The Scottish National Investment Bank

Business Plan

Financial Year 2026/27

At the Scottish National Investment Bank we have achieved many milestones as we look ahead to the coming years; not least surpassing £1.2 billion in commitments and having a further £1.9 billion committed alongside us. We have secured phase 1 of our FCA regulations, our recent Audit Scotland review concluded that the Bank is making 'good progress' and we have an exciting and diverse portfolio of over 50 businesses and projects. We are clear on our purpose and on how we deliver against our missions.

As the newly appointed CEO, it is a great privilege to lead this organisation. I have seen first-hand the determination, belief and resilience from the whole team that has shaped where we are today. Our next phase will reflect the Bank's growing maturity – both in how we operate and in how we are regarded across the Scottish market.

We are increasingly recognised as a leading impact investor as well as important contributors to the economy and the wider ecosystem. With that, our relationships continue to deepen and evolve across all sectors. However, we continue to operate in a complex and uncertain economic environment. Investor appetite has tightened, global conditions continue to shift quickly, and volatility has become a defining feature of the market. We have seen how these conditions impact the businesses within our portfolio. While we enter into every new investment with confidence and robust diligence, regrettably not every project will be successful. It's important we learn lessons and reflect on how this shapes our view going forward.

As Scotland's development bank, we exist to invest for long term benefit. Given the economic turbulence our existence has never been more critical. We have the insight and the experience to continue to play a pivotal role to support projects, businesses and ideas that help create a fairer, more sustainable and more resilient economy. The impact of our capital is already clear. From critical infrastructure to life sciences breakthroughs, advanced manufacturing, energy transition projects and innovative early-stage companies. Our work is helping to shape sectors and communities for the future and these investments represent far more than transactions; they reflect our belief in Scotland's potential and in the power of mission aligned capital to unlock opportunity.

Our mission-led focus is adapting as market sentiment evolves. In **'Net Zero'**, we're looking to support the energy transition within the context of the growing importance of energy security. We are moving in-step with industry and sharing risk. In **'Place',** the growing urgency of Scotland's housing challenges has highlighted the role the Bank can play in driving and crowding in investment. Meanwhile, our **'Innovation'** mission will broaden to reflect Scotland's increasingly diverse and dynamic entrepreneurial base – moving beyond specific technologies towards supporting the underlying growth potential and ambition within Scotland's economy.

We are also beginning to lay the groundwork for managing third party capital in areas where Scotland has genuine competitive advantage. There are a number of exciting opportunities emerging which could see us realise this ambition in the near-term.

We are equally focused on how we support the businesses we already have in our portfolio. We are evolving our approach to asset management, taking a strategic view to drive optimal value creation – whether through scaling, refinancing or well-timed exits – creating the opportunity to recycle capital for greater long-term impact.

This Business Plan sharpens our strategic focus for the year ahead and aligns our efforts with the priorities we have set for 2030. It has been created collaboratively across the organisation, setting clear expectations for what we will deliver, together.

It is important that the Bank represents the diversity of Scotland, which is why maintaining a focus on equality, diversity and inclusion is important of us as an employer, as an investor, and as a procurer.

Listening to and learning from our partners and the market is critical as we develop our organisation. Since we started, we have listened to feedback and made changes to our investment process. Our median time from initial investment enquiry to a decision on proceeding to the next stage has reduced from 75 days to 14 days in this performance year to date. Our investment deal timeline has reduced from a median of 196 days to 111 days from initial engagement to financial close.

We are committed to improving processes, removing unnecessary complexity and building systems that enable us to work efficiently and effectively. Fostering a culture that supports growth, ambition and accountability and to be a Bank where colleagues are free to focus on what matters most: delivering impact for Scotland.

We have built an organisation rooted in purpose, driven by impact, keen to adapt and improve. Our first five years were defined by learning, resilience and ambition. The coming years will be shaped by our maturity, clarity of vision and the difference we make together. Thank you for everything you bring to the Bank. I am excited for what we will achieve in the years ahead.

David Ritchie
Chief Executive Officer

"We are increasingly recognised as a leading impact investor as well as important contributors to the economy and the wider ecosystem."

Bioliberty

Our Ambition

Transforming Scotland through our insight, investment and impact

Our Strategy

We invest in businesses and projects aligned to our three missions:

Net Zero

Investing in Scotland's future by strengthening our energy security and resilience

Place

Transforming communities, making them places where everyone thrives

Innovation

Driving Scotland's growth and productivity by supporting scale-ups to reach their potential

Our Values

The Bank's culture aligns with three key values which drive our behaviours:

Purpose

Our purpose and missions are at the heart of everything we do

Passion

We are passionate about making a difference

People

We bring together people and partners who can create a vibrant, sustainable future for Scotland

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Diversify
our capital source

Established as a credible fund manager within the public and private sector investment ecosystem.

