other sources. That is over £2 billion of investment into growing businesses that we have directly facilitated.

This has been delivered against a backdrop of difficult market conditions. As I hear from other investors and those trying to grow their businesses, raising funds has been challenging and it remains so as risk appetites within the market have tightened. Global geo-political developments have raised levels of uncertainty across investment markets and Scotland is not immune to these trends. So, I believe, our role as a development bank and a prudent investor of public funds is as critical as ever.

The table of our unaudited accounts shows an unrealised loss of c.£77 million¹. It is important to note that this figure represents an estimated change in value to investments in our portfolio, as opposed to an actual loss. As we still hold the investments, we are working hard with our portfolio to improve their projected performance.

In considering these prudent provisions there is additional relevant context. Whenever we invest, we do so on the basis that we believe the opportunity can provide a fair, risk-adjusted return. However, we are a development bank and our role is to take a more patient approach and prove out business

models, while enabling private capital to invest. We invest in businesses at early and growth stages who, frequently, have innovative products or are addressing new markets. It is investing in these businesses that can enable us to transform Scotland. This role requires us to carry many different types of risk, and so while all investments are made in the expectation of success, we – like all investors – expect adjustments within our portfolio.

We previously published the return we expect to make on our portfolio – our “Target Rate of Return”. This was calculated considering the types of investment we are tasked with making, and benchmarked against other development banks. I remain comfortable with the target rate we have set and by achieving this rate (set at 3-4% for the medium term), we will be fuelling growth and creating returns.

Against that background, our delivery has been solid. Beyond our growing track record, this document focuses on our plans for the year ahead. The overall strategy for the Bank remains consistent. To enable this, I was pleased that the Scottish Government increased our funding for the coming year.

The global and local context for the delivery of our plan is a changing one, and we will need to be flexible and adaptive in our approach. I believe our missions are as important as ever. The grand challenges which we were established to address the climate crisis,

¹ The Bank's Annual Report and Accounts will set out the final audited position.



1. Introduction from the Chief Executive Officer continued

community-level inequalities and poor productivity, remain. The Bank is supported in addressing these challenges by new and evolving organisations such as the National Wealth Fund and GB Energy, while continuing to work alongside established entities such as Scotland's enterprise agencies and the British Business Bank.

Beyond the deployment of capital to drive impact there are additional areas of focus for the Bank in the year ahead.

For the first time, the Scottish Government has enabled some flexibility within our funding model. This is a key step towards realising the vision we share with the Scottish Government for the Bank to become a perpetual fund. This reflects a key recommendation from our recent Audit Scotland Report, which found that the Bank needs to become a perpetual investment fund to be able to meet our ambitions.

Key to us becoming a successful perpetual fund, where realising the value from past investments allows us to make future investments, is a successful and growing portfolio.

Pivotal to our success are the relationships we hold with our portfolio businesses. These businesses represent some of the most innovative, ambitious and high potential organisations in Scotland. They are seeking to convert this potential into growth against evolving economic circumstances, so our ongoing support – both financial and more broadly – is key to the value we can provide, and as our portfolio grows becomes an increasing focus for the Bank.

While supporting our growing portfolio to achieve their goals naturally rises as a priority as the portfolio builds, making new investments remains our primary priority. In the last financial year our commitments to companies new to our portfolio was lower than planned. These lower levels of commitment primarily relate to the fact that opportunities do not come to us, or any investor, in a linear way. We frequently –

and appropriately – will take significant time to carry out the Due Diligence we require to assess that a particular opportunity represents both a prudent investment and that it would provide a positive impact towards our missions. In the last financial year, we had several significant potential investments under consideration toward the end of the financial year. Ultimately these did not meet our requirements and we chose not to invest. These were absolutely the correct decisions. Looking forward, we have a healthy pipeline of new potential opportunities, and I am confident our investment strategy is focused in areas where the Bank can add most value.

This plan also reflects the fact that our ambitions go beyond our role as an investor. As Scotland's development bank, we can see critical sectors that require capital and hold relationships with investors who are interested in providing finance to these sectors, but where complexities form a barrier. Our investment strategy, which is published on our website, outlines key sectors of focus where we see opportunity. It also sets out the requirements that must be met for us to invest in a business or project. We are seeking to find solutions to the challenges created by such complexity and so create new markets from which pipelines of opportunities will emerge for us and for other investors, for example in areas such as housing and the offshore wind supply chain.

To enable this market creation and our broader investment and impact activities, we will continue to be an active contributor to the commercial ecosystem in which we operate. We will create and share new insight, convene those with shared interest in areas of strategic priority and help to support those organisations who share our goals and values.

A further priority area is our Equality Strategy, where we have a role to play as an investor, an employer and a procurer. Within this, an area in which we will continue to focus is to support greater female participation in entrepreneurship. As an employer,



1. Introduction from the Chief Executive Officer continued

I know we have much to do to close our Gender Pay Gap, and I would like to see us build on the actions we have taken so far to start to see clear progress, recognising that this will take some time given our relatively stable team.

The final area of strategic priority that I want to highlight is our plan to advise and manage private sector capital. This will enable us to accelerate investment from different sources into achieving the economic opportunities presented by our missions. Our ongoing engagement with institutional capital leaves me confident there is a clear opportunity for the Bank in this space. This is, however, set against the current difficult fund raising environment, so it may take longer to achieve than I had originally hoped. We have demonstrated meaningful progress toward this goal, most notably our wholly owned subsidiary “Scottish Investments Ltd” achieving initial authorisation from the Financial Conduct Authority (FCA), and we intend to build on this progress in the year ahead.

In summary, the Bank is demonstrating a growing

track record of delivery against our strategic priorities. We are ambitious to build on this and to play a key role in transforming the economy in which we operate. The Executive team and I remain grateful for the counsel we receive from our Board. Finally, I would like to extend my deep thanks to the entire Bank team. On a personal level, I have announced my intention to retire in the year ahead. I look forward to working with my successor to enable a smooth handover, as the Bank moves on to the next stage of its growth.

Al Denholm
Chief Executive Officer



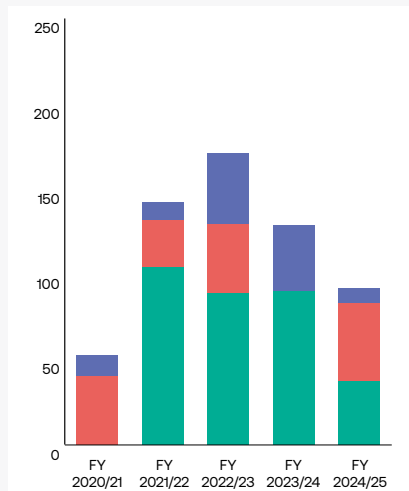


2. Our portfolio in numbers

Financial highlights

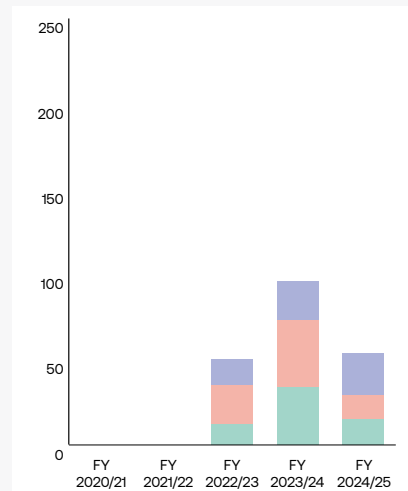
Committed investment in new companies

Total investment (£ million)
by primary mission



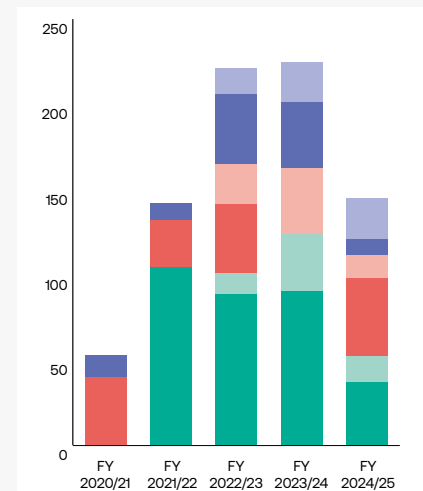
Committed investment in existing portfolio companies

Total investment (£ million)
by primary mission




Total committed investment

Total investment (£ million)
by primary mission



Net Zero Place Innovation Net Zero (existing) Place (existing) Innovation (existing)

Impact highlights

 Improving
lives and living
standards

207,042

people

Since launch, our investments have positively impacted 207,042 people through regeneration, high quality housing and connectivity.

