The Scottish National Investment Bank

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TheBank.Scot

2 November 2026

Dear Convener,

Thank you for the opportunity to provide evidence as part of the pre-Budget scrutiny. It was a valuable discussion and I look forward to further opportunities to engage with the Committee.

I have provided some additional information below on the points that we agreed to follow up on during the session.

PuFin Status:

Formal application for PuFIn status is the responsibility of the Scottish Government to HM Treasury. The Bank has been working closely with Scottish Government to support preparation of the material required to demonstrate its alignment with the PuFIn framework. We have welcomed this close collaboration.

The Bank is also now participating in UK PuFIn working groups and forums alongside UK-level institutions including the National Wealth Fund and British Business Bank.

Engagement has been ongoing between the Bank, Scottish Government and HM Treasury. We were therefore very pleased to see the commitment in the UK Budget on 28 October to "accelerate work towards designating the Scottish National Investment Bank as a Public Financial Institution ahead of the 2027-28 financial year".

This is a very positive indicator of the direction of travel. We will continue to work closely with Scottish Government and HMT to ensure this ambition is delivered against. We will be happy to keep the Committee updated in that regard.

Portfolio Management and Investment Strategy:

As discussed with the Committee, the nature of the Bank's mandate means that it invests in opportunities that can carry a higher level of risk than would typically be accepted by commercial investors. Despite robust due diligence and ongoing portfolio management, not all investments will ultimately succeed.

In response to the Committee's question regarding further investment in companies that were subsequently valued at nil, there may be limited circumstances where the Bank considers it appropriate to provide additional funding to a business experiencing financial difficulty.

Follow-on investments are subject to the Bank's established investment assessment and decision-making processes, with each considered on its individual merits and in light of the circumstances at the time.

The rationale for providing further funding will depend on those circumstances. This may include: supporting a business through a period of financial or operational challenge that is considered to be potentially navigable, seeking to protect or maximise the value of the Bank's existing investment through a potential sale, or supporting an orderly restructuring process.

The Bank will therefore continue to consider follow-on investment where, following its investment assessment and decision-making process, it considers this to be the appropriate course of action, accounting for the particular risks associated. As noted, this will typically be in limited circumstances and there will be circumstances in which the Bank considers that further investment is not appropriate.

Since our appearance at the Committee, I am pleased that Graeme Sands has now joined the Bank as our new Chief Portfolio Officer. His appointment reflects the growing scale and maturity of the Bank's portfolio. He will lead the Bank's portfolio management function, working with investee companies to support performance and long-term growth. Further information is available here: Graeme Sands appointed chief portfolio officer of the Bank | Scottish National Investment Bank.

Impact Objectives:

In response to the Committee's question, I have set out below the Bank's three mission objectives and examples of how our investment activity is contributing towards them. Further detail is available in the Bank's 2026 Impact Report, which covers the Bank's fourth full year of impact measurement and reports investment impact to 31 December 2025.

Net Zero: The Bank invests to support Scotland's transition to a low-carbon economy, including through energy infrastructure, renewables, decarbonisation and low-carbon technologies. In 2025, 27 portfolio businesses and projects contributed to the Net Zero mission, supporting 2,232 jobs.

Place: The Bank invests to support thriving and resilient communities, including through housing, regeneration, connectivity and employment. Since launch, the Bank's investments have supported the delivery of 983 Scottish homes for mid-market rent, while 325,739 people have been positively impacted through regeneration, housing and connectivity.

Innovation: The Bank invests to support productivity and economic growth by helping innovative businesses to grow and scale and supporting the commercialisation and adoption of new ideas. Innovation-focused businesses in the portfolio reported £149.2 million of research and development expenditure since launch.

Our 2026 Impact Report is available in full here: Impact Report 2026 | Scottish National Investment Bank

Additional Investment:

As outlined during the Committee session, the Bank's participation can play an important role in attracting additional investment. By investing on a commercial basis alongside other investors, the Bank provides confidence to the market and helps to unlock additional sources of capital.

The Bank defines crowd-in as capital mobilised alongside the Bank's investment, including private finance and other third-party capital invested alongside the Bank, and in subsequent investment rounds while the Bank remains invested in the company.

On this basis, £1.9 billion of capital has been invested alongside the Bank. That is comprised of approximately £1.8 billion of private capital and £0.1 billion of public-sector commercial capital, including investment from the National Wealth Fund, British Business Bank and Great British Energy.

When considering the additionality of our investments, the Bank seeks to assure itself that private capital is not available to support the opportunity, or that the opportunity would be developed significantly later without investment from the Bank.

While we note that later development of a business or project would not be assured due to the inherent uncertainty in any opportunity's development, it is difficult to establish that it would not have done. Therefore, we have considered 'capital invested alongside the Bank' to be the most robust measure to track and report.

In a challenging economic environment, the Bank continues to play an important role by maintaining investment activity where private-sector risk appetite is constrained, while working alongside partners to crowd in additional sources of capital.

Investment Announcements:

Finally, I also wanted to take the opportunity to update the committee on some of the new investments we announced in October.

We invested £2.5 million in MiAlgae to support development of the company's new commercial-scale production facility in Grangemouth. MiAlgae converts whisky industry by-products into sustainable Omega-3 ingredients, reducing reliance on wild-caught fish and supporting Scotland's circular economy.

Following that we announced a £2 million investment as part of a £3.4 million funding round for medtech company Nami Surgical. Nami originated as a University of Glasgow spin-out and are successfully developing patent-protected ultrasonic surgical technology for use in robotic-assisted surgery, enabling greater flexibility and precision during procedures.

Kind regards,

David Ritchie

Chief Executive Officer

Scottish National Investment