

## Consultation on the Scottish National Investment Bank Bill

### Scottish Environment LINK



Scottish Environment LINK is the forum for Scotland's voluntary environment community, with over 35 member bodies representing a broad spectrum of environmental interests with the common goal of contributing to a more environmentally sustainable society. LINK provides a forum for these organisations, enabling informed debate, assisting co-operation within the voluntary sector, and acting as a strong voice for the environment. LINK works mainly through groups of members working together on topics of mutual interest, exploring issues and developing advocacy to promote sustainable development respecting environmental limits.

LINK members welcome the opportunity to respond to the Committee on Economy, Energy and Fair Work consultation on the Scottish National Investment Bank Bill.

#### **1 The Bank as a public body:**

LINK members support the establishment of the Bank as a public body which comes with the following advantages:

- Requirement for transparency, by nature of being covered by the Freedom of Information Act;
- Necessitates gender diversity on its board;
- Is subject to the Ethical Standards in Public Life etc (Scotland) Act 2000;
- Incorporates the public bodies duties of the Climate Change (Scotland) Act 2009 and Nature Conservation (Scotland) Act 2004;
- The articles of association cannot be changed without approval from the independent Board.

LINK members welcome the requirement in the Bill that the Bank must remain wholly owned by the public, meaning privatisation would require primary legislation.

#### **2 Fundamental characteristics of a national investment bank**

LINK members believe that the fundamental characteristics of such a bank should be:

- To align with the National Performance Framework / Sustainable Development Goals and the declaration of a climate emergency;
- To be given a purpose defined by socially and environmentally beneficial Articles of Association;
- To be mission led, addressing investment needs to enable our economy to thrive for the wider common good within planetary boundaries, in line with *One Planet Prosperity*;
- To create and shape markets with scope to generate new supply chains;

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- To provide patient capital;
- To invest ethically.

### 3 Capitalisation

The Bank may only borrow from the Scottish Government – it is explicitly prohibited from raising capital from pension funds or private sources. Scottish Environment LINK members feel this is unduly restricting and limits the funds available to the Bank.

### 5 Governance arrangements

LINK members recommend the following governance arrangements:

- The Board should be gender diverse and reflect Scotland's population, including marginalised groups;
- The Bank should draw on expertise in public banking and ethical/environmental lending;
- The Board may require and draw on external expertise, but must retain fully responsibility, and be fully equipped, to deliver the public purpose of the Bank and its missions.
- Independent experts should be recruited to its Board who have experience relevant to its articles and mission.

### 7 Ethics and equality

LINK members recommend the following ethical and equalities considerations inform the Bank's ethos and decision making.

- **Minimum standards assessment**  
In line with international best practice, the minimum standards assessment will ensure that projects which do not meet high environmental and ethical standards are excluded; these standards should be detailed in the Articles of Association (similar to the Green Purposes of the original state-owned Green Investment Bank). Lending must contribute to at least one of the Bank's missions; it must not significantly undermine other missions or National Outcomes<sup>1</sup>; and it must adhere to basic environmental, human rights and financial transparency standards. Many major investment banks and large pension funds have lending exclusions including RBS<sup>2</sup>, the Norwegian Sovereign Wealth Fund<sup>3</sup>, Green Investment Group<sup>4</sup> and Triodos<sup>5</sup>. We propose exclusions for: any investment that increases greenhouse gas emissions, or impacts negatively on biodiversity and ecosystem services provision; including fossil fuel production and supply, tobacco production, and involvement in human rights abuses and arms manufacture and supply.
- **Scorecarding**  
Lending is awarded points according to its positive alignment with the standards set in the Articles of Association, missions and vision. The scorecarding stage would enable the Bank to highlight and prioritise those projects which best align with its

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<sup>1</sup> From Scotland's National Performance Framework

<sup>2</sup> <https://www.rbs.com/rbs/news/2018/05/rbs-introduces-new-energy-financing-policies-to-support-low-carb.html>

<sup>3</sup> <https://www.nbim.no/en/responsibility/exclusion-of-companies/>

<sup>4</sup> <http://greeninvestmentgroup.com/media/185862/gig-green-investment-policy.pdf>

<sup>5</sup> <https://www.triodos.com/downloads/about-triodos-bank/triodos-banks-minimum-standards.pdf>

purpose. The scorecarding must be made public and be subject to independent auditing.

## 8 A mission-led approach

LINK members are in favour of a mission-led approach for the Bank, but with underpinning Articles of Association providing a permanent commitment to environmental, social and ethical investment. To maximise impact, the bank needs to target lending in specific areas identified as needing a catalyst. LINK members would expect the Bank's first missions to include the transition to a low carbon and more circular economy, biodiversity improvement and restoration; and align with commitments to a Green New Deal<sup>6</sup>.

## 9 Other comments

### Main areas of concern

- LINK members are particularly concerned that there is no mention of the environment or the climate emergency in the Bill. Economic development is bounded by planetary constraints and must be presented in such context. We would suggest the following re-wording of the Bank's main object as *giving financial assistance to activities for the purpose of promoting or sustaining economic development or employment in Scotland which contributes to collective human and ecological wellbeing*.
- The ancillary object of investing in inclusive and sustainable growth is problematic due to the ambiguity of the term sustainable and the emphasis on growth. When embodied in the term sustainable development, *sustainable* signified the need to develop within environmental limits without depleting natural resources; but this environmental emphasis is weak or missing from definitions of sustainable growth where the emphasis shifts to long-lasting<sup>7</sup>. Although LINK members support the growth of certain sectors or areas of the economy which deliver wellbeing and, at minimum, don't degrade the environment, the pursuit of overall growth of our economy should not be an aim in itself. Various analyses show that, once a certain level of development is achieved, increases in GDP have little impact on wellbeing<sup>8</sup>.
- The ancillary object of contributing to the achievement of the Scottish Government's economic policy objectives is also problematic given the overriding policy objective of (sustainable and inclusive) growth. Although the importance of Natural Capital and a resource efficient and more circular economy feature in the Economic Strategy; these appear as add-ons rather than being fundamental to shaping our economy. Scotland's Economic Strategy needs updating such that it better aligns with climate change and circular economy ambitions, biodiversity and other environmental targets, and a Green New Deal.
- Contributing to public benefit and being mission led should be major objectives in the Bill.

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<sup>6</sup> <http://www.parliament.scot/parliamentarybusiness/report.aspx?r=12053> Green New Deal policy for Scotland that establishes a 10-year economic and public investment strategy that priorities decarbonisation, community and employee-led transition away from high- to low- and zero-carbon industry, the eradication of inequality and the restoration of Scotland's environment, and for it to publish amendments to the Scottish National Investment Bank Bill to make this agenda a central part of the bank's core objects.

<sup>7</sup> From the Scottish Government website <https://www.gov.scot/policies/economic-growth/> 'We aim to make Scotland a more successful country, with opportunities for all, through growing our economy in a sustainable (steady and long-lasting) way'. In the Regulatory Reform Act (2014) guidance sustainable economic growth is defined as "...building a dynamic and growing economy that will provide prosperity and opportunities for all, while ensuring that future generations can enjoy a better quality of life too".

<sup>8</sup> <https://voxeu.org/article/gdp-and-life-satisfaction-new-evidence>, <https://www.sciencedirect.com/science/article/pii/S0921800913001584>

**This consultation response is supported by the following members of Scottish Environment LINK:**

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