



TCFD Report

2025/26



The
Scottish
National
Investment
Bank



About the Bank

The Scottish National Investment Bank is Scotland's development investment bank, established and funded by Scottish Ministers to serve the long-term interests of the people of Scotland.

While publicly funded, the Bank operates with full operational independence from government and makes commercial investments that deliver environmental, social, and financial returns.

As a mission-led development bank, we invest where private sector capital is insufficient or absent to support businesses, projects, and communities that contribute to a more sustainable, inclusive, and innovative Scottish economy.

The Bank is focused on addressing Scotland's long-term structural challenges through investment aligned with three strategic missions set by the Scottish Government:

The Bank's Missions



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.



“Through our investments, operations, and engagement, we remain committed to supporting Scotland’s journey to net zero, while actively managing our impact across all areas to deliver lasting benefits for its people, natural environment and economy.”

Craig Love, Director Impact Assessment & Environment

Contents

About the Bank	2
Introduction	4
About TCFD	5
1. Governance.....	6
1.1 Board oversight of climate-related risks and opportunities	6
1.2 Management role in assessing and managing climate-related risks and opportunities	7
2. Strategy	8
2.1 Short, medium and long term climate-related risks	8
2.2 The Impact of climate-related risks and opportunities.....	11
2.3 Strategy resilience under different climate-related scenarios.....	13
3. Risk management	16
3.1 Processes for identifying and assessing climate-related risks	16
3.2 Processes for managing climate-related risks.....	17
3.3 Integration of climate-related risks into overall risk management processes.....	19
4. Metrics and targets	21
4.1 Metrics used to assess climate related risks and opportunities.....	21
4.2 Scope 1, 2 and 3 greenhouse gas (GHG) emissions.....	26
4.3 Performance against targets.....	30
Reflections on the year.....	34
Annex: Climate scenario planning approach.....	35



Introduction

Climate change is having profound impacts on our planet, communities, economy, and financial systems. The latest World Economic Forum Global Risks Report¹ identifies environmental risks to be among the most severe global risks over the next 10 years, based on input from over 900 experts worldwide. The top ranked risk is the effect of extreme weather.

Scotland’s journey toward a resilient, sustainable and net zero economy presents considerable challenges as well as opportunities. As an investor, it is essential that we thoroughly understand and manage climate-related risks and opportunities. In 2023, the Bank chose to align its climate reporting to the Task Force on Climate-related Financial Disclosures (TCFD) framework.

The framework encourages disclosure of climate related risks and opportunities in a structured way, promoting transparency and demonstrating commitment to proactive risk management.

This report is the Bank’s third disclosure aligned to the TCFD framework. It marks a further step in our commitment to appropriately disclose climate-related risk and aligns with our mission to support Scotland’s transition to a net zero economy.

Within this report, we outline our strategic approach to climate-related risk and opportunities, our understanding and management of identified risks and our performance against key metrics and ambitions across the financial year 2024/25 (FY24/25)².

Global risks ranked by severity – long term (10 years)

1	Extreme weather events
2	Biodiversity loss and ecosystem collapse
3	Critical change to Earth systems
4	Natural resource shortages
5	Misinformation and disinformation
6	Adverse outcomes of AI technologies
7	Inequality
8	Societal polarisation
9	Cyber espionage and warfare
10	Pollution

	Environmental
	Societal
	Technological

Source: World Economic Forum

1. Global Risks Report 2025 | World Economic Forum
2. Certain metrics are reported on a calendar-year basis due to reporting cycles; this has been noted where applicable.



About TCFD

The Task Force on Climate-related Financial Disclosures (“TCFD”) was launched in 2015, with an aim to promote standardised reporting on climate-related risks and opportunities by companies to their stakeholders.

Since its initial inception, the Task Force, having completed its remit, has been disbanded, with the recommended disclosures now integrated into new International Sustainability Standards Board (ISSB) standards.

The requirements in the ISSB’s IFRS S2 are consistent with the TCFD’s four core recommendations and 11 recommended disclosures, and companies may continue to use the TCFD recommendations³ should they choose to do so.

The adoption of these disclosures is a voluntary commitment for the Bank and we have structured our disclosure to align with TCFD guidance, maintaining consistency with our previous disclosures. As our approach to climate change matures, we will continuously review our approach and consider alignment to other industry standards.

TCFD recommendations and supporting recommended disclosures

Governance	Strategy	Risk management	Metrics and targets
<p>Disclose the organisation’s governance around climate-related risks and opportunities.</p>	<p>Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation’s businesses, strategy, and financial planning where such information is material.</p>	<p>Disclose how the organisation identifies, assesses, and manages climate-related risks.</p>	<p>Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.</p>
<p>Recommended disclosures</p> <ul style="list-style-type: none"> Describe the Board’s oversight of climate-related risks and opportunities. Describe management’s role in assessing and managing climate-related risks and opportunities. 	<p>Recommended disclosures</p> <ul style="list-style-type: none"> Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term. Describe the impact of climate-related risks and opportunities on the organisation’s businesses, strategy, and financial planning. Describe the resilience of the organisation’s strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario. 	<p>Recommended disclosures</p> <ul style="list-style-type: none"> Describe the organisation’s processes for identifying and assessing climate-related risks. Describe the organisation’s processes for managing climate-related risks. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation’s overall risk management. 	<p>Recommended disclosures</p> <ul style="list-style-type: none"> Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process. Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and related risks. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.

3. Recommendations | Task Force on Climate-Related Financial Disclosures



1. Governance

1.1 Board oversight of climate-related risks and opportunities

The primary role of the Board is to direct the affairs of the Bank in a manner that seeks to promote its long-term success, including oversight of financial management. It provides leadership, direction, support and guidance by establishing and setting the overall strategic direction and risk appetite for the Bank.

The Board has four committees that meet a minimum of four times per year, namely:

- ◆ **Remuneration and Nominations Committee**
- ◆ **Risk Management and Conflicts Committee**
- ◆ **Audit Committee**
- ◆ **Investment Oversight and Valuations Committee**

The Board is accountable for effective risk management and delegates specific responsibility for climate-related risk to the **Risk Management and Conflicts Committee (RMCC)**, alongside other risk matters. The Chair of the RMCC is the designated Non-Executive Director with responsibility for climate-related matters. The RMCC is provided with updates on the Bank's climate-related risks and opportunities on an ongoing basis.

In addition, the other Board committees have some involvement in climate-related matters:

- ◆ The **Investment Oversight and Valuations Committee (IOVC)** plays a critical advisory role to the Board in overseeing the Bank's investment and portfolio strategy, as well as its valuation processes. The IOVC ensures that investment decisions align with the Bank's long-term goals, including our commitment to the net zero mission, by promoting sustainable investment practices and integrating climate-related considerations into portfolio oversight.
- ◆ During 2024, an Internal Audit of the Bank's TCFD reporting approach was tabled at the **Audit Committee**. The report provided 'Moderate' assurance over the Bank's TCFD reporting approach, meaning there is generally a sound system of internal control design and evidence of compliance. All findings in the audit have been addressed, with appropriate action plans put in place where recommended.
- ◆ The **Remuneration and Nominations Committee (RemCo)** oversees the implementation of the Bank's Pay and Reward Framework. This includes agreeing with the Shareholder any performance condition associated with the Long-Term Incentive Plan (LTIP), which recognises staff contributions to the achievement of the Bank's missions, including net zero.



1. Governance continued

1.2 Management role in assessing and managing climate-related risks and opportunities

The Bank’s **Governance, Legal, Risk & Compliance (GLRC)** function, headed by the Chief Risk Officer and General Counsel, is responsible for developing, documenting and maintaining the Bank’s risk policies and for overseeing their approval – including policies relating to climate-related risk. The relevant policies and their owners are listed below:

Management policies relating to climate-related risk		
Policy	Owner (management)	Sponsor (Executive Committee)
Risk Management Framework	Head of Operational Risk	Chief Risk Officer and General Counsel
Investment Risk Policy	Head of Investment Risk	

The Risk Management Framework and taxonomy, which includes climate-related risk, is further described in Section 3: Risk management.

The Bank’s Investment teams, overseen by the Chief Investment Officer, are responsible for deployment of new investment according to the Investment Strategy, including horizon scanning and investment in opportunities aligned with our net zero mission.

Working alongside Investment Origination teams, the Impact Assessment and Reporting team is responsible for delivering the Bank’s environment and sustainability activities, including climate related matters across operations and investments. The Director of Impact Assessment & Environment, supported by the Associate, oversees climate related risks and opportunities associated with investments, as well as the collection of climate related data. This work includes activities such as:

- ◆ Co-ordinating the deliverables within the Carbon Management Plan (CMP);
- ◆ Provision of annual corporate carbon performance updates to both the Board and Executive Committee;
- ◆ Submission of statutory duties reports, including the annual Public Bodies Climate Change Duties Report and the triennial Biodiversity Duty Report;
- ◆ Drafting of climate performance section within the Bank’s annual accounts;
- ◆ Delivery of TCFD disclosures;
- ◆ Engagement with other bodies, from both the private and public sector, on environmental related matters, providing input and expert advice where necessary;
- ◆ Preparing the Bank’s climate risk assessments in relation to investments;
- ◆ Delivery of behavioural change campaigns, and climate change related seminars and activities;
- ◆ Engagement with partners, stakeholders, and expert bodies on environment and sustainability.



2. Strategy

2.1 Short, medium and long term climate-related risks

Transition risks and opportunities

The Bank’s mandate is to invest in mission-aligned projects, with a core focus on supporting Scotland’s transition to a net zero economy. This transition offers substantial opportunities for society and the wider economy, including commercial opportunities arising from new products and services. The Bank’s Investment Strategy anticipates growth areas including alternative fuels, transition technology, resource efficiency, and offshore supply chains and technologies.

While the net zero transition presents significant opportunities, the Bank’s portfolio weighting in these areas also increases exposure to climate transition risks. These risks arise from broader economic and societal shifts and may adversely affect existing business models through policy change, evolving consumer behaviour, or disruption from lower carbon technologies. If realised, transition risks could result in material financial impacts. Key transition risks are set out in the table below:

Policy and legal risks	Technology risks	Market risks	Reputational risk
<p>Climate policies in Scotland are currently in a state of flux, with interim targets being replaced with 5-year carbon budgets and a new climate change plan expected to publish in the coming year.</p> <p>Risks associated with changing policies could result in carbon pricing or new regulations to restrict activities for high emitting sectors. This may result in assets being retired early or even written off. It could also increase operating or project costs or result in legal liability costs should companies fail to comply with emerging legislation.</p>	<p>The development of innovative technology to support a net zero low-carbon economy, could potentially reduce revenue for existing companies, leading to a change in the competitive landscape by establishing margin pressure or making exiting products obsolete.</p>	<p>Economic and social changes drive market risks and may impact supply and demand. Changing consumer preferences around the use of fossil fuels or shifting preferences for lower carbon alternatives can reduce demand, increase production costs and lead to the repricing of assets.</p>	<p>Refers to the impact of negative public perceptions of high emissions sectors such as fossil fuels. Negative perceptions can lead to reduced revenue, difficulty accessing capital, and rising labour costs.</p> <p>As an impact investor, we have an additional reputational risk associated with our investments themselves, should they not achieve the desired or projected impact, or failing to achieve mission alignment.</p>



2. Strategy continued

Physical climate risks

Climate change is expected to continue and intensify over time. As weather patterns change, the Bank and its investments will be increasingly exposed to physical climate risks, arising both from acute events such as heatwaves, flooding and storms, and from longer term, chronic shifts in climate conditions. These physical risks could disrupt the Bank’s own operations and result in material impacts across the investment portfolio, including asset damage, operational disruption and supply chain interruptions.

Climate projections for Scotland

Key climate trends for Scotland are summarised in the diagram opposite.

Guidance from the Climate Change Committee, endorsed by the UK Government, recommends that organisations prepare for a 2°C rise in global temperatures while assessing risks for a 4°C scenario. Aligning to this guidance, we have accessed Scotland specific climate projections for rainfall and temperature from UK Climate Projections (UKCP18) to assess potential risks for the Bank’s business, strategy, and financial planning.

For the purposes of this analysis, RCP8.5 and RCP4.5 have been selected to represent plausible high and low emissions scenarios, broadly aligned with a 4°C and 2°C pathway respectively, across three time horizons: short term (2030s), medium term (2050s), and long term (2080s). Further information on the methodology is provided in the Annex.

Projected changes to Scotland’s weather systems



Average temperatures will increase across all seasons



Typical summers will be warmer and drier



Typical winters will be milder and wetter



Intense, heavy rainfall events will increase in both winter and summer



Sea levels will rise



Reduced frost and snowfall



Weather will remain variable and may become more variable

The amount of change that occurs will depend on how successful we are in reducing greenhouse gas emissions globally.

Source: Adaptation Scotland




2. Strategy continued

Temperature

Physical risk: Rising temperatures are increasing the frequency and severity of heatwave-related risks to human health and wellbeing, with impacts intensifying as temperature change increases.

Under the selected scenarios, annual mean temperatures in Scotland are expected to rise by 1.0°C – 1.3°C by 2050 and between 1.6°C and 2.5°C by 2080. While these are annual averages, temperature change will be more pronounced in summer months.

Projected changes in winter and summer temperature in Scotland

	Short term (2030)		Medium term (2050)		Long term (2080)	
	Low emission scenario (RCP4.5)	High emission scenario (RCP8.5)	Low emission scenario (RCP4.5)	High emission scenario (RCP8.5)	Low emission scenario (RCP4.5)	High emission scenario (RCP8.5)
Change in winter temperature (°C)	0.7°C (-0.8°C ↔ 2.1°C)	0.8°C (-0.7°C ↔ 2.3°C)	1.0°C (-0.5°C ↔ 2.5°C)	1.2°C (-0.4°C ↔ 2.9°C)	1.3°C (-0.4°C ↔ 3.1°C)	2.1°C (0.0°C ↔ 4.4°C)
Change in summer temperature (°C)	0.7°C (-0.6°C ↔ 2.1°C)	0.9°C (-0.5°C ↔ 2.3°C)	1.1°C (-0.4°C ↔ 2.6°C)	1.5°C (-0.1°C ↔ 3.2°C)	1.9°C (0.1°C ↔ 3.9°C)	3.1°C (0.8°C ↔ 5.7°C)


Figures show median values (50th percentile), with brackets indicating the 10th–90th percentile range. Changes are relative to a 1981–2000 baseline. Values are rounded to one decimal. Source: UKCP18 Land probabilistic projections.

Rainfall

Physical risk: Higher levels of precipitation could increase the likelihood of flooding of infrastructure, businesses, and homes, while periods of water scarcity could lead to potential negative impacts in agriculture and forestry sectors.

The change to rainfall patterns in Scotland will be seasonal: in winter, rainfall is expected to increase, while summer rainfall is expected to decrease.

Projected change in precipitation rate in Scotland

	Short term (2030)		Medium term (2050)		Long term (2080)	
	Low emission scenario (RCP4.5)	High emission scenario (RCP8.5)	Low emission scenario (RCP4.5)	High emission scenario (RCP8.5)	Low emission scenario (RCP4.5)	High emission scenario (RCP8.5)
Change in winter rainfall (%)	+ 5% (-21% ↔ 36%)	+ 6% (-20% ↔ 38%)	+ 9% (-21% ↔ 40%)	+ 11% (-19% ↔ 44%)	7% (-23% ↔ 37%)	19% (-15% ↔ 57%)
Change in summer rainfall (%)	-1% (-30% ↔ 28%)	-2% (-31% ↔ 27%)	-6% (-34% ↔ 26%)	-8% (-37% ↔ 25%)	-14% (-44% ↔ 20%)	-21% (-51% ↔ 19%)

Figures show median values (50th percentile), with brackets indicating the 10th–90th percentile range. Changes are relative to a 1981–2000 baseline. Values are rounded to integers. Source: UKCP18 Land probabilistic projections.



2. Strategy continued

2.2 The impact of climate-related risks and opportunities

Our approach to managing climate related risks and opportunities is structured around three strategic focus areas:

- ◆ investing for a sustainable future;
- ◆ understanding and managing climate risks across our portfolio;
- ◆ and ensuring our own responsible business practices.

These focus areas, together with their key enablers, are outlined below:

Investing for a sustainable future

We deploy investment which actively supports transition towards a climate resilient, net-zero Scotland

Our net zero mission is a core investment priority, emphasising our mandate to help enable a sustainable and climate-resilient economy. Since inception, the Bank's largest strategic investment focus has been on businesses and projects that support Scotland's transition to net zero, representing a significant commercial opportunity.

Our **Business Plan** and **Investment Strategy** shape how we manage investment risks while pursuing transition-related opportunities.

The **Business Plan** sets out a long-term commitment to deploying capital in support of systemic change aligned with the Bank's missions of net zero, place, and innovation. It details our impact-led approach, underpinned by a clear Theory of Change and robust management of climate-related and broader ESG risks.

The **Investment Strategy** is dynamic to respond to emerging risks and opportunities. This includes supporting emissions reduction alongside the infrastructure and supply chains required for economy-wide decarbonisation. The forward investment pipeline is shaped not only by market opportunity but also by the Bank's market-creation role in identifying and enabling system-wide needs for a net zero, climate-resilient Scotland.



2. Strategy continued

A climate resilient portfolio

We understand and manage the climate risks associated with our portfolio

As our portfolio grows, we aim to ensure it remains resilient to climate-related physical and transition risks, while enabling investees to capture opportunities from the net zero transition. Climate risk management is embedded throughout the investment lifecycle, with Origination, Risk, Portfolio and Impact teams working collaboratively.

All investments undergo **Climate Risk Assessment** prior to deployment, covering physical and transition risks. Where elevated risks are identified, risk management processes are triggered. At portfolio level, we maintain an aggregated and sector-based view of climate vulnerabilities to track emerging risks, including regulatory change, supply chain dependencies and physical climate impacts. Climate Risk Assessment processes are further detailed in Section 4: Metrics and targets.

We support investees to understand and manage their climate risks through practical tools and guidance, including the development of proportionate **Carbon Management Plans** and completion of a **Climate Adaptation Checklist**.

These measures help businesses manage and reduce operational emissions, and prepare for extreme weather impacts and strengthen operational resilience. Support across the portfolio also helps raise overall climate resilience and competitiveness in an evolving regulatory and market context.

Responsible business

We manage our operational carbon footprint, and our core functions are resilient to the impact of climate change

We recognise our responsibility to manage climate risks within our own operations. Climate considerations are integrated into internal policies through joint working between our Operational Risk and Impact teams.

Climate-related risks to corporate functions are addressed through our Business Continuity Plan, which sets out arrangements to maintain critical operations during periods of disruption. Further detail is contained within Section 3.1.

The Bank's **Carbon Management Plan** aligns our operations with Scotland's Just Transition to net zero by 2045. Based on a 2022/23 baseline, it sets a 5% operational emissions reduction target and outlines our approach to measuring, managing and reporting both operational and portfolio emissions. Our latest performance is presented in Section 4.1.

Our **Approach to Adaptation** defines how climate risks are assessed and managed across operations and investments. We use Adaptation Scotland's Climate Adaptation Capability Framework to benchmark our current adaptation maturity across several capability areas, highlighting strengths and areas for improvement.



2. Strategy continued

2.3 Strategy resilience under different climate-related scenarios

Assessing the potential impacts of climate-related risks on our operations and portfolio is a complex task, given the uncertainty and long-term nature of these risks. Climate scenario analysis supports this assessment by enabling us to explore how climate change could affect business operations and to evaluate the resilience of our strategy, operations, and investments under different future climate pathways.

Physical and transition risks, as well as opportunities, have been explored across short-, medium-, and long-term horizons, using two emissions scenarios aligned with guidance to prepare for a 2°C increase in global temperature while assessing risks under a 4°C scenario:



Short term (2025 to 2030)

In the near term, climate-related risks to our investments are more likely to be transition-related than physical, although some exposure to acute physical risks – such as flooding, heatwaves and storm events – may occur. In the short term, there is limited divergence between high and low emissions scenarios, as many projected changes in this time period are already locked in due to historical emissions. Where physical hazards do occur, their materiality is dependent on the specific exposure of individual investments, with certain sectors more vulnerable to these risks.

There are significant opportunities for both current and future investees to support economy-wide decarbonisation, with net zero central to the delivery of the Bank's missions. This is a core focus of our investment strategy, which prioritises investments that deliver positive impact and support the transition to net zero, including businesses and projects seeking capital to enable this transition.

As domestic climate policy continues to evolve, additional regulations may emerge to support wider decarbonisation efforts, particularly affecting higher-emitting sectors such as infrastructure and supply chains. While these sectors carry a higher carbon burden, investment in their transition will be critical to achieving net zero. The potential introduction or expansion of carbon pricing mechanisms could also affect investments in these areas.

These opportunities are accompanied by transition risks linked to the evolving geopolitical and policy landscape. Although our investments are positioned to support climate resilience and decarbonisation, the transition to a net zero economy is inherently complex and sensitive to changes in policy and market conditions. With upcoming elections in both the Scottish and UK Parliaments, shifts in political appetite for climate action could influence policy direction, technological development, and market dynamics.



2. Strategy continued

Medium term (2030 to 2050)

Over the medium term, physical climate risks will start to diverge between a low and high emissions scenario:

Low emissions scenario	High emissions scenario
<p>Physical hazards may occur; however, their expected frequency and severity are more limited.</p> <p>Some impacts can be managed through effective adaptation measures, supporting operational continuity across investee companies.</p> <p>A more stable investment environment is maintained, portfolio resilience strengthened.</p>	<p>Acute weather-related events, such as flooding, storms and heatwaves disrupt the day-to-day operations of investee companies.</p> <p>Chronic risks, including supply chain disruption and rising operating costs, could weaken business resilience and performance.</p> <p>Increased exposure to physical climate risks may ultimately result in portfolio losses and a narrowing of viable investment opportunities.</p>

Sustained net zero policy ambition offers significant potential for growth within the Bank's portfolio. The Bank's strategy is closely tied to Scotland's net zero objectives, and while this alignment creates substantial opportunities, it also increases the Bank's exposure to transitional risk. If climate policies were to be weakened or reversed, some investments could face an increased risk of stranding. Delays in the transition could heighten uncertainty and misalign capital flows. A slowdown in transition momentum could also result in a more abrupt and disruptive policy response later, amplifying financial risk across the portfolio.



2. Strategy continued

Long term (2050 to 2080)

Over the longer term, the risks will further diverge between a low and high emissions scenario.

Low emissions scenario	High emissions scenario
<p>While physical impacts will still occur, their severity and frequency are expected to be lower, and adaptation measures are more likely to be cost-effective.</p> <p>A more stable long-term investment environment supports enhanced portfolio resilience and long-term value creation, particularly in sectors aligned with climate mitigation and adaptation.</p>	<p>Physical climate risks are more frequent, severe, and systemic, with potential cascading impacts across infrastructure, transport networks and supply chains.</p> <p>Material impacts to asset values and disrupt operational continuity across multiple sectors.</p> <p>Certain industries may become uninsurable or economically unviable; cost of adaptation could rise sharply, placing additional financial pressure on investee companies.</p>

Continued progress towards Scotland's 2045 net zero target could help scale climate solutions and support sustained demand for investment aligned with net zero. However, not all technologies or companies emerging during the transition will ultimately prove viable; market consolidation is likely, with some leaders emerging while others fall away.

Scotland's strengths in energy systems, technology, finance, and natural capital create significant opportunities to capture value from the transition. Yet these same strengths also carry material risk if policy direction changes. Failure to meet the 2045/50 net zero targets – alongside the escalating physical impacts of climate change – could prompt shifts in policy or legislation, increasing uncertainty and amplifying transition risk.



3. Risk management

3.1 Processes for identifying and assessing climate-related risks

The consideration of climate change across our investments is vitally important to protect and enable our missions. A pre-investment Climate Risk Assessment is carried out on all prospective investments.

This Climate Risk Assessment process aligns with TCFD guidance, considering both physical and transitional climate-related risks which could impact on prospective investments. Greenhouse gas emissions reporting boundaries for investee companies are also established as part of the Climate Risk Assessment process.

The assessment includes screening for exposure to key acute physical climate risks (flooding, heat, storm/high wind) based on the company's main premises or areas of operation. In addition, we consider chronic physical risks using the third UK Climate Change Risk Assessment (CCRA3) – Sector Briefings⁴ – to highlight longer-term physical risks relevant to each investment. This allows a sectoral analysis of physical climate risk across our whole portfolio.

In addition to the risks posed to our investments, climate change can pose physical risks to our own operations. As the Bank is primarily office based, climate-related risk associated with our corporate functions have been assessed as part of our internal Business Continuity Plan. The plan provides direction for staff on the processes and systems that should be applied should there be an extreme weather event, or other causes of disruption to the Bank's normal operating procedures.



“The consideration of climate change across our investments is vitally important to protect and enable our missions. A pre-investment Climate Risk Assessment is carried out on all prospective investments.”

Aoife Hutton
Associate – Impact
Assessment & Environment



4. [Sector briefings – UK Climate Risk](#)



3. Risk management continued

3.2 Processes for managing climate-related risks

Where a high level of climate-related risk has been identified during pre-investment Climate Risk Assessment processes, this is escalated to the Investment Risk and Deal teams to ensure that an acceptable level of mitigation and/or management is reached, and this information is also communicated to the Bank’s Investment Committee.



In 2025, we introduced a Post Investment Action Plan requirement for investees to complete a short Climate Adaptation Checklist. Based on Adaptation Scotland’s *SME Climate Resilience Checklist*⁵ (endorsed by the Scottish Government), it helps portfolio companies prepare for climate impacts and manage physical climate risks. Where feasible, we will also encourage existing portfolio companies to complete the checklist.

This requirement complements our existing expectation that all portfolio companies maintain a credible Carbon Management Plan, which supports greenhouse gas measurement and management, key to addressing transitional risk.

As a number of our portfolio companies are seeking to scale, this early work has added value and identified opportunities for them to better understand, manage and reduce emissions and risk. We believe that over time, our work with companies to embed carbon management and climate resilience practices will add value to them directly as part of our wider contribution to our net zero mission.

In addition to these measures, we are developing our approach to climate change adaptation – actively managing the impacts of climate change on our business, including ensuring we have effective governance, knowledge, and culture to respond to the challenges of a changing climate. The Bank aligns with the Adaptation Capability Framework, an award-winning model that supports public sector organisations in building capacity for climate adaptation.

5. [SME Resilience Checklist – Adaptation Scotland](#)



3. Risk management continued

Through alignment with this framework, the Bank has completed a range of proactive steps to improve management of climate-related risks:

- ◆ **The Bank's Carbon Management Plan (CMP)** makes commitments to reduce our operational greenhouse gas emissions, and to support portfolio companies to define their Scope 1 and Scope 2 emissions, ensuring all new investees develop a CMP or net zero strategy – which allows active management of transition risk.
- ◆ **Through voluntary alignment with the TCFD**, we have developed and considered short, medium and long term scenarios which assess physical and transitional risks relevant to our strategy.
- ◆ **Climate Risk Assessments** carried out on all prospective investments, and information shared with Investment Committee. Controls in place where a high risk has been identified.
- ◆ **Staff engagement:** A one-hour Climate Literacy module delivered to all staff, increasing awareness of climate change impacts which our organisation or portfolio may be exposed to.
- ◆ We have convened a **Climate Action Network** with representation from across the organisation – allowing two-way conversation around emergent climate-related risks.
- ◆ Our **Business Continuity** processes include emergency alerts for extreme weather events which are shared with all staff.
- ◆ **We are members of** the Public Sector Climate Adaptation Network (PSCAN), Sustainable Scotland Network (SSN) and Environmental Managers Forum (EMF), ensuring best practice is shared with other similar organisations.





3. Risk management continued

3.3 Integration of climate-related risks into overall risk management processes

The Bank’s approach to climate risk is intrinsically linked to our overall risk management processes, which supports and complements the business strategy. Through its Risk Management Framework (RMF), the Bank aims to deliver the following strategic risk objectives:

Strategic risk objectives

Clear articulation of the level of risk the Bank is willing to take in pursuit of its objectives and missions.	Risk management activities are proportionate to the nature, scale and complexity of the Bank.	A positive and proactive risk management culture exists at the Bank – where each employee understands their personal responsibilities and leads by example in delivering these.	Risk is taken into account in every investment decision and all strategic decisions.
There is a culture of compliance where regulatory requirements are followed in spirit and in letter.	Operational risk events and failures of internal controls are seen as a source of risk intelligence and an opportunity to learn and improve.	The principles of risk management applied to the Bank are extended to the wider enterprise, including outsourcers.	

The main tool of risk classification is the Bank’s risk taxonomy, as shown on page 20. This supports the clear allocation of ownership of risk, the documentation of root causes and impacts, the design of mitigation strategies and provides structure to risk reporting to interested stakeholders.

Seven Level 1 risk types have been identified, which are further categorised into Level 2 risk types, the level at which the risk management methodology (ownership, analysis, mitigation, reporting, etc.) is applied. Climate-related risk falls under the Bank’s Level 1 Environmental, Social & Governance (ESG) risk, subclassified into Level 2 risk.



3. Risk management continued

Risk classifications within the Bank’s Risk Management Framework

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. Metrics and targets

4.1 Metrics used to assess climate related risks and opportunities

In line with TCFD recommendations, we continue to monitor and assess the climate-related performance of our operations and portfolio using relevant metrics. This includes tracking progress against emissions reductions, the integration of carbon management into business strategy, and the resilience of investee companies under different climate scenarios.

Portfolio climate risk (aggregated)

The following section provides aggregated data on the climate risk assessments carried out on investee companies, providing an overview of our portfolio exposure to physical climate risks.

Flood risk

Modelling scenarios, derived from the Scottish Environmental Protection Agency’s (SEPA) Flood Map tool⁶, are used to understand the current and future likelihood of surface water, rivers, and coastal flooding for the Scottish⁷ headquarters or main operating premises associated with portfolio companies. The likelihood of flooding is split into the following categories:

- ◆ **High likelihood:** A flood event is likely, on average in the defined area once in every 10 years (1:10). Or a 10% chance of happening in any one year.
- ◆ **Medium likelihood:** A flood event is likely, in the defined area on average once in every two hundred years (1:200). Or a 0.5% chance of happening in any one year.
- ◆ **Low likelihood:** A flood event is likely, in the defined area on average once in every thousand years (1:1000). Or a 0.1% chance of happening in any one year.
- ◆ No specific risk.

Flood likelihood across our portfolio (at the time of publication) shows surface water as the dominant risk: 58% of investee companies face a medium or high likelihood of surface water flooding.

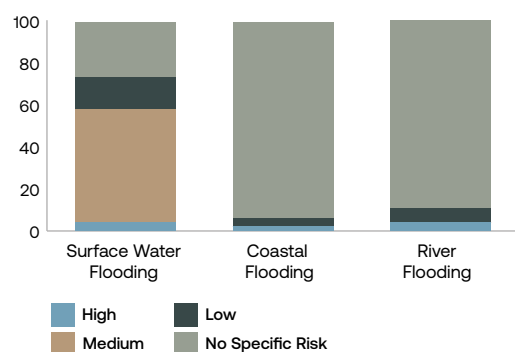
A 2025 update⁸ to SEPA’s Flood Map tool added ‘Small Watercourses’ to the surface water assessment, contributing to changes from previous years’ results. Looking ahead to the 2080s, flood likelihood is expected to increase or remain unchanged unless effective resilience measures are implemented.

Portfolio likelihood of flooding

	High	Medium	Low	No Specific Risk
Surface Water Flooding	4%	54%	15%	26%
Coastal Flooding	2%	0%	4%	93%
River Flooding	4%	0%	7%	89%

Portfolio likelihood of flooding, by % total number of investments, based on portfolio at time of drafting. Due to rounding, totals may not sum exactly.

Portfolio flood risk exposure



Portfolio flood risk exposure, by likelihood of flood at Scottish headquarters or main operating location.

6. [Flood Maps | SEPA - Flood Maps | SEPA](#)

7. Where a company does not have an existing Scottish premises, we assess using appropriate tools for the region of current operations (e.g. For England: Check your long term flood risk - GOV.UK).

8. [SEPA launches new surface water and small watercourses flood maps to strengthen Scotland’s climate resilience | Beta | SEPA | Scottish Environment Protection Agency](#)



4. Metrics and targets continued

While the likelihood of flooding may be the same for two investments, the impact of a flood event to an office-based business with hybrid working capabilities might be described as minor, whereas an agricultural or land-based business could be majorly impacted due to the nature of the work involved.

While a location based analysis provides a high-level view of exposure, our approach continues to evolve as we mature and integrate more data - including advancing our understanding of specific sectoral impacts and exposures.

Heat risk

Temperature extremes could have material impacts on our investments. We have assessed our portfolio against two indicators, using available data from the Met Office Local Authority Climate Service (LACS)⁹ on a granular basis by Local Authority location:

- ◆ Summer maximum temperature
- ◆ Number of heatwave days

While we are particularly concerned about near term, acute risks to our investments, we have also compiled information relating to longer term heat projections under future scenarios, aligning to Climate Change Committee guidance⁴ to consider the risks up to a 4°C warming scenario by the end of the century.

Heat risk scenarios

Timeframe	Near term – 2030s	Medium term – 2050	Long term – toward end of century
Scenario	Central emissions scenario	Central emissions scenario	High emissions scenario
Global Warming Level (GWL)	GWL1.5	GWL2.0	GWL4.0

Scenarios used when assessing Heat Risk associated with investments. The time-frame when a particular Global Warming Level is reached will depend on future global emissions and the sensitivity of the climate system. The projections presented draw on three scenarios: a central emissions scenario for the near and medium term, and a high-emissions scenario for the longer term, consistent with Adaptation Reporting Power (ARP) guidance.

Across Scotland, the likelihood of temperatures increasing is high and considered almost inevitable over the long term. Evidence of this trend is already observed, with higher summer maximum temperatures and an increase in heatwave days recorded.

The maximum summer temperature is set to increase in all locations, in near, medium and long term timeframes. Some locations will see as many as 11 heatwave days per year by 2050, rising to 22 by end of century in a high emissions scenario.

In all sectors, high temperatures can have negative impacts on employees’ health and wellbeing and ability to commute to work. In addition, some sectors may be particularly impacted by high temperatures, depending on the nature of the business’ operations and interdependencies.

Storm risk

UK weather varies significantly year-to-year, making storm trend identification challenging. Climate change is expected to increase the intensity of storms with heavier rainfall and rapid intensification, though changes to the overall frequency of storms remains uncertain¹⁰.

Given these uncertainties, we do not currently use a tool to geographically project storm or high wind risks. Instead, we apply a qualitative assessment of vulnerability to these events. High winds and storms are particularly disruptive to some sectors such as construction, transport and distribution. Delays in supply chain could cause knock-on impacts to businesses which have time-sensitive goods requirements. This analysis helps inform our pre-investment Climate Risk Assessment.

9. [Local Authority | The Met Office climate data portal](#)

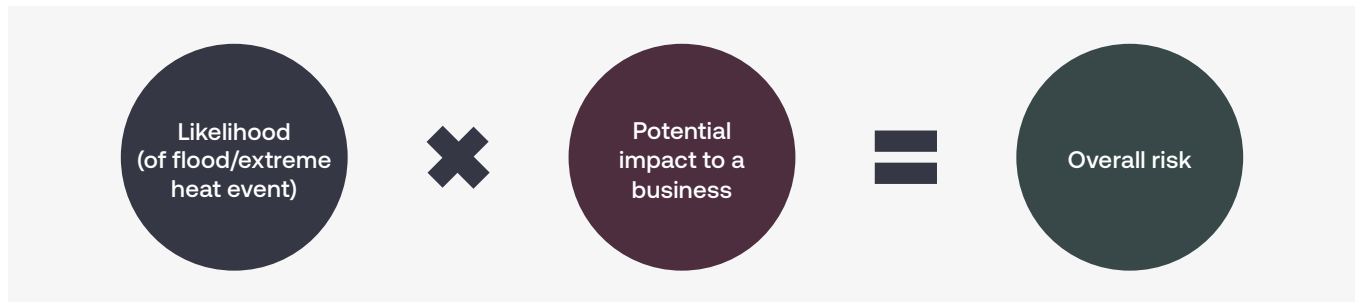
10. [UK and Global extreme events – Wind storms - Met Office](#)



4. Metrics and targets continued

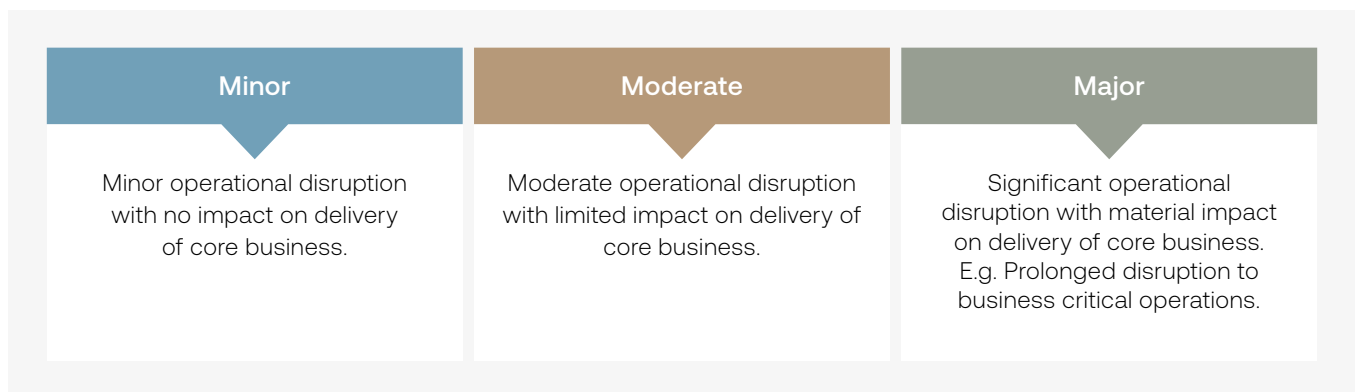
Understanding sector exposures to acute climate impacts

It is important to understand the interaction between the likelihood of a particular climate event (such as a flood or heatwave), and its potential impact on a given sector. In individual Climate Risk Assessments, we utilise the calculation:



This allows consideration for the vulnerability of a sector or business to a particular climate event to be applied.

For the purpose of understanding aggregated climate risk across our portfolio, we have derived a level of assumed impact to each sector in which we hold investments, alongside a brief narrative of the potential impacts involved. This is a qualitative measure, informed by Bank insights and drawing from UKCCRA3 Sector Briefings¹¹, with levels of assumed impact assigned based on the definitions below:



In individual Climate Risk Assessments (carried out pre-investment), where a physical climate risk is assessed as high (i.e. high likelihood x high potential impact), risk management control processes are triggered. This would occur, for example, where a business is located in area which has a high likelihood of flooding, and is a sector assessed to have major impacts due to flooding.

¹¹ [Sector briefings - UK Climate Risk](#)



4. Metrics and targets continued

Breakdown of potential acute physical climate impacts, by sector

This analysis has been compiled based on portfolio data to December 2024, comprising of 38 investments and categories referred to in our 2025 Impact Report¹².

Sector level analysis of vulnerability to flood events			
Level of assumed impact	Minor	Moderate	Major
	<p>Minor</p> <p>Flooding event assumed to have a minor operational disruption with no impact on delivery of core business.</p>	<p>Moderate</p> <p>Flooding event assumed to have a Moderate operational disruption with limited impact on delivery of core business.</p>	<p>Major</p> <p>Flooding event assumed to have a Significant operational disruption with material impact on delivery of core business. E.g. Prolonged disruption to business-critical operations.</p>
Sector	<p>Connectivity: The risk of telecoms and ICT infrastructure being directly affected by flooding is lower than the risk to other infrastructure types such as energy assets, but disruption caused by flooding of the latter could indirectly cause telecoms and ICT outages.</p> <p>Consumer Products & Services; Life Science; Robotics; Quantum and Photonics; Scalable Tech; Space: Costs to businesses arise from damage to sites as well as from business interruption and indirect losses, such as lost production time and associated costs.</p>	<p>Forestry: Flooding poses risks to forestry productivity; though conversely, forests can play a vital role in mitigating flood risk.</p> <p>Hospitality & Leisure: Flooding could have high magnitude impacts on business sites including hospitality and leisure facilities, as well as disruption to transport networks, affecting visitor numbers.</p> <p>Renewable Energy & Alt-fuels: Energy-related infrastructure is at risk from the impacts of flooding, with damage potentially becoming more frequent in future. This includes generation facilities, substations and buried assets (such as pipelines).</p>	<p>Housing: Flooding poses a severe risk to UK housing. Flooded homes can cause long-term and severe impacts on mental health and wellbeing, including health risks from damp exposure.</p> <p>Supply Chains & Critical Infrastructure: Flooding poses material impacts to this sector across transport infrastructure and hubs, resulting in travel and freight delays and cascading disruption to supply chain.</p>
Portfolio exposure	<p>21 investments</p>	<p>7 investments</p>	<p>10 investments</p>

¹² Impact Report 2025 | Scottish National Investment Bank



4. Metrics and targets continued

Sector level analysis of vulnerability to extreme heat events			
Level of assumed impact	Minor	Moderate	Major
	Heat event assumed to have a minor operational disruption with no impact on delivery of core business.	Heat event assumed to have a Moderate operational disruption with limited impact on delivery of core business.	Heat event assumed to have a Significant operational disruption with material impact on delivery of core business. E.g. Prolonged disruption to business-critical operations.
Sector	<p>Connectivity: Heatwaves and droughts can affect information and communications technology (ICT) infrastructure through shrinkage and expansion.</p> <p>Consumer Products & Services; Life Science; Robotics; Quantum and Photonics; Scalable Tech; Space: No sector specific heat-related impacts identified.</p>	<p>Forestry: High temperatures will affect forestry productivity, as well as threats from pests, pathogens and INNS. Heat combined with dry conditions also presents a higher risk of wildfires spreading and increasing in intensity.</p> <p>Hospitality & Leisure: Potential positive impacts from domestic tourism, however some risks for Health and Safety, requirements for refrigeration and cooling capacity.</p> <p>Renewable Energy & Alt-fuels: High temperature can cause disruption to the energy network. Additional risks for construction phases – worker health and safety for outdoor workers in heatwaves.</p> <p>Housing: Hotter summers could result in air conditioning uptake increases. Additional risks for construction phases – worker health and safety for outdoor workers in heatwaves.</p> <p>Supply Chains & Critical Infrastructure: Extreme heat can cause issues to transport infrastructure and hubs, resulting in travel and freight delays and cascading disruption to supply chain.</p>	In the short term, no sectors within portfolio assessed as having major impacts due to heat events.
Portfolio exposure	21 investments 	17 investments 	None