Achieve
financial sustainability

A self-sustaining institution that enables all of the Bank's economic and societal ambitions to be met whilst growing the value of the Bank.

Grow
our reputation

Respected as a leading investment institution enabling growth across the Scottish economy. Scotland feels proud of the Bank and its remit.

Enable
a high-performance culture

Recognised as one of Scotland's leading employers, and most successful institutions within the public and private sector ecosystem.

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Strategic delivery

This Business Plan is aligned with the Bank's Investment Strategy and Equality, Diversity and Inclusion (EDI) Action Plan, together providing the strategic direction for everything we do, across every business area. It will play an important role in holding us to account in the delivery of our shared ambitions – in the year ahead and beyond to 2030.

Centred around a refined set of Strategic Priorities, this Plan articulates our 2030 ambition for each of these (our 'why') as well as the key outcomes which will enable us to achieve those ambitions. These are supported by a set of in-year priorities and deliverables to drive progress and measure success.

For colleagues

Our team plans and personal objectives will embed exactly what we'll each do to deliver the strategy. In support of this, the Extended Leadership Group will implement Quarterly Business Planning, driving sustained collective progress.

The Executive Committee and the Board will continue to monitor Bank delivery through our Operational Balanced Scorecard and bi-annual Risk and Control Self Assessment. Bank progress will be reported on at regular intervals – offering an opportunity for the Bank as a whole to reflect on progress in-year.

"Over the past year, we have made great progress in clearly communicating delivery against our Business Plan objectives. I have valued our commitment to open and honest updates. I believe we can learn just as much from our challenges as we can from our successes.

The strength of our new Business Plan lies in its ability to connect to all colleagues across the Bank. We all have a part to play in identifying opportunities for improvements and for implementing changes to seize those opportunities.

I look forward to seeing what gains we can get from automation and the use of AI. Our quarterly reflections will keep us on track, as our individual and team contributions help deliver the key elements of the Plan."

Sean Carson,
Head of Operational Risk

Operational excellence

Delivery of the Business Plan is underpinned by a commitment to operational excellence across all business areas in the Bank: a systematic approach to continuous improvement that helps us enhance performance, increase productivity and reduce inefficiency.

We want to build robust, dependable ways of working that ensure our systems, processes, and controls are clear, resilient, and repeatable, allowing the Bank to operate effectively regardless of the team or the individual responsible for the task.

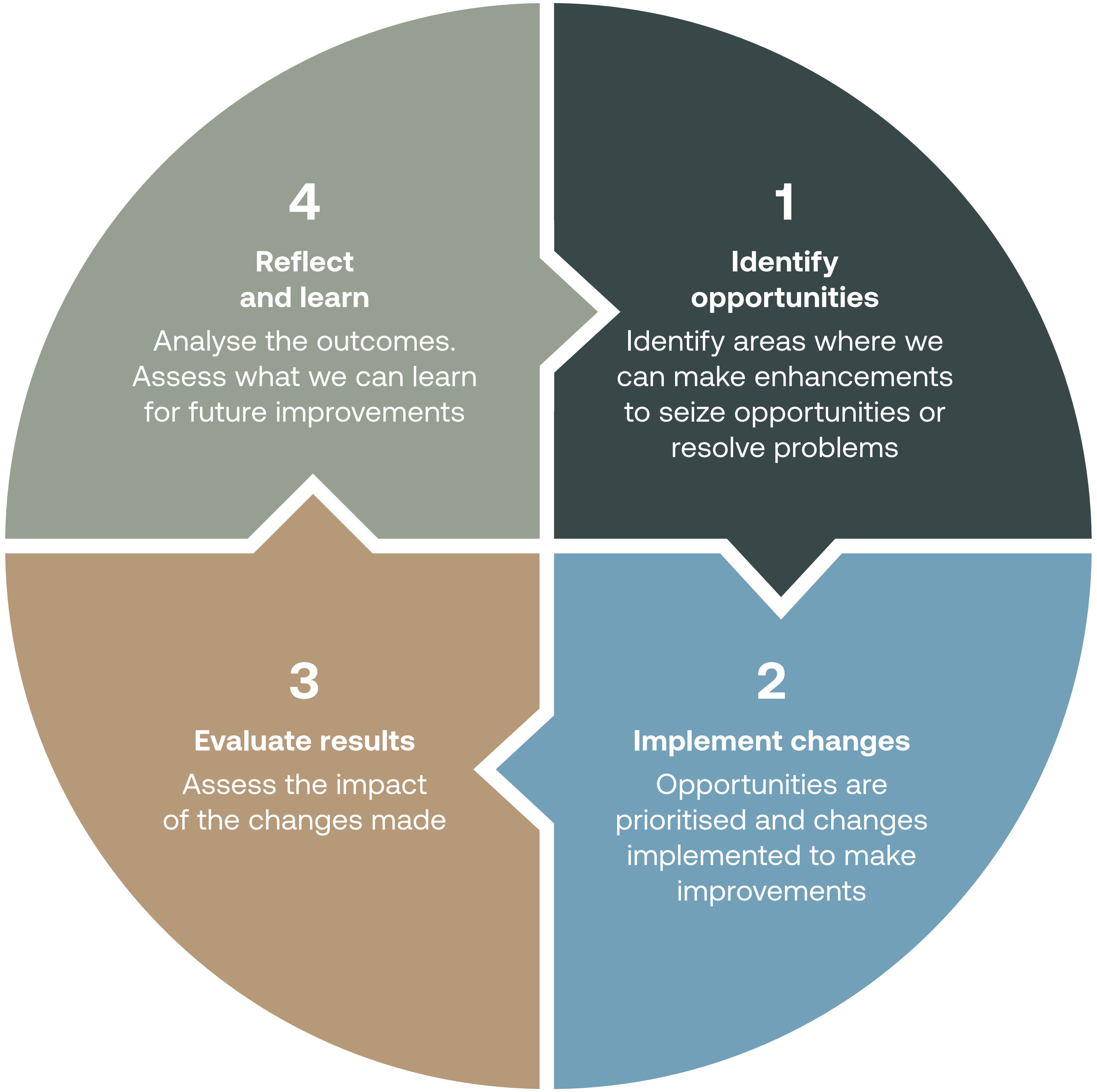
For colleagues

Operational excellence is achieved through working together to make everyone's day-to-day activity smoother, through:

Ownership: You are the expert in what you do – you have authority to identify what's broken and the power to suggest how to fix it.

Work smarter, not harder: Removing blockages and inefficient processes – so you can focus on the work that matters.

We want to create a culture where we can quickly learn from mistakes and improve together, in turn delivering the best possible results for Scotland.



Operational excellence

"As Change Delivery Manager at the Bank, I work closely with colleagues as well as external partners. Over the past year, that collaboration has helped make change feel clearer and more manageable for teams.

This has included supporting improvements to the main systems used day-to-day, such as enabling new investment enquiries to come in via the website. Formalising this approach has helped the New Business team manage enquiries more efficiently, while consistently capturing key data at that first stage contact.

Change needs to be practical, sustainable and achievable, and I want to continue strengthening that capability across teams. Improving how we understand and use our data will help identify opportunities to improve and shape projects."

Elisha Cooper,
Change Delivery Manager

Strategic Priorities

Our in-year priorities and deliverables collectively deliver our key outcomes, enabling our 2030 ambitions.

Invest
for value and impact

2030 Ambitions and Outcomes

2030 Ambition

Accelerating economic growth and meaningful impact in Scotland's economy through catalysing commercial investment at scale.

Outcomes

- Invest in high potential businesses and projects, delivering financial returns and long-term benefit for the people of Scotland.
- Generate sustained impact across Scotland, through investing with purpose – in support of our Mission Objectives, Equality Strategy and Market Creation priorities.
- Create a diverse portfolio across debt, equity and fund investments, maximising impact and financial returns.
- Develop enduring relationships with credible investment partners – demonstrating the Bank's commercial expertise and catalysing private sector investment.

"I've seen first-hand how the Bank's priorities and objectives drive tangible impact through our mission-led investments. In the last year, I've worked on strategic investments across the energy ecosystem, from generation through our stake in the Pentland Floating Offshore Wind Array, to supporting the financing of a key grid stability asset in Highview Power's Hunterston synchronous condenser project.

These investments have seen the Bank develop strong relationships with counterparties at the National Wealth Fund and GB Energy, as well as a range of high-quality institutional co-investors.

This growing network across the investment community and the Bank's increasing expertise across the sector provides the foundation needed to realise more strategic investments in support of Scotland's net zero ambitions."

Amelia Overd,
Senior Associate – Net Zero

Invest
for value
and impact

FY26/27 Key Priorities and Deliverables

Priorities

- Pursue investment in high-potential Scottish businesses and projects. Invest our core capital allocation, along with additional capital for offshore wind and housing, meeting our development bank mandate.

- Drive market creation activity in housing and energy transition, securing the provision of additional capital where necessary to catalyse investment and achieve greatest impact.

- Forge strong investment partnerships and reinforce the Bank's credibility as a trusted investment partner by investing in line with the commercial market.

- Deliver impact through our investments in line with our Mission Objectives and Equality Strategy.

Deliverables

- Deploy £175-200 million of core capital in-year across net zero, place and innovation, in line with key focus sectors as set out in our Investment Strategy, as well as additional capital allocated for investment in offshore wind and housing.
- Maximise our capital investment, creating a portfolio which will achieve a balanced risk profile; mission allocation, impact, asset class, and financial return.

- Establish the Bank as a lead public sector investor in commercial housing opportunities, with established ways of working with the new housing agency and appropriate levels of capital to deliver on its ambitions.
- Obtain the required scale and flexibility of capital to enable the Bank to continue to invest strategically and play a leading role across the energy sector and wider energy supply chain, in support of the transition.

- Achieve a crowd-in ratio of at least 1:1 at a portfolio level across the year.
- Foster an environment of continuous improvement by listening to the market, reflecting on and enhancing our investment process.

- Demonstrate delivery against the Bank's mission impact target outcomes for FY26/27 and our Equality Action Plan.

Drive
value from our portfolio

2030 Ambitions and Outcomes

2030 Ambition

Recognised as a market-leading investment partner and portfolio manager, driving value creation for our businesses and for the Bank.

Outcomes

- Build a best-in-class portfolio management function with the ability to influence asset performance.
- Enhance the Bank's value-add proposition through proactive engagement with our portfolio and wider ecosystem to enable growth.
- Facilitate our portfolio companies to attract further investment at scale from external sources of capital.
- Prioritise realising financial returns and the recycling of capital through exits and re-financing – ensuring delivery of impact objectives.

"Portfolio Management is playing an important role in driving financial sustainability by taking an active, relationship-led approach – working closely with companies to challenge performance, support key decisions, and ensure clear, credible paths to value. This has promoted early intervention, clearer decision making around further capital deployment, and more disciplined portfolio management.

We also work to embed exit thinking earlier, working with management teams to define and actively manage towards robust realisation strategies, ensuring that long-term value is built and protected.

In my role, I will continue to build on this by deepening relationships, expanding hands-on support through networks, and further strengthening the approach to continuing funding and exit readiness. This is highly collaborative – I work closely with the wider Investment, Finance and Risk teams internally, and with management teams, co-investors and advisers externally – to ensure I am consistently delivering both financial returns and the Bank's long-term sustainability ambitions.

Lynsey McCulloch, Associate Director, Portfolio Management

Drive
value from
our portfolio

FY26/27 Key Priorities and Deliverables

Priorities

- Continue to enhance the Bank's approach to portfolio management, actively monitoring and supporting delivery.

- Support our assets to achieve growth projections by facilitating holistic investment support on policy, market engagement, management capability, business strategy, and through making connections to new capital sources.

- Seek to maximise financial and impact returns across the Bank's portfolio, including those behind plan, establishing paths to value creation through value recovery, exits (including partial realisations) and re-financing of Bank investments, where there is opportunity to do so.

- Drive an increased TRR through maximising portfolio asset value.

Deliverables

- Work with investees to develop an agreed investment case and detailed forward looking projections at the point of investment. Variations from this plan are quickly identified and swift plans put in place to respond.

- Establish a panel of trusted advisers across recruitment, business advisory and specialist services to enable the Bank to provide informed and holistic investment support.
- Support portfolio companies to map their capital funding journey and ensure they are raising capital in a timely manner.

- Put in place action, exit and re-financing optionality plans for relevant assets, and ensure portfolio companies have developed the required capability and necessary networks to action these at the appropriate time, with the support of the Bank.

- Contribute to the development of a strong, balanced portfolio through follow-on investment – maximising both yield and capital growth returns over time and increasing the Bank's return on capital in-year.
- Ensure follow-on investment decisions are made in accordance with the approach set out in the Bank's Investment Strategy.

Diversify
our capital source

2030 Ambitions and Outcomes

2030 Ambition

Established as a credible fund manager, within the public and private sector investment ecosystem.

Outcomes

- Demonstrate expertise through the quality and efficiency of our investment decisions, showcasing our track record as a commercial investor.
- Forge valuable relationships, with investors in all sectors seeing the Bank as a trusted investment partner.
- Obtain additional regulatory authorisations to enable the Bank to manage third party capital – developing best practice among Public Finance Institutions.
- Establish the required infrastructure and capability to raise and manage funds in line with industry best practice.

"I've been progressing the Scottish Universities Fund from concept to a well-defined national investment platform for university-driven innovation.

Leveraging the Bank's capital strength, impact mandate and convening power, the Fund is positioned to catalyse private investment through co-investment and, over time, to manage third party capital alongside the Bank's own.

Looking ahead, my focus will be on moving from design to delivery by launching the Fund, deploying capital, and embedding it as a central, trusted point of access to Scotland's university-linked innovation. This will be achieved through close collaboration across the Bank's Investment, Risk, Legal and Finance teams, alongside partnerships with universities, public and private investors and innovation support bodies."

Vicky Gorman, Investment Director – Scottish Universities Fund

Diversify our capital source

FY26/27 Key Priorities and Deliverables

Priorities

Continue to build and convert our pipeline of housing investment opportunities.	Accelerate the deployment of capital into high potential businesses coming out of Scotland's globally competitive university sector.	Continue to build the Bank's reputation as lead investor in Scotland's energy transition.	Ensure appropriate regulated and internal structures and procedures are put in place to enable us, as a public body, to deliver on our ambition to advise or manage funds from investors beyond the Scottish Government.

Deliverables

◆ Deliver at least two investments into 'new-to-Bank' structures, working alongside key institutional investors. ◆ Create an operational delivery plan, including risk profiling/portfolio layering, of housing assets, in relation to additional Scottish Government capital. ◆ Progress the development of the Bank's third party housing strategy. ◆ Work with More Homes Scotland to establish the Bank's role and remit.	◆ Launch and implement an external fund, alongside published statements of support from at least five Scottish universities. ◆ Start to make investments from this external fund into high potential businesses emerging from Scotland's world class universities.	◆ Establish collaborative ways of working in partnership with other Public Finance Institutions (PuFins) to catalyse public and private sector investment across the energy sector and its supply chain – in support of the transition.	◆ Agree a solution for how the Bank can operate with appropriate authority to advise or manage funds from investors beyond the Scottish Government – including through consideration of further FCA permissions and/or the use of a hosted management arrangement. ◆ Form the internal capacity and capability required to create the internal infrastructure needed, and to explore and deliver investment strategies to inform the Bank's third-party capital offering to the market.

Achieve financial sustainability

2030 Ambitions and Outcomes

2030 Ambition

A self-sustaining institution that enables all of the Bank's economic and societal ambitions to be met whilst growing the value of the Bank.

Outcomes

- Generate sustainable, growing and recurring profits and returns aligned with the Bank's investment, income and cost strategy.
- Demonstrate best-in-class capital management and planning, including optimal capital, funding and liquidity resources.
- Cultivate a consistent track record of financial discipline as a trusted steward of capital, through financial risk management, control and alignment with Government finance controls.
- Achieve the transition from annual finance funding model to standalone perpetual funding model aligned with UK peers.

"I work with investment teams to help turn ambition into delivery across the portfolio. My focus is on creating financial clarity – setting clear financial expectations at the point of investment, developing robust forward-looking projections, and providing transparent insight into performance – to help teams respond early to both opportunities and risks, supporting stronger value.

As the portfolio grows and diversifies, I will help prioritise follow-on capital, shaping funding and refinancing options, and ensuring resources are deployed where they deliver the greatest financial return and impact.

This is about enabling ambition at pace, while maintaining strong financial discipline to ensure the portfolio remains resilient, responsive and well positioned to generate long-term value."

Faisal Naeem,
Financial Controller

Achieve financial sustainability

FY26/27 Key Priorities and Deliverables

Priorities

- Embed financial sustainability as a core enabler of long-term mission delivery.

- Develop next stage cash and capital forecasting tools to support refined management and insight at the level of the Bank, its missions, its investees, its investment types and by funding source.

- Expand and evolve Portfolio Analytics MI to support enhanced insight at both investee, portfolio and Bank levels.

- Demonstrate cost discipline, transparency, and value for money to our Shareholder, stakeholders and our investment partners.

Deliverables

- Widen and deepen financial sustainability criteria in our investment appraisal processes.
- Evolve financial strategy and MI and analytics capabilities to strengthen the insights that connect the addressable market in Scotland and the Bank's investment strategy to our desired financial outcomes.
- Agree transition to Perpetual Public Finance Institution (PuFin) status aligned with UK development bank peers.

- Align our capital planning model with the requirements of industry standard models that underpin the financial risk management framework, including stress testing.
- Expand cash forecasting from standard working capital to combined financial transaction, capital and resource funding view.

- Implement "dual view" IFRS (legal entity view) and economic (investment and portfolio view) to harmonise performance reporting and control needs whether for statutory, regulatory or economic reporting and forecasting purposes.

- Develop a cost strategy aligned with the broader financial strategy so that cost pools align with income pools and reflect the result of technology, process and people optimisation.
- Evolve the cost transformation plan that supports the Bank moving to a standalone perpetual (PuFin) organisational model reinforcing an effective "3 lines of defence" model that is both scalable and agile in nature.

Grow
our reputation

2030 Ambitions and Outcomes

2030 Ambition

Respected as a leading investment institution enabling growth across the Scottish economy. Scotland feels proud of the Bank and its remit.

Outcomes

- Forge new and emergent market opportunities in collaboration with key public and private stakeholders.
- The Bank is recognised as a centre of excellence in commercial investment within its priority investment sectors, with a proven track record.
- Maintain an open and supportive relationship with Scottish and national media networks and all stakeholders across business and finance communities.
- Foster a culture where colleagues are clear on, and are ambassadors for, the Bank's role, remit and progress.

"Housing continues to be one of the most pressing political and societal challenges in Scotland, and the ongoing housing emergency gives real urgency to the work we do. Over the past year, I've been working to support both new and established housebuilders to become confident investors and developers across Scotland – using the Bank's capital to unlock sites and enable delivery where it matters most.

Much of the last year has been about shaping and closing new housing investments, but the year ahead is when we'll begin to see that translate into homes being built and communities forming. That visible progress is important – not just for the places we're supporting, but for how the Bank is perceived more widely. Growing our reputation means building legitimacy and authority in the housebuilding world."

**Alastair McMillen,
Associate Director – Place**

Grow
our reputation

FY26/27 Key Priorities and Deliverables

Priorities

- Engage with key stakeholder groups to deliver ambitious plans to build an investible pipeline, catalyse private sector investment and generate meaningful impact in existing and new markets.

- Work in partnership with key policy and public sector partners to remove barriers to investment in target sectors and help build new markets.

- Build relationships and networks across finance communities, influencers and experts – driving improvements and enhancements to our performance and processes through collaboration, learning and sharing insights.

- Broadcast the Bank's expert perspective and unique view on relevant subjects by sharing insights, opinions and experience through paid, owned and earned channels – including building the Bank's reputation as a leader in EDI.

- Optimise effective media relationships and use of the Bank's own media channels to ensure accurate communication of our progress, strategy, insights, investment experience and investee progress.

Deliverables

- Identify and work with key stakeholders and experts to implement this Plan.
- Our activity is yielding tangible results which can be measured through visibility of a longer-term investment pipeline for the Bank, and through the mobilisation of private capital.
- Understanding of the Bank's role tracked through market feedback – qualitative and quantitative insight.

- Work with key partners and stakeholders to develop and refine our strategies. Listening to and acting on feedback.
- Work to enhance policy, collaborating with relevant teams, through the Bank's proposition and networks.

- Identify critical stakeholders for deepened engagement and increase the Bank's influence in key networks across the UK.
- Capture shared insights and develop Bank perspective on key issues and topics, and share these externally.
- Seek out and understand market feedback to implement process improvements and easier user journeys across the Bank.

- Maintain and build on the Bank's position as subject-matter expert on our chosen topics – we are asked for opinion, invited to participate in panels and conferences and lead on key initiatives. The Bank's channels are known for rich resources.
- Use channel metrics, campaign data and Bank presence at key events and external networks.

- Positive reputation and comprehensive understanding of our role as demonstrated by our stakeholder survey, media sentiment analysis and social media engagement.

Enable
a high-performance culture

2030 Ambitions and Outcomes

2030 Ambition

Recognised as one of Scotland's leading employers, and most successful institutions within the public and private sector ecosystem.

Outcomes

- Inspire colleagues through effective communication of the Bank's ambition and purpose, with a clear thread to individual objectives.
- Achieve engagement metrics which are above industry benchmark through ensuring teams are motivated, passionate and delivering on our purpose.
- Drive excellent business performance, through excellent individual and team performance.
- Develop resilient, capable people who embody a growth mindset and learning culture.

"Our people processes and frameworks are all built with high performance and strong behaviours at their core. This includes how we recognise and reward our people.

When it comes to assessing our performance, we focus on what we deliver and how we deliver it, both are of equal importance. Our values are embedded into all of our core behaviours.

Our leaders play a critical role and we continue to invest in them through leadership development programmes and training.

We've streamlined our people policies and processes and are excited to continue supporting our people and our people leaders to embed our high-performance culture and achieve strong results. This year we'll refresh our learning, recognition and engagement strategies and continue to develop our people leaders in delivering high performance."

Carolyne McCreath,
Director – People and Culture

Enable
a high-performance culture

FY26/27 Key Priorities and Deliverables

Priorities

- Embed clear expectations, drive accountability and uplift leadership capability across all levels of the organisation.
- Create an environment where colleagues adopt a growth mindset and drive continuous improvement day-to-day.
- Ensure the Bank has the right capabilities, capacity and structure to deliver our ambitions.
- Continue to build an inclusive and engaging environment where colleagues can be at their best, contributing to a high-performance culture.

Deliverables

- Embed the Extended Leadership Group to drive momentum, focus and accountability for key strategic business projects.
- Review the recognition strategy to reinforce desired contribution and behaviours.
- Clarify expectations of people leaders, including what it means to lead, manage performance and develop others.
- Align personal performance objectives to strategic priorities and business deliverables.

- Refresh our learning strategy, with a focus on innovation, continuous improvement and critical capability build.
- Establish clear expectations of senior leaders as role models for learning and development.
- Drive efficiencies through effective use of AI.

