The Scottish National Investment Bank

Investment Strategy

Financial Year 2026/27

Introduction from our Chief Investment Officer

Executive summary
- Our investment criteria
- Mission focus

Our investment criteria
- Innovation mission
- Place mission
- Net zero mission

Managing our portfolio

Our purpose

The Scottish National Investment Bank is a publicly owned impact investment and national development bank. It was established to provide mission-led patient capital to businesses and projects connected to Scotland to grow a more innovative, sustainable and inclusive economy.

Bank vision

To become a perpetual fund, investing on behalf of Scotland, generating economic, societal and environmental returns for generations to come. As an established, regulated institution, we support the development of a high-performing entrepreneurial culture in Scotland that attracts inward investment.

The Bank's investment strategy forms part of the core strategic framework in which the Bank is governed, operates and reports.

To meet the terms of the Shareholder Relationship Framework, the Bank's investment strategy is reviewed and approved by the Bank Board on an annual basis, and otherwise as necessary, to take account of any additional or amended obligations or responsibilities assumed by the Bank and its Group which are material in nature.

Introduction from our Chief Investment Officer

Executive summary
Our investment criteria
Mission focus

Our investment criteria
Innovation mission
Place mission
Net zero mission

Managing our portfolio

Introduction from our Chief Investment Officer

Over the past five years, we have built a diverse and ambitious portfolio, committing over £1.2 billion of capital to businesses and projects aligned with the Bank's long-term economic, social and environmental objectives. As with any investor operating across innovation, infrastructure and scale up markets, we are experiencing the realities of operating in an increasingly volatile economic environment. As a development bank and an impact investor, our risk appetite is rightly higher than that of other investors and will remain so.

This investment strategy, therefore, sets out a clear and disciplined approach to how we will invest our capital going forward. It reaffirms our risk appetite as a development bank: one that is deliberate, transparent and aligned to our public purpose, while remaining grounded in commercial fundamentals. Our approach reflects the need to balance ambition as a mission-led investor with objective investment decisions as the portfolio matures.

This strategy sets out our investment criteria for each mission. Innovation will focus on businesses with a track record of growth and take an agnostic approach to sector. This is an exciting progression for the innovation mission and one I think will energise the wider market. Place will stimulate the housing market, delivering homes across all tenures. Net zero will be focused on investments into energy transition that can deliver greater stability and security. For our portfolio, going forward we will consider follow-on investments on a pro-rata basis of our shareholding percentage.

We have also refreshed our approach to delivering our mission objectives. While our core missions remain unchanged, we have sharpened how we translate them into investment decisions, portfolio construction and impact delivery. The revised mission objectives are used to direct the ambition for each mission and more detail on these can be found in the 2026 Impact Report here.

Our commitment to equality, diversity and inclusion, and our openness to backing diverse founders and management teams has not changed. These are not adjuncts to our investment activity; they are integral to how we deliver our missions and build a resilient, high performing portfolio.

As the Bank enters its next phase, we are positioning our expertise to manage private capital, anchoring markets and supporting the development of new investment propositions.

It is an exciting time to be at the Bank. The choices we make in our next phase of investment will be critical to delivering both sustainable commercial returns and meaningful impact for Scotland. Together, these elements provide a clear framework for how the Bank continues to construct a patient, resilient portfolio – ambitious in intent, and focused on delivering lasting value for Scotland.

Mark Munro
Chief Investment Officer

Introduction from our Chief Investment Officer

Executive summary
- Our investment criteria
- Mission focus

Our investment criteria
- Innovation mission
- Place mission
- Net zero mission

Managing our portfolio

Whiteburn Projects Limited

Executive summary

> “This strategy reaffirms our risk appetite as a development bank: one that is deliberate, transparent and aligned to our public purpose, while remaining grounded in commercial fundamentals.”
>
> Mark Munro
> Chief Investment Officer

Introduction from our Chief Investment Officer

Executive summary
- Our investment criteria
- Mission focus

Our investment criteria
- Innovation mission
- Place mission
- Net zero mission

Managing our portfolio

Executive summary: Our investment criteria

Our investment criteria

Each investment we make is between £1 million and £50 million in equity, debt or funds. We expect to make investments across all these investment types over the course of this financial year with a bias towards direct investment of debt and equity.