▲ 2023: 116,944


That's an increase of 90,098 people since 2023.

 Reducing
harmful
emissions

135,531


tCO₂e

Since launch, our investment portfolio has avoided, reduced or removed the equivalent of:

 3,127 full capacity,
return flights from
Glasgow to London.

▲ 2023: 57,847 tCO₂e

That's an increase of 77,684 tCO₂e avoided, reduced or removed since 2023.

 Helping to create and
safeguard employment
opportunities

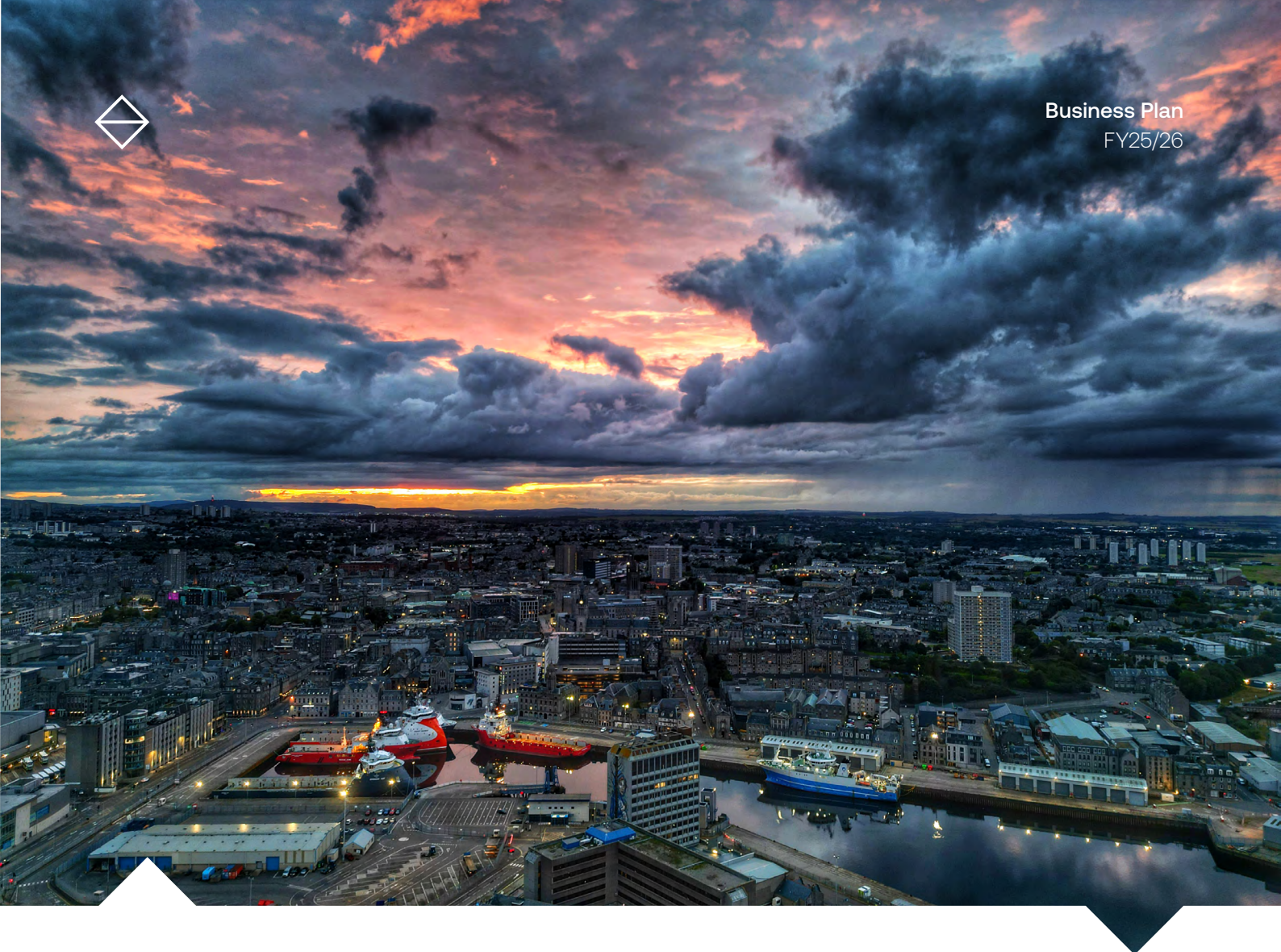
3,091

jobs supported

In 2024, our investment portfolio directly supported 2,362 jobs, with a further 729 jobs supported by indirect and induced impacts from the Bank's investments.

▲ 2023: 1,850

That's an increase of 1,241 jobs since 2023.



3. Progress against FY24/25 Business Plan

We report detailed progress against our mission Key Performance Indicators (KPIs) in our Impact Report. The summary below demonstrates positive progress against these indicators. In setting these targets we made some assumptions as to the type and scale of impacts that we would expect to see over time and, as a patient capital investor, we recognise that impact is often achieved over the longer term, and it is not linear. As such, we accounted for projected future impacts of our investments – as well as those achieved to date – in calculating what we expect to see in 2030. So we anticipate progress against our non-financial metrics will not be linear as we invest in more businesses and projects, and our current portfolio businesses grow and scale. We expect this to lead to an acceleration of performance toward the end of the reporting period (2030).



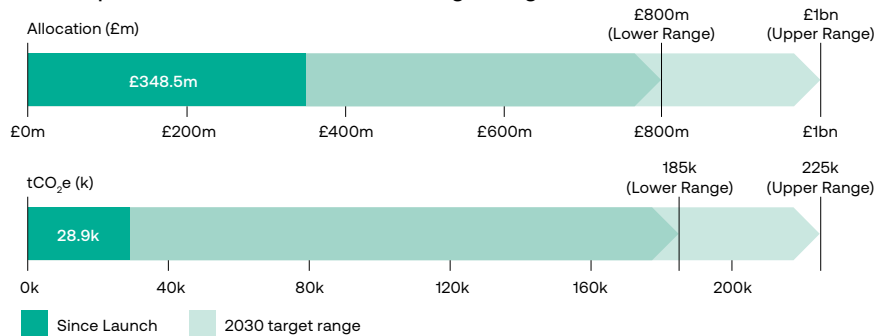
3. Progress against FY24/25 Business Plan continued

Net Zero

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.

Actual performance to date, and 2030 target range



The Bank provides patient (long-term) capital. For most of our investments, the impact is not linear and is expected to increase over time as the businesses and projects we invest in scale and our portfolio expands.

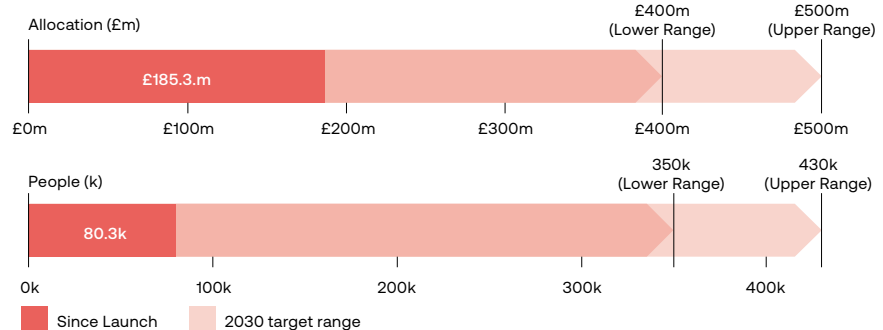
Actual performance to date is calculated based on the proportional share attributable to the Bank's investment. For equity investments, this is calculated as the Bank's percentage shareholding in the investee company. For fund investments, this is calculated based on our investment in relation to the 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.

