



Interim Equalities Report 2023



The
Scottish
National
Investment
Bank



Our Responsibilities

The Equality Act 2010 (Act) requires public sector organisations, like us, to have due regard when carrying out their public functions as a service provider, policy maker and an employer, to the need to:

- ◆ eliminate unlawful discrimination, harassment, victimisation and other prohibited conduct;
- ◆ advance equality of opportunity between people who share a relevant protected characteristic and those who do not; and
- ◆ to foster good relations between people who share a protected characteristic and those who do not.

The Act lists nine protected characteristics:

- ◆ age
- ◆ disability
- ◆ gender reassignment
- ◆ marriage and civil partnership
- ◆ pregnancy and maternity
- ◆ race
- ◆ religion or belief
- ◆ sex, and
- ◆ sexual orientation.

In addition to the protected characteristics listed above, we also work to support increased social mobility, seeking to drive equality of opportunity for all, in accordance with the Fairer Scotland Duty.

We're also subject to the Equality Act 2010 (Specific Duties)(Scotland) Regulations 2012. These Regulations contain specific duties to help Scottish public bodies meet the general duty under the Act. This Report fulfils our reporting duties under the Regulations for 2023.

While we're operationally independent of the Scottish Government, we also recognise the Scottish Government's commitment to reducing inequality in Scotland and associated priorities and policies, including the Fair Work First agenda. These priorities and policies help inform our approach.

This document can be produced, on request, in alternative formats, including large type, Braille, and other languages. If you require this report in an alternative format, please contact enquiries@thebank.scot

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A message from our CEO

We are a mission led impact investor.

We work, through our missions, to address three grand challenges facing Scotland – climate emergency, place-based opportunity, and demographic change. We are passionate about what we do to enable conditions for meaningful and positive change.

We invest with conscious intent in businesses, projects, and funds we believe can achieve a commercial return and, crucially, demonstrate a measurable benefit for the people of Scotland.

I am proud that, by the end of the Financial Year 2022 / 2023, since our launch we had committed over £415 million of investment and mobilised more than a further £680 million in businesses and projects, directly impacting businesses and communities in 20 Scottish Local Authority areas and supporting all our missions. Enabling impact takes time, but the impact we have enabled within the first two full years of the Bank's existence through our insight and investment is exciting and mirrors the ambition of our team.

We're committed to addressing inequality as a core component to our insights, investment, and impact. It's about going beyond what's required of us and leading by example. Not only because it's the right thing to do, but because it contributes to our performance and delivery. We want to continually use our role as an investor, employer and buyer of goods and services to help ensure equal opportunities for as many people as possible – and encourage others to follow. Having now been in operation for little over two years, we're pleased and encouraged with what has already been achieved in a short period of time.

There's a great deal more to be done – and we're just getting started.

I am delighted to present this report, as the Bank's first Equality and Diversity Report. As a mid-term report, it highlights the progress we've made against our Equality Outcomes set in our Equality Strategy in 2022.

Sarah Roughead
Interim Chief Executive Officer



Report Overview:

This report provides an overview of how we're integrating Equality, Diversity, and Inclusion into our everyday and the progress against our Equality Outcomes.



Executive Summary

We're Scotland's development bank. By the end of the Financial Year 2022 / 2023, since launch we've committed over £415 million of investment across 27 businesses and projects that will provide a positive impact, in support of our missions. Our investments have supported additional funding from other sources of more than £680 million to help Scotland become a fairer, sustainable, and ambitious society.

Details of all our investments can be found on our website.

Our Business Plan sets out our ambition to:

“Transform Scotland through our insight, investment and impact”.

As a key part of that ambition, the Business Plan also makes our commitment to promoting Equality, Diversity, and Inclusion clear. Importantly, this includes equality of opportunity for investment.

Beyond the impact we want to make as an employer and purchaser in Scotland, our investment activity plays a crucial role in catalysing conditions for change. We don't take our role as an impact investor for granted and act with intent to use our position of influence for good. We are acutely aware of our responsibility to contribute positively to Scotland's communities, society, environment, and the economy with the resources we have available and through our insights and engagement. And we're ambitious about supporting broader change.

As an example, we're proud that our investments have directly impacted businesses and communities in 20 Scottish Local Authority areas, and 100% of the businesses and projects we've directly invested in have committed to adopting Fair Work First Principles that ensure high-quality employment for Scottish workforces.

We acknowledge, however, that truly transformative change for Scotland can't be achieved single-handedly. We also acknowledge that we're still learning. Working in partnership has, therefore, been and will continue to be a key focus for us as we build relationships with key stakeholders, from across the public, private and third sectors. This includes developing constructive relationships with specialists in Equality, Diversity, and Inclusion.

As to where we are, our first Equality Strategy was published in 2022. That Strategy set out four Equality Outcomes to 2025. Designed to cover all protected characteristics, the Equality Outcomes are:

Outcome 1

Positive impact on equality in Scotland through the Bank's investments and improved equal access to investment

Outcome 2

Improve diversity of the Bank team

Outcome 3

Inclusive environment (to provide a flexible and supportive environment which is led and championed by inclusive leaders)

Outcome 4

Positive impact on equality within suppliers and partners of the Bank



Executive Summary continued

These inter-connected Equality Outcomes provide the framework for what we will do over the Equality Outcomes period to achieve our ambitions. As we go forward, within that framework, we acknowledge that our plans may change, so we can build on what we achieve, learn from our experiences, and look outside to learn from others.

In this report you'll read about how, in the last year, we've started to integrate equality into our insight, investment and impact through a range of activities, ideas, and initiatives, building the foundations for our ambition.

The report also sets out progress towards our Equality Outcomes and provides pay and equalities monitoring data for our team.

We'll also highlight some planned activity for 2023-2024, to illustrate our continued focus on achieving our Equality Outcomes.

