



Impact Management Framework

2024

The
Scottish
National
Investment
Bank



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1. Impact at the Bank

Bank Vision

To be a perpetual investment fund for Scotland that has a greater than £2 billion mission aligned investment portfolio demonstrating economic, societal and environmental returns. An established, regulated financial institution that is managing and leveraging third party capital having demonstrated a path to new markets and technologies.

The Scottish National Investment Bank plc (the Bank) provides investment to support growth in the Scottish economy by investing in innovation and accelerating the move to a net zero emissions, high tech, connected, globally competitive and inclusive economy. In addition to delivering mission impacts, the core principles of our investment strategy are:

- ◆ Investing in projects or businesses requiring up to £50 million of investment to support their growth or development.
- ◆ Investing through debt, fund or equity investment.
- ◆ Acting as a patient investor, providing long-dated investment to businesses and projects connected with Scotland.
- ◆ Generating commercial returns on our investments to support the Bank becoming financially self-sustaining.
- ◆ Reinvesting profit from the Bank's investment activities and repaid capital to create a perpetual investment fund for the Bank's Shareholder on behalf of the people of Scotland.
- ◆ Attracting private sector funds to co-invest alongside its public sector capital.

Mission-Led Impact Investing

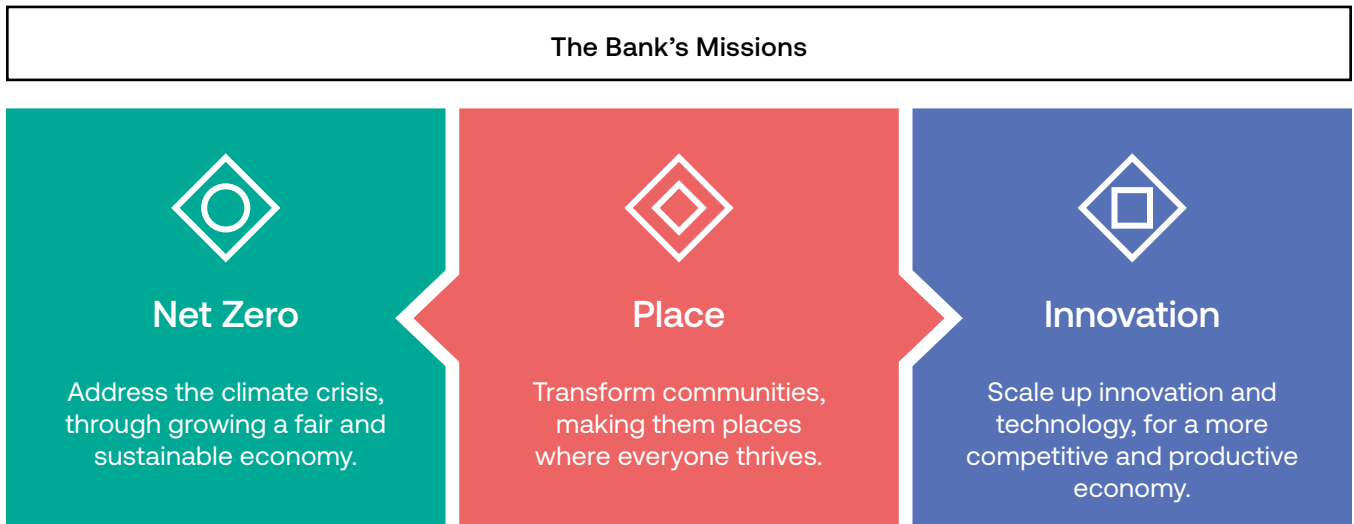
We are a mission-led impact investor. Our missions were set in 2020 by our Shareholder, Scottish Government Ministers, to address three grand challenges facing Scotland – the climate emergency, place-based opportunity, and demographic change and innovation deficit.

We recognise the complexity of the Grand Challenges and know that our investments alone will not deliver all the solutions required; solving these challenges requires coordinated action across the private, public and third sector drawing on both public and private finance to achieve the necessary scale and impact. We therefore work with a range of stakeholders to ensure our investments have high impact potential and where possible act as a catalyst for further investment and positive economic, societal and environmental change.

As an institution we value the relationships we build across our portfolio and where possible we will look to invest directly in businesses looking to scale. To increase the range and depth of impact we also invest indirectly in private sector funds, especially where fund managers are able to offer technical expertise or sectoral access that may be unavailable within the Bank.



1. Impact at the Bank continued



Our missions offer a clear strategic direction and focus for our investment activity. They are outcome orientated and set out the impact that our investments are designed to enable over the longer term.

Our role as a mission-led impact investor is to:

- ◆ Assess investments through an impact lens and ensure alignment with our mission ambitions at point of investment.
- ◆ Promote greater equality, diversity and inclusion, and high-quality fair employment through our investment activity.
- ◆ Ensure that mission impacts are evident in investee's business plans and strategies, and hold businesses and projects to account through impact covenants as terms of investment.
- ◆ Define appropriate impact performance indicators, and track and report against these.
- ◆ Support more sustainable business practices through provision of guidance to our portfolio companies.
- ◆ Demonstrate how a focus on impact can also generate financial and commercial benefits and provide thought leadership to encourage the growth of impact investing within the wider investment community.