4. Metrics and targets continued

4.2 Scope 1, 2 and 3 greenhouse gas emissions

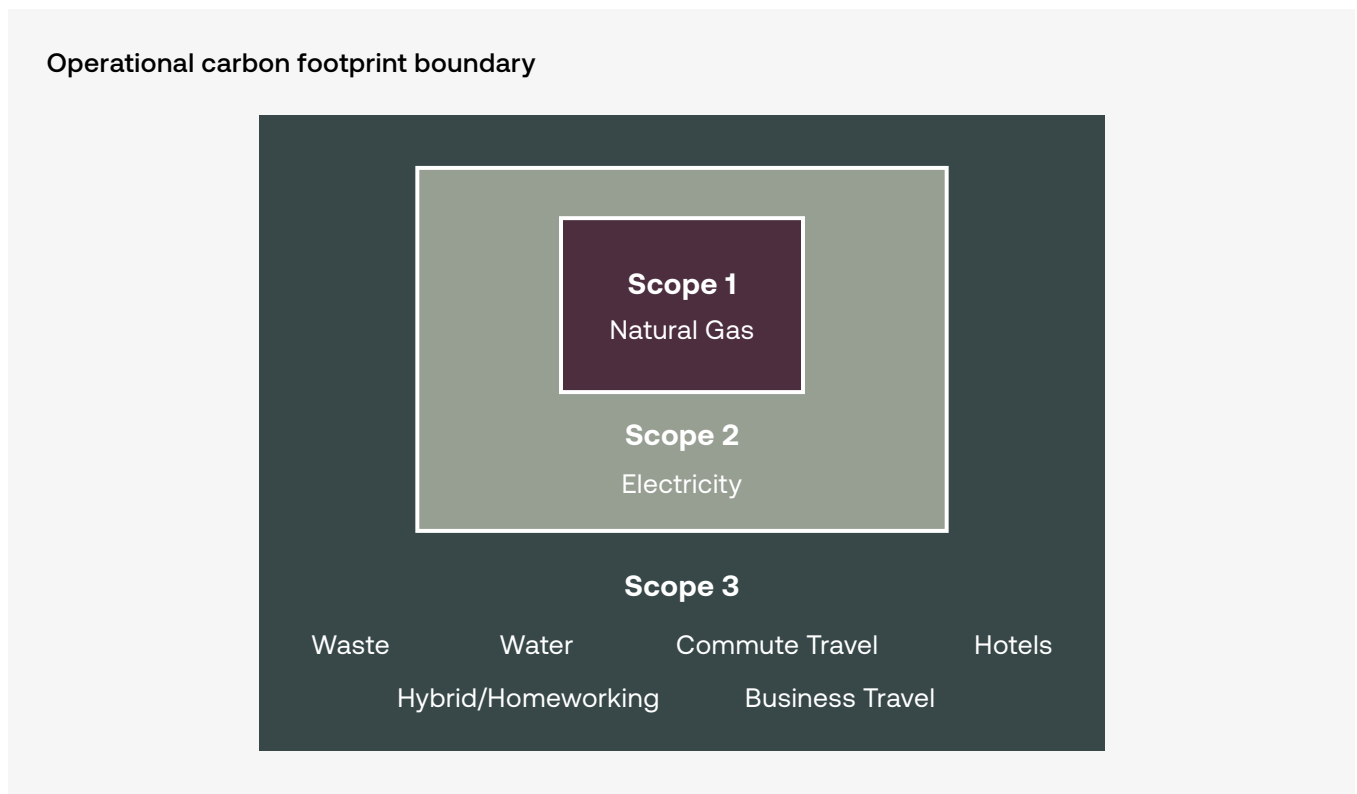
Greenhouse gas (GHG) emissions

Using an operational control consolidation approach, we have split our operational emissions and our portfolio emissions into two separate profiles – operational emissions and portfolio emissions. Emissions are calculated using UK Government GHG Conversion Factors for Company Reporting.

- ◆ **Operational emissions:** Our operational emissions boundary includes Scope 1, Scope 2 and selected Scope 3 sources. This is related to the consumption of gas, electricity, water and waste generated from our leased premises, business and commute travel; homeworking; and business accommodation (hotels). The financial year 2022/23 (FY22/23) acts as our baseline year for operational emissions.
- ◆ **Portfolio emissions (investments):** Portfolio emissions are based on data collected across a calendar year, with an assessment undertaken each year since 2022. We provide information on these emissions each year. Due to a growing portfolio, details surrounding these emissions sources act as a snapshot in time, rather than a comparator year-on-year.

Operational emissions

The Bank's operational emissions boundary is presented below:



For FY24/25, the Bank's **operational emissions were 84.30 tCO₂e**. This equates to a 36.4% increase compared to the previous year (**61.78 tCO₂e**) and a 43.7% increase from the FY22/23 baseline year (58.66 tCO₂e).



4. Metrics and targets continued

The table below outlines our emissions by source and Scope.

Operational carbon footprint							
Source	Emissions Scope ¹	Metric	2022/23	2023/24	2024/25	Performance Indicator	
Gas	Scope 1	tCO ₂ e	6.49	6.65	10.80	62.41%	▲
Electricity ²	Scope 2	tCO ₂ e	10.98	12.45	9.32	-25.14%	▼
Water ³	Scope 3	tCO ₂ e	0.18	0.17	0.19	11.76%	▲
Waste	Scope 3	tCO ₂ e	0.22	0.05	0.03	-40.00%	▼
Business Travel	Scope 3	tCO ₂ e	8.54	12.99	29.38	126.17	▲
Hotel	Scope 3	tCO ₂ e	1.12	3.08	6.53	112.01%	▲
Commute Travel	Scope 3	tCO ₂ e	23.63	11.32	9.58	-15.37%	▼
Home Working	Scope 3	tCO ₂ e	7.50	15.07	18.47	22.56%	▲
Total Emissions		tCO₂e	58.66	61.78	84.30	36.45%	▲

1. Emissions Scopes have been classified using the GHG Protocol Corporate Standard. 2. Includes Scope 3 - Electricity transmission and distribution.
3. Combined Supply & Treatment of Water.

Section 4.3 provides further narrative relating to our performance against targets in relation to operational emissions.

Portfolio emissions (investments)

While we recognise the importance of measuring and managing our operational emissions, the largest source of emissions associated with the Bank relates to those generated by the companies and projects we invest in. Through our disclosures, we aim to be transparent in relation to emissions generated by our portfolio and our proportional share.

All portfolio companies must report the emissions they generate over a calendar year to the Bank via their annual impact reporting requirements. To date, 100% of our portfolio companies have reported their Scope 1 and Scope 2 emissions sources. Although we do not require our investees to report their Scope 3 emissions, these sources are built into their own plans/strategies to ensure that they are also being appropriately managed.

As investee companies begin to mature in their carbon measurement and reporting capabilities, we are seeing a growing number set ambitious interim or net zero targets. This evolution reflects a maturing approach to climate governance and risk management and supports our strategic objective of aligning our investment portfolio with long-term decarbonisation goals.

In alignment with the Greenhouse Gas (GHG) Protocol, and the methodology described in our CMP, Scope 1 and 2 emissions reported by investee companies are classified within the Bank's Scope 3 emissions under Category 15 – "Investments". We aim to ensure accuracy by providing guidance and a carbon calculator tool; however, portfolio emissions rely on data reported by our investee companies.



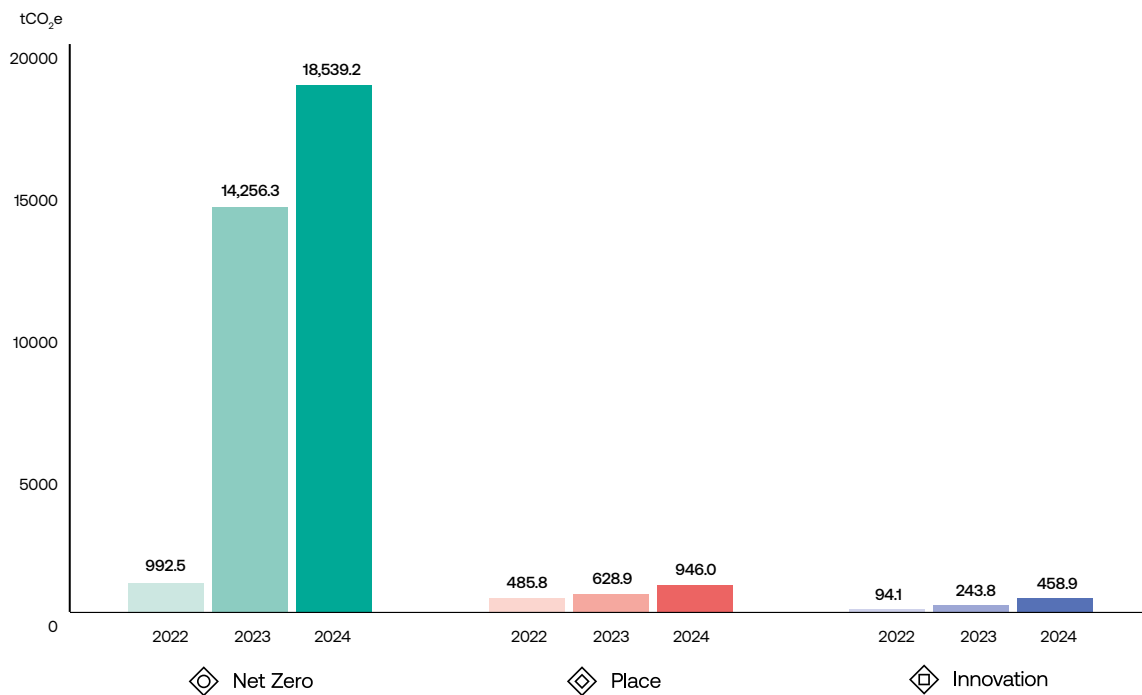
4. Metrics and targets continued

Upon completion of the calendar year 2024, the Bank's total Scope 3 Investment emissions were 19,944.2 tCO₂e.

