



# Mission Report

The  
Scottish  
National  
Investment  
Bank

2021



This Mission Report is the Scottish National Investment Bank's response to the missions that have been set for it. It explains how the Bank will assess and report on the mission impacts of its investments. By focussing on the mission impacts of the Bank's investment activity, this will allow the Bank's investments to address persistent grand challenges faced by Scotland.

## The Bank's Vision

The vision of the Bank is to provide investment to support growth in the Scottish economy. It will do this 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 the Bank's investment strategy are:

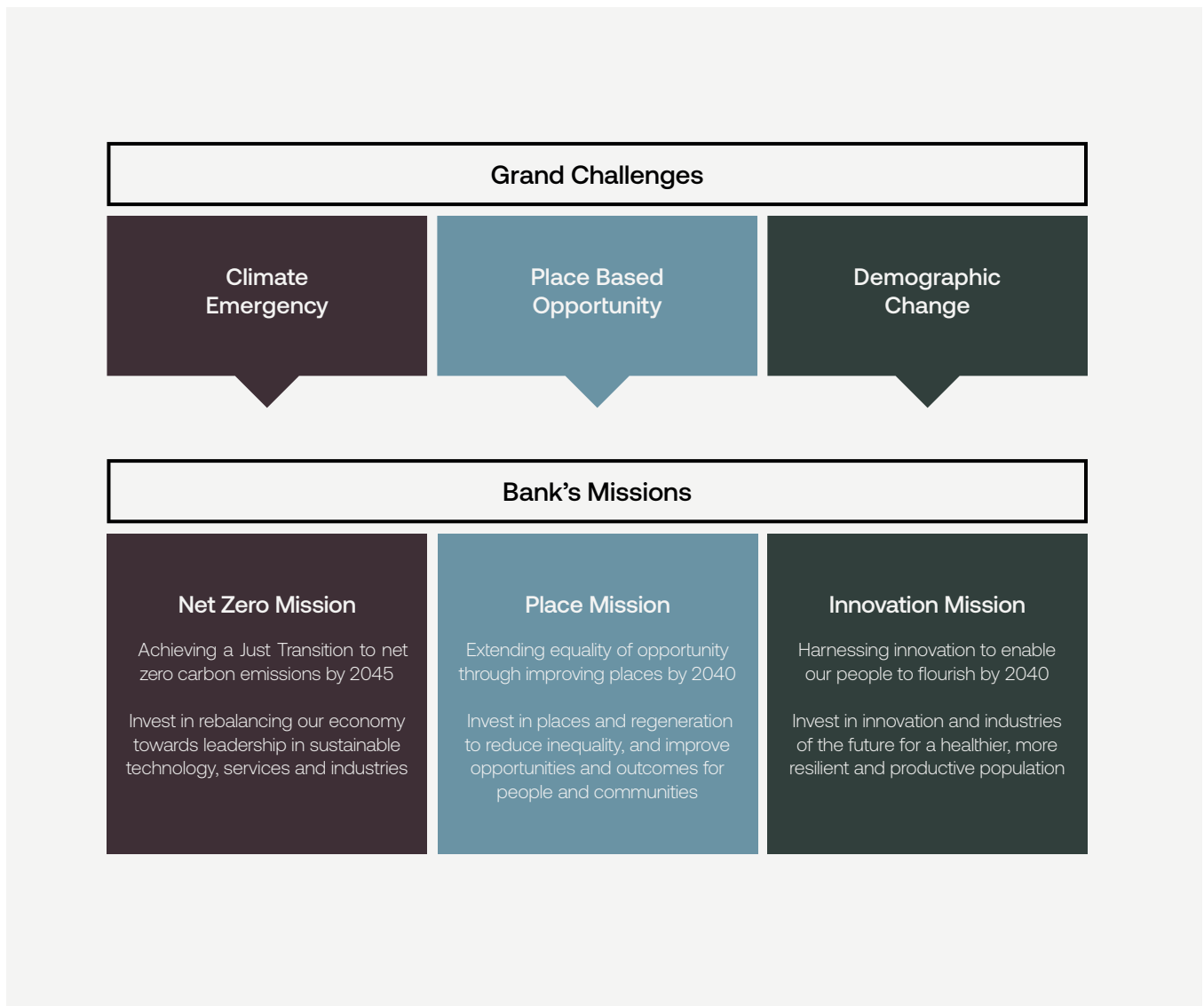
- ◆ The Bank will seek to invest in projects or businesses requiring between £1 million and £50 million of investment to support their growth or development.
- ◆ The Bank will be a patient investor, providing long dated investment to businesses and projects connected with Scotland.
- ◆ The Bank will seek to generate commercial returns on its investments to support the Bank becoming financially self-sustaining.
- ◆ In the longer term, it is intended that both profit from the Bank's investment activities and repaid capital will be reinvested in businesses and projects across Scotland to create a perpetual investment fund for Scotland.
- ◆ The Bank will seek to attract private sector funds to co-invest alongside public sector capital.



## The Bank's Missions

The Bank's missions have been designed to address the long term, persistent challenges facing Scotland. Strong support was received for these missions and their ability to address the key economic and social 'grand challenges' facing Scotland.

In setting the Bank's missions, it was recognised that the mission impact returns from the Bank's investments will be delivered over the longer term.





## How the Bank will invest to deliver its missions

The Bank will use its investments to support the delivery of its missions.

Investment activity will focus on delivering a commercial investment return, alongside social and environmental returns (mission impacts).

The Bank will work with other private and public sector partners and will seek to attract private sector funds to co-invest alongside its public capital wherever it can. This will maximise mission impacts and accelerate investment activity in the Scottish economy.

## What could the Bank invest in?

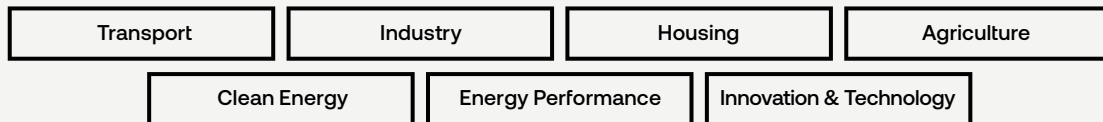
The Bank has identified a number of areas, projects and businesses it expects to consider investing in over the coming year. The following graphics capture these potential opportunities.



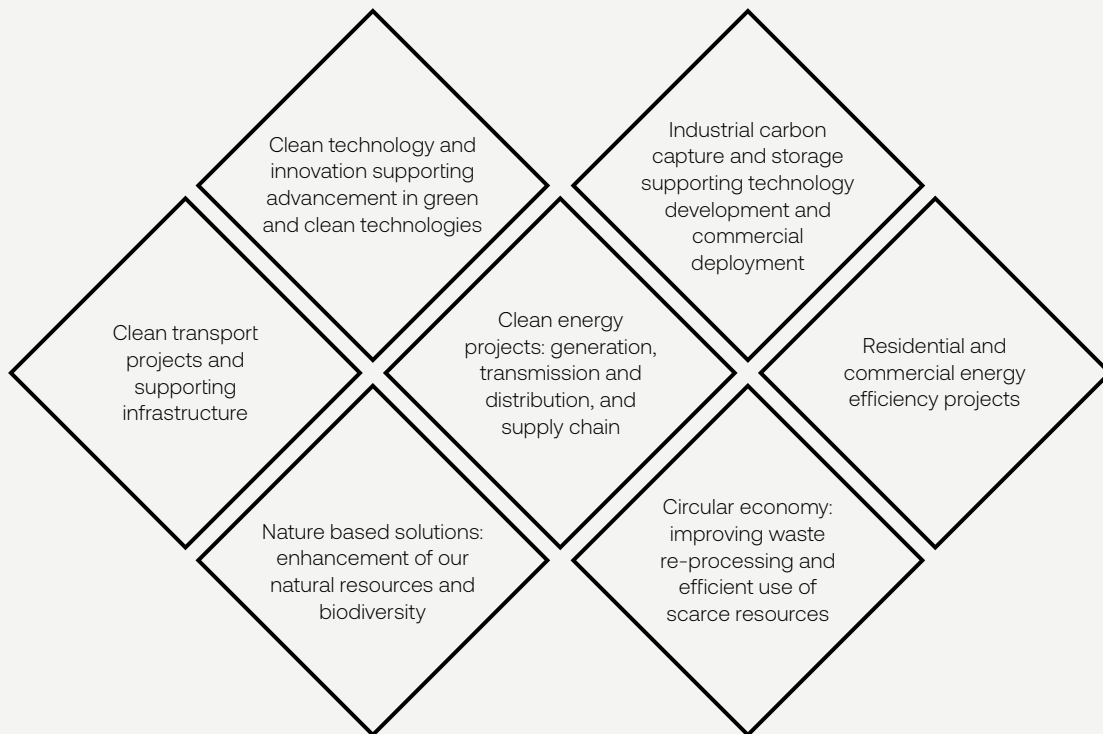
## Grand Challenge: Climate Emergency

### Net Zero Mission

Achieving a Just Transition to Net Zero by 2045  
Investing in rebalancing our economy to leadership  
in sustainable technology, services and industry



