



Working with the Bank

The
Scottish
National
Investment
Bank

February 2023



The Scottish National Investment Bank ('The Bank')

Launched in November 2020, we deliver patient, mission impact investment to the Scottish economy.

We look to invest in diverse businesses and projects that align with our missions. Each opportunity is approached on an individual basis so that financing is tailored to its specific needs.

We invest in businesses, projects and funds connected to Scotland, or moving to Scotland, who are seeking between £1 million to £50 million in investment support, which can be in the form of debt, equity, or a combination of both.

As a development bank, our role is to accelerate funding from all sources into businesses and projects that align with our missions, so we seek to collaborate with other investors in the investments that we make.

Our Missions

The Scottish Government created us to provide investment that would accelerate the move to a net zero economy, reduce place-based inequality in Scotland, and enable innovation that helps Scotland to build the businesses and industries of the future.

We do this by investing in private sector companies and projects that help to deliver impact across one or more of the missions outlined below.

Each investment is measured against the extent to which it will support our missions, and we work with investee companies to ensure we can demonstrate both progress in our missions and our broader environmental and social impact.

The Bank's Mission Impact Objectives

Net Zero Objectives

To invest in Scottish businesses and projects that support the shift to a net zero economy and / or provide employment and training opportunities for those transitioning out of Greenhouse Gas (GHG) intensive industries.

To increase Scottish based expertise in technology, services and industries that accelerate decarbonisation and / or mitigate climate change through capturing GHGs.

Mitigate the effects of climate change and provide practical adaptation solutions that increase resilience to climate change

To support the growth of a circular economy in Scotland.

Place Based Objectives

To enhance the natural and built environment through investment in undervalued space, regeneration and restoration. This can include natural capital and nature-based solutions and greenspace).

To improve physical and digital connectivity across Scotland, to increase access to services (including health care and education), training and employment opportunities.

To increase the supply of high-quality affordable and sustainable housing and the transition to net zero for existing homes with corresponding sustainable infrastructure.

To invest in businesses and projects that promote high quality place-based employment and training opportunities.

To invest in businesses and projects that provide community benefit and support local supply chains.

Innovation Objectives

To grow the Scottish innovation ecosystem, supporting Scotland's ambition to match the best performing OECD countries by 2040.

To increase investment in disruptive and transformational technologies and discoveries to meet changing demographic needs.

To develop technology that mitigates and protects against future risks to human welfare, wellbeing, and environmental resilience.



1. Your journey with us

Commerciality

We make investments on commercial terms and our investment structure will reflect the due diligence undertaken. Due to Subsidy Control requirements (formerly referred to as 'State Aid'), we cannot offer more favourable pricing than the private market for an investment with the same characteristics.

Benchmarking

Terms are informed by market benchmarks and are adjusted to reflect the risks and characteristics of any proposed investment.

Our terms may include market research of investments with similar characteristics and will be informed by any other offers you may have received. Key commercial terms for our investment include (but aren't limited to):

Debt		Equity	
Tenor	Security structure	Valuation	Share class
Interest rate	Repayment structure	Board representation	Preferred return
Fees	Financial covenants	Investor consent matters	

Key drivers of the Bank's required terms include (but aren't limited to) the characteristics below:

Level of risk in subject (including commercial, compliance/regulatory, operational, etc.)	
Tenor of the investment	Terms of other finance in the subject
Level of other investment and 'skin-in-the game'	Intended uses of the invested monies
Structure of the investment instrument	Terms of comparable investments

Impact Assessment and Reporting

We will assess the scope, scale, and significance of the impact our investment could enable. As part of our investment agreement, we will require investees to provide impact data and reporting so that we can aggregate portfolio impact performance. We work with our investee businesses to ensure that our impact reporting requirements are proportionate and achievable.

The reporting we ask for will include GHG emissions, workforce and labour related information, and a selection of indicators specific to each investment.

Supporting our investee companies on their impact performance and reporting journey is one of the key areas where we believe we can add value. Our experience shows that many investees benefit from the insight that we can provide in developing reports, as well as in putting good internal governance and working practices in place – this information can be useful to stakeholders such as suppliers, customers, employees, and other investors.



1. Your journey with us continued

Subsidy Control

As briefly mentioned above, we operate in a manner compatible with the UK's subsidy control framework. We will generally seek market comparable returns and will not unduly distort competition, intervening only where there is an established policy objective or equity rationale and when market funding is not sufficient or not available.

You will therefore be asked to demonstrate that you have been unable to secure part or all of the finance required. Suitable evidence will be either an open call for investment which did not yield the funding needed, or evidence that at least two financial institutions have been approached but did not want to provide sufficient financing. Other evidence may be required in addition.

Once received, we may also work with you to consider what opportunity there may be to attract additional private sector investment, operating as a cornerstone investor where appropriate.

Communicating Success

As a publicly funded institution, we are required to report regularly on the delivery of our missions and to share information on committed investment.

Summary information on investments will be communicated publicly on our website, in relevant external reports, and in the media. Our investee companies will be required to support these communications by providing access to relevant information and resources on request. We will have final sign off on the timing and content of all investment announcements and related website content.

Managing the Bank's Investment

Once the deal is complete, we will actively manage any investment made.