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



The Bank provides patient (long-term) capital. For most of our investments, the impact is not linear and is expected to increase over time as the businesses and projects we invest in scale and our portfolio expands.

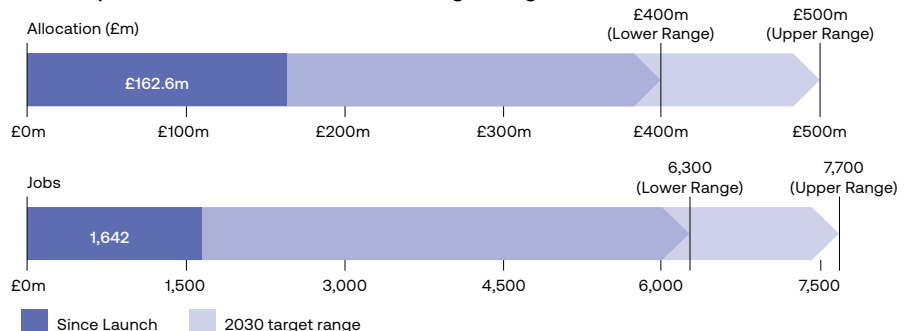
Actual performance to date is calculated based on the proportional share attributable to the Bank's investment. For equity investments, this is calculated as the Bank's percentage shareholding in the investee company. For fund investments, this is calculated based on our investment in relation to the 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 – £500m 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





3. Progress against FY24/25 Business Plan continued

In our Business Plan for 2024/2025 we set out the outcomes we were seeking to achieve for the year. The following tables summarise our performance against those outcomes.

Strategic Priority 1: Demonstrating and enabling impact	
Outcomes 24/25	Progress 24/25
<ul style="list-style-type: none">◆ Demonstrate measurable progress towards the Bank's missions as defined by our Impact Ambitions and Mission Objective KPIs.◆ Progress towards achieving the Bank's published Equality Outcomes as set out in our Equality Strategy.◆ Maintain and evolve best-in-class impact management practices throughout our investment processes to reflect feedback and insight from our recent independent Operating Principles for Impact Management verification.◆ Continue to review our approach to reporting and identify areas where we can usefully expand the scope of data we can monitor and publish.◆ Publish and promote insights relating to impact investing, and our missions.◆ Development of the impact investing ecosystem in Scotland, in collaboration with partners in academia, entrepreneurs and fellow investors to grow the community and to support the community in solving shared challenges.◆ Communities of learning amongst our investees established and being used to share best practice.	<ul style="list-style-type: none">◆ The Bank has delivered continued progress in line with our missions, as detailed in our recent Impact Report and summarised in the tables on page 9, with non-financial impact performing in line with the mission ambitions we set out last year.◆ Significant progress was made in delivering the actions outlined in our equality strategy, including making improvements to our data collection, investment processes and practice.◆ We refined our investment processes on the basis of opportunities identified by our OPIM (Operating Principles of Impact Management) verification audit, as did the updates made to our Responsible and Ethical Investment Policy. Another audit is being carried out in the coming financial year.◆ During 2024, we increased our data collection scope for Diversity data and reporting, and expanded the scope of our TCFD reporting to include relevant climate scenario analysis.◆ The Bank has published insight relating to offshore wind and housing, and promoted its impact expertise across a range of events and articles including the annual Bank conference and key industry events.◆ We collaborated with Impact Investing Institute and Better Society Capital to deliver events bringing together the impact investing community, with follow-up webinars to maintain progress. The first cohort from our impact investor readiness programme in partnership with Strathclyde Business School graduated, with 100% of graduates saying they would recommend the programme.◆ Two learning community events were delivered with our portfolio on (1) climate change and carbon management and (2) inclusive workforce practices, sharing best practice from investees and relevant outside experts.



3. Progress against FY24/25 Business Plan continued

Strategic Priority 2: Delivering investment

Outcomes 24/25

- ◆ Deploy £181 million of impact investment capital.
- ◆ We anticipate being allocated additional funds by the Scottish Government to support the ScotWind offshore programme, including the development of its supply chain. We plan to deploy at least 80% of this additional capital, subject to the confirmation and timing of the allocation.
- ◆ Continue to build an actively supported portfolio generating a positive, risk-adjusted, financial return.

Progress 24/25

- ◆ We have deployed £157.5 million. This includes £130.8 million of our core impact capital and £26.7 million of capital from the Scottish Government's funds to support the growth in offshore wind. While our deployment was lower than planned, we have developed a strong pipeline and are confident our investment strategy is focused in areas where the Bank can add the most value. Up to date portfolio information can be found on our [website](#).
- ◆ While we were not formally allocated a specific amount of capital in support of ScotWind, we were given access to the additional capital from Scottish Government's specific offshore wind programme.
- ◆ From this additional capital source, we have delivered £26.7 million, across two projects supporting ScotWind (without a specific allocation, the 80% target became obsolete).
- ◆ We have worked closely with investees across our portfolio, including providing £46.8 million of additional investment to support future growth. We have also supported those who are not performing in line with their business plans and are therefore providing a challenge to overall portfolio value. As part of this we have sought to ensure that businesses have the right Executive teams and Boards.
- ◆ We have also built on the existing support provided to our portfolio including running training and networking events with them.



3. Progress against FY24/25 Business Plan continued

Strategic Priority 3: Building insights, partnerships and our reputation

Outcomes 24/25

- ◆ Developing market creation capabilities will enable clearly identifiable new investment opportunities, both for us and for the market more broadly.
- ◆ Insights will be valued by stakeholders in the markets in which we operate.
- ◆ Public sector engagement work will enable the evolution of policy to support the delivery of our missions.
- ◆ Private sector engagement work will build relationships across the business and investment sectors, including key industry groups, to support both market creation and pipeline development.
- ◆ The growing strength of our reputation, as evidenced by reporting in the media.

Progress 24/25

- ◆ We have established Market Creation functions for both our Net Zero and our Place mission. These are both now actively engaging with key stakeholders to identify target opportunities.
- ◆ We have continued to publish key insights over the year and engage across the market. In a survey of key stakeholders, 57% agreed the Bank provides valuable thought leadership (up from 52% in 2023/24), demonstrating progress with clear room to improve.
- ◆ We have maintained positive relationships across the public sector, providing input and engagement in key areas that align with our missions, including ScotWind, Innovation and Housing.
- ◆ We have also continued to build on the positive relationships we have in the private sector.
- ◆ Both of these are evidenced by the range of positive responses we received to our stakeholder survey.
- ◆ We have retained a strong reputation in the markets in which we operate, as evidenced by 81% of stakeholders viewing the Bank positively.

Strategic Priority 4: Enabling private sector investment

Outcomes 24/25

- ◆ To facilitate investment of at least £181 million alongside the Bank's capital.
- ◆ Develop deeper relationships with leading institutional investors, including co-investment, in line with the Bank's broader third party capital strategy.

Progress 24/25

- ◆ We have facilitated £324.4 million of investment alongside our own in the last financial year, of which £304.3 million was from the Private sector, bringing the total of investment we have 'crowded in' since launch to over £1.4 billion.
- ◆ We have built positive relationships with key institutional investors as part of delivery of our strategy to ultimately advise or manage the capital of third parties.