- Implement a robust strategic workforce planning approach, informed by business priorities and future capability needs.

- Review and refresh our engagement strategy.
- Strengthen our approach to wellbeing and inclusion.

Informing delivery

Informing delivery:
Mainstreaming Equality, Diversity and Inclusion (EDI)

The Bank's Equality Strategy outlines four key outcomes designed to drive equality through our role as an investor, as an employer and as a procurer.

As a responsible business, it's important we recognise the influence we can have in these areas and the positive outcomes we can drive in the way we approach our day to day operations. It's important we reflect the society in which we operate, and we know that diverse views make better businesses to both work for and invest in.

To support delivery of these outcomes the Bank produces an annual EDI Action Plan – highlighting key actions that the Bank intends to take within the year ahead.

The plan is reviewed by the EDI working group with representatives from every team in the Bank, and has ExCo sponsorship. It's critical to ensure that we're doing what we set out to achieve and that this is tracked.

Our progress against delivery of this plan will be measured quarterly.

We will continue to publicly support and collaborate with other organisations and bodies that help the Bank to meet its equality ambitions.

Informing delivery:
Mainstreaming Equality, Diversity and Inclusion (EDI)

"Working with high-performing teams such as the Epidarex team, which is run by a female-majority management team and attending events such as the Scottish Women in Investment Networking Event in Glasgow, has demonstrated the importance of equality, diversity and inclusion. These experiences have shown me the positive impact that collaboration with a diverse range of stakeholders can have on the wider investment ecosystem in Scotland.

Fostering a culture where different perspectives are valued can lead to greater innovation and more robust decision-making processes.

I look forward to continuing to encourage and promote diversity and equality outcomes through my role as an investor and seeking to back businesses led by diverse teams."

Anthony Kelly,
Investment Director – Innovation

Supporting delivery

Supporting delivery: **Risk management and mitigation**

As an investment institution, risk is inherent in everything we do.

The goal of the Bank's Risk Management Framework (available here) is not to eliminate risk, but to ensure that we are deliberate in the way that we take risk, and active in the way that we manage and mitigate it – in pursuit of the Strategic Priorities outlined in this Plan.

The Bank's risk appetite may be adjusted over time as we mature or in response to our evolving risk profile. Where risks are increasing, this will be reflected through enhanced monitoring and the use of more granular, quantitative risk appetite metrics reported to the Board.

Risk appetite

High

As a development bank we have a **high appetite for Investment Risk**. Investment Risk is managed through robust assessment of investments, applying our Investment Governance process, and ongoing assessment of portfolio asset performance.

Medium

We have a **medium appetite for Mission Risk** (failure to meet its stated impact ambitions) which is reflective of the inherent uncertainty that comes with investing in early-stage and unproven business models. And a **medium appetite for Stakeholder/Reputational Risk** which enables the Bank to be bold in its decision making whilst working proactively with key stakeholders to manage and foster positive relationships.

Low

Our appetite for all **other risk types is low**. In practice this means that there is a preference for carrying out day-to-day processes in a safe and well-controlled manner, and requires us all to commit to identifying process weaknesses and inefficiencies, addressing these where we can.

We manage risk via our six-monthly Risk and Control Self-Assessment ("RCSA") process – requiring that we identify, assess, mitigate and monitor key risks to the achievement of this Business Plan.

All colleagues have a responsibility for managing risk and to speak up if they see something they are concerned about, or which could be improved.

Chair's concluding remarks

This Business Plan comes at an important milestone as we reach five years since the Bank was established. I want to thank the team for reaching this point and, in particular, for the strong progress on capital deployment over the past year. We have now committed over £1.2 billion into Scottish businesses and projects and crowded-in over £1.9 billion alongside our capital.

This is a pivotal moment for the Bank as we build a diverse portfolio with the aim of delivering long-term societal and economic benefit for the people of Scotland. We have a great opportunity ahead of us, and a great team in place to lead the Bank forward. I am delighted to welcome David Ritchie as he takes the helm of CEO. David brings a strong track record and a clear focus on delivering our missions, and I look forward to continuing to work closely with him in his new role.

The recent Audit Scotland review provides reassurance that the Bank is doing what it set out to do. It has created the appropriate governance, processes and policies to run a robust development bank. This gives us the solid foundation to be able to make a real difference by addressing market gaps and support investment where it can have the greatest impact.

We are continuing to cement our position within Scotland's investment ecosystem by funding businesses and projects with great potential to create value, both societal and economical, being guided by our missions. In **'Net Zero'**, we are helping to deliver energy security through investments like Highview – delivering crucial grid stability services. In **'Place'**, we have supported SME housebuilder Whiteburn to build 133 private and 29 affordable homes in the Scottish Borders. Under **'Innovation'**, investing in projects like Bioliberty is helping to support the brilliant businesses emerging from our Scottish universities.