Looking forward, we'll publish our next Equalities mainstreaming report in 2025. This will provide further evidence of our commitments in this space and report fully on progress against our Equalities Outcomes. Equality Outcomes for the period 2025-2029 will also be published at that time.

Our Equality, Diversity, and Inclusion Infrastructure

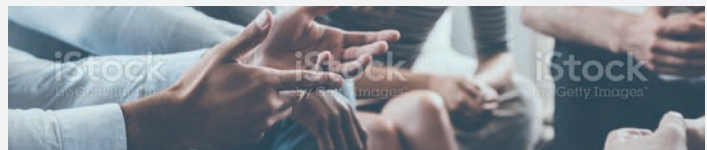
To help us reach our full potential, as a key deliverable for 2022-2023, we launched an internal Equality, Diversity, and Inclusion Group, known as the Equality Strategy and Delivery Group. The Group is responsible for promoting Equality, Diversity, and Inclusion, as well as regularly prioritising ideas and initiatives to help us maintain an ambitious, and focussed, pace. More details can be found in Figure 1 opposite.

Our Business Plan sets out, explicitly, a corporate objective relating to the delivery of our Equality objectives. Our Executive Leadership Team review delivery of our Equality objectives. This reflects the importance of Equality, Diversity, and Inclusion within the Bank's ambition.

We are evolving our Equality Impact Assessment process and practices, helping us ensure that our strategies, policies, practices, and decision-making processes do not present barriers or disadvantage any protected groups. We'll continue to test and refine those assessment processes in 2023.

The Equality Strategy and this Report have been approved by our Board.

Figure 1 – Equality Strategy and Delivery Group



Purpose

Promotes and supports Equality, Diversity, and Inclusion, identifies risks and considers emerging areas, develops, monitors, and reports on progress against Equality Outcomes and business objectives to ensure we're making clear and demonstrable progress, considers adoption of new ideas and initiatives.

Reporting

The Group is sponsored by the Interim Chief Executive Officer, supported by the broader Executive Committee. There's a regular reporting rhythm, including at least six Group meetings a year, and reports to the Executive Leadership Team. At the most senior level of our governance, the Group reports to our Board, and Committee's as relevant, providing an additional layer of scrutiny in the Bank meeting its strategic ambitions. There's a mandate from the Board that we deliver ambitious and tangible Equality, Diversity, and Inclusion benefits to Scotland.

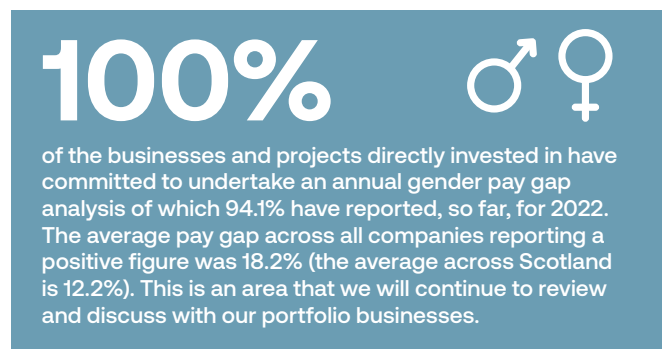
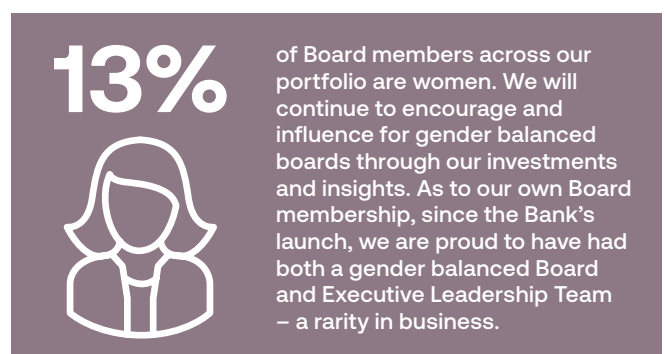
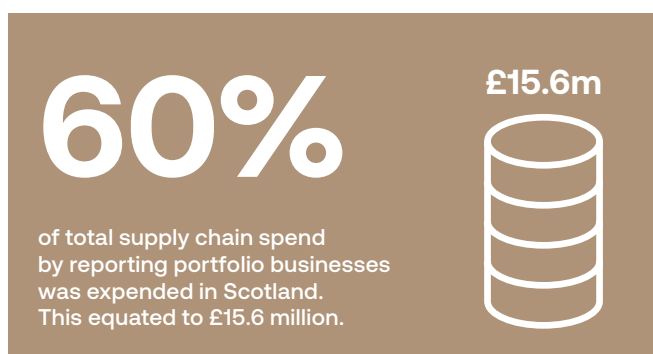
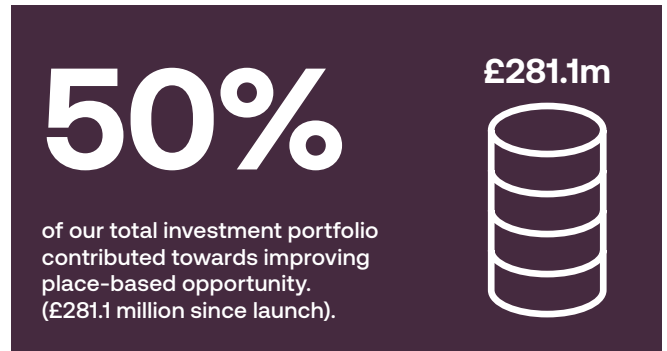
Membership

A cross-functional group, spanning all areas of the Bank to support across the Bank learning and collaboration.



Equality, Diversity, and Inclusion in Numbers

During 2022:





Mainstreaming Equality, Diversity, and Inclusion

Section Overview:

Through this section we'll provide an overview of how we're delivering our Equality Outcomes and embedding Equality, Diversity, and Inclusion across the Bank.

