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Gordon Lindhurst MSP  
Convener  
Economy, Energy and Fair Work Committee  
The Scottish Parliament  
EDINBURGH  
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16 May 2019

Dear Gordon,

Thank you for your letter of 2 May confirming the support of the Economy, Energy and Fair Work Committee for our proposed accelerated approach for the appointment of the Chair-designate for the Scottish National Investment Bank, as outlined in my letter of 24 April.

In line with the requests you have outlined, I can confirm that I will write to the Commissioner for Ethical Standards in Public Life to request that she considers taking oversight of our proposed approach (noting as you have highlighted that this would not be through formal regulation).

I have also asked my officials to share with you in due course further details of how the appointment process will ensure best practice regarding fairness and transparency, in line with the Commissioner for Ethical Standard's Code of Practice for Ministerial Appointments to Public Bodies.

In response to your question about the strategic framework for the Bank, I have instructed my officials to share draft material in this regard with the Committee at the earliest possible point and in good time before my scheduled evidence session with the Committee.

I would, however, like to take this opportunity to set out further context as to how the relationship between the Scottish Ministers and the Bank will be governed once the Bank is established.

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Our proposals, as set out in the Scottish National Investment Bank Bill, will mean that the Scottish National Investment Bank will be established as a public limited company in which the Scottish Ministers are the sole shareholder (the 'Shareholder'). The relationship between the Bank and the Shareholder will be framed by the Bank's Articles of Association, in effect its constitution, and by the statutory duties to which the Directors of the Bank will be subject as a result of companies legislation.

However, the main formal instrument governing the relationship between the Scottish Ministers and the Bank will be a Shareholder Framework. This will be signed by a representative of the Scottish Ministers and the Chair of the Bank immediately before its establishment.

To support scrutiny of our proposals we published a draft of the Bank's Articles on 28 February 2019. This draft will be updated as necessary to reflect any changes resulting from Parliamentary consideration of the Scottish National Investment Bank Bill. I have included the published draft Articles alongside this letter for your convenience.

The Committee may wish to be aware that there are existing examples of the governance of such a relationship for similar bodies. A 'Shareholder Relationship Framework Document' was developed for both the British Business Bank and the Green Investment Bank (prior to its privatisation), setting out their relationship with the relevant Secretary of State.

Neither, however, can serve as an exact model for the Framework Document that will be needed for the Scottish National Investment Bank, which must reflect its particular nature; but they may be helpful for the Committee to be aware of during its scrutiny and I have therefore included them alongside this letter.

In addition to its status as a public limited company, the Bank will also be a public body and therefore subject to the obligations, responsibilities and requirements that result from this status.

As you will be aware, the Scottish Ministers will also set strategic missions for the Bank. These missions will direct the Bank's investment strategy towards activities which support wider activity to tackle some of the socioeconomic challenges facing Scotland.

Finally, as we have previously set out, the Bank will be required to produce an Ethical Statement alongside its annual Business Plan and its Investment Strategy. That will provide a transparent basis for the Scottish Ministers' (and the Scottish Government sponsor team's) dialogue as sole shareholder with the Bank on the ways in which it is exercising its operational independence.

These arrangements will, in sum, provide the framework for the relationship between the Scottish Ministers and the Bank and work is ongoing to ensure that they can be finalised in advance of the Bank's establishment.

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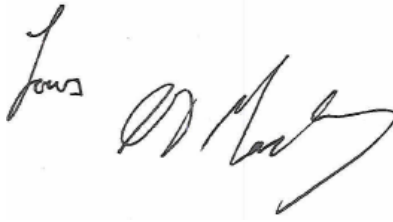


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Finally, I look forward to speaking to the Committee in this regard next month and I would like to thank you for the opportunity for my officials to engage positively with the Committee on these matters.

A handwritten signature in black ink, appearing to read 'Derek Mackay', written over a light blue grid background.

**DEREK MACKAY**

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