3. Progress against FY24/25 Business Plan continued

Strategic Priority 5: Targeting financial self-sustainability

Outcomes 24/25

- ◆ Ensure our income and costs are in line with our agreed budget, and we are on track to be operationally financially self-sustaining by FY25/26 (excluding investment gains and losses).
- ◆ Our portfolio of investments is forecast to have a commercial financial performance that reflects investment risk appropriate for Scotland's development bank.
- ◆ We have an agreed approach to annual budgeting with our Shareholder that enables flexibility across financial years.

Progress 24/25

- ◆ Current, unaudited, figures for FY24/25 show that income has exceeded budget and costs are within budget, generating an operating profit (pre unrealised investment losses) and building on our performance from FY23/24.
- ◆ This meant we did not require any operational (resource) budget from the Scottish Government in FY24/25.
- ◆ Our portfolio has experienced some individual performance pressures during the year, leading to the unrealised losses we expect to report in our audited Annual Report and Accounts, with more context around this set out in the CEO's introduction. We also acknowledge that there continues to be wider geopolitical challenges for the economy more generally. Whilst this is manifesting itself in higher unrealised losses in FY24/25, we will continue to work with our investee companies to provide a return over the medium to long term, and to reduce the risk of these losses becoming realised.
- ◆ During the year the Bank has made some progress with Scottish Government regarding flexibility affording the Bank the opportunity to carry over some annual investment budget from one year to the next. This is important and recognises the challenges in commercial investment where investment may straddle a fiscal year end.
- ◆ We are also engaged with UK and Scottish Governments regarding the recently published Financial Transaction Control Framework which proposes the ability to recycle proceeds and profits and is broadly aligned to our stated aim of becoming a perpetual institution.



3. Progress against FY24/25 Business Plan continued

Strategic Priority 6: Realising the potential of our people

Outcomes 24/25

- ◆ Continued positive culture and motivated team evidenced through feedback from our people surveys and team voice channels.
- ◆ Career path framework and learning proposition is in place, evidenced by continued progression of our people, and supported by people survey responses.
- ◆ Progression has been made towards our gender diversity ambitions and we have taken actions towards improving our gender pay gap.
- ◆ People manager learning programme has been delivered and people managers feel better equipped to lead their teams.

Progress 24/25

- ◆ The Bank engaged WorkL (a specialist consultancy focused on measuring and enhancing employee performance) for the first time in 2024. They provided an independent people survey and supported this with insight on how we compare to industry benchmarks. The response demonstrated an overall engagement score of 78% which is 7% higher than the financial services industry average, reflecting the strong, positive, organisational culture built since launch. This was further reflected by the Bank being named in the Sunday Times 'Best Places to Work'.
- ◆ During the year, the Bank developed its learning proposition, providing access to resources and support, promoting continuous learning and growth. This also included career frameworks to provide specific development paths for career progression.
- ◆ We have made a public commitment by becoming a signatory to the Women in Finance Code, with a target of 40-50% of our senior roles being held by women by 2026.
- ◆ While we have delivered the actions in our plan to reduce our Gender Pay Gap, the impact of these actions will take time to demonstrate tangible progress, given the relative stability of people in roles across the Bank. Our Gender Pay Gap has remained largely unchanged since the previous year.
- ◆ During the year, the Bank launched and delivered a Purposeful Leadership programme for all people leaders. This emphasised the importance of aligning individual leadership styles with the Bank's broader objectives and building a positive, inclusive culture at all levels of the organisation.



4. Risk Management

As a development bank, we recognise our pipeline of potential and committed investments will carry a higher degree of risk than some other investors seek. As such, our investments carry a level of inherent risk and we accept that not all of our investments will result in positive returns.

More generally, given our role as a patient investor, we achieve our overall purpose not by avoiding risks, but through identifying and managing an acceptable level of risk and making informed choices regarding the risks the Bank wants to take to deliver its corporate strategies.

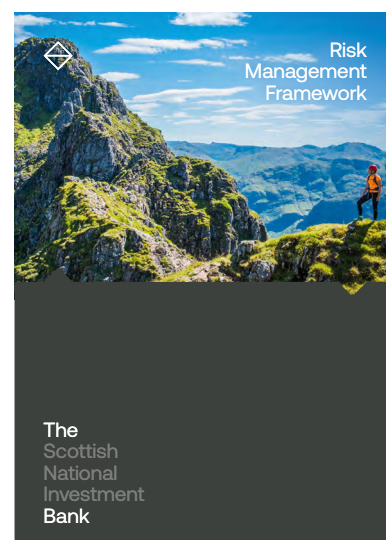
Full details of our approach to risk are set out in our Risk Management Framework, published on our [website](#).

Core to our approach to managing risk is:

- ◆ **Risk Culture** – Our Board and Executive team ‘set the tone’ for the Bank as an organisation that holds strong risk management as a clear priority. This is supported by regular reviews of our risk profile and the roll out of risk training.
- ◆ **Risk Governance** – Our Board is ultimately accountable for effective risk management, with this responsibility delegated to the Chief Executive Officer for the day-to-day running of the Bank, supported by the Executive team. In common with many Financial Services organisations, we operate a three lines of defence model which articulates how responsibility for risk management is delegated across the Bank.
- ◆ **Risk Appetite** – Our Board sets our Risk Appetite for each of our ‘Level 1’ risks, as set out in the table on page 17.

- ◆ **Risk Management Framework** – We have a framework of policies, procedures and structures to manage risk. This Risk Management Framework defines the Bank’s approach to risk management, from ensuring that the Bank’s risk strategy reflects the organisation’s overall corporate strategy, to defining the methodology for assessment and measurement of risk.
- ◆ **Risk Classification** – Through our approach to identifying risk, we have defined seven principal risks (our ‘Level 1’ risks) and a larger set of more specific risks (our ‘Level 2’ risks). These are set out in the table on page 16. This is an excerpt from the Risk Management Framework and is current as at date of publication. The Risk Management Framework is kept under review during the year and for the latest version please refer to our [website](#).

In the past Financial Year the Bank’s investment advisory subsidiary, Scottish Investments Limited, has successfully achieved regulatory authorisation by the Financial Conduct Authority.





4. Risk Management continued

Risk classification						
Mission Risk	Investment Risk	Financial Risk	Operational Risk	Environmental, Social & Governance (ESG) Risk	Culture Risk	Stakeholder Risk
Mission Alignment	Equity Investment Risk	Financial Management	Technology and Cyber Risk	Corporate Governance	People Risk	Shareholder Engagement
Mission Reporting	Debt Investment Risk	Financial Reporting	Business Continuity	Regulatory Compliance	Equality, Diversity, and Inclusion	Media, Marketing and Communications
Mission Delivery	Portfolio Risk	Funding Risk	Outsourcing and Third-Party Risk	Legal Compliance		Public Sector Stakeholders (excl. Shareholder)
Third Party Capital	Ethical Investment Risk	Tax Risk	Health and Safety	Financial Crime		Private Sector Stakeholders (excl. Media)
	Subsidy Control		Information and Data Governance	Climate Related Risk		
			Execution Delivery and Process Management			
			Model Risk			
						Key
						Level 1 Risk Type
						Level 2 Risk Type



4. Risk Management continued

Risk	Risk Appetite Statement
Mission Risk	<p>The Bank has a medium appetite for failing to meet its stated impact ambitions due to the inherent uncertainty of investing in early-stage and under-invested businesses and new and unproven business models.</p> <p>The Bank has a very low appetite for investing in businesses which are not aligned to the Bank's missions.</p>
Investment Risk	<p>As a development Bank, the Bank will seek out underinvested risk which by its nature will be high risk. The Bank therefore has a high appetite for investment risk.</p> <p>There is a low appetite for losses due to inadequate controls over the investment process or inadequate portfolio management.</p>
Financial Risk	<p>The Bank has a medium risk appetite for the funding risk associated with relying solely on the Scottish Government for its funding. The Bank has a low risk appetite for all other elements of financial risk, including the effectiveness of internal budgetary processes, financial reporting and tax compliance.</p>
Operational Risk	<p>The Bank has a low appetite for operational risk.</p>
Environmental, Social and Governance Risk	<p>The Bank has a low appetite for risks arising from a failure to establish, maintain and develop frameworks for the management of ESG risk, including a low appetite for compliance errors and breaches.</p>
Culture Risk	<p>The Bank has a low appetite for any behaviour that goes against the Bank's values and for failure to deliver against the Bank's Equality Strategy.</p>
Stakeholder Risk	<p>The Bank has a medium appetite for stakeholder risk due to strategic decisions and/or business strategy and delivery.</p> <p>The Bank has a low appetite for stakeholder risk due to actions by its staff, partners, third parties or invested companies or from failing to proactively manage reputation.</p>



5. Strategic Priorities

Our ambition for the Bank and strategy for delivery remain the same. Our six strategic themes are consistent with those published in our two most recent Business Plans:



In the following sections we outline for each of these themes what we intend to achieve by 2030, and our approach to delivery, and for the year ahead we set out our priorities and the outcomes that reflect these priorities.