Our Equality Outcomes don't work in isolation. They are cross cutting and the activity we carry out in each of our priority areas should reinforce and inform impact across a number of our stated Outcomes.

Outcome 1

Positive impact on equality in Scotland through the Bank's investments and improved equal access to investment.

Investment Approach

The investments we make are key to delivering the Bank's missions. We invest in businesses and projects that, in addition to providing a commercial return, have a clear and demonstrable impact towards our missions.

The Scottish Government undertook an Equality Impact Assessment in respect of the Bank prior to our launch. That assessment shaped and informed our Investment Strategy and Ethical Investment Policy. In the past year, we've refined our Investment Strategy to identify sectors where we believe our capital can create the most significant progress towards achieving our missions and wider investment objectives – and maximise the benefits from our investment decisions.

Promoting Equality, Diversity, and Inclusion is a core component of our investment activity and can be evidenced across all three missions.

Our Place mission, however, has a specific focus on seeking to extend equality of opportunity through investment into businesses and projects that improve the outcomes for people across Scotland's communities. For example, supporting the development of affordable homes, greater digital connectivity, and fair and equal access to quality jobs and transport infrastructure. The "Driving Equality of Opportunity" spotlight overleaf shows examples of our placed-based mission investment.

Figure 2 - Place-Based Opportunity Highlights



- ◆ **25%** of total investments identify Place-Based Opportunity as their primary mission.
- ◆ **50%** of our total investment portfolio contributes towards improving places.
- ◆ We have committed **£281.1 million** to support businesses and projects that contribute to improving places.
- ◆ **20 Scottish local authority areas** had benefitted from our investment.
- ◆ **481 of a planned 1,500 homes** have been built and are available for mid-market rent.
- ◆ **100%** of our portfolio businesses offer training opportunities to all employees.
- ◆ **29.2%** of portfolio businesses have operations in the 20% most deprived areas of Scotland (as defined by the Scottish Index of Multiple Deprivation (SIMD)).



Mainstreaming Equality, Diversity, and Inclusion continued

Spotlight: Driving Equality of Opportunity

While all of our investments align to one or more of our missions, our Place mission has equality of opportunity at its heart. Many of our investments support this equality of opportunity in a broad range of ways. For example:



Social and Sustainable Capital (SASC)

We have invested £15 million in SASC's Social and Sustainable Housing fund, to enable social sector organisations to purchase accommodation that they provide to some of the most vulnerable in our society.



Lothian Broadband

We have invested £40 million in Lothian Broadband to help them tackle digital inequality in rural areas.



Lost Shore

We have invested £26 million to enable Lost Shore to develop a multi-purpose accessible leisure facility, and who have a clear aim to support para-sport.



Trojan Energy

Our £9 million investment is enabling Trojan to scale-up delivery of their 'flat and flush' charging points for Electric vehicles. These charging points were developed in consultation with Disability UK to ensure no negative consequence for pavement users.



Places for People (PfP)

We invested £40 million in PfP's Mid-Market Rent fund, enabling them to build affordable, quality, energy efficient homes in locations where people such as key workers want to live.



Highland Coast Hotels (HCH)

Our investment of just under £7 million is supporting HCH to enhance community-led hospitality around the North Coast 500, providing much needed jobs in rural areas.



Mainstreaming Equality, Diversity, and Inclusion continued

More generally, as a responsible investor, we consider Equality, Diversity and Inclusion throughout our investment lifecycle.

We actively discuss matters related to Equality, Diversity and Inclusion with our investees to share and instil positive practices as their businesses grow. We also, for example, ask for and collect diversity monitoring information from our investee businesses, as well as information on their strategies to address Equality, Diversity, and Inclusion. Reporting requirements are agreed with each of our portfolio businesses.

A core part of addressing inequality is ensuring that employment is high quality and fair. We support the adoption of the Fair Work First Principles through our investments in a practical and proportionate manner. This includes a commitment by businesses to pay all their permanent directly employed staff the Real Living Wage and undertake an annual Gender Pay Gap reporting exercise. We may also use investment covenants, again in a proportionate way, to positively influence change and encourage our portfolio businesses to be as progressive as possible in their approach to Equality, Diversity, and Inclusion.

Additionally, we are developing an Environmental, Social and Governance toolkit to support and inform discussions with prospective investee businesses, aligned to tackling (amongst other aspects) Equality, Diversity, and Inclusion. This toolkit will be launched in 2023-2024.

To maximise the benefits of our investment decisions, we have refined our investment impact performance reporting framework. Our 2023 Impact Report (available on our website) provides further details. A key development for the next reporting period is to introduce a number of Key Performance Indicators (KPIs) that will provide an overview of our investment impact over time across our three missions, and help ensure we invest responsibly. This will include indicators related to progressing Equality, Diversity and Inclusion - see Figure 4.

The processes we've put in place and are continuing to build around data collection and performance monitoring will not only help us understand our portfolio businesses more deeply, but also allows us to gain insight into the wider investment ecosystem.

Gaining and creating insight is a key component to making a positive impact. Working in partnership has been a key focus for 2022, supported by the approval of our Stakeholder Engagement strategy. We aim to work collaboratively to drive change, by sharing insights, best practice and by challenging ourselves and others to do and think differently. Doing so will continue to be an area of focus for us.

Figure 3 - Example of minimum Investment Covenants:

- ◆ Reporting on diversity data
- ◆ Review of Equality, Diversity, and Inclusion Policies
- ◆ Requirements to put plans in place to increase equality of opportunity, as well as diversity and inclusion, where appropriate
- ◆ Monitoring progress of agreed actions

Figure 4 – A selection of provisional indicators is shown below, which will be reviewed and refined during 2023

Impact KPIs:

- ◆ Number of Scottish local authority areas benefiting from the Bank's investment
- ◆ Percentage of portfolio businesses and projects that contribute to inclusive community service provision
- ◆ Percentage of portfolio businesses that have operations in the 20% most deprived areas of Scotland (SIMD)

Indicative Responsible Investor Indicators:

The percentage of portfolio businesses and funds:

- ◆ that undertake an annual gender pay gap analysis and have developed an accompanying strategy
- ◆ where there is an equal gender balance on the board
- ◆ that have an Equality, Diversity, and Inclusion Strategy



Mainstreaming Equality, Diversity, and Inclusion continued

We're committed to building and strengthening relationships with key stakeholders and partners from across our ecosystem. This includes relationships with specialists in Equality, Diversity, and Inclusion. These relationships are not only incredibly valuable in helping us shape and deliver our own ambitions, but for us to share our, and learn from other's, experiences.

As an example of our broader role in actively promoting Equality in business, we're pleased to have established a relationship with Investing Women Angels to help them explore the potential for a new fund to support the growth of female-founded businesses across Scotland.

In our Equality Outcomes, we set an objective not only to educate ourselves but influence others. In March this year, we hosted a Scaling Up Summit, in partnership with The Times. The event brought together over 200 attendees, including senior investment leaders and business founders. We were delighted to welcome, as a keynote speaker, Ana Stewart, a successful tech entrepreneur, investor, and co-author of 'Pathways: A new approach for women in entrepreneurship' (the Stewart Review) who brought, along with other female panel members, a lens for opportunities for women led businesses. Prior to the conference, we also delivered a network event for our portfolio businesses, encouraging shared learning focussed on the opportunities and challenge of Scaling-Up businesses.

"The Bank is actively finding ways to address inequality and support diversity in our scaleup landscape. We welcome the recent Stewart Review, which aligns to our published Equality Strategy to increase access to capital for groups who have found, and continue to find, this access challenging. We also consider the social outcomes that our investment leads to and seek to use this to further drive equality."

Bank Insight, Scaling Up Scotland, March 2023

We'll build on the work we've already started to grow a learning community among our portfolio businesses, and broader stakeholders, based on collaboration, learning from others, and sharing our learnings. This will include launching a framework to share best practice, insights, and other resources with our portfolio businesses to promote Equality, Diversity, and Inclusion. And influencing others through tailored insights, articles, and communications.

We're also an active member of the Non-Departmental Public Bodies Equality Forum, a Scotland wide group, and a valuable opportunity to share, and learn, best practice.

Examples of some of the organisations we've partnered and/or worked with are:



Ana Stewart (left) and Bank Non-Executive Director Carolyn Jameson. Scaling Up Summit, March 2023

Spotlight: Equality, Diversity, and Inclusion Research

We're excited to have commissioned comprehensive research during the year, working with an external partner. This research will help us to develop a robust evidence base, furthering our understanding of the access and barriers to investment for those with Protected Characteristics. The outputs of the research will inform and shape future activities across the Bank during the Equalities Outcome period. It's anticipated that we'll use the research to build our networks, refine our Equality, Diversity, and Inclusion data collection within our investment origination and portfolio management processes. It will also help us to promote better practices within the wider investment eco-system through the publication of insights.



Mainstreaming Equality, Diversity, and Inclusion continued

Outcome 2

Improve Diversity of the Bank Team

Our People

We're committed to supporting diversity across our team. Our recruitment and selection process are designed to be fair and robust – we value the individual talents and experience each candidate brings.

While we're incredibly proud of our passionate and inclusive team, we recognise there's more to be done to increase its diversity. For that reason, while we have taken steps this year to ensure equal opportunities for as many people as possible, we will continue to look at our own recruitment and employment practices and processes. Plans are in place to commission a specialist independent review to ensure those practices and processes are inclusive and support diverse talent. We'll consider the outcomes of the review in 2023 and develop an action plan to progress recommendations, as appropriate.

As to where we are now, we strive to achieve better equality outcomes throughout all stages of our recruitment process including working with recruitment partners and hiring managers. To achieve gender balanced candidate pools, our selection process includes gender balanced interview panels and we monitor diversity of applicants throughout the process. In addition, all new joiners to the Bank are invited to complete a diversity survey to help us monitor our practises and make improvements where required. We report on our employee data quarterly to our Executive Committee, Remuneration and Nominations Committee, and our Board.

In 2022-2023, we piloted an Executive team shadowing programme, open to all members of staff irrespective of position within the Bank. This programme provides a valuable learning and development experience and mentor support to those who take part. In the last twelve months, 10 people have participated, 60% of whom were female.

Here's some comments from a few of our team who have taken part in the shadowing programme:

"I had never come across an opportunity like this before; I couldn't pass it up! As a member of the investment team, gaining first hand exposure to the role of our CFO and the wider finance team has really contextualised my own work on individual deals. Shadowing is a great way of encouraging cross-departmental learning and providing dedicated development time with our Senior leadership team."

Vicki Hazley
Senior Associate
Sustainable Investment

"The shadowing programme gave me an opportunity to gain insight into the roles and responsibilities of those in another area of the Bank and enhanced my understanding of the bigger picture. The participation in the programme gave me a chance to reflect and learn from colleagues with different perspectives which has proven to be invaluable."

Zara Diloo
Executive Director
Head of Investment Legal

"I shadowed the Bank's General Counsel, and so I have attended a number of Board committee meetings, which have given me an insight into how key decisions within the Bank are made, and it has been really motivating to see how work that I have contributed to is reviewed by Board members."

Lynsey McCulloch
Senior Associate
Investment Portfolio
Management



Mainstreaming Equality, Diversity, and Inclusion continued

Since our launch, we've also actively supported opportunities for placements for those who may be marginalised, minoritised, or under-represented.

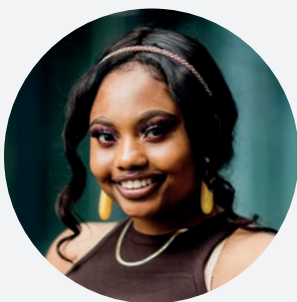
We're particularly pleased to have supported future talent through the Black Professionals Scotland internship programme. We've also welcomed three Career Ready mentorships into the Bank. Career Ready is a national social mobility charity at the heart of a network of educators and employers who all believe that every young person deserves the opportunity to kickstart a rewarding career. We're proud to be a signatory to the Young Persons Guarantee and a supporter of the Chartered Banker Institute's Smart Futures Programme in 2022, supporting talented young people from low-income households pursue a career in finance through paid work experience, employability skills training and career guidance.

As another example, one of our female Investment Directors attended and spoke at CMS Scotland International Women's Day Masterclass. Attended by over 50 young women from Glasgow schools, we were delighted to have taken part in such a great event with inspiring female professionals, with a focus on learning about networking and career tips.

Working to drive change in Equality, Diversity, and Inclusion within the investment industry is integral to our Equality Strategy. It's an ongoing commitment to take active steps to foster diverse talent and increase exposure of the investment industry to a diverse audience. We'll continue to develop and support early career development and future talent programmes, within the Bank, and in partnerships with others.

Spotlight: Black Professionals Scotland Internship

The Bank is proud to partner with Black Professionals Scotland for the second year in a row. Black Professionals Scotland is an inspiring organisation achieving great success in Scotland to empower Scotland-based black ethnic minority professionals with skills and information to be the best they can be within their chosen career. As part of our partnership, we attended learning and networking events, participated in a careers fair, and hosted two internships. Here's what our interns thought of the experience:



"Working at the Bank has been a life changing experience. I've been able to meet new people and learn so much along the way."

Mukai Chigumba
Intern



"My time at the Bank has been surreal. The support and love has been enormous and fulfilling. Nothing beats working with smart, intelligent people. Thank you for giving me a wonderful work experience."

Olufunmilade Adetogun
Intern



Mainstreaming Equality, Diversity, and Inclusion continued

Outcome 3

Inclusive Environment

As an employer we have a clear responsibility to continuously improve our own environment and people approach. We want to ensure our people can flourish. Being an employer of choice is incredibly important to us.

During the year, we became a Disability Confident Employer.

We've also built flexible working arrangements into our people approach. We trust our team to work in a way that delivers strong performance for the Bank in a location or arrangement that works for them – and have put in place the IT infrastructure to support our team to work efficiently from any location.

We recognise, however, that remote working has its own challenges and can be isolating – our people were able, if they preferred, to work from our Edinburgh office from late 2021, in line with Covid-19 guidelines. In addition, as a majority of our workforce live outside Edinburgh, we also opened a second office in Glasgow in 2022 and improved policies to allow team members to be based across Scotland, helping to support a greater balance of work and home life.

We also value the development of our team. We have provided line manager training across the Bank to support our leaders in developing others. Each team member has a personal development plan, and these include conversations about career progression, aspirations, and training needs. In the last year, we've also launched our new people platform, HiBob, which supports our team to have a digital learning and development record, ensuring informed discussions with People managers.



“Good work life balance is extremely important to us. We want to make sure that people are at their best when they’re in work, but also when they’re outside of work. So, flexibility is really just part of our make up at the Bank. We don’t really consider any other way of working.”

Kay Smith
Executive Director
People and Culture

“Having recently returned from paternity leave, it has been great to be able to work on a flexible basis, enabling me to spend more time with my daughter and support my partner’s own return to work. I also really appreciate the accepting and supportive culture at the Bank whenever inevitable childcare emergencies arise!”

Graham Watson
Public & Government Partnerships

“I get the opportunity to work with some fantastic and inspirational people and see first-hand the impact our investments can make. While the office is in Edinburgh, I do all of this while still living in Inverness with a young family...”

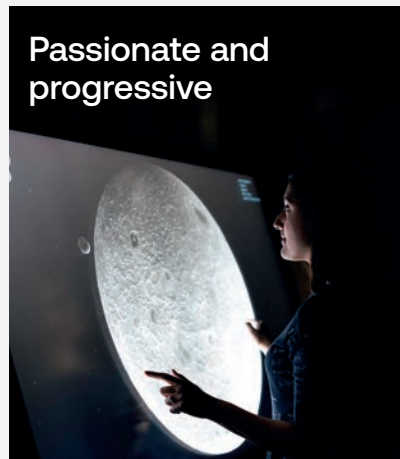
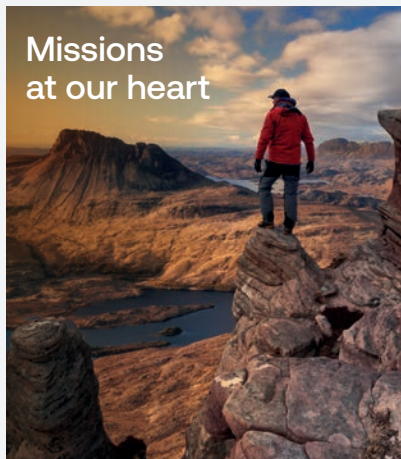
Nicola Douglas
Executive Director of
Sustainable Investment



Mainstreaming Equality, Diversity, and Inclusion continued

Creating the right culture has also been a focus area for us since the Bank was created. While there's more to be done, we're proud to have built an inclusive culture which values the diverse perspective of our people. This, in turn, helps us in how we deliver our services to our portfolio businesses and broader community. Our Values play a critical part. Launched in 2022, our Values shape and guide our behaviours. They say who we are and what we stand for.

Our Values



We've embedded our Values into our annual appraisal process. Our people have also spent time exploring what the Values mean and how we can integrate them into our everyday. Being inclusive and promoting equality are expected behaviours.