### Potential Investments

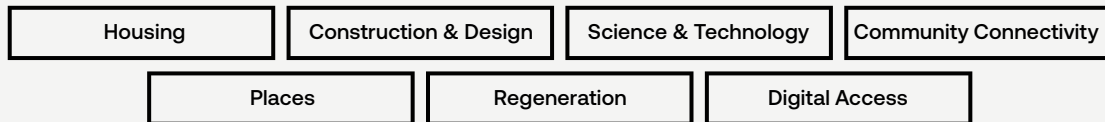




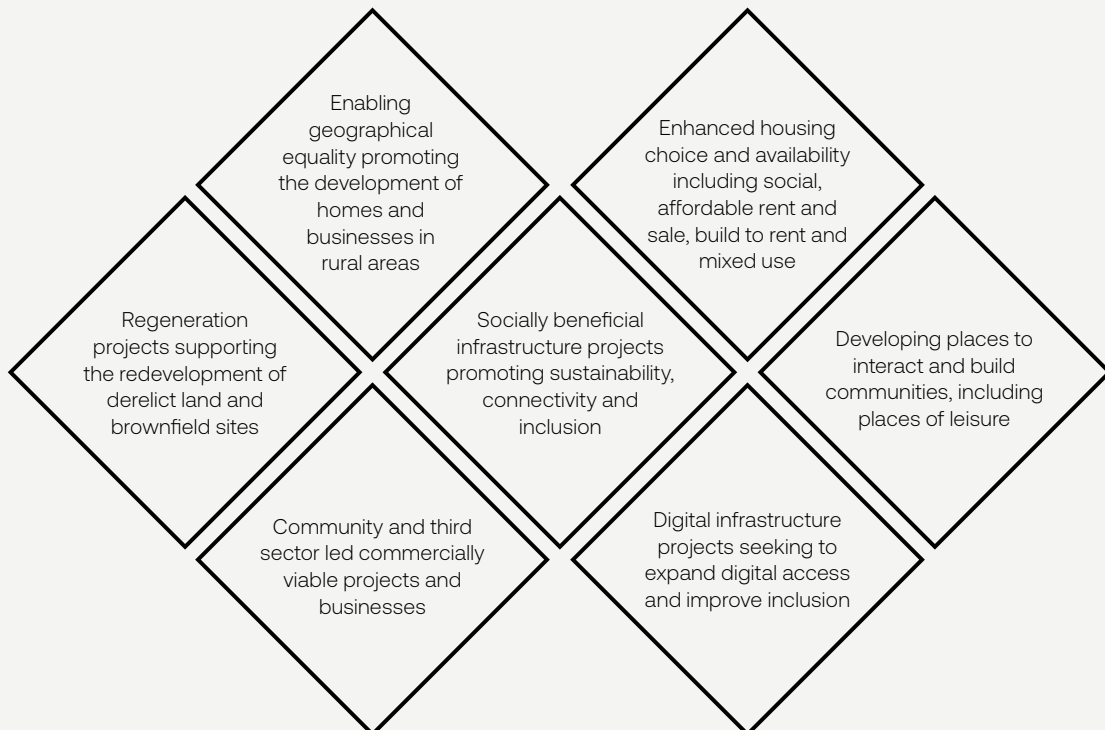
## Grand Challenge: Place Based Opportunity

### Place Mission

Extending equality of opportunity through improving places by 2040  
Invest in places and regeneration to reduce inequality, and improve opportunities and outcomes for people and communities



### Potential Investments





## Grand Challenge: Demographic Change

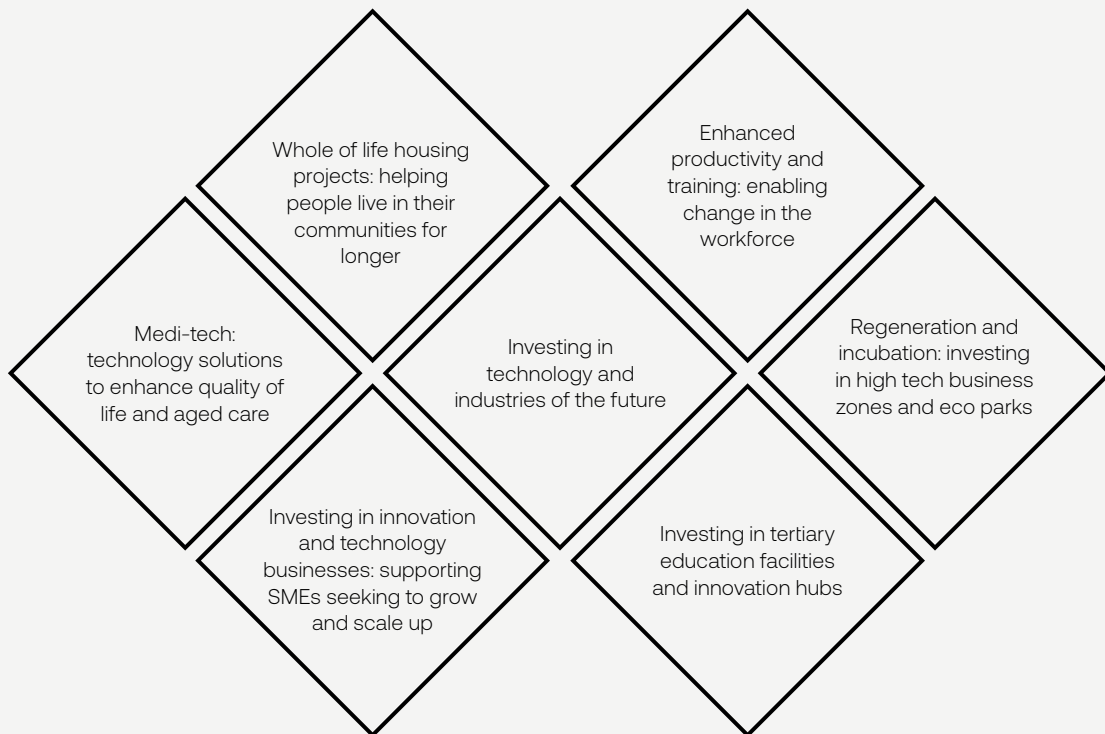
### Innovation Mission

Harnessing innovation to enable  
our people to flourish by 2040

Investing in innovation and technology and industries of the  
future for a healthier, more resilient and productive population



### Potential Investments





## Assessing Investment Opportunities

The alignment of an investment opportunity to the missions is the initial filter applied when assessing a new investment opportunity.

The Bank is a development investment bank, providing commercial investment in debt or equity to businesses and projects connected to Scotland. The Bank is not able to provide grants or sub-commercial funding, which will continue to be delivered by central government and the development agencies.

Over time the Bank will seek to build a diverse portfolio, providing the investment required to support the delivery of all three missions across the whole of Scotland.

The Bank's investment process has been designed to follow investment industry best practice, and is in line with other development investment banks.

## Measuring the Bank's Impact

The Bank intends to develop best in class investment impact assessment and reporting to ensure it demonstrates the delivery of its missions over time.

The Bank will anchor this reporting on the World Bank's International Finance Corporation (IFC) 'Operating Principles for Impact Management' (which are set out in more detail below), and the IRIS+ system of impact measurement, developed by the Global Impact Investing Network (GIIN).

In addition, the Bank will seek to report the impacts of its missions in line with the Scottish National Performance Framework. These frameworks are all closely aligned with the United Nations Sustainable Development Goals.

The Bank is required to report on the non-financial performance of its investment portfolio annually, and will do so in the Annual Report. Over time the Bank will develop this reporting further in line with evolving industry best practice. The Bank will use a balanced scorecard approach to underpin its performance reporting, to cover both financial and non-financial impacts.





## Using the IFC Principles

The IFC has been at the forefront of impact investment for decades. In developing its Operating Principles for Impact Management (IFC Principles) its goal was to establish a common discipline around the management and reporting of impact investment. The IFC Principles will provide the basis on which the Bank will establish and implement its investment impact assessment and reporting to evidence the delivery of its missions over the long term.

### **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.

## Using the IRIS+ Standards

The Bank will base the measurement of its mission impacts on the IRIS+ System Standards. These standards are already being used by leading impact investors to measure, manage and optimise investment impact. The IRIS+ system is based on four core characteristics, which are set out below.

### **1. Interntionality**

Noting that impact investment is underpinned by the Bank's desire to contribute to measurable social, environmental or economic benefit through its investments.

### **2. Use Evidence and Impact Data in Investment Design:**

To ensure the Bank's investment delivers the intended impacts, the IRIS+ system recognises that these impacts must be incorporated into all of the Bank's investments.

### **3. Manage Impact Performance:**

To deliver impact, the IRIS+ system recognises that this requires communication of performance at the investment level to support the assessment of impact for the investor.

### **4. Contribute to the Growth of the Industry:**

The IRIS+ system encourages investors with credible impact investing practices to share their insights and experiences where possible to enable others to learn how investment can contribute to social and environmental benefit.