All of these outcomes are designed to contribute to the Bank moving further towards meeting our mission ambitions and targets.

While the tables on page 19 set out a target range for each of our 2030 Ambitions, we will continue 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.




David Ritchie
Chief Strategy Officer





5. Strategic Priorities continued

Bank missions and targets

Mission	Mission definition	Impact target KPIs
 Net Zero	Address the climate crisis, through growing a fair and sustainable economy.	<p>By 2030, the Bank will have invested at least £800m in high potential Net Zero businesses and projects.</p> <p>By 2030, the Bank's investments will have helped to avoid, reduce or remove 185,000 tCO₂e from the Earth's atmosphere.[†]</p>
 Place	Transform communities, making them places where everyone thrives.	<p>By 2030, the Bank will have invested at least £400m in improving Scotland's places and communities.</p> <p>By 2030, the Bank's investments will have positively impacted the lives of 350,000 people through regeneration, high-quality housing, and connectivity (both digital and physical).</p>
 Innovation	Scale up innovation and technology, for a more competitive and productive economy.	<p>By 2030, the Bank will have invested at least £400m in innovative, productive businesses.</p> <p>By 2030, the Bank's investments in innovative industries will have contributed towards the creation and safeguarding of 6,300 jobs.</p>

[†]tCO₂e is a standard measure of Greenhouse Gas emissions, where emissions of all gases are equated to the equivalent volume of Carbon Dioxide (CO₂).



6. Our Strategic Priorities FY25/26





Priority 1 – Demonstrating and enabling impact

Our Ambition

“A portfolio of impactful and transformative mission-focused investments that will have enabled sustained change across Scotland.”

What we will achieve by 2030

We are now an established impact investor. We invest to achieve specific, quantifiable, non-financial benefits, in addition to commercial returns. We use the discipline of impact investing to demonstrate how we are making progress towards achieving our missions, with defined targets articulated for each mission (see previous page).

Beyond our own approach to impact investing, we are also supporting the growth of this discipline across the investment sector in Scotland. We do this both through the publication of our approach and performance and also through bringing together interested parties to share best practice and identify the most effective ways of overcoming barriers. A key example of this has been our support of Strathclyde Business School’s Impact Investor Readiness programme. We will continue to support the development of impact investing in the years ahead.

We aspire to being recognised as a 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. To achieve this, we will continue to internally review and refine our approach to impact, and also to seek out best practice from other investors.

In addition to demonstrating progress towards our missions we will also continue to work closely with portfolio companies to support them to maximise positive impacts in a range of areas such as carbon reporting, approaches to “Fair Work”, and developing their plans to increase diversity.

How we will make these 2030 ambitions happen

- ◆ Maximise impact by deploying capital in businesses and projects which align with the Bank’s missions, focused in our priority sectors.
- ◆ Work with our investees to create sustainable, businesses by:
 - Providing investment that can attract capital from other investors.
 - Helping investees retain and grow a valued and inclusive workforce, and to develop strong and effective boards and leadership teams.
 - Supporting investees to understand their environmental, social risks and impacts, including developing Carbon Management and their plans to support diversity.
- ◆ Work with other investors to make access to business investment more inclusive.
- ◆ By showcasing our investments, our insights and our approach to impact investing, we will grow the community of impact investors across Scotland.



Priority 1 – Demonstrating and enabling impact continued

Priorities and outcomes for 2025 – 2026

Priority	Outcome
Deliver measurable, positive impact in line with our missions.	Quantified progress in line with our 2030 plan towards our Impact Ambitions and Mission Objective KPIs, with detailed reporting set out in our Impact Report.
Maintain and develop excellence in impact management practices, including driving equality outcomes, across all stages of our investment process.	<p>Best-in-class impact management practices from new enquiry stage through to portfolio (as determined through an external, independent, verification exercise), using insight from:</p> <ul style="list-style-type: none">◆ Best practice in the market.◆ Independent verification of our Operating Principles for Impact Management (OPIM) practices.◆ Investee and beneficiary feedback, as evidenced through our stakeholder survey.◆ Our own experience.
Enhance our practices for managing and reinforcing impact and equality outcomes through our growing investment portfolio.	Embed and evolve impact practices in our portfolio through continued focus on our communities of learning programme, support for investees and ongoing review of impact and equalities performance management in the portfolio. With results set out in our Impact Report.
Demonstrate market-leading impact investing and mission-related expertise, insight and capability – to support crowding in of mission-aligned capital to Scotland.	Delivery of plan to support continued development of the impact investing ecosystem in Scotland, in collaboration with partners. Continue to share our insight and expertise relating to impact investing, our missions and the Scottish economy.



Priority 1 – Demonstrating and enabling impact continued

Case Study: Cumulus Oncology



In 2023 the Bank invested £6 million into Cumulus Oncology, alongside £3 million from Eos Advisory to allow it to expand its business model approach to drug development. Cumulus accelerates new drugs to early-stage clinical trials via a portfolio approach, with specially created spin out companies. Once at critical value inflection points, the spin-out companies can be sold and the equity recycled in an evergreen, high impact business model. The management team came to the Bank with impressive experience in the sector, with one of the most diverse management teams the Bank has seen.

Since the Bank's investment, the Company has expanded its portfolio of oncology drug discovery programmes to three, with two of these within dedicated spin-out companies, Nodus Oncology and Gio Therapeutics. They have also developed critical infrastructure that will enable them to license a clinical stage drug candidate, diversifying the portfolio and making them more attractive to large pharma development partners. To drive the plan, they have attracted top talent to the Board, including industry veteran Brian Gallagher as Chair and Catherine Lewis La Torre MBE as an NED.

"The investment from the Bank came at just the right time for Cumulus. It has enabled us to build on the positive progress we had made following earlier investment rounds, in which Scottish Enterprise also participated. The most recent investment, which the Bank corner-stoned, has enabled us to continue on our impactful mission of reducing the binary risk of biotech drug discovery and development whilst improving success rates overall to ensure more effective therapeutics reach patients in a timely manner."



Dr Clare Waring
Founder & CEO
Cumulus Oncology



Priority 2 – Delivering investment

Our Ambition

“To unlock growth by investing in ambitious businesses and management teams, catalysing and creating new investable markets and making Scotland an attractive place to invest.”

What we will achieve by 2030

We are both an impact investor and a development bank, making our approach to investment distinctive. A key role we play is to attract additional investment into opportunities in Scotland.

As an investor in scaling businesses, we actively support our investees, including through additional rounds of investment.

By 2030 our portfolio will demonstrate:

- ◆ At a portfolio level, positive, risk-adjusted, financial return, in line with our published “Target Rate of Return”, which can be reinvested in future businesses and projects.
- ◆ That our role as a development bank adds to Scotland’s investment landscape, enabling investment in sectors and technologies that align to our missions and are key to Scotland’s future.
- ◆ Alongside financial returns, significant economic, social and environmental impacts in support of our missions, which ensure wider benefits are achieved.

How we will make these 2030 ambitions happen

- ◆ We are seeking to make new investments in businesses that align with our Investment Strategy. We publish this strategy, and details of how we work with potential investees, on our website (www.thebank.scot/key-publications) and it sets out details on our priority sectors and the criteria we use to evaluate opportunities.
- ◆ As we have stated previously, we prioritise investments in mission-aligned areas where our capital can facilitate transformational growth. Key to identifying these areas was:
 - Alignment with our missions and the clear opportunity to quantify and deliver positive impact.
 - Areas and sectors where Scotland has, or potentially has, a competitive advantage.
 - Businesses which have the ability and opportunity to scale and compete internationally or infrastructure that is key to delivery of our missions
 - The opportunity to enable investment from other organisations, accelerating additional capital into sectors that support our missions.
- ◆ We will continue to support portfolio businesses to scale up – including by supporting additional funding rounds, where these rounds also enable us to attract additional ‘crowded-in’ finance – in line with agreed commercial and impact milestones, creating resilient Scottish businesses.



Priority 2 – Delivering investment continued

- ◆ We will also work with our portfolio businesses to help them address challenges to enable their businesses and management teams to succeed.
- ◆ As a development bank it is important we take measured risks on opportunities that align with our missions and require public capital to support them, and by investing we bring opportunities into the risk appetite of private sector investors.
- ◆ Continue to invest across all three of our missions and across all of Scotland. We will make debt and equity investments and, where necessary, invest in third party funds.
- ◆ Seek fair commercial terms for the investments we make. We will ensure these terms enable other investors and management teams to make their fair return.
- ◆ All of our investments are structured to achieve commercial risk-adjusted returns. It is important that the risk profile and net returns across our portfolio are positive, to demonstrate our appropriate stewardship of public capital.
- ◆ Work collaboratively with our investee businesses to facilitate and agree commercial and impact targets to be set and met in line with shared ambitions to scale.

Priorities and outcomes for 2025 – 2026

Priority	Outcome
Building a pipeline of new investment opportunities that enable us to continue to build and develop a diverse portfolio of investments that reflects our missions and the significant potential across Scotland. We will actively identify opportunities that could deliver the greatest impact both commercially and for our missions.	Invest up to the £204 million allocated to the Bank across our three missions and in line with key sectors.
Scotwind and the associated supply chain will continue to be a driving force in our net zero deployment strategy, alongside alternative fuels and climate tech, industrial decarbonisation and the circular economy.	In addition to the above, to deploy up to £68 million of capital into Scotwind specific projects.
In line with our Equality Strategy, we will seek to increase access to investment finance for groups within our society who have typically been underserved.	Deliver our annual Equality Action Plan, and report outcomes against this in our Mainstreaming Equality Report.
Support our portfolio companies to scale, including through the provision of follow-on investment, and to deliver against agreed milestones that align with ambitious value creation targets.	Progress towards delivery of the Bank's Target Rate of Return (TRR) of 3-4% and Impact Ambitions through new investments and growth in our portfolio. Close, collaborative working relationships with our portfolio businesses, as evidenced by independent survey feedback.



Priority 2 – Delivering investment continued

Case Study: XLCC



In 2024 we committed £20 million to XLCC in Ayrshire. The investment will allow them to begin developing the manufacturing base of cables that are vital to Scotland (and the UK's) net zero transition.

XLCC is an independent British company founded in 2020 to address the critical infrastructure needs of the global energy transition. As the world moves toward net zero, electrification becomes essential. However, there is a global shortage of HVDC subsea cables needed for this transformation. To meet this demand, XLCC is building a world-class HVDC manufacturing facility in Hunterston, Scotland, along with the necessary marine and project management capabilities. This will create 900 highly skilled jobs that will significantly boost the global supply of cables. The cables produced at Hunterston will be vital in supporting the UK's energy transition.

"We welcome the investment from the Scottish National Investment Bank as we deliver on our mission to provide the critical infrastructure that is essential to the energy transition. By 2030, demand for subsea cables is expected to be two and a half times greater than the supply. The Hunterston facility will help us meet this demand and bring highly skilled jobs to Ayrshire."



Ian Douglas
CEO of XLCC



Priority 3 – Building insights, partnerships and our reputation

Our Ambition

“To be a trusted and credible Impact Investor at the forefront of using insights collaboratively to transform markets.”

What we will achieve by 2030

We have much more to offer Scotland than just our investment capital. We are seeking to use our insights, networks and convening power to enable the creation of new, investable, markets in key sectors that align with our missions.

We will build on our track record for collaboration and sharing of leading insights. Our analyses will align to our missions and our prioritised sectors. To support the generation of these insights, the growth of our impact investing capability, and our approach to creating new investable markets we will have built meaningful partnerships across our ecosystem, in both the public and private sectors.

Internally, our insight development will shape how we focus and prioritise our investment activity, as well as supporting the investment decisions we make.

How we will make these 2030 ambitions happen

- ◆ As we have started to develop our market creation capabilities, we have identified target sectors where we believe mission-aligned investable opportunities can be created. These initial sectors are:
 - The housing crisis Scotland is facing.
 - Regeneration of locations and communities where the need is greatest.
 - Capitalising on the sizeable offshore wind opportunity.
- ◆ We will use our experience, insights, and ever-strengthening networks to cultivate opportunities within these markets, focusing on where these can achieve sustainable scale.
- ◆ Create and share evidence-based analysis and insights – increasing the understanding of stakeholders across the market.
- ◆ We will publish details of the investments we make, and the developments of our past investments. This real-world experience of impact investing, supported by our growing base of market insights will continue to build our reputation across the public, private and third sectors.
- ◆ We will continue to share these insights and experiences as an input into areas of policy generation and regulatory development aligned with our missions.
- ◆ We will continue to build mutually beneficial partnerships with other organisations with whom we have a shared interest.



Priority 3 – Building insights, partnerships and our reputation continued

Priorities and outcomes for 2025 – 2026

Priority	Outcome
Build on the Market Creation function we established in FY24/25. Continuing to develop our capabilities to establish investable opportunities in scaling businesses, for us and the market more broadly, building on our experience, insights and networks.	Identified distinct, new investment opportunities across our missions.
Publish and seek feedback on insights we develop from our investment experience and market engagement.	Insights will be valued by stakeholders in the markets in which we operate, as evidenced by representative feedback from the markets in which we operate.
Continue to work with teams across the public sector to support the creation of a policy and regulatory landscape that enables the delivery of our missions.	Public sector engagement work will enable the evolution of policy to support the delivery of our missions, as evidenced through our stakeholder survey.
Private sector engagement work will build relationships across the business and investment sectors, including key industry groups, to support both market creation and pipeline development.	Strong relationships and firm reputation across the private sector, as evidenced by representative feedback from the markets in which we operate.
Use our investments and insights to continue to build positive relationships with the media to ensure that the role and activities of the Bank are accurately understood across the ecosystem.	Growing strength of our reputation, as evidenced by representative feedback from the markets in which we operate.



Priority 3 – Building insights, partnerships and our reputation continued

Case Study: Subsea Micropiles



In 2025 we invested £6.7 million into Subsea Micropiles. The investment will allow them to further develop its technology and expand their operations in Scotland, supporting the offshore wind supply chain. This is expected to support 100 jobs over the next five years.

The investment in Subsea Micropiles aligns with our net zero mission to address the climate crisis through a fair and sustainable economy while also supporting our innovation mission to scale up technology for a more competitive and productive future.

Subsea Micropiles' innovative marine anchor system is designed for industrialisation, allowing large offshore construction projects to be completed at lower cost with reduced

environmental impact. The micropiles are suitable for a wider range of load requirements and soil conditions, helping unlock opportunities in the offshore wind industry for both fixed and floating projects.