Investment decisions will continue to prioritise strong management teams, established product market fit and revenue streams, appropriate technology readiness and the presence of aligned co-investors. This document outlines criteria specific to each mission.

To be considered for investment, businesses and projects will need to be based in Scotland or have a sizeable and demonstrable presence in Scotland. Consideration can be given to businesses which are intending to locate to Scotland on the basis the presence is established to coincide with Bank investment.


Port of Aberdeen

Our investment activity is shaped by four key principles

Mission impact

The Bank is a mission impact investor, seeking commercial, societal and environmental impacts from its investments.

Patient capital investor

Where needed The Bank can be a patient capital investor, investing on longer timeframes to realise the impact of the investment.

Commercial terms

The Bank invests £1 million up to £50 million in businesses and projects across Scotland on commercial terms.

Crowding in

The Bank seeks to catalyse economic activity by investing alongside private sector investment, or ‘crowding in’.

Investment Strategy
FY26/27

Introduction from our Chief Investment Officer

Executive summary
Our investment criteria
Mission focus

Our investment criteria
Innovation mission
Place mission
Net zero mission

Managing our portfolio

Executive summary: Our investment criteria

Fund investment

The Bank's focus is on direct investment but where, by exception, we invest via a Fund it will be to allow us to leverage our capital through a larger investment vehicle.

The Fund would have aligned interests in terms of impact or investment in sectors or businesses that may otherwise be inaccessible to the Bank through a direct investment route.

It also allows us to leverage technical and expert knowledge on investments that the Fund has in-house in their area of specialism.

We will invest in both debt and equity funds. In line with the market, we may be offered co-investment opportunities to invest alongside the Fund in a specific project or business.

Epidarex Capital Fund IV – the Fund will invest in high-quality early-stage healthcare innovation based on breakthrough science in the UK and the US.

The Fund would have aligned interests in terms of impact or investment in sectors or businesses that may otherwise be inaccessible to the Bank through a direct investment route.

What we don't do:

- We don't provide grant or sub-commercial funding.
- We don't provide guarantees.
- We don't consider new investment into distressed businesses or projects, or those in need of emergency financial support.
- We don't provide retail banking or deposits to individuals or micro businesses.

Executive summary: Mission focus

Mission focus

The Bank makes investment decisions through an impact lens, focused on our three missions. We have identified key focus areas under each mission for the coming year that align with our core objectives for each mission, and commercial opportunity.

Net Zero	Place	Innovation
Mission objectives		
Investing in Scotland's future by strengthening our energy security and resilience.	Transforming communities, making them places where everyone thrives.	Driving Scotland's growth and productivity by supporting scale-ups to reach their potential.
Key focus areas for FY26/27		
Energy systems and grid infrastructure Data security and digital infrastructure Sustainable transition Energy security and supply chain	Housing of all tenures Care homes, later and assisted living Enabling infrastructure Construction supply chain Health, wellbeing and social inclusion	Growth businesses Sector agnostic High growth companies emerging from Scotland's universities

Introduction from our Chief Investment Officer

Executive summary
- Our investment criteria
- Mission focus

Our investment criteria
- Innovation mission
- Place mission
- Net zero mission

Managing our portfolio

Verlume

Our investment criteria

"Our approach reflects the need to balance ambition as a mission-led investor with objective investment decisions as the portfolio matures."

Mark Munro
Chief Investment Officer

Introduction from our Chief Investment Officer
Executive summary
Our investment criteria
Mission focus
Our investment criteria
Innovation mission
Place mission
Net zero mission
Managing our portfolio

Our investment criteria - Innovation

Innovation mission objectives

Our investments must align with our mission objectives. These objectives are designed to set the vision for the impact our innovation investments will deliver over the long term.