We invite our people to share their views on the Values and the Bank's culture twice a year through our people survey. These surveys provide an opportunity for us to assess the performance of our people approach.

During the period, we're also pleased to have established a Team Voice Forum. This is a successful forum for our team to express a voice within the Bank, co-chaired by a member of our team and a member of our executive leadership team.

While Team Voice doesn't specifically relate to equalities, it provides a valuable forum for our people to raise matters connected to our culture and Values – and for us to learn what we're doing well and where we can do more. Questions relating to Equality, Diversity, and Inclusion, such as the Bank's approach to flexible working have, for example, been discussed by Team Voice.

Learning has been a priority for 2022–2023, reflecting the objective in our Equality Outcomes to educate ourselves. While we don't see training as an answer in and of itself, we recognise that we don't all start from the same place. If we're to succeed in our transformative ambitions, we believe investing in our team's knowledge and awareness of Equality, Diversity, and Inclusion, supports an inclusive culture and, importantly, makes for a richer conversation. In turn, this helps us support our portfolio businesses promote Equality, Diversity, and Inclusion in their own businesses.



Mainstreaming Equality, Diversity, and Inclusion continued

We've attended external learning events. Equality, Diversity, and Inclusion was also put front and centre at an all-business wide Away-Day, where we discussed new ideas and initiatives based on our team's own lived experience. We've used those ideas to help shape our activities for 2022 and beyond.

Spotlight: Deepening our Learning

As a key objective for 2022–2023, we're very pleased to have partnered with Diversity Scotland, a leading consultancy practice established to support organisations and businesses to attract, hire, engage, and develop diverse talent. Attended by all of our team, and led by Diversity Scotland, the focus of the training was on increasing our knowledge on four key themes:

1. An understanding of Diversity, Equity, and Inclusion and how it aligns to the Public Sector Equality Duty
2. An examination of power and privilege, and how people are under-represented, marginalised or minoritised in Scotland today
3. An overview of non-inclusion behaviour and language
4. Tips on conscious inclusion and effective allyship

Team comments on the workshop:

"The Diversity Scotland training was so valuable, providing thought-provoking insight into the issues and some very practical steps on how to be a good ally. It also encouraged self-reflection and consideration of the importance of different perspectives. Crucially, it was delivered in an open, accessible and judgment free environment. A big thank you to the Diversity Scotland team for such a great session."

Libby Watkinson, Director, Impact



"At Diversity Scotland we have been truly impressed by the authentic approach taken by the Scottish National Investment Bank in relation to Diversity, Equity and Inclusion. Colleagues across the Bank engaged thoughtfully with our learning workshops; bringing a growth-mindset and a willingness to reflect on how inequalities exist in communities and workplaces across our nation today. The Diversity Scotland team feels tremendously positive about the progressive journey the Bank is on, and we feel confident that its activity will continue to be both impactful and meaningful."

**Tony McCaffery, Founder,
Diversity Scotland**

We'll continue to develop and introduce a number of measures to train and develop our team and promote matters related to equality. This will include developing e-modules and team-tailored development sessions.

Volunteering

As part of our commitment to demonstrate our Values and encourage individuals across the Bank to support the communities in which they live, we have during 2022 collectively undertaken a number of employer-backed volunteering activities across Edinburgh and Glasgow. We support our team, through paid leave, to carry out up to three volunteering days a year.



Mainstreaming Equality, Diversity, and Inclusion continued

Outcome 4

Positive impact on Equality within suppliers and partners of the Bank

We're subject to, and comply with, the Public Contracts (Scotland) Regulations 2015 and Procurement (Scotland) Regulations 2016. Award criteria are designed to be related and proportionate to the subject matter of the contract or framework. While we consider the requirements for each contract on a case-by-case basis, we consider the requirements of the Act as part of the process of selecting our suppliers and build in questions regarding equality into our procurements. For example, specific questions regarding Equality, Diversity and Inclusion are included in our procurement processes, either as part of the award criteria, or for information, as appropriate. This allows us to assess and understand a supplier's approach to Equality, Diversity, and Inclusion. We promote Living Wage and Fair Work Principles in employment as part of awarding contracts or frameworks.

We make use of national contracts and frameworks, where relevant, which have been procured by, for example, the Scottish Government. Suppliers winning contracts with the Scottish Government offer a range of Fair Work First measures including confirmation of no inappropriate use of zero hours contracts and payment of at least the Real Living Wage.



Employee Pay and Monitoring Data

Section Overview:

In this section we provide an overview of our equality and diversity employment monitoring data, based on our payroll as at the monitoring date of 31 March 2023. It also provides our Gender Pay Gap information.

A Quick Guide to Data Interpretation

While we encourage our People to provide this personal data, it is voluntary, and our People can choose what they wish to declare. Also, as an organisation with a small workforce, information has been suppressed, in some cases, to protect anonymity. For example, religious belief data is absent from this report to protect anonymity.

We include 'prefer not to say' options against all monitoring questions. This is counted as a positive response and not included in a "no response" category.

We, primarily, use this data to understand the diversity of the team so that we can identify improvements we need to make. We monitor and report this data to our Remuneration and Nominations Committee to help support the development and consideration of our People plans and strategies.

Gender Balance and Gender Pay Gap

Overall, the Bank has a good gender balance with females representing 50% of the team and, at the date of this report, 60% of the Bank's Executive Leadership Team. However, despite our approach to achieving gender balance in hiring the Bank team, we still have a mean gender pay gap of 18.8% and a median gender pay gap of 28.8%. The Bank's gender pay gap is reflective of the Bank having a higher number of males in senior investment positions and a higher number of females in more junior positions. This continues to be a consistent challenge across the financial services and investment sectors more broadly. The median gender pay gap within the Financial Services Sector in the UK as 36.6%. In Scotland the median national gender pay gap for all jobs in 2022 was 12.2%. Whilst the Bank's gender pay gap is better than that for the Financial Services sector, we recognise that we are still some way off the 'All Scotland' benchmark. We are committed to improving this through continued and targeted focus.