Our focus on patient capital means that in the early years of an investment our reporting data will focus on the outputs and shorter-term outcomes. This helps us build a picture over time to demonstrate how our investments contribute to delivering the longer-term mission impacts set by our Shareholder.



1. Impact at the Bank continued

Impact Model

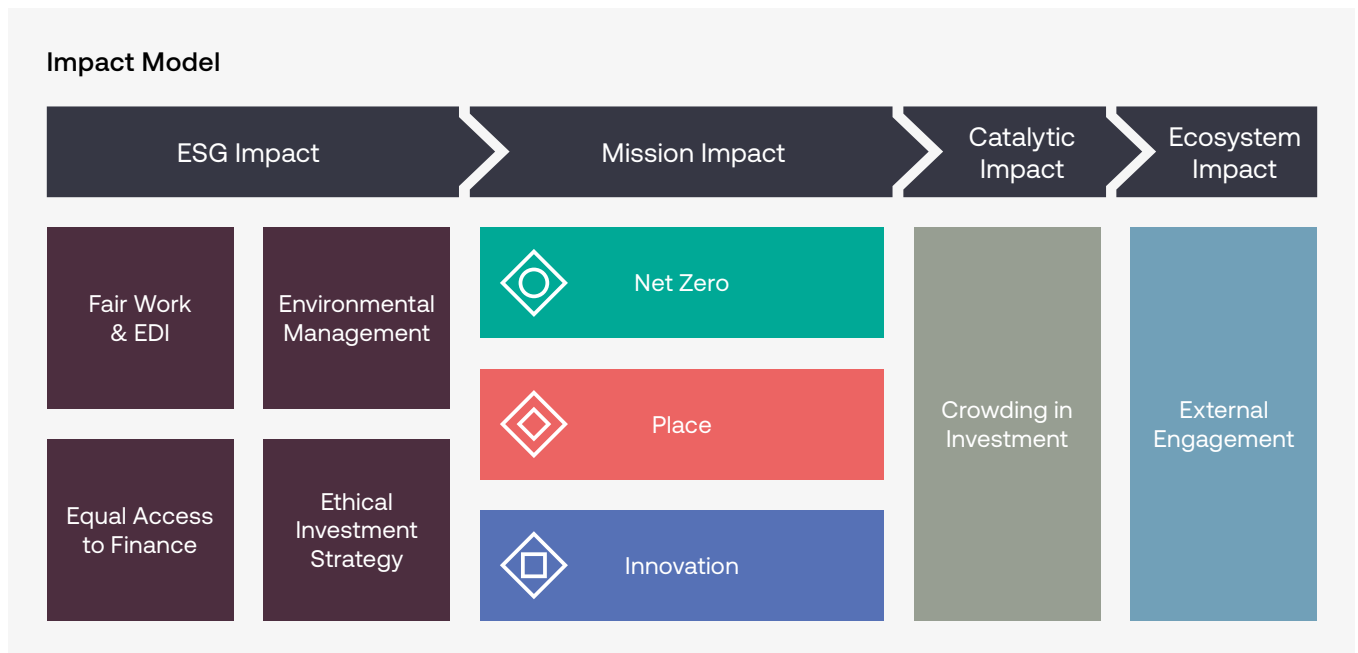
Through our investment activity we seek to enable impact in four distinct ways:

1. Delivery of our missions:

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

In delivering our three defined investment missions, we integrate key principles to amplify our portfolio-level, positive impact in the Scottish ecosystem:

2. The promotion of a diverse and inclusive workforce through high-quality employment aligned to the ‘Fair Work First Principles’.
3. Increasing business understanding around carbon emissions and climate risk.
4. Creating equality of investment opportunity for people who are marginalised, minoritised, or under-represented.





2. Impact Governance

Introduction

Impact governance and risk management practices provide a framework for our investment processes and decision-making, providing accountability and assurance to our stakeholders that our investments are managed effectively and in accordance with industry standards.

Given our focus on environmental and social impact we have integrated ESG practices within our Due Diligence and on-going investment monitoring and have developed an ESG Toolkit to support this activity. This includes a specific focus on understanding climate related risks and carbon accounting practices across our portfolio.

We assess the risks in achieving our strategic objectives through the Bank's Risk Management Framework, which is guided and informed by our strategic objectives:

- ◆ To be an FCA regulated entity that is governed and has the reputation of a trusted, credible, financial institution.
- ◆ To have a robust infrastructure of risk, controls and processes and to embed and promote a risk aware culture throughout the Bank.

The approach we take to impact is integrated within this framework, with Mission Risk identified as a 'Principal Risk'.

Additionally, in March 2023 we became a Signatory to the Operating Principles for Impact Management (OPIM), which is hosted by the Global Impact Investing Network (GIIN). Our impact governance processes are aligned with the nine principles, providing credibility and consistency of approach with our impact investment peers.



2. Impact Governance continued

Operating Principles for Impact Management

The Operating Principles for Impact Management¹ (OPIM) were launched in 2019 to establish a common discipline around the management and reporting of impact investing. The OPIM has been widely adopted within the global impact investment community and provides a framework against which the impact management systems of funds and institutions can be assessed, supporting the development of impact investing norms and expectations across the impact investment community.

We have integrated the OPIM into our investment processes and became an official Signatory in March 2023, publishing our first Disclosure Statement in March 2024, which sets out how our investment life cycle aligns with the nine Principles.