Objectives for the innovation mission over the next 5 years:

- Advance Scotland's international competitiveness through scaling businesses
- Boost productivity through the scaling and diffusion of innovation
- Strengthen Scotland's scale-up ecosystem
- Develop a future-ready workforce that enables scale-up growth
- Create durable economic value through scaling high-growth businesses

In 2026-2027 we will deliver this by focusing investment on:

- Businesses with demonstratable revenue growth over a 2-year period
- Experienced and established management and board teams with proven track records to deliver the business plan
- All geographies across Scotland
- Opportunities with co-investors at the point of our investment and beyond to unlock value

Key focus:

Sector agnostic, focus on growth businesses

Our investment criteria - Innovation

Innovation mission focus

The Bank's innovation mission will focus on scaling Scottish businesses, with a cross-sector approach. Investment will predominantly focus on businesses with demonstrated traction and revenue growth of 20% p.a., sustained over a 2-year period; and seeking investment rounds of £4 million plus. By doing so, the Bank will create economic growth and support Scotland's entrepreneurial economy.

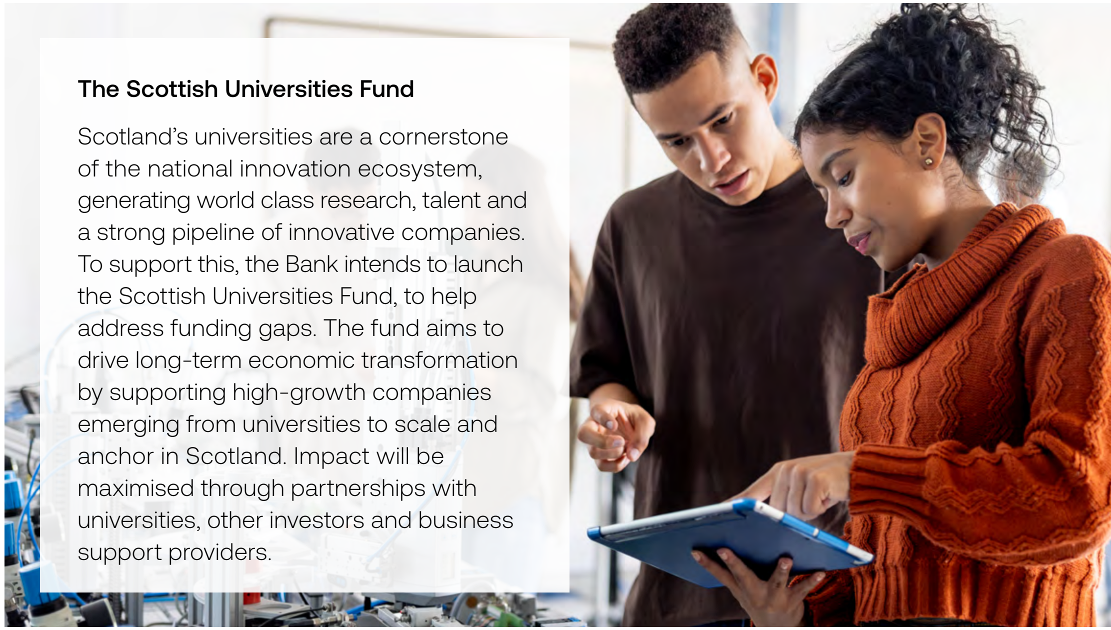
We will take a sector agnostic approach, judging potential investees by their growth to date and the potential of Bank capital to catalyse the company or sector. The focus, will be on established, or establishing, businesses with demonstrated growth and a differentiated, innovative position in their market.

The Bank has a continued interest in innovative businesses developing healthtech, biotech, AI and digital technologies, circular economy and advanced manufacturing technologies; particularly given the strength of the sectors in Scotland. There is also an ability to invest in consumer tech companies with key innovation attributes and which have demonstrated material scale. The Bank will also consider defence-related opportunities where they align with the Responsible and Ethical Investment Policy and wider Bank impact approach. The Bank will consider opportunities in the life science sectors on a selective basis with a focus on later stage development and trials. Earlier stage opportunities across life sciences, and other sectors noted above, will be considered through funds the Bank is already invested in. These include Epidarex Capital IV, Par Equity Ventures I and, in time, the Scottish Universities Fund.

We will look to companies to accurately and authentically show if and how AI is embedded in their business, where it is integral to their product or service. Consideration will be given to how each opportunity will support the Bank's portfolio construction, including the sector and stage of the business.