"There is so much potential in Scotland's offshore wind market, and we are excited to play our part in the supply chain with our lower cost system that, critically, is less environmentally impactful.

Our plan to manufacture anchors in Scotland will help reduce import requirements for key offshore components and our technology will give further flexibility and reliability to developers by using smaller and more readily available vessels along with remote seabed drilling systems."

Derek Robertson, CEO, Subsea Micropiles



Priority 4 – Enabling private sector investment

Our Ambition

“To accelerate private capital alongside investments that support our missions.”

What we will achieve by 2030

Our missions reflect ‘Grand Challenges’ facing Scotland, and these will require significant capital to address. This capital will ultimately be a mix of funds from the both the public and private sectors. Our role as a development bank is to find new ways to attract and enable capital from these different sources, particularly that of the private sector, to be deployed into opportunities that align with our missions.

Within this context, by 2030 we will:

- ◆ Work with other investors to encourage their investment alongside us on an opportunity-by-opportunity basis.
- ◆ Support our investee businesses with their future fund raising through targeted introduction within network of investors.
- ◆ Significantly increase the capital we have to deploy by advising on or managing the capital of others. This capital will provide demonstrable additional impact in support of our missions.

How we will make these 2030 ambitions happen

- ◆ Build on growing relationships with institutional investors in Scotland, the rest of the UK and internationally as we make our investments, seeking to attract new sources of investment into Scotland.
- ◆ Use these, and new and emerging relationships to enable these investors to support funding rounds we are active in, or to support later rounds in line with their investment strategies and risk appetites.
- ◆ To achieve this, we will continue to invest at a risk level appropriate for a development bank so we can enable other investors to deploy their capital.
- ◆ Build on the positive relationships with key investors we have developed, where our mission-led focus to our impact investments and our active, supportive approach to managing our investees sets us apart from other investors
- ◆ To build on the authorisation we have received from the Financial Conduct Authority (FCA).



Priority 4 – Enabling private sector investment continued

Priorities and outcomes for 2025 – 2026

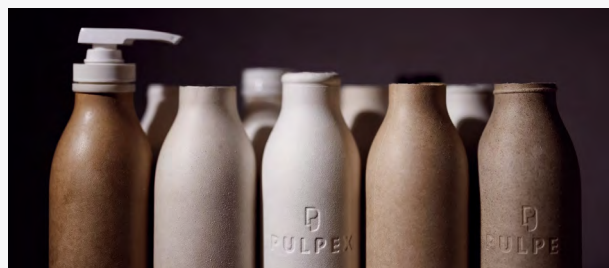
Priority	Outcome
Continue to enable private sectors to invest alongside us, extending our network beyond Scotland, by displaying a positive portfolio return, leading impact credentials and deep insights to the Scottish market to provide a compelling co-investor case.	To facilitate the same or higher levels of investment from private sector sources as we commit through our own investments.
To continue to pursue our plan to advise and/or manage private sector capital.	To have made demonstrable progress against our plan to advise and or manage private sector capital.

Case Study: Pulpex

In 2025 we invested £10 million into sustainable packaging technology company Pulpex to support the construction of their first commercial scale manufacturing facility near Glasgow. We invested alongside the National Wealth Fund, building on our strong relationship and collaborative investment approach, and also alongside a number of other private investors, taking the total investment to £47 million. The investment will create 35 new jobs and enable 50 million bottles a year to be manufactured.

Pulpex has developed a unique, fibre-based bottle solution free from hidden plastic, manufactured from sustainably sourced wood pulp designed to be recycled in the same way as paper or card in normal household recycling streams. Its patented and scalable technology results in a recyclable and biodegradable end-product with a lower carbon impact versus current glass or plastic packaging formats.

The investment in Pulpex aligns with our net zero mission to address the climate crisis through a fair and sustainable economy while also supporting our innovation mission to scale up technology for a more competitive and productive future.



We're pleased to support manufacturing in Scotland, particularly one that serves the food and drinks industry which is a large contributor to Scotland's economy.

"Thanks to the National Wealth Fund, the Scottish National Investment Bank, our Pulpex team and to our stakeholders for their continued support. This investment will drive the decarbonisation of the packaging sector using leading-edge Material Bioscience to ensure this much-needed alternative to glass and plastic will deliver its ambition. Accelerated by the incredible business ecosystem that flourishes within Glasgow, this will be a visible shining star demonstrating the scalability of Pulpex technology for partners to adopt globally."

Scott Winston, Managing Director, Pulpex



Priority 5 – Targeting financial self-sustainability

Our Ambition

“To be a perpetual Development Bank for Scotland that is self-funding from a mission-aligned portfolio of impact investments.”

What we will achieve by 2030

We intend to become a permanent, growing, investment fund for Scotland. To achieve this, investment returns and income need to more than cover our operational costs. For the second year in a row, we have achieved this and are not forecasting the requirement for the Scottish Government to provide further funds to cover our operations.

Beyond covering operational costs, the income and our investment returns will need to be retained so that we can grow to invest beyond the £2 billion of capital committed by the Scottish Government.

The first step to becoming a perpetual fund is to agree a range of measures that start to allow the retention of investment returns and further flexibility of our capital funding.

We need to continue to build on positive steps taken toward this flexibility so that it represents a key milestone on the way to being established as a perpetual fund.

How we will make these 2030 ambitions happen

- ◆ We will agree and evolve approaches to the structure of our funding that is supported by our shareholder and that eliminates our current annual budgetary challenges (with flexibility across financial years to align with a commercial investment profile) and allows reinvestment of capital proceeds.
- ◆ We will invest the capital allocated to us by the Scottish Government and over time intend to be trusted to advise and/or manage the funds of third parties. From these activities, we will ensure that the income and returns we earn are fair and more than cover our costs.
- ◆ In coming years we will use the proceeds from these positive returns, including recurring income, to be recycled into future investment activity, ultimately creating a growing perpetual investment fund.



Priority 5 – Targeting financial self-sustainability continued

Priorities and outcomes for 2025 – 2026

Priority	Outcome
Build on agreements around flexibility of capital funding to create a clear path toward becoming a perpetual fund.	Demonstrable progress in adding the Bank to the discussions regarding Public Financial Institutions and the use of Financial Transactions. This affords entities more control over recycling returns and approaches the original stated aim of the Bank being a perpetual institution.
Continue to invest in a mix of debt, equity and funds to ensure a balanced income profile over the year which is greater than our operational costs.	Our portfolio of investments is forecast to have a commercial return that reflects our development bank risk appetite and is forecast to be in line with our Target Rate of Return (TRR).
Continue to embed our 'value for money' culture considering and challenging ourselves around the cost, resource and quality requirements for our operational delivery.	Ensure our income and costs are in line with our agreed budget so that we have no operational resource requirement from the Scottish Government.

Financial forecasts

£ million	FY23/24 Actuals	FY24/25 Draft Outturn	FY25/26	FY26/27	FY27/28	FY28/29
Gross Investment Budget	239	149	208	228	236	241
Reinvested capital returns	(4)	(3)	(8)	(15)	(23)	(28)
Net Investment Budget	235	146	200	213	213	213
Investment income	19	34	23	35	46	53
Operating expenditure						
Employee costs	(9)	(10)	(13)	(14)	(15)	(15)
Non-employee operational costs	(7)	(6)	(7)	(8)	(8)	(8)
Total operating costs	(16)	(16)	(20)	(22)	(23)	(24)
Operating Profit (excl. capital movements)	3	18	3	13	23	29
Capital Budget¹	1	0	4	0	0	0
Unrealised gains / (losses)	(10)	(77)	(40)	(20)	(10)	0
Net Assets (£ million)²	506.1	626.2	797.8	964.5	1,139.2	1,316

Note: subject to confirmation of government budgeting guidance, if further budget becomes available, or for any other reason the Bank is allocated additional budget in year as agreed with the Board and Shareholder these metrics will be adjusted accordingly in line with original assumptions. 1. Our investments are anticipated to be held for a number of years and in the early years of investment we have prudently projected unrealised losses but are more cautious in projecting gains within the Business Plan. As the portfolio builds with a mix of more mature investments we anticipate that unrealised losses will begin to reverse. 2. Excluding capital managed in a third party capital structure.