**Operating Principles for
Impact Management**

Principle 1	Define strategic impact objective(s), consistent with the investment strategy.
Principle 2	Manage strategic impact on a portfolio basis.
Principle 3	Establish the Manager's contribution to the achievement of impact.
Principle 4	Assess the expected impact of each investment, based on a systematic approach.
Principle 5	Assess, address, monitor, and manage potential negative impacts of each investment.
Principle 6	Monitor the progress of each investment in achieving impact against expectations and respond appropriately.
Principle 7	Conduct exits considering the effect on sustained impact.
Principle 8	Review, document, and improve decisions and processes based on the achievement of impact and lessons learned.
Principle 9	Publicly disclose alignment with the Principles and provide regular independent verification of the alignment.



2. Impact Governance continued

To ensure transparency and accountability, the GIIN requests that all Signatories undertake an external OPIM verification exercise within the first two years of signing and at regular intervals thereafter.

In December 2023, we engaged BlueMark, a leading provider of impact verification to independently review the alignment of our practices with the OPIM. BlueMark's assessment findings cover both areas of strength and opportunities for improvement, as reflected in their Verifier Statement². Our ratings against each of the eight Principles reviewed are shown below with the full Verifier Statement shown on our and the GIIN's website.

The positive verification indicates a strong alignment with the Operating Principles for Impact Management and places the Bank alongside some of the leading names in the global impact investing industry³. Impact Management is an evolving practice, and we will continue to reflect and build on our processes and governance to maintain and, where required, strengthen our alignment. A full overview of our impact framework can be found in Section 3.

Principle	Alignment ⁴
1. Define strategic impact objective(s), consistent with the investment strategy	Advanced
2. Manage strategic impact on a portfolio basis	Advanced
3. Establish the Manager's contribution to the achievement of impact	High
4. Assess the expected impact of each investment, based on a systematic approach	Advanced
5. Assess, address, monitor, and manage potential negative impacts of each investment	High
6. Monitor the progress of each investment in achieving impact against expectations and respond appropriately	Advanced
7. Conduct exits considering the effect on sustained impact ⁵	Moderate
8. Review, document, and improve decisions and processes based on the achievement of impact and lessons learned	Advanced

- ◆ **Advanced** (Limited need for enhancement)
- ◆ **High** (A few opportunities for enhancement)
- ◆ **Moderate** (Several opportunities for enhancement)
- ◆ **Low** (Substantial enhancement required)



2. Impact Governance continued

Mission Risk Management

The Bank has established a framework of policies, procedures and structures to manage risk. These are described in the Risk Management Framework (RMF). The RMF applies across the Bank’s group of companies including subsidiaries Scottish Investments Limited (SIL) and Scottish Investments Services Limited (SISL). The RMF defines the Bank’s approach to risk management, from ensuring that the Bank’s risk strategy reflects the organisation’s overall corporate strategy, to defining the methodology for assessment and measurement of risk. A full copy of the RMF can be found on the Bank’s website⁶.

To achieve our missions, we assume a certain level of risk. A wide range of risk types are inherent to the Bank’s mandate. We aim to effectively manage and mitigate these risks and recognise that excessive risk taking, and poorly managed risks can lead to financial losses and adverse non-financial impacts, negatively impacting the delivery of the missions over time and causing reputational damage, including the perception of failing to deliver value for public money.

We recognise that, as a development bank, our investments will often carry a higher degree of risk than commercial investors. This requires the return profiles of the investments to be structured to ensure the commensurate level of return.

We have established a framework of policies, procedures and structures to manage risk. These are described in the Risk Management Framework, which identifies seven principal risks (‘Level 1’ risk type) and our appetite for each.

‘Mission Risk’ is identified as a Principal or Level 1 risk type, with ‘Mission Alignment’ and ‘Mission Reporting’ identified as secondary risks.

Principal and Emerging Risks and Uncertainties

Level 1 Risk	Definition	Principal Risk	Risk Appetite Statement	Controls and Mitigants
Mission	The risk that the type, kind, or number of investments or loans originated or held by the Bank are not sufficiently aligned to a mission or fail to deliver the desired benefits.	Mission Alignment The Bank is exposed to the risk that its investments are not aligned with or do not perform well against its missions.	The Bank has a low appetite for failing to deliver the expected mission impact ambitions.	<ul style="list-style-type: none"> ◆ Impact thesis created for each investment considered throughout investment governance process. ◆ Impact related covenants included in Investment Agreements ◆ Key Risk Indicators and risk reports assess mission concentration. ◆ Active portfolio management and reporting processes. Regular reporting at Valuations Committee and Board against mission-aligned Impact Ambitions.

All investments are subject to ongoing performance review, additionally, as an Impact Principles Signatory, we are expected to undertake regular independent audits of our impact governance framework to ensure that the principles are being upheld.



2. Impact Governance continued

Climate Assessment and Reporting

Alongside investing towards the Bank's net zero target, we consider climate impacts and opportunities across all of our activities. This includes clearly setting out the Bank's emissions baseline as well as targets and plans to reduce our footprint, as published in our first Carbon Management Plan⁷ in late 2023. As part of the Plan, the Bank has committed to reducing its operational emissions by a minimum of 5% by the end of FY28/29 (versus FY22/23 baseline).