Investment criteria

- Revenue growth of 20% p.a., sustained over a 2-year period.
- Minimum total investment round of £4 million, with co-investors taking at least 50% of the investment round.
- Management team with a track record of delivering in the sector or adjacent sector.
- An established Board exists with appropriate governance structures in place.
- When engaging with the Bank we expect to see demonstrable product market fit and an established route to market which underpins the investment case.
- A cash runway which enables the agreed investment case to be delivered with a minimum expectation of two years' capital.
- We will expect a fully developed business plan with key milestones set out and full financial projections.
- We are interested in businesses across all geographies of Scotland.



The Scottish Universities Fund

Scotland's universities are a cornerstone of the national innovation ecosystem, generating world class research, talent and a strong pipeline of innovative companies. To support this, the Bank intends to launch the Scottish Universities Fund, to help address funding gaps. The fund aims to drive long-term economic transformation by supporting high-growth companies emerging from universities to scale and anchor in Scotland. Impact will be maximised through partnerships with universities, other investors and business support providers.

Introduction from our Chief Investment Officer

Executive summary

Our investment criteria
Mission focus

Our investment criteria

Innovation mission
Place mission
Net zero mission

Managing our portfolio

Our investment criteria - Place

Place mission objectives

Our investments must align with our mission objectives. These objectives are designed to create a vision for the impact our place investments will deliver over the long term.

Objectives for the place mission over the next 5 years:

- Regenerate underused or neglected land
- Increase access to community services and infrastructure
- Address the housing emergency by improving supply across all tenures
- Support anchor employers to safeguard and grow jobs
- Connect people, places and services

In 2026-2027 we will deliver this by focusing investment on:

- Co-investment alongside credible partners
- Work with experienced and established management and board teams
- Increasing the robustness of the housing supply chain
- Innovative delivery models and partnerships
- All geographies across Scotland

Key focus areas:

Housing

Of all tenures, across all parts of Scotland

Care homes, later and assisted living

Enabling infrastructure for housing opportunities

Construction supply chains

Our investment criteria - Place

Place mission focus

Increasing the supply of homes across all tenures is a headline objective for the place mission and will be a strategic priority for the coming year.

Our focus on housing aligns with our mission objectives noting the well-researched link between secure, energy-efficient homes and addressing poverty and enabling positive life outcomes. The Bank's contribution to addressing the national housing emergency will be focused on the supply side of housing by making commercial investments to increase the number of homes being built in Scotland. Additionally, the Bank will allocate capital to increase the robustness and depth of the housing supply chain which has experienced significant headwinds over the last decade and has reduced as a result. This has, in turn, increased the cost of building new homes which has compounded the issue.

Going forward, the Bank will be the commercial partner of More Homes Scotland, the Scottish Government's new agency set up to address the housing emergency. Our track record of delivering commercial place-based investments, our engagement with the market and the Scottish Government's Housing Investment Taskforce has shown our commitment to delivering against this objective.

A key part of our approach is building strong partnerships with stakeholders across the industry; developers, investors, asset owners, local authorities, and other key stakeholders. The Bank is committed to creating new models such as joint ventures and innovative funding structures to crowd in private capital, particularly for mixed-tenure and regeneration sites. This collaborative approach is central to unlocking large-scale delivery and achieving our impact objectives. Housing investments will be made across tenures to service the multiple needs of the market, deliver homes at scale in both urban and rural settings, and to diversify our portfolio. We are open to considering direct investments into developments and house builders (both SME and larger firms).

Growing the supply chain will also be a feature of investments, particularly those which can increase efficiencies and reduce build costs.

We will also consider flexing our standard investment criteria for rural and island opportunities, which includes consideration of investments below our standard minimum of £1 million.


DITT Construction Ltd – our investment supports the construction of homes in Lerwick designed for key workers who struggle to find affordable accommodation.

Housing investments will be made across tenures to service the multiple needs of the market, deliver homes at scale in both urban and rural settings, and to diversify our portfolio.