Emissions by primary mission 2024

Source	Scope 1	Scope 2	Total	Metric
Net zero	15,655.9	2,883.4	18,539.3	tCO ₂ e
Place	652.4	293.6	946.0	tCO ₂ e
Innovation	187.5	271.4	458.9	tCO ₂ e
Total Scope 1 and 2 emissions	16,495.8	3,448.4	19,944.2	tCO ₂ e
Total Scope 3 investment emissions			19,944.2	tCO ₂ e

tCO₂e of Scope 1 and Scope 2 emissions by mission





4. Metrics and targets continued

Proportional share of portfolio emissions

Using Category 15 guidance, we have calculated a proportionate share of emissions attributable to our investment, which enables us to account for financed emissions in a consistent and transparent manner. This is based on our percentage ownership or financial stake in each investee company. This approach supports our broader climate strategy and ensures that our reporting is robust, comparable, and aligned with international best practice.

Our 2024 proportional share of investment emissions was calculated as 2,957.5 tCO₂e. This is equivalent to 4.25 tCO₂e per £1 million invested since launch.

The table below provides details of proportional share based on their primary mission alignment.

Portfolio emissions by primary mission

	Scope 1	Scope 2	Scope 1 + 2	Att. Scope 1	Att. Scope 2	Total Att. Scope 1 + 2
Net zero	15,655.9	2,883.4	18,539.3	2,101.7	352.7	2,454.4
Place	652.4	293.6	946.0	302.3	117.7	420.0
Innovation	1875	271.4	458.9	24.8	58.3	83.1
	16,495.8	3,448.4	19,944.2	2,428.9	528.7	2,957.5

Portfolio emissions, including proportional share attributable to the Bank, calendar year 2024.



4. Metrics and targets continued

4.3 Performance against targets

Performance measures relating to our management of climate related risk and opportunities align with our three areas of strategic focus, as detailed in Section 2.2:

Strategic focus	Performance measure
<p>Investing for a sustainable future: We deploy investment which actively supports transition toward a climate resilient, net zero Scotland</p>	<ul style="list-style-type: none"> ◆ Deployment of investment (£m) ◆ Non-financial impacts of investment (greenhouse gas emissions avoided)
<p>A climate resilient portfolio: We understand and manage the climate risks associated with our portfolio</p>	<ul style="list-style-type: none"> ◆ % of portfolio companies with a CMP in place
<p>Responsible business: Our operations are resilient to the impact of climate change</p>	<ul style="list-style-type: none"> ◆ Progress against our CMP, including reduction of operational emissions

We will continue to enhance the scope of our targets as we mature, to allow enhanced monitoring of our performance. This includes reviewing the data we collect on an annual basis and considering new or emerging tools and metrics, to ensure that our approach remains dynamic and well-fitting.

Investment deployment and mission impacts

The Bank is a mission-led investor, focussing on three areas for deployment of investment: net zero, place and innovation.

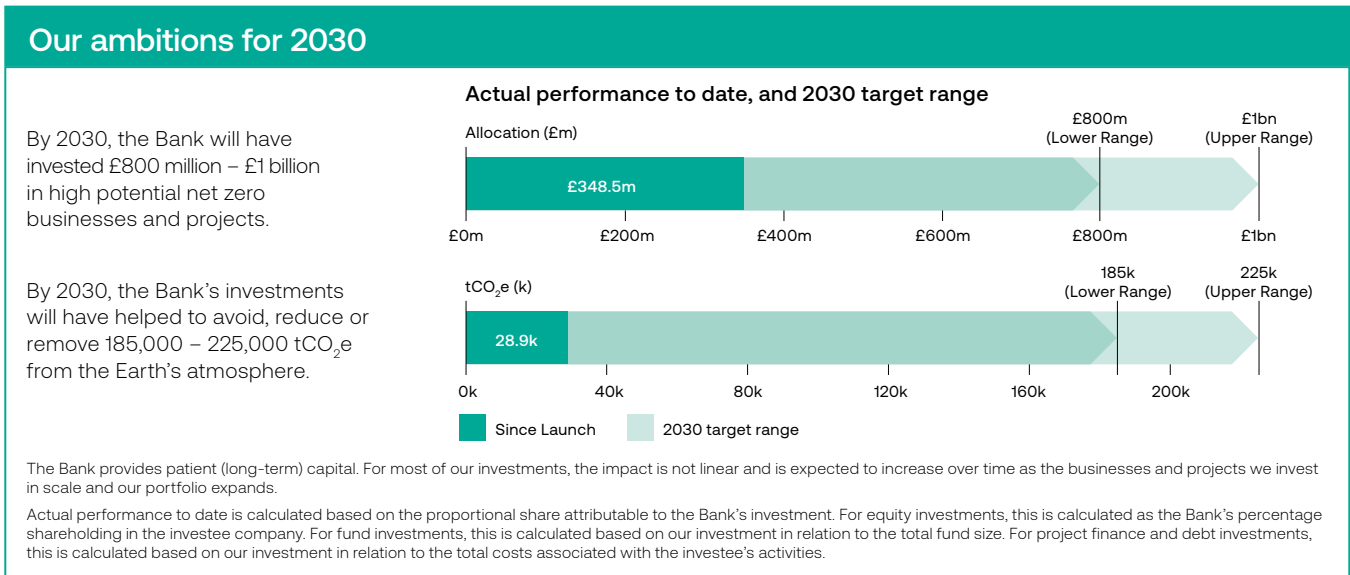
For each mission, the Bank has set ambitions to achieve by 2030, which relate to allocation of finance, and delivery of non-financial impacts (such as emissions avoided, reduced or removed). For the purposes of this disclosure have focused below on our performance within the net zero mission, and our progress towards these targets.

At the end of 2024, we had invested **£348.5 million** towards our net zero mission, with **28.9 ktCO₂e** having been avoided, reduced or removed across our investments, based on the proportional share attributable to the Bank’s investment¹³.

13. Impact Report 2025 | Scottish National Investment Bank



4. Metrics and targets continued



In addition to these ambition targets, each mission has a group of objectives, on which metrics are reported. For net zero, our performance against these objectives is presented below:



Mission Objective 1: Catalysing 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:
 - 37.5%** of new investments in 2024.
 - 27.3%** of follow-on investment in 2024.
 - 41.0%** of total investments since launch.
- ◆ **46.2%** 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:
 - £119.0 million** in 2024.
 - £396.8 million** since launch.
- ◆ Third party capital associated with Bank investment supporting businesses and projects contributing to the shift to a net zero economy:
 - £506.2 million** in 2024.
 - £1.0 billion** since launch.
- ◆ **711** just transition jobs supported directly through Bank investment as self-reported by portfolio companies.
- ◆ **2,097** jobs supported by net zero investment during 2024*.

*Businesses and projects may contribute to more than one mission.



4. Metrics and targets continued



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

- ◆ **41.0%** of our investment portfolio contributes to accelerating decarbonisation.
- ◆ **5.1%** of our investment portfolio contributes to mitigating climate change through capturing GHGs (natural / technological processes) from the atmosphere.
- ◆ **46.2%** of our investment portfolio contributes to ameliorating the effects of climate change.
- ◆ By the end of 2024, **1,472** Electric Vehicle (EV) charging points had been installed in total, spanning **20** Scottish Local Authority Areas and **3** London boroughs. **779** EV charging points were installed in 2024.



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

- ◆ In 2024 **5.1%** of our investment portfolio contributed to the circular economy*.



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

- ◆ In 2024 our portfolio reported a total of **19,944.2 tCO₂e** of Scope 1 and Scope 2 emissions. Of this, **535.7 tCO₂e** of Scope 2 emissions were reported by investees as being avoided through purchase of green energy from a green tariff.