We also seek to demonstrate commitment to responsible climate action in line with the Taskforce on Climate Related Financial Disclosure (TCFD), with the Bank's first TCFD Report⁸ published in January 2024. As part of the organisation's broader governance structures in relation to climate, we have a dedicated Associate Director of Climate Impact who has responsibility for the day-to-day management, measurement and reporting of the Bank's climate-related activities.

Whilst the Bank's Carbon Management Plan sets out its own emissions baseline and approach to reductions, we also recognise the importance of supporting our investees to consider their own emissions journeys. To reflect this, as of the start of FY23/24, all new Bank investees are asked to develop either a carbon management plan or a net zero strategy following investment – and we provide guidance to help them to achieve this, including giving access to an emissions calculator developed in line with the GHG Protocol Corporate Accounting and Reporting Standard. If needed, we'll also offer extra support to calculate selected Scope 3 sources linked to embodied carbon.

Finally, the Bank also conducts climate risk assessments as part of its due diligence ahead of investment, in order to build a clear picture of climate-related risks and opportunities for each portfolio company; these assessments can be shared with investee companies to help them build their own knowledge and awareness of how climate change may impact their operations now and in future.



2. Impact Governance continued

Biodiversity Reporting

The Nature Conservation (Scotland) Act 2004 places a statutory duty on all public bodies in Scotland to further the conservation of biodiversity. Section 1 of the Act states, “It is the duty of every public body and office holder, in exercising any functions, to further the conservation of biodiversity so far as it is consistent with the proper exercise of those functions”.

The Wildlife and Natural Environment (Scotland) Act 2011 introduced a requirement for all public bodies in Scotland to make a report publicly available on their compliance with the biodiversity duty. Biodiversity duty reports are required every three years.

The biodiversity duty is not only about protecting biodiversity through managing specific sites, habitats and species. It also aims to:

- ◆ Increase the level of understanding and connection between people and the living environment;
- ◆ Promote consideration of all our impacts on the natural world through our actions and decisions, including through procurement and use of resources; and,
- ◆ Encourage staff, partners and customers to engage with, understand and consider biodiversity.

The Bank considers biodiversity as part of its broader climate and environment activities both within our own operational activity and our investments.

As a mission-led responsible investor, we include consideration of climate and biodiversity within our due diligence processes, working closely with investees to support them in the on-going measurement and management of the social and environmental impact of their business activities. From FY23/24 this includes an expectation that all investee companies will hold an Environmental and Social Management System within 12 months of our investment.

The Bank submitted its first report on how we meet the duty in December 2023, which covered the Bank’s operations between 2020–2023. The report will be made available on the NatureScot website.

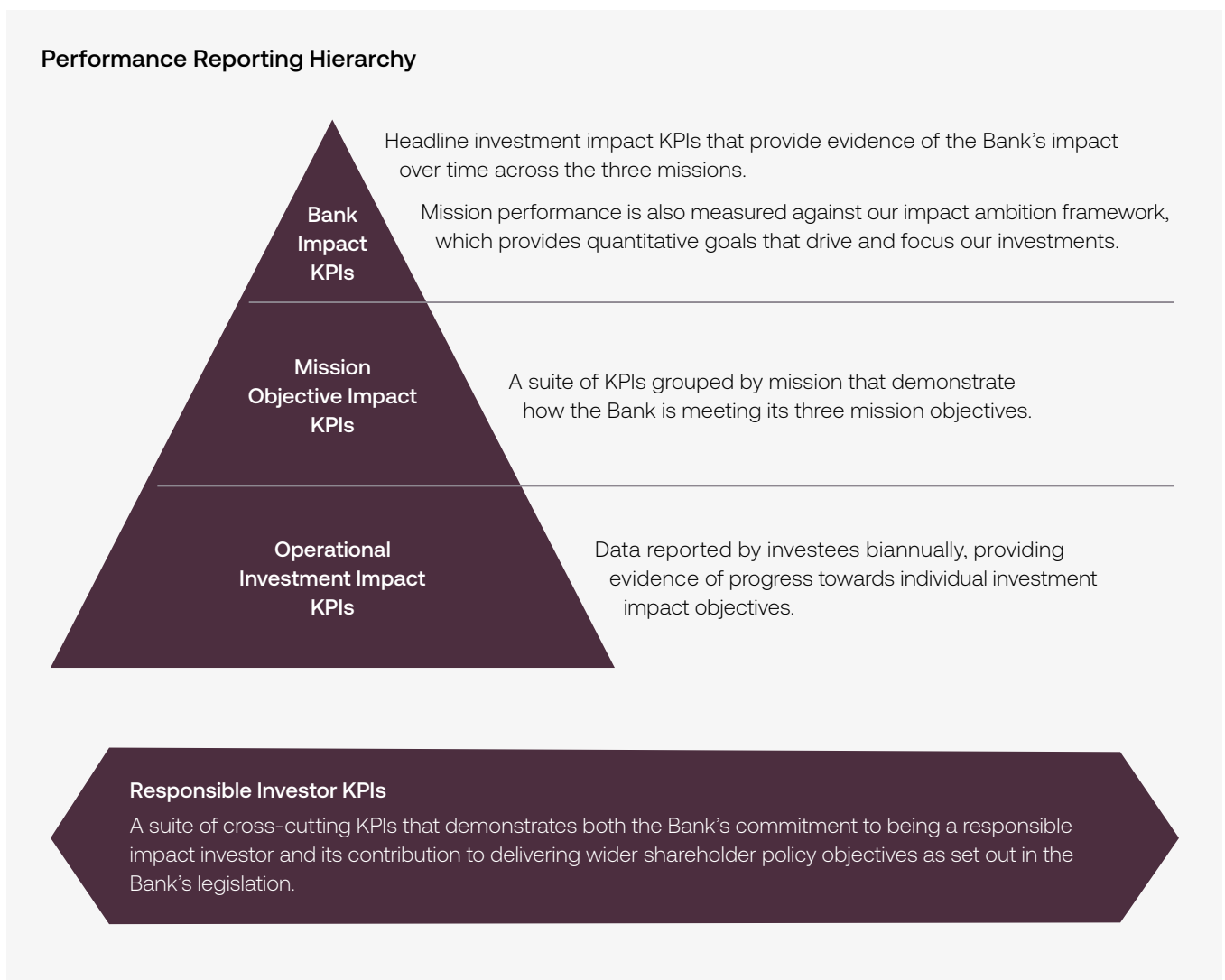


3. Our Impact Framework

Reporting Hierarchy and Key Performance Indicators

To support the measurement of our investment impact performance at an individual investee and collective portfolio level, we have designed a performance reporting hierarchy. We work with investee companies to enable them to measure and report their impact against agreed KPIs that align with this framework.

This framework enables us to aggregate data across our portfolio to manage collective impact. These KPIs are reported to, and monitored by, the Board and our Valuations Committee.





3. Our Impact Framework continued

Bank Impact

To better understand the aggregate impact of our investment we are developing a small number of portfolio level KPIs⁹ that will provide a high-level overview of our investment impact over time across our three missions. The indicative KPIs provided below are designed to demonstrate actual performance, where appropriate we will also look to forecast performance and use these forecasts internally to track performance against expectations. This reporting framework will evolve as our portfolio grows.

Bank Impact KPIs
Total renewable energy generated within Bank Portfolio Per reporting year and cumulative over portfolio lifetime. Measure: kWh/GWh and equivalence to number of homes powered.
Total carbon avoided, reduced and removed Per reporting year and cumulative over portfolio lifetime. Measure: tCO ₂ e and include equivalence to number of return Glasgow to London flights.
Number of jobs supported through investment Per reporting year.
Number of apprenticeships or internship positions supported through investment Per reporting year as reported by investee.
Number of Scottish Local Authority Areas benefiting from Bank investment Measure: Total number x/32.
Supply chain spend in Scotland Measure: Investee supply chain spend in Scotland (Amount (£) or % of total spend) per reporting year and cumulative over portfolio lifetime.



3. Our Impact Framework continued

Impact Ambitions

To support accountability, and reflect industry best practice, we have designed a set of quantitative impact targets against which we'll be able to track progress.

For each mission, we have set two Ambitions for the Bank to achieve by 2030, which will help ensure that we meet the mission objectives by 2040 and 2045.

These targets are based on our exiting portfolio data. As we grow and develop greater portfolio insight we expect to re-baseline the targets as necessary.

We will calculate our impact performance against our Ambitions using a contribution based analysis. In this way, we will only include the proportional share of impact that can be attributed to our investment.

2030 Mission Ambitions

 <p>Net Zero</p>	<p>“Address the climate crisis, through growing a fair and sustainable economy”</p>	
	<p>By 2030, the Bank will have invested £800 million - £1 billion in high potential Net Zero businesses and projects.</p>	<p>By 2030, the Bank’s investments will have helped to avoid, reduce or remove 185,000 – 225,000 tCO₂e from the Earth’s atmosphere.</p>
 <p>Place</p>	<p>“Transform communities, making them places where everyone thrives”</p>	
	<p>By 2030, the Bank will have invested £400 million - £500 million in improving Scotland’s places and communities.</p>	<p>By 2030, the Bank’s investments will have positively impacted the lives of 350,000 – 430,000 people through regeneration, high-quality housing, and connectivity (both digital and physical).</p>
 <p>Innovation</p>	<p>“Scale up innovation and technology, for a more competitive and productive economy”</p>	
	<p>By 2030, the Bank will have invested £400 million - £500 million in innovative, productive businesses.</p>	<p>By 2030, the Bank’s investments in innovative industries will have contributed towards the creation and safeguarding of 6,300 – 7,700 jobs.</p>



3. Our Impact Framework continued

Mission Impact Objectives

To support our impact framework, we have developed a set of ‘mission impact objectives’ for each of the three missions and an accompanying set of mission level KPIs.

The mission impact objectives provide greater understanding of our strategic impact and are, where appropriate, common to other impact investors and aligned to the National Outcomes and Indicators within the Scottish Government’s National Performance Framework. They shape our investment origination activity and enable us to better demonstrate the impact our investments enable. The impact objectives assigned to each mission are outlined overleaf alongside associated KPIs¹⁰.

Mission Impact Objectives: Net Zero

- ◆ A Just Transition is achieved by 2045.
- ◆ Scotland’s economy contributes to and is aligned to global GHG emission reduction targets and goals by 2045.
- ◆ Scotland is internationally recognised as a leader in sustainable technology services and industry.

Mission Objective	Proposed KPI(s)
1. To catalyse investment in businesses and projects connected to Scotland to move towards a net zero economy.	<p>NZ1: % of the Bank’s investment portfolio where the primary mission identified is Net Zero.</p> <p>NZ2: % of the Bank’s investment portfolio that contributes to the shift to a net zero economy.</p> <p>NZ3: Amount invested by Bank (£) supporting businesses and projects contributing to the shift to a net zero economy.</p> <p>NZ4: Third party capital (£) leveraged by the Bank supporting businesses and projects contributing to the shift to a net zero economy.</p> <p>NZ5: Number of Just Transition Jobs supported through Bank investment.</p>
2. To increase Scottish based expertise in technology, services and industries that support decarbonisation, mitigation, and climate change amelioration activity.	<p>NZ6: % of the Bank’s investment portfolio that contributes to accelerating decarbonisation.</p> <p>NZ7: % of the Bank’s investment portfolio that contributes to mitigating climate change through capturing GHGs (natural / technological processes) from the atmosphere.</p> <p>NZ8: % of the Bank’s investment portfolio that contributes to ameliorating the effects of climate change.</p>
3. To grow the circular economy within Scotland by 2045.	<p>NZ9: Amount invested by the Bank (£) supporting businesses and projects that contribute to the shift to the circular economy.</p> <p>NZ10: % of the Bank’s investment portfolio that contributes to the circular economy.</p> <p>NZ11: Volume of waste reduced over reporting period.</p>
4. To support Scotland’s transition to net zero.	<p>NZ12: Portfolio Scope 1 emissions</p> <p>NZ13: Portfolio Scope 2 emissions</p> <p>NZ14: Portfolio Scope 3 emissions</p>



3. Our Impact Framework continued

Mission Impact Objectives: Place-based Opportunity



- ◆ Place-based regeneration – our natural and built environment in Scotland is valued, protected, enhanced and enjoyed.
- ◆ Reduction in inequality – our communities are inclusive, empowered, resilient and safe.
- ◆ Improved outcomes for people and communities.

Mission Objective	Proposed KPI(s)
Overarching Place mission	<p>P1: % of the Bank's investment portfolio where the primary mission identified is Place.</p> <p>P2: % of the Bank's investment portfolio that contributes towards improving places.</p> <p>P3: Amount invested by Bank (£) supporting businesses and projects that contribute to improving places.</p> <p>P4: Third party capital (£) leveraged by the Bank supporting businesses and projects that contribute to improved places.</p>
1. To enhance the natural and built environment of Scotland through utilisation of undervalued space and the regeneration and improvement of built and natural environments.	<p>P5: Hectares of urban land regenerated or improved as a result of Bank investment.</p> <p>P6: Hectares of rural land regenerated or improved as a result of Bank investment.</p>
2. To improve by 2040 the physical and digital connectivity across Scotland to increase access to services, training and employment opportunities, and greenspace.	<p>P7: Number of homes and businesses with improved connectivity as a result of Bank investment (Physical and/or Digital).</p> <p>P8: % of portfolio businesses and projects that support inclusive community service provision.</p>
3. To increase the supply of high-quality affordable homes and support the transition to net zero for existing homes with corresponding sustainable infrastructure by 2040.	<p>P9: Number of homes financed through Bank investment (new and repurposed).</p> <p>P10: % of homes financed through Bank investment achieving an EPC C rating or higher.</p>
4. To invest in businesses and projects that promote high quality place-based employment and training opportunities.	<p>P11: % of portfolio businesses offering training opportunities to all employees.</p> <p>P12: Number of jobs supported through direct investment.</p> <p>P13: % of portfolio businesses that have operations in the 20% most deprived areas of Scotland (SIMD).</p>
5. To invest in businesses and projects that provide community benefit and support local supply chains.	<p>P14: % of portfolio businesses that are SMEs.</p> <p>P15: % of total supply chain spend that is spent in Scotland within portfolio businesses.</p> <p>P16: % of portfolio businesses or projects that have provided community benefit through their operational practices within the reporting period.</p>



3. Our Impact Framework continued

Mission Impact Objectives: Innovation



- ◆ Scotland is recognised as a leader in innovation and technology, including net zero.
- ◆ Scotland has domestic based expertise to solve future challenges.
- ◆ Scotland has a healthier and more resilient population.
- ◆ Scotland’s economy is internationally recognised as sustainable, productive, competitive and entrepreneurial.

Mission Objective	Proposed KPI(s)
1. To grow the Scottish innovation ecosystem, by supporting innovative businesses to have a catalytic effect in their sector through the diffusion of ideas and learning.	<p>I1: % of investment portfolio where the primary mission identified is Innovation.</p> <p>I2: % of Bank’s investment portfolio that contributes to developing the Scottish innovation ecosystem.</p> <p>I3: Amount invested by Bank (£) supporting businesses and projects contributing to developing the Scottish innovation ecosystem.</p> <p>I4: Third party capital (£) leveraged by the Bank supporting businesses and projects contributing to developing the Scottish innovation ecosystem.</p> <p>I5: % of innovation-focussed businesses spending >20% of budget on R&D.</p> <p>I6: % of innovation-focussed businesses actively supporting the broader innovation community.</p> <p>I7: % of innovation-focussed businesses actively supporting mentoring or education programmes linked to secondary or tertiary education.</p>
2. To increase investment in the scaling of transformational and emerging technologies, discoveries, and business processes.	<p>I8: Number of portfolio businesses and projects involved in developing disruptive and/ or transformational technologies and discoveries.</p> <p>I9: % of the Bank’s total innovation investment directed at businesses involved in developing disruptive and/ or transformational technologies and discoveries.</p>
3. To develop products and services that improve Scotland’s human wellbeing and environmental resilience.	<p>I10: Number of portfolio businesses and projects involved in developing technology that mitigates and protects against future risks to human welfare, wellbeing, and environmental resilience.</p> <p>I11: % of the Bank’s total innovation investment directed at businesses involved in developing technology that mitigates and protects against future risks to human welfare, wellbeing, and environmental resilience.</p>
4. To invest in businesses and projects that enhance productivity through product or process innovation.	<p>I12: % of portfolio businesses who contributed to developing new products, services, or processes.</p> <p>I13: Number of new patents issued as a result of Bank investment.</p>

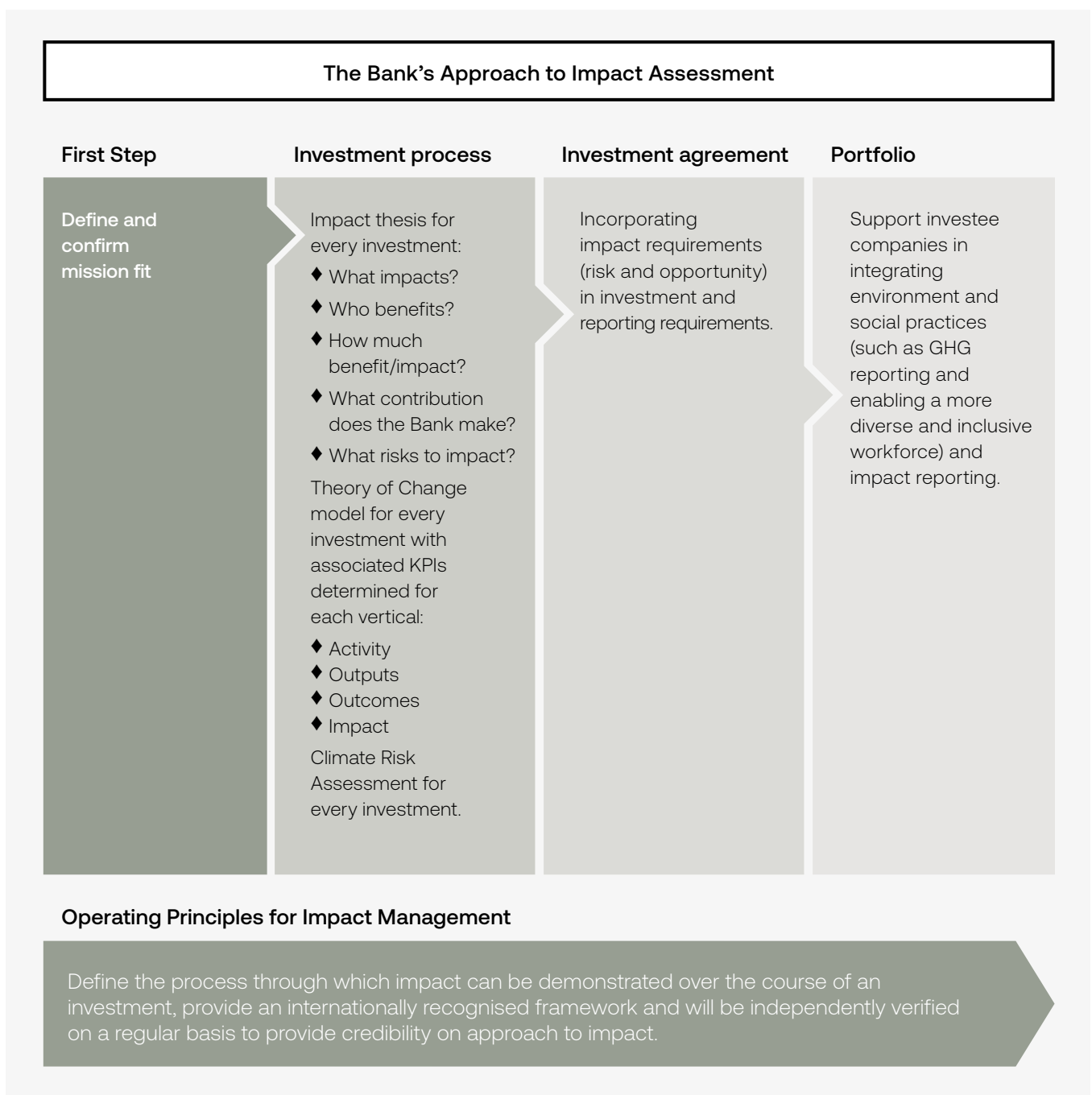


3. Our Impact Framework continued

Impact Investment Framework

Our approach to impact investing has been built on international good practices. We have developed an impact assessment and reporting framework which considers investment impact from the point of origination through to portfolio management.

The delivery of this framework is supported by a suite of internal guidance, ensuring consistency and transparency in our due diligence, assessment and reporting processes.





3. Our Impact Framework continued

Our Impact Thesis – Five Dimensions of Impact

Each investment proposition that we receive is filtered through a mission impact lens. Once mission fit is established, we consider all investment opportunities against the five dimensions of impact¹¹ identified by the Impact Management Project to create a bespoke ‘Impact Thesis’.