Introduction from our Chief Investment Officer

Executive summary
- Our investment criteria
- Mission focus

Our investment criteria
- Innovation mission
- Place mission
- Net zero mission

Managing our portfolio

Our investment criteria - Place

Alongside housing investments, the place mission will focus on sectors that support the changing demographic of Scotland's population and provide innovative solutions to support social and economic prosperity across all geographies. Place investments will be focused on:

- **Care homes, later and assisted living**

  The undersupply of later life living facilities creates difficult choices for families and individuals. It also challenges the overall housing supply chain where individuals would have transferred into alternative living arrangements had the provision been available in their area. Supporting this sector can generate more choices and more availability throughout the housing market. The Bank will consider all types of later life living, both rural and urban.

- **Health, wellbeing and social inclusion**

  We will engage with the market for products, services and technologies that can deliver positive outcomes to users, contributing to better health outcomes, social inclusion or enabling greater access to wellbeing options.

- **Construction supply chain business**

  To develop the supply of housing in the Scottish market, the construction supply chain must be robust and resilient. Scotland also has unique supply chain considerations given the diversity of our geography from highland and islands to rural and urban. The Bank will consider investments into businesses that have demonstrable revenue and a product or service which reduces the cost to build.

- **Infrastructure to enable housing development**

  We recognise the importance of enabling infrastructure as a catalyst for housing and wider development and will seek commercial opportunities to invest. We will consider first stage project investment into infrastructure that enables housing development.

Investment criteria

- Crowd in co-investment at scale for fund and joint venture or regeneration opportunities.
- For debt opportunities, we will seek to crowd in and leverage external capital to the extent possible, on a case by case basis.
- Management team with a track record of delivering in the sector or adjacent sector.
- The Board or equivalent management team structure is established with appropriate governance in place.
- Housing development projects in their nature are not expected to be revenue generating at the point of investment, the Bank will undertake an appropriate review of the development appraisal to assess project viability.
- Non-housing investments should be revenue generating at the point of Bank investment.
- Open to all geographies across Scotland and to organisations in the private and third sectors, including community based organisations.

Strathcarron Homes

Introduction from our Chief Investment Officer

Executive summary

Our investment criteria
Mission focus

Our investment criteria

Innovation mission
Place mission
Net zero mission

Managing our portfolio

Our investment criteria - Net Zero

Net zero mission objectives – energy security and resilience

Our investments must align with our mission objectives. These objectives are designed to create a vision for the impact our net zero investments will deliver over the long term.

Objectives for the net zero mission over the next 5 years:

- Grow climate resilient, low carbon businesses
- Strengthen employment pathways for the energy transition
- Support Scotland's energy resilience technologies and supply chains
- Strengthen domestic energy security, infrastructure and re-industrialisation
- Advance sustainable resource use in support of energy resilience

In 2026-2027 we will deliver this by focusing investment on:

- Experienced and established management teams with proven track record
- Projects and businesses with commercially viable technologies and evidenced routes to market
- Deploying catalytic capital alongside established and credible co-investors
- Investing flexibly across the capital structure where our impact is greatest

Key focus areas:

Energy systems and grid infrastructure

Data security and digital infrastructure

Sustainable transition

Energy security and supply chain capability

Introduction from our Chief Investment Officer

Executive summary

Our investment criteria
Mission focus

Our investment criteria

Innovation mission
Place mission
Net zero mission

Managing our portfolio

Our investment criteria - Net Zero

Net zero mission focus

The Bank will use its capital across the energy market to address bottlenecks in the system, while building a diverse portfolio that will seek to develop long-term energy security and efficiency.

In the past five years market conditions have changed for the delivery of the energy transition. This is due in part to slower upgrades to the grid, fragmented supply chains, a higher cost of capital and an increasingly unpredictable global market. These difficult investment conditions have in turn slowed transition, resulting in some complex investment and project decisions for all parts of the ecosystem. Our strategy is adapting to solve these challenges and capitalise on the opportunity for Scotland.

We will seek to invest across the capital structure – equity, growth capital, debt and blended instruments to match the nature and stage of each opportunity. We will seek work with committed co-investors across the wider market to deliver progress against our net zero objectives. We are prepared to take merchant risk where it is balanced with appropriate upside potential and projects are funded through to completion. Our investment process and decision-making will take into account additional capital requirements beyond our initial investment.

Key focus for the net zero mission will be:

- **Energy systems and grid infrastructure**

  Scotland's renewable energy capacity is expanding rapidly, but the infrastructure to store, balance, and distribute that energy at scale remains a critical bottleneck. The Bank will invest in the systems to enhance Scotland's grid infrastructure, including battery storage opportunities which provide critical stability and flexibility.

