

Responsible Investment Framework

Summary



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Images

- Cover page: National manufacturing institute of Scotland (NMIS)
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Who we are

Scottish Enterprise is Scotland's national economic development agency. We help businesses to innovate and scale to transform Scotland's economy by focusing on new market opportunities through targeted investment, innovation and internationalisation, helping to build a fair, green and growing economy.

We do this through our focus on [three interlinked missions](#) which aim to increase the number of innovative scaling businesses, identify energy transition opportunities and grow levels of capital investment to boost productivity.

As Scotland's most active early-stage investor, we support businesses to grow by finding sources of finance, engaging with funders and securing investment. Our investment activity offers a variety of co-investment, equity, and debt funding products to businesses with high growth potential.



Why responsible investing matters

As one of the UK's top 10 most active investors we co-invest with private investors in Scotland, the UK and globally, and hold an investment portfolio of over 300 businesses. As a result, our approach to responsible investment has the potential to create a disproportionate impact on the risk capital market in Scotland and the businesses we work with.

Our responsible investment approach has three drivers:

- **Financial performance & business resilience:** we believe effective management of non-financial topics and financial performance are closely linked. Strong non-financial-related performance and credentials can give businesses a competitive edge by helping them stand out from their competitors and build resilience.
- **Sustainability outcomes:** our responsible investment approach aims to minimise any harmful impacts and maximise positive ones.
- **Access to finance for investee businesses:** investors are increasingly looking for robust Environmental, Social and Governance (ESG) management when allocating capital.

For us responsible investing means:

- Assessing non-financial information combined with financial information to form a comprehensive view of business value.
- Assessing and managing non-financial and financial aspects throughout the investment cycle.
- Operating as a patient investor.
- Providing accessible funding to support early-stage businesses that are contributing to our missions and making a positive impact on addressing societal issues.

Our Responsible Investment Framework

Our [Responsible Investment Framework](#) sets out the non-financial ESG considerations we incorporate into our commercial investment activities. This supports our objectives of creating economic and societal value in the businesses we invest in.

The framework has been developed in consultation with our investment partners and benchmarked against best practice in the field. Through this work we identified six key non-financial areas – the material topics – which are most important to us and our stakeholders when it comes to supporting businesses with the potential to transform the economy.

As well as the six headline material non-financial topics, we identified 17 sub-topics:

Headline material topics

Access to Finance	Job Creation	Net Zero	Responsible Labour Practices	Diversity & Inclusion	Governance & Business Ethics
Patient Capital	Employment opportunities	Climate Change mitigation	Labour practices	Diversity & inclusion	Governance structures
Information and access to financial products/services	Impact on communities & supply chain management	Climate Change adaptation	Freedom of association & collective bargaining		Key party, sanctions, human rights & modern slavery diligence
	Impact on societal issues	Circular Economy	Employee engagement		Customer privacy & data security
			Training & education		
			Occupational health & safety		

Our responsible investment toolkit

Why we need this information

Our responsible investment toolkit will be provided to businesses to capture both financial and non-financial information used in both our decision making and portfolio management across the investment lifecycle. It provides information on our investment criteria and processes, including our missions, sector screening, sanction checks, key party diligence and human rights due diligence.

We use it to gather information on ESG performance and commitments, alongside the financial and economic data and the information on Fair Work First and Net Zero we need as part of our investment process.

The assessment must be completed by businesses at the time of our first investment and thereafter on an annual basis. Without a completed toolkit it is unlikely that we will provide investment.

Information listed as **Mandatory Investee Business Criteria** must be met in order to receive investment from us. Where a commitment has been made under the Mandatory Investee Business Criteria pre-investment but has not been delivered, then no follow-on investment will be provided until such time as the criteria is met.

Information listed as **Additional Considerations Asked of Investee Businesses** will not influence investment decisions but will help us to identify areas of development for investee businesses at the appropriate stage of their growth. We are able to either directly provide, or signpost to support, with these considerations, in line with our **Post Investment: Portfolio Management**.

How we will use your information

We will use the information we gather to:

- Ensure that our mandatory investment criteria are being met.
- Identify any additional non-financial areas where we can support businesses either through direct engagement with other specialist teams in Scottish Enterprise or by signposting to relevant external support.
- To provide portfolio level data that will (i) inform our own management decisions and processes; or (ii) enable us to identify areas where we may need to adapt our offering to improve portfolio performance.

Please note that information (including any personal data) provided by you within and/or as part of this application may be shared with selected partners, including Scottish

Government and other public providers of economic development finances, in order to avoid duplication of funding. Please note that further information on how any personal information provided may be collected, used, shared and looked after is set out in our [privacy notice](#).

Scottish Enterprise

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