



The
Scottish
National
Investment
Bank

1-North Waverley Gate
2-4 Waterloo Place
Edinburgh, EH1 3EG
TheBank.Scot

Richard Leonard MSP

Convener, Public Audit Committee
The Scottish Parliament
Edinburgh
EH99 1SP

Dear Convener,

Thank you again for the opportunity to meet with the Committee. We found the discussion very positive and trust it was of help to yourself and Committee members.

In our discussion we undertook to respond on three specific points relating to location of Bank staff, the process for securing perpetual status for the Bank, and future governance arrangements for potential subsidiaries. The further information requested is set out below.

Location of Bank staff

The Bank's head office is located in central Edinburgh. We also have a secondary office located in Glasgow.

The Bank has also benefitted significantly from the valuable additional knowledge of local business ecosystems that staff bring when recruiting more widely in Scotland.

The Bank has three staff members located outside of Scotland, but in the UK, and no staff members outside the UK. This out of a total of 85 Bank staff. The Bank benefits from being able to recruit expertise and experience from as wide a pool of talent as possible, and also from their location proximate to important stakeholder organisations.

It is our expectation that the vast majority of Bank staff will continue to be located in Scotland.

Securing perpetual fund status

We discussed the mechanisms by which perpetual fund status – the ability to fully retain and reinvest returns – could be secured for the Bank and the potential requirement for legislation.

We recognise that there are a number of facets requiring exploration in the course of resolving these issues and that legislation may form part of the solution. Ownership of those mechanisms, however, resides at a government level – from the Bank's



perspective, the critical aspect is a timely and sustainable resolution to the issues identified. We are accordingly open-minded on the most appropriate mechanisms.

The Scottish Government may be best placed to share further detail with the Committee.

Governance of future potential subsidiaries

We discussed with the committee that the Bank does intend in the future to seek to expand its commercial activities by advising and managing investments on behalf of institutional private sector capital. As indicated to the committee, if we were to manage the investment of capital on behalf of a third-party investors, we would envisage this activity being undertaken by Scottish Investments Limited or another distinct subsidiary, rather than by the Bank itself. It is not envisaged that the Bank or any subsidiary would provide personal investment recommendations to any individual, retail consumers as this is a highly-regulated activity. The details of the governance of this subsidiary would align with the Bank's existing governance arrangements and with our authorisations from the Financial Conduct Authority at that time. The governance of the legally ring-fenced fund portfolio which the subsidiary would be managing or advising upon would align with the FCA Rules applicable to such funds and in agreement with the owner or owners of the capital.

Finally, as I mentioned to the committee, the Bank does anticipate experiencing individual losses within our portfolio. Since attending the committee, I wanted make you aware that our investee Krucial has entered into a process of administration. If you would like more information on this please do let me know, and I can send through further details.

Best regards,

Willie Watt

Chair

Scottish National Investment Bank