- **Data security and digital infrastructure**

  Infrastructure such as data centres will be assessed with a focus on Scotland's green energy advantage, making use of the increased energy demand, the existing energy produced and avoiding curtailment costs. Enabling developing technologies and accelerating AI and cloud computing capability will be a focus.

- **Sustainable transition**

  Scotland is undergoing significant industrial transformations. Established industries (oil and gas, chemicals, heavy manufacturing, maritime) are restructuring around low carbon models, while a new generation of technology is emerging to provide the solutions, tools, and infrastructure that make decarbonisation commercially viable. The Bank will invest across this transition to ensure Scotland's skill set and knowledge is retained as a competitive advantage and the economic value of this transition is captured.

North Star Renewables

The Bank will use its capital across the energy market to address bottlenecks in the system, while building a diverse portfolio that will seek to develop long-term energy security and efficiency.

Introduction from our Chief Investment Officer

Executive summary

Our investment criteria
Mission focus

Our investment criteria

Innovation mission
Place mission
Net zero mission

Managing our portfolio

Our investment criteria - Net Zero

- **Energy security and supply chain capability**

  A focus on building out domestic energy generation and related supply chain infrastructure and services will enable a strong, resilient Scottish economy. The Bank will seek investment opportunities that support the expansion of Scottish energy infrastructure and new supply chain capability, with export potential.

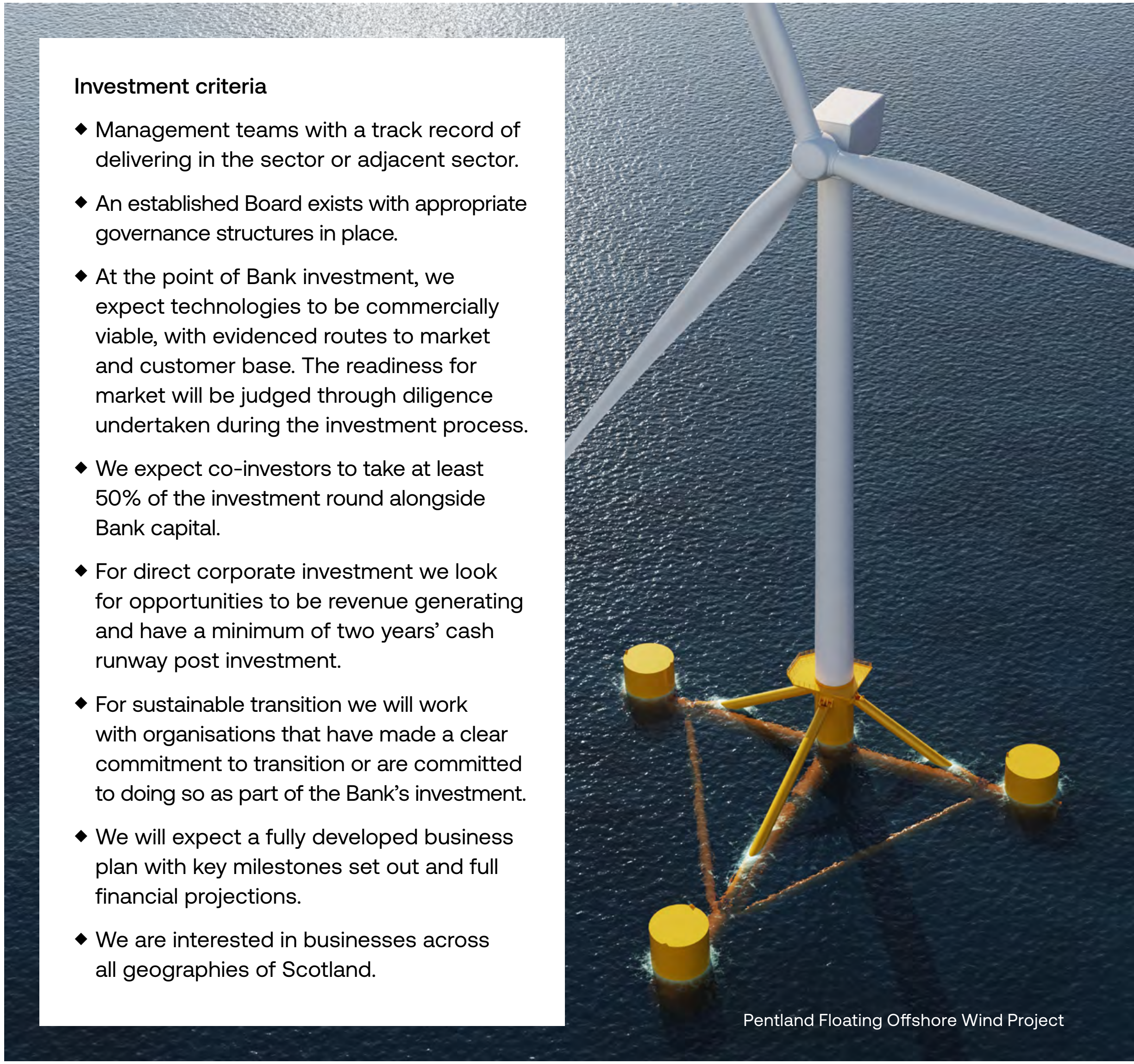
  Anchoring Scotland's existing world-class energy supply chain for the long-term will be a strategic priority for the Bank, recognising the significant skills and capability embedded in these businesses which are transferrable into clean energy sectors.