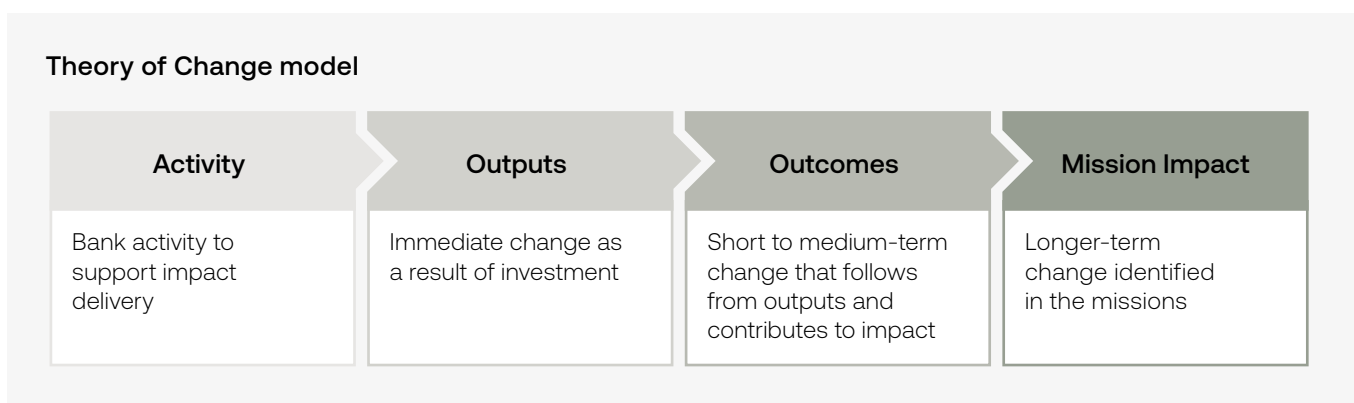
This is an industry recognised framework which supports a consistent approach to assessing the potential scale of impact based in five dimensions.

1. **What** – what outcome the enterprise is contributing to, whether it is positive or negative and how important the outcome is to stakeholders.
2. **Who** – which stakeholders are experiencing the outcome and how underserved they are in relation to the outcome.
3. **How much** – how many stakeholders will experience the potential outcomes and impact, what degree of change will they experience and how long they will experience the outcome for.
4. **Contribution** – whether and how the Bank’s investment will result in outcomes that were better than what would have occurred otherwise.
5. **Risk** – the likelihood that impact will be materially different than expected.

This process, alongside individualised Theory of Change models that we create for each investment, helps us to identify the type, scale and beneficiaries of the investment, alongside understanding the specific contribution our finance and involvement is adding. We then use this thesis to assess the performance of our investments at an individual and portfolio level, and to consider any ESG risks that require ongoing management or mitigation.

Theory of Change Models

Our focus is on patient capital to help solve long-term challenges. This means that for many of our investments the intended impact is often not demonstrable in the near term, and in some instances may only become evident after the period of its investment. Given this time lag time we create a Theory of Change (ToC) model for each investment to illustrate how our actions and capital support the delivery of mission impacts over the longer term. The model is comprised of four key pillars:



These models are co-created with our investees and include mutually agreed Key Performance Indicators that allow us to monitor and assess impact performance against expectations over time.



3. Our Impact Framework continued

UN SDGs and National Performance Framework

Our missions were set by the Scottish Government in 2020. They were informed by the UN Sustainable Development Goals¹² and are aligned with the outcomes set out in the Scottish Government’s National Performance Framework¹³. All our investments support the delivery of the outcomes identified within these policy frameworks.

UN Sustainable Development Goals

All the investments we make support the delivery of the UN’s Sustainable Development Goals with the mission focus specifically contributing to delivering the six goals shown opposite.



Scotland’s National Performance Framework

The National Performance Framework (NPF) aims to bring together everyone in Scotland to work towards achieving a common set of outcomes, which focus on creating a more successful country with opportunities for all of Scotland to flourish through increased wellbeing, and sustainable and inclusive economic growth.

Our investment strategy actively supports the delivery of the NPF through mission-led impact investment in sectors that support positive social, economic and environmental change within and beyond Scotland.





References

1. [Invest for Impact | Operating Principles for Impact Management \(impactprinciples.org\)](https://www.impactprinciples.org/)
2. <https://www.thebank.scot/bluemark-verifier-statement>
3. See BlueMark's Practice Benchmark data for 2023 - [Making the mark 2023 - BlueMark](#)
4. The Bank's full Verification Statement can be found here: <https://www.thebank.scot/bluemark-verifier-statement>
5. As a young institution with a focus on the provision of patient capital, the Bank has not yet undertaken any exits.
6. [Risk Management Framework | Scottish National Investment Bank \(thebank.scot\)](#)
7. [Pathway to Net Zero - Carbon Management Plan | Scottish National Investment Bank \(thebank.scot\)](#)
8. [TCFD Report \(Task Force on Climate-related Financial Disclosures\) | Scottish National Investment Bank \(thebank.scot\)](#)
9. KPIs will only be publicly reported where aggregate data is available.
10. KPIs may be reviewed and refined over the reporting period.
11. [Five Dimensions of Impact | Impact Frontiers](#)
12. [THE 17 GOALS | Sustainable Development \(un.org\)](#)
13. [National Performance Framework | National Performance Framework](#)



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