Crowding in commercial capital is an important metric for us. This plan will see us continue to build relationships and trust with investors across all of our missions so we can create enduring partnerships that create higher levels of 'crowd in'.

As a development bank designed to take more risk than the private sector we will, on occasion, experience investment losses. Through active management of investees we seek to improve outcomes for existing portfolio companies.

Chair's concluding remarks

Looking ahead to the next five years we see significant opportunities to build our investment capability, create a perpetual business model and earn a reputation as a leading light in the Scottish investment landscape. The scale of ambition is matched by the strength and quality of the pipeline, and I am confident about what we can deliver.

As we reach the halfway point in the government's 10-year commitment to capitalise the Bank, to sustain success and ultimately be self-sufficient, we must continue to build our capacity to recycle capital so that we can reinvest as funds return. This is essential to the long-term strength of the Bank.

We will continue to work constructively with the Scottish Government and HM Treasury to secure 'perpetual' fund capability for the Bank. In line with that intention we are seeking PuFin designation, which our investment partners National Wealth Fund and British Business Bank have already obtained, and which is being explored for Great British Energy and the new National Housing Bank. This will ensure the Bank's longevity and provide the confidence needed to plan for the long term, beyond 2030.

As I engage with teams across the Bank, I see a vibrant group of people working effectively, with purpose. This is an exciting ambition.

Thank you again to everyone involved in the Bank's work. I look forward to seeing the Bank continue to deliver on these opportunities and to the impact we can achieve together.

Willie Watt
Chair

"This is a pivotal moment for the Bank as we build a diverse portfolio with the aim of delivering long-term societal and economic benefit for the people of Scotland."


Whiteburn Projects Limited

Annex

Annex: Financial budget for FY26/27 and projected financial data over the business plan period

£ million	Plan FY26/27	FY27/28	FY28/29	FY29/30
Net Portfolio Value (£ million)	**936**	**1132**	**1328**	**1526**
Gross Investment Capital	**211**	**214**	**212**	**262**
Reinvested Capital Returns	**(11)**	**(14)**	**(12)**	**(62)**
Net Investment Capital	**200**	**200**	**200**	**200**
Investment income	38	48	57	63
Operating expenditure				
Employee costs	(16)	(16)	(17)	(18)
Non-employee operational costs	(8)	(8)	(8)	(9)
Total operating costs	**(24)**	**(24)**	**(25)**	**(27)**
Profit Before Tax (excl. capital movements)	**14**	**24**	**32**	**36**
Capital Budget	**0**	**0**	**0**	**0**
Realised / Unrealised Losses	**(39)**	**(25)**	**(20)**	**(15)**

Data for FY25/26 will be shared in the Annual Report and Accounts. The financial projections are based on current economic, market and business assumptions and are subject to inherent uncertainty; actual results may therefore differ from those projected. Early-year unrealised losses reflect prudent current estimates and a cautious approach to recognising gains during initial portfolio build-out and are expected to evolve as the portfolio matures. Subject to confirmation of government budgeting guidance, any additional budget allocated during the year, as agreed with the Board and Shareholder, will result in these metrics being adjusted in line with the original Business Plan assumptions.

FY26/27 Plan reflects transition towards a steady and sustainable growth as the portfolio scales

- The Bank has been allocated £200m core capital budget for FY26/27 – £190m of investment allocation with the ability to recycle £10m of returns, with similar levels assumed in later years. We will also have access to additional capital for deployment in offshore wind and housing.
- Investment losses reflect projected fair value movements on early-stage investments.

Planning for sustained balance sheet and revenue growth over the planning horizon to FY30

- The forecast does not yet include the benefits of:
  - Additional capital funding agreed with the Scottish Government for housing.
  - Potential benefits of expanding the Bank's funding to include third party capital.
- The Bank's updated Investment Strategy and investment criteria are projected to deliver more targeted impact and financial outcomes.

The Bank's projected cost base reflects ongoing inflationary increases and cost-control but will benefit from the evolution and adoption of business transformation benefits

- Costs reflect the requirements of good governance including a robust control framework built around "3 lines of defence": the first line supporting and growing the investee base, the second line risk and control functions and the third line internal audit function.
- Current use of new technologies such as AI tools supporting administrative elements of the investment lifecycle will continue and expand alongside the Bank's MI and Analytics strategy assuring the Bank maintains an appropriate cost base underpinned by appropriate systems, data and processes.

Projected losses are expected to taper down

- Losses from higher risk and longer-term debt investments are expected to improve as the portfolio continues to mature and grow and are also offset by gains on the Bank's equity investments where the Bank does not earn income today but expects future gains on exit.

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