  This will focus on trading businesses with a track record of growth and market opportunities. We will remain open to businesses that have one or multiple technology arms and can therefore employ a portfolio approach to developing net zero and energy security technologies thereby minimising risk associated with early-stage investment.

  The Bank will consider investments that align with or utilise Scotland's heritage industrial sites, and consider opportunities in green industrialisation that align with the net zero impact objectives. The Bank has a role to support and maximise opportunities to develop these sites to establish new technologies and maintain and develop key skills required for the energy system.

Investment criteria

- Management teams with a track record of delivering in the sector or adjacent sector.
- An established Board exists with appropriate governance structures in place.
- At the point of Bank investment, we expect technologies to be commercially viable, with evidenced routes to market and customer base. The readiness for market will be judged through diligence undertaken during the investment process.
- We expect co-investors to take at least 50% of the investment round alongside Bank capital.
- For direct corporate investment we look for opportunities to be revenue generating and have a minimum of two years' cash runway post investment.
- For sustainable transition we will work with organisations that have made a clear commitment to transition or are committed to doing so as part of the Bank's investment.
- We will expect a fully developed business plan with key milestones set out and full financial projections.
- We are interested in businesses across all geographies of Scotland.



Pentland Floating Offshore Wind Project

Investment Strategy
FY26/27

Introduction from our Chief Investment Officer

Executive summary

Our investment criteria
Mission focus

Our investment criteria

Innovation mission
Place mission
Net zero mission

Managing our portfolio

Managing our portfolio

The Bank will continue to focus on driving investment across its portfolio and supporting companies to build value where there is a strong financial and impact case.

The Bank takes an active approach to portfolio management, identifying key value drivers, managing risk, and working with investees to deliver long-term growth. It will partner with companies to develop business plans that address funding requirements through to exit.

Over the coming year, the Bank expects to make fewer follow-on investments than in previous years. These decisions will be informed by performance against agreed plans, alongside clear evidence of value creation and impact. Where companies underperform, alternative actions will be considered, including strengthening management teams with additional expertise to improve business performance.

Follow-on investment will be assessed relative to the Bank's shareholding, with a general expectation of investing on a pro-rata basis.

The Bank will also prepare for and support exit events, including partial realisations where appropriate, and may help investees access external expertise to deliver their growth plans.

In parallel, the Bank will support businesses in adopting and integrating AI technologies to improve efficiency and unlock new opportunities.

The
Scottish
National
Investment
Bank

Scottish National
Investment Bank plc
Waverley Gate,
2-4 Waterloo Place,
Edinburgh,
United Kingdom
EH1 3EG

www.thebank.scot
enquiries@thebank.scot

Scottish National Investment Bank plc is wholly owned by Scottish Ministers
Registered in Scotland with Company number SC677431

SNIB143.0726