Priority 5 – Targeting financial self-sustainability continued

The table on the previous page summarises our central financial forecast for the years ahead, and includes an initial view of our unaudited results for the last Financial Year (full audited results will be published in our Annual Report and Accounts). Key points to note from this are:

- ◆ We have been allocated £204 million by the Scottish Government to invest in FY25/26, and assume that this will increase to £213 million in later years, to bring us in line with the Government's commitment to capitalise the Bank with £2 billion over 10 years.
- ◆ We also have the opportunity to invest £68 million of additional capital from the Scottish Government to support the offshore wind sector. This is separate from our core capital allocation so is excluded from the financial forecasts table.
- ◆ Our income in FY24/25 was – on an unaudited basis – £34 million. This was significantly ahead of the £17 million we forecast in last year's Business Plan. There were a number of factors influencing this, but a significant contribution was that a number of our investments were made via 'Convertible Loan Notes', where loans convert to equity at a certain point. These conversions are happening later than originally forecast, which explains the higher income last year and the forecast drop in income to £23 million for FY25/26.
- ◆ The £77 million unrealised loss represents an estimated change in value to investments in our portfolio, as opposed to an actual loss. As we still hold the investments, we are working hard with our portfolio businesses to improve their projected performance.
- ◆ The forecasts for unrealised losses that we have made are based on prudent assumptions. In the years ahead we anticipate the balance of companies growing in value, will provide a greater offset to those whose value we are currently forecasting to reduce.
- ◆ Where portfolio companies are not performing in line with their Business Plans, we work closely with them to improve their projected outcomes and reduce the risk of unrealised losses becoming realised.



Priority 6 – Realising the potential of our people

Our Ambition

“Delivering through a passionate, collaborative and skilled team who are motivated and ambitious for the impact we can make.”

What we will achieve by 2030

Our ambition remains largely consistent with that of previous years, and that is to:

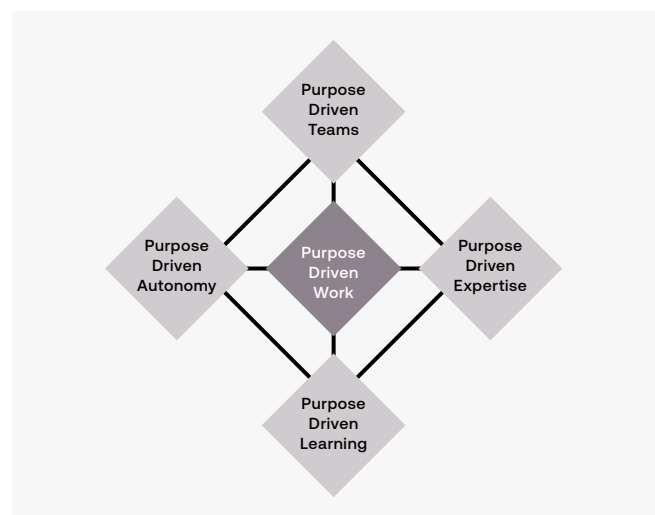
- ◆ Be recognised, both externally and by the Bank team, as a great employer.
- ◆ Retain and grow our diverse, skilled team, working across the ecosystem and with an established reputation for delivering against our ambitions.
- ◆ Be known for our expertise as an Impact Investor, having created industry experts respected for growing and refining impact investing across Scotland.
- ◆ Our purpose-driven culture will continue to be founded on our missions, creating a workplace that our people are consistently proud of, and others aspire to.

How we will make these 2030 ambitions happen

Our people are already proud that they are helping to transform Scotland through delivery of our missions, as we see time and time again through our employee surveys. That is why we placed purpose at the heart of our strategic people proposition, that we called our ‘People Promises’. In the last Financial Year we launched these promises, and they will continue to be the focus for how we realise the potential of our people over the coming years.

- ◆ We will continue to position our missions at the heart of our culture, shaping how we attract, recruit and develop our people as well as how they are recognised for their contribution.
- ◆ We will ensure that all of our team directly support our missions, creating opportunities for individuals to gain a breadth of experience and do new, exciting work.

- ◆ Our people understand that continuous learning and improvement is important to us. We support individuals to work towards their career aspirations and their personal growth as well as performance in role.
- ◆ We continue to build a culture based on feedback from the team, learning from our successes and mistakes, and continuously improving.
- ◆ We will continue to support all of our Bank team – building on work initiated in the past financial year – to create a positive, inclusive environment and build the capability and potential of our teams, with common leadership standards that inspire our people.
- ◆ Diversity is fundamental to us. We will ensure we retain focus on creating an inclusive environment that values diversity of thought and experience.
- ◆ Our people are supported to work in a flexible way that creates a high performance culture. We will develop and evolve a work environment that focuses on delivering high performance.





Priority 6 – Realising the potential of our people continued

Priorities and outcomes for 2025 – 2026

Priority	Outcome
Embed our learning proposition and career pathways that were introduced in the past Financial Year, supporting the continued development of our people.	Our Career Path Framework and learning proposition is embedded, evidenced by continued progression of our people, and supported by people survey responses.
Further build on this to develop our Investment Associates through a structured step progression programme.	A structured step progression programme for Investment Associates has been developed.
Continued commitment to our plan for improving diversity of the Bank team, improving gender diversity of senior roles and continuing to deliver against our plan that will lead to the reduction of our gender pay gap.	Progression has been made towards our gender diversity ambitions – improved gender diversity in senior roles and our gender pay gap has reduced by year end (31 March 2026).
Continued development of our leaders, embedding the leadership practices and insights introduced in FY24/25.	Continued positive culture and motivated team evidenced through feedback from our people surveys and Team Voice channels.
Review our approach towards performance and reward.	A refreshed reward strategy and plan agreed, informed by benchmarking exercise.



7. Chair's concluding reflections

This is a thoughtful plan. It is particularly so given the stresses and strains to the global and local investment sectors. I am, however, confident it is a plan the Bank team can deliver, as the Bank now has a track record of setting out and achieving ambitious plans.

That said, this plan looks into a future that appears to have many headwinds. For our investee businesses, these times look likely to be difficult to deliver against ambitious plans for growth. It is also currently a tough environment to raise capital to fund future growth.

Given this, how we support our portfolio businesses takes on an even greater strategic priority. In difficult times businesses that are scaling require critical friends, who can work honestly and supportively to ensure that growth ambitions reflect market realities. We must continue to be that friend.

A typical consequence of economic headwinds and uncertainty is a tightening of risk appetites amongst the investment community. So, the follow-on funding we have provided, and will continue to provide, to our investee businesses is crucial in enabling them to reach the maturity that private sector investors may now be demanding. All of this only emphasises how vital our role is, as Scotland's development bank.

Critical to the future of enabling us to fulfil this role as meaningfully as possible are our plans to become a perpetual fund for Scotland. We have made our first initial tentative steps toward this over the past year, but this remains an area of key focus for me and the Board.

I support the plan outlined within this document as enabling us to move towards our full potential. We are delivering against our strategic priorities, although there is much more to do. We are building a reputation as an impact investor, built on a committed and dedicated team. We have growing relationships across the investment community. As the levels of capital allocated to us increase in future years we will need to increase the rhythm with which we deploy capital. We can only do this by improving our approach to origination, increasing investment activity into the right quality of companies and projects. We will need to work even more closely with our investee businesses to enable them to achieve their potential.

While many challenges remain across the Scottish economy and for the delivery of our missions, I am pleased to reflect that we remain determined, optimistic and energised to deliver against the ambitions set out in this plan.

Willie Watt
Chairman





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