Following any deal there are usually several actions, therefore the Deal team will remain involved for a period after the investment has closed. However, overall responsibility for managing the investment will sit with our Portfolio team who will be introduced at the earliest possible time; in some cases this will be before the deal closes.

In order to monitor the investment, we will request information such as management accounts and progress reports at regular intervals. In the case of equity investments, it is also anticipated that we will be able to observe all Board meetings, receive all the information that a Board Director is entitled to and, where required, appoint a Director to the Board.

Information Requirements

We require detailed information about your business/project (the "subject") to inform our assessment and decision(s) on whether to take the investment proposition forward.

The table in Appendix 1 describes key items required at an early stage in reviewing a proposal; it is not exhaustive and, if progressed, information and diligence requirements will be discussed.

You will be liable for the costs associated with external diligence (including valuations) and legal costs incurred/engaged by the Bank for its [sole] reliance, whether or not the transaction is completed, unless otherwise agreed. Estimates of these costs will be agreed with you before the relevant adviser(s) are appointed.



2. Collecting and using corporate and personal information

The information we collect ensures that we understand your business or project and how it operates and is governed.

It acts as a baseline for impact reporting, assists our collation of the due diligence data needed to consider a potential investment, and helps meet our legal 'know your customer' obligations under financial crime prevention legislation.

The information will be held securely and kept strictly confidential by the Bank and will not be shared with third parties without your consent. It will only be used for these purposes and will not be shared with any other organisations for marketing, market research or commercial purposes.

Some of the information collected will constitute personal information for the purposes of UK Data Protection legislation (implementing GDPR). We will retain the information for only as long as it is required. Should an investment transaction transpire then the information will be retained for the duration of any investment as part of our required records, including for the purpose of preventing financial crime. Should an investment transaction not come about then the information will be retained for five years and thereafter deleted.

Your data protection rights

We would like to ensure that you are aware of your data protection rights with regards any personal data provided on this questionnaire.

◆ The right to access

You have the right to request copies of your personal data.

◆ The right to rectification

You have the right to request that the Bank corrects any information you believe is inaccurate. You also have the right to request the Bank to complete information you believe is incomplete.

◆ The right to erasure

You have the right to request that the Bank erase your personal data, under certain conditions.

◆ The right to restrict processing

You have the right to request that the Bank restrict the processing of your personal data, under certain conditions.

◆ The right to object to processing

You have the right to object to the Bank processing your personal data, under certain conditions.

◆ The right to data portability

You have the right to request that the Bank transfer the data that we have collected to another organisation, or directly to you, under certain conditions. If you make a request, we have one month to respond to you.

If you would like to exercise any of these rights, please contact the Bank, either by:

◆ Emailing:

dataprotection@thebank.scot

◆ Writing to us at:

Data Protection Office, Scottish National Investment Bank PLC, 1-North Waverley Gate, 2-4 Waterloo Place, Edinburgh, EH1 3EG



Appendix 1

Subject area	Item	Minimum requirement (must include)
Business Summary	1	Any current information memorandum ("IM"), fundraising presentation and/or teaser;
	2	Detailed explanation of how the subject's activities fit with the Bank's missions, any expected quantification of these impacts, and the key risks to these impacts and confirmation of compliance with the Bank's Ethical Investment Policy;
	3	Summary of the subject's development plan, covering at least the next five years; and
	4	Complete listing of the subject's advisers and sponsors.
	5	Timeline of the development of the business and the product and milestones along the way.
Financial model (detailed Excel model) including	1	Detailed financial model based on FAST standards ;
	2	Clear databook of assumptions driving the model, their source/rationale, and any supporting information/documentation for these
	3	Three financial statements: income statement, balance sheet, and cashflow
Costs	1	Sources: uses breakdown of finance and costs/activities these are utilised for
	2	Details of main suppliers including locations
Other funding	1	Details of any existing or proposed indebtedness (incl. contingent liabilities); and
	2	Details of any grant or other government support received or in application.
Commercial information	1	Details of key contracts, framework agreements, MoUs, customers, suppliers and other key stakeholders (current or target);
	2	Product list and development roadmap;
	3	Current order book and sales pipeline;
	4	Any key market reports on the subject's sector or targeted sector; and
	5	Key competitors and subject's differentiation to these.
	6	Details on supply chain management by the subject and how does the current macro economic environment likely to affect the subject.
Organisation	1	Employee structure chart and gender split, salaries and equalities data;
	2	Detail of Board members, key management, including summary CVs and roles [any recent departures/dismissals and reasons for] ; and
	3	Hiring plans over the next 3 years.



Appendix 1 continued

Subject area	Item	Minimum requirement (must include)
Ownership and structure	1	Details of the existing investors;
	2	Fundraising history and valuations at each round;
	3	Share classes and rights attached to these;
	4	Details of all the dilutive securities including options, warrants etc; and
	5	Expected valuation and terms for any current fundraising.
Legal	1	Corporate structure chart including all subsidiaries, their registration details, and entities sharing ownership with group companies;
	2	Summary of any specific constitutional restrictions;
Audited accounts	1	Audited accounts for last three years (or for the period available); and
	2	Current accounting and financial policies (including hedging).
IP	1	Detailed summary of the IP/patents held by the subject and in application.
Other	1	Summary of all the insurances policies taken by the management.
	2	Any other relevant items.
	3	Longer term plan and exit aspirations / strategy