*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.



4. Metrics and targets continued

Portfolio performance

Investee companies with a Carbon Management Plan (CMP)

Our impact investment process is designed to work with investees to add value through identifying risks and opportunities that align with our impact ambitions, as well as helping those companies to develop practices that will add value for them in their next stage of growth.

All new investees and follow-on investments (post April 2023) are required to develop a CMP or net zero strategy (or equivalent) within 12 months post investment.

The percentage of investee companies with a CMP has been added as a Key Risk Indicator which is tracked by the Board and the Risk Management and Conflicts Committee on a quarterly basis. At the time of publication, **97.7%**, of our portfolio companies either have a CMP in place or have initiated work to do so.

Carbon Management Plan KPI

◆	CMP is in place	68.2%
◆	CMP is in development	29.5%
◆	no requirement	2.3%
		100%

Portfolio performance on development of Carbon Management Plan. Information correct at time of publication. Note one investment does not have requirement to develop a Carbon Management Plan, as this investment was made prior to the Bank's introduction of the requirement.

We support all portfolio companies, regardless of starting point, to progress toward more sustainable operations, recognising the value of early engagement in enabling future alignment with net zero objectives. This approach balances ambition with practicality, allowing companies to set a clear and achievable direction of travel.

Through our climate related requirements and ongoing engagement, we consider our financial activities to be broadly aligned with a below 2°C transition pathway.

This is underpinned by the expectation that, at a minimum, portfolio companies align with Scotland's national net zero targets, which provide a baseline level of climate ambition across the portfolio.

This work, delivered as part of the Bank's wider commitments set out in its CMP, was recognised at the 2024 Green Apple Awards, where the Bank received an International Green Apple Environment Silver Award.

Responsible business targets

The Bank's CMP commits to a reduction in operational emissions by 5% by the end of FY28/29 against the FY22/23 baseline. Our operational boundary for this target includes Scope 1, Scope 2 and selected Scope 3 sources.

Further, we have set a net zero target of 2030 for our Scope 1 and 2 operational emissions, and at that time compensate for any emissions which we cannot avoid, reduce, or replace using offset credits which are aligned to the Scottish Government guidance.

For FY24/25, the Bank's **operational emissions were 84.30 tCO₂e**. This equates to a 36.4% increase compared to FY23/24 (**61.78 tCO₂e**) and a 43.7% increase from the FY22/23 baseline (58.66 tCO₂e).

While we anticipated a short-term rise in emissions as we continue to grow and evolve as a business, increases across the previous financial year exceeded our initial projections. The key contributing factors include:

- ◆ **An increase in business travel**, particularly linked to external engagement in line with our future aspirations to manage third party capital
- ◆ **Increased gas consumption** at our leased office in Glasgow, driven by issues with the Heating, Ventilation, and Air Conditioning (HVAC) system.
- ◆ **An increase in headcount**, leading to proportionally higher emissions.

While a measurable reduction in emissions associated with electricity and waste was achieved, these improvements were not sufficient to offset the increases in other areas.

In the year ahead, we will continue to deliver the projects outlined in our CMP and, where feasible, pursue further reductions across our operations.



5. Reflections of the year

We have continued to make progress in relation to our environment and sustainability ambitions. Climate change is obviously a core element of this, and I am particularly proud of the updates to our practices in relation to measuring the opportunities and risk associated with the changes we are seeing. The enhancements to our climate risk assessments show that we are constantly building on best practice and are transparent in our processes. This is reflected in the engagement we have with other institutions, who are keen to learn from the work we are doing.

Our Carbon Management Plan commitments remain a key priority. It is encouraging to see the level of engagement we have had with our portfolio, particularly the development of carbon management plans, and the support the team has provided to several of our investees. This support is of course not just limited to the development of plans but also providing training and advice on the broader subject of ESG and sustainability.

Although the increase in operational emissions is greater than we had originally projected, we are an organisation in a period of growth and one who is seeking to expand our remit through our third party capital ambitions. We are seeking to move forward with projects and policies which should support reductions in the future. In line with our climate related ambitions, over the near term, we will seek to expand our reporting boundary - particularly related to wider Scope 3 sources. This is likely to result in further increases, however, this is normal in carbon accounting practices as more data becomes available.

During the next reporting cycle, we will continue to evolve our practices, with a particular focus on climate change adaptation, both across our operations and investments. We are also in the process of developing a new carbon tool for our investees which should aid them in the measurement of all three emissions Scopes. Engagement will remain a key strand of the work that we do. This includes directly engaging with stakeholder and peers to support best practice. We will also seek to publish some key insights around the complex challenges associated with the transition to a net zero economy, in a similar vein to the Carbon Burden, which highlights some key paradoxes, particularly related to our net zero mission.

Through our investments, operations, and engagement, we remain committed to supporting Scotland's journey to net zero, while actively managing our impact across all areas to deliver lasting benefits for its people, natural environment and economy.

**Craig Love,
Director Impact Assessment
& Environment**





Annex: Climate scenario planning approach

A range of scenarios is recommended in literature for climate risk planning. The Bank acknowledges the following recent guidance:

- ◆ **Climate Change Committee (2021)¹⁴:** Adapt to 2°C; assess the risks up to 4°C The UK must adapt to a minimum average global temperature rise of 1.5–2°C for the period 2050–2100, while also considering risks associated with a 4°C warming scenario.
- ◆ **Climate Change Committee (2025)¹⁵:** Planning for 2°C should be a minimum. Global warming reaching 2°C above pre-industrial levels by 2050 should be considered a baseline. Warming of up to 4°C by the end of the century remains plausible and must be factored into adaptation strategies.
- ◆ **ClimateXChange (2025)¹⁶:** We advise considering both: 2°C global warming by end of century; 4°C global warming by end of century.

While 2°C and 4°C thresholds are commonly referenced, the timing of when these levels may be reached is dependent on future global emissions and the sensitivity of the climate system.

- ◆ **Global Warming Levels (GWLs)** represent climate projections based on reaching specific temperature thresholds. They do not correspond to fixed dates.
- ◆ Meanwhile, **Representative Concentration Pathways (RCPs)**, are used to present scenarios describing the concentration of greenhouse gases in the atmosphere, up to the year 2100.

For the purposes of our scenario analysis exercise, we wanted to understand the Bank’s exposure to climate hazards within particular timeframes – short term (2030), medium term (2050) and long term (2080). We therefore opted to use RCP based approach, as these pathways are linked to timeframes.

We selected two RCPs to represent a “low” and “high” emissions scenario by end of century. Each RCP can be associated with a projected level of warming (shown in table below), allowing us to use RCPs as proxies for temperature-based scenario analysis. In keeping with the latest guidance, our selection of these pathways was based on those which best correspond to GWL2.0°C and 4.0°C.

RCP	Change in temperature (°C) by 2081-2100
RCP2.6	1.6 (0.9-2.3)
RCP4.5	2.4 (1.7-3.2)
RCP6.0	2.8 (2.0-3.7)
RCP8.5	4.3 (3.2-5.4)

The increase in global mean surface temperature averaged over 2081-2100 compared to the pre-industrial period (average between 1850-1900) for the RCP pathways (best estimate, 5-95% range). From UKCP18 Guidance: Representative Concentration Pathways.

While RCP8.5 is clearly the most appropriate proxy for a GWL4.0 scenario, both RCP2.6 and RCP4.5 could plausibly result in a global warming level of 2.0 to be reached. Considering recent guidance which calls for organisations to be prepared for GWL2.0 by 2050, we have taken a precautionary approach and selected RCP4.5 as our low emissions scenario.

Scenario	RCP
High emissions scenario	RCP8.5
Low emissions scenario	RCP4.5

14. [Independent-Assessment-of-UK-Climate-Risk-Advice-to-Govt-for-CCRA3-CCC.pdf](#)

15. [CCC letter to Emma Hardy MP 13 October 2025](#)

16. [Using future climate scenarios to support today’s decision making | ClimateXChange](#)



Annex: Climate scenario planning approach continued

Uncertainties and limitations

There are limitations and uncertainties in climate projections. Scientific models inherently rely on assumptions – and while these are being constantly improved, it is difficult to develop a ‘perfect’ model for climate change projections – especially as we near increasingly complex tipping points, such as irreversible ice-melt and changes to ocean circulation. While the analysis draws on the latest climate science, it does not necessarily capture the full range of possible outcomes.

Scientific models have, to date, underestimated the speed and scale of climate change impacts¹⁷ – in other words, observed changes have surpassed the projections. Scenario analysis must therefore be regularly updated according to model improvements, and outputs should be understood as theoretical in nature.

¹⁷ [Scotland's climate changing faster than predicted - James Hutton Institute](#)



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