We're focussed on improving under-representation of women in senior investment roles and leading the way for industry change. We'll do this by working with industry experts to understand the barriers and taking a progressive approach to our people plans with specific focus on developing female employees towards senior investment roles. As part of our focus on addressing the gender pay gap, we report pay gap data on a quarterly basis to the Remuneration and Nominations Committee and publish this data annually.

Diversity in the Bank as at 31 March 2023

All of our team are encouraged to provide diversity monitoring information to help us monitor our practices. At 31 March 2023, 57 out of 64 employees had provided information meaning 89.1% of our people have volunteered responses to our diversity survey; an excellent result that speaks to the culture of understanding the importance of inclusion at the Bank.



Employee Pay and Monitoring Data continued

Gender Balance

Gender representation in the Bank is:

	Female	Male
Board (Executive & Non-Executive Directors)	45%	55%
Executive Committee	60%	40%
All Employees	50%	50%

In comparison to Financial Services in the UK, in the period to December 2022 43.2% of people employed in “financial & insurance activities” are female, 56.8% are male (source: Labour Force Survey).

Gender Pay Gap

The gender pay gap is an equality measure that shows the difference in average earnings between women and men. To more fully illustrate this, both the mean and median figures are used. The mean gender pay gap figure gives the average difference in earnings. However, it can be distorted by the presence of higher or lower salaries. We therefore also report on median gender pay gap which is not skewed by outlier high or low salaries.

The mean gender pay gap as at 31 March 2023 is 18.8% (in favour of male). When salaries are separated by gender and averaged, males at the Bank earn 18.8% more than females.

The median gender pay gap at the same date is 28.8% (in favour of male). When salaries are separated by gender and sorted highest to lowest the ‘middle’ male salary is 28.8% higher than the ‘middle’ female salary.

In UK Financial Services the national mean gender pay gap in 2022 was 30.8% (in favour of male) and the median gender pay gap is 36.6% (in favour of male) (Source: ONS 02 February 2023).

In Scotland the national mean gender pay gap for all jobs in 2021 is 11% (in favour of male) and the median gender pay gap is 12.2% (in favour of male) (Source: ONS 02 February 2023).

Our gender pay gap reflects:

- ◆ A higher number of females in more junior positions at Grades 7-9
- ◆ A higher number of males in senior Investment Family roles at Grade 3 and 4

Age

The average age of employees at the Bank is 42.

Age Range	Proportion of Employees
20-29	10.9%
30-39	28.1%
40-49	43.8%
50-59	10.9%
60-69	6.3%



Employee Pay and Monitoring Data continued

Ethnicity

The Scottish Government estimated 4.6% of the adult population to be minority ethnic in 2018.

12.5% of the Bank team is of an ethnic minority. Currently the Bank has no reported ethnic diversity amongst grades 1-3 or on its Board. We will continue to identify opportunities to improve ethnic minority representation across the Bank and specifically improve the ethnic diversity of our senior grades.

Socio-economic background

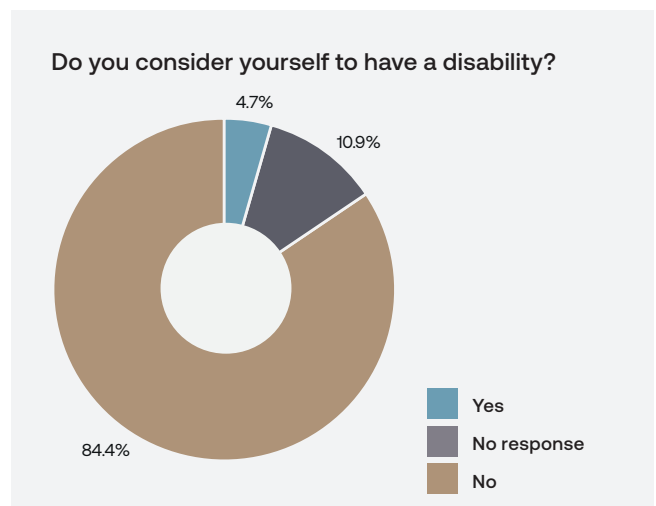
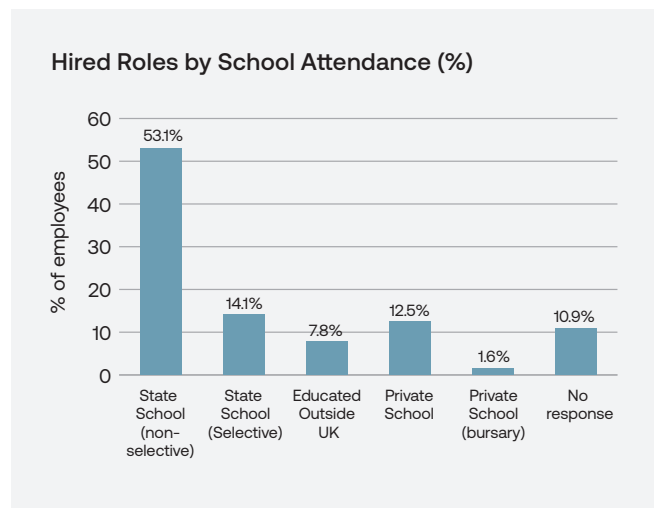
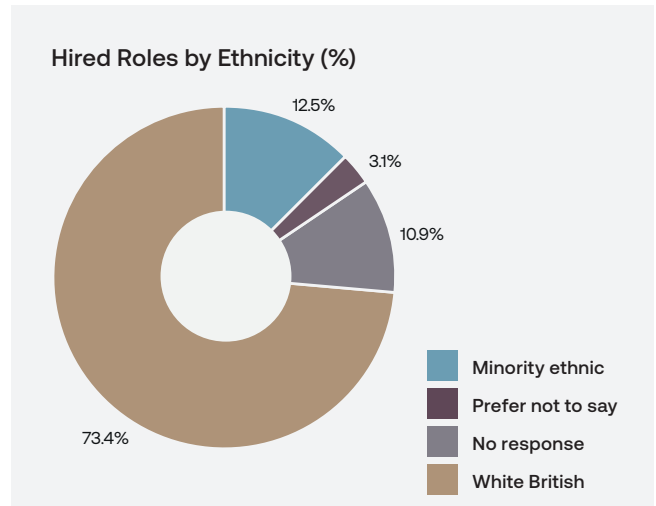
67.19% of the Bank's team attended a state-run or state-funded school. We are proud to offer quality employment opportunities across Scotland and excited to continue working with initiatives such as Career Ready and the Chartered Banker Institute's Smart Futures Programme to improve social mobility across Scotland.

Data from the Scottish Council of Independent School 2021 Annual Census shows that c.4% of the population in Scotland attended an independent school. We recognise that a higher percentage of our team have attended fee-paying schools and we are working with Diversity Scotland to better understand the obstacles facing those from lower socio-economic backgrounds in accessing employment in the financial services sector.

Disability

4.7% of our team consider themselves to have a disability that limits their day-to-day activities.

The 2011 census found that 19.6% of people said their day-to-day activities were limited by a long-term health problem or disability. We are committed to removing barriers and providing opportunities for individuals with different needs due to a disability or long-term illness. We have signed up to the Disability Confident Scheme, having completed our first internal assessment and have a plan in place to ensure opportunity to access employment is open to all.



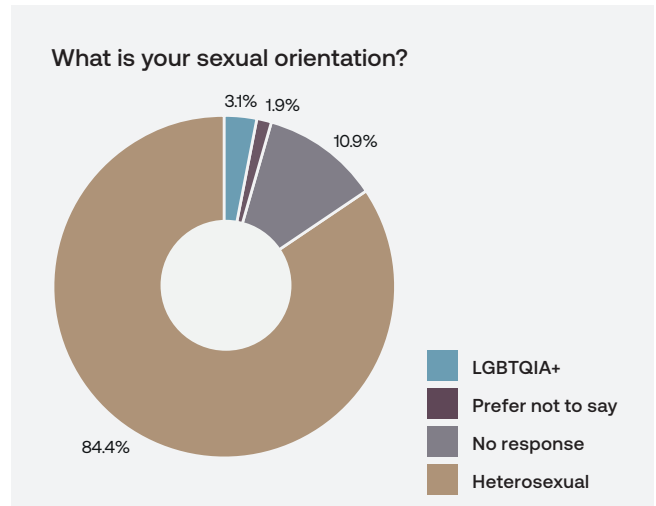


Employee Pay and Monitoring Data continued

Sexual Orientation

3.13% of the Bank’s team currently report as identifying as LGBTQ+. In Scotland 3.6%* in the general population identified as LGBTQ+. We are committed to embedding a culture of inclusion and psychological safety, where colleagues can bring their whole selves to work. All of our team have completed Equality, Diversity and Inclusion training and we will continue to encourage a learning and sharing approach to accepting each other’s lived experiences.

*ONS, 2020 release. Sexual orientation, UK – Office for National Statistics.



Board Representation 2022-2023

The Gender Representation on Public Boards (Scotland) Act 2018 sets an objective for public boards to have 50% of non-executive members who are women.

At 31 March 2023, our Non-Executive Director Board gender composition was four females and five males (44%/56% split) with a male Chairperson.

For any Board vacancies that may arise in the future we’ll work proactively with the Scottish Government on the search and selection process to attract as diverse pools of applicants as possible.

We’re also mindful that there’s currently no ethnic diversity on our Board, at an Executive or Non-Executive Director level. And we’ll continue to explore opportunities to improve diversity across the Board, for example through advertising methods, and appointment materials.

We’re also very pleased that, at 31 March 2023, the gender balance of our Executive Leadership Team was 60:40.

As to our portfolio businesses, it’s also pleasing to report on all occasions where we are involved in the process, we’ve ensured that there is a mix of both male and females on the shortlist for board membership. Women represent on average 13% of board membership across our portfolio. As a responsible investor, we will continue to discuss Equality, Diversity, and Inclusion with our investees to share and instil positive practices that support equality as their businesses grow.



Concluding Remarks

Our Equality Strategy and Equality Outcomes were published in August 2022. We are ambitious about the change that we can make to support greater Equality, Diversity and Inclusion not just as an employer, but across the Scottish business community and society more broadly. Our four Outcomes will continue to provide us with direction and purpose:

- ◆ **Outcome 1** – Positive impact on equality in Scotland through the Bank’s investments and improved equal access to investment.
- ◆ **Outcome 2** – Improve diversity of the Bank team.
- ◆ **Outcome 3** – Inclusive environment (to provide a flexible and supportive environment which is led and championed by inclusive leaders).
- ◆ **Outcome 4** – Positive impact on equality within suppliers and partners of the Bank.

We recognise that we have much to do to deliver on our ambitions. Our Gender Pay Gap, for example, is not where we want it to be. We are committed to improving it.

More positively, the investments we have made are already contributing towards greater equality of opportunity, we are developing partnerships with experts that can help us to accelerate our activities, and we are building an organisation that has a strongly inclusive culture.

Our commitment to equality of opportunity will take time to deliver and is not something we can do alone. We do believe however that continuing to work collaboratively across the private and public sector with others who share this commitment will help us to create a fairer, sustainable, and more ambitious Scotland for all.

We’re excited for the year ahead and have confidence that our future plans will maintain our momentum and build upon our achievements to date. We go forward with rigour and enthusiasm.