



# Pathway to Resilience:

Our approach to climate  
change risk and adaptation

The  
Scottish  
National  
Investment  
Bank



## Introduction

Climate change is having profound impacts on our planet, communities, economy, and financial systems.

Although the Paris Agreement set out to limit global warming to 1.5°C, insufficient progress in cutting emissions globally increases the risk of exceeding this threshold<sup>1</sup>, leading to significant levels of climate-related impacts. The World Economic Forum ranks extreme weather events as among the **top global risks over the next decade**<sup>2</sup>.

While it is essential to continue efforts to reduce emissions and limit further climate change, action must also be taken to safeguard communities by preparing for and **adapting to** the unavoidable impacts of a changing climate.



**Climate change adaptation** is defined as: a process of on-going adjustments in response to observed and projected climate change impacts. This includes being prepared for increasing risks posed by climate change hazards, and identifying new opportunities our changing climate may bring, while considering how impacts may be felt differently across society.<sup>3</sup>

The Climate Change Committee has advised that the UK should prepare for (adapt to) the weather extremes that will be experienced if global warming levels (GWL) reach 2°C by 2050, while also considering risks associated with a potential 4°C GWL by the end of the century<sup>4</sup>.

The Bank has a key role in supporting a Just Transition and Scotland's pathway to a sustainable, net zero economy by 2045. A genuinely sustainable economy must also be resilient to the impacts of climate change.

Integrating adaptation into governance structures, risk frameworks, and investment practices is essential to ensure that the Bank remains capable of delivering mission-aligned impact despite the changing climate.

This document sets out to:

- ◆ Define our understanding of climate risk across our operations and investments.
- ◆ Establish a baseline of our organisation's current adaptation capability; highlighting the systems, processes, and resources already in place to respond to climate-related risks.
- ◆ Outline our approach to climate change adaptation and identify priority areas for strengthening our foundation for a comprehensive Climate Change Strategy.

1. [Emissions Gap Report 2025: Off Target – Continued Collective inaction puts Global Temperature Goal at Risk](#)

2. [Global Risks Report 2025 | World Economic Forum](#)

3. [What is adaptation? – Adaptation Scotland](#)

4. [Letter: CCC letter to Minister Hardy – advice on the UK's adaptation objectives – Climate Change Committee](#)



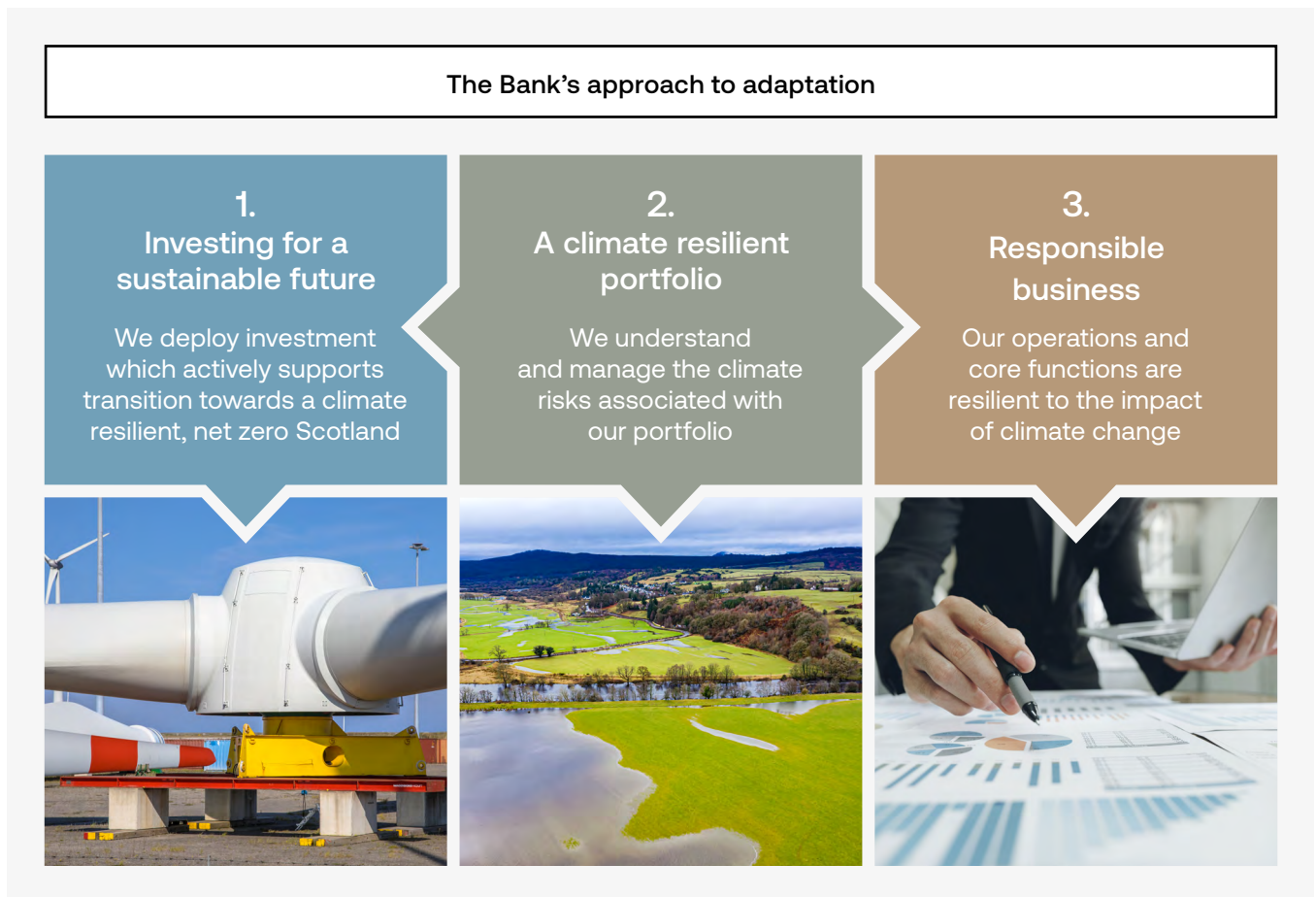
## Our approach to adaptation

The physical risks associated with climate change, such as flooding, heatwaves and storm events, pose significant threats to Scotland's infrastructure, economy and businesses. These risks also have implications for the resilience and performance of the Bank's portfolio and business operations.

Addressing both current and future climate risks is crucial to strengthen the resilience of our portfolio, our business and wider society.

At the core of our purpose, the Bank has a mandate to deploy investment which enables progress toward a net zero, climate-resilient Scotland. As a responsible investor, we have taken steps to understand and manage climate impact and risks associated with our investments. We also have a responsibility to ensure continuity across our business' operations, whilst understanding potential climate risks.

Our approach to climate risk and adaptation is grouped into three areas of focus:





# 1. Investing for a sustainable future

*We deploy investment which actively supports transition towards a climate resilient, net zero Scotland*

Our net zero mission is a core investment priority, in line with our mandate to help enable a sustainable and climate-resilient economy. Since inception, the Bank’s largest strategic investment focus has been on businesses and projects that support Scotland’s transition to net zero, representing a significant commercial opportunity.

This includes a diverse range of opportunities such as electric vehicle charging infrastructure and the development of ports and harbours to support Scotland’s offshore wind ambitions. While many of these investments directly support Scotland’s net zero ambitions, they also **contribute to resilience efforts** – increasing energy security, strengthening local supply chains and developing places for fit for future.

We are committed to supporting Scotland’s transition to net zero and strengthening climate resilience through strategic partnerships and meaningful engagement with businesses, the public sector, and the investor ecosystem. We view our role in mobilising and deploying investment as a tangible and practical contribution to Scotland’s climate adaptation ambitions.

**Scotland’s Third National Adaptation Plan (SNAP3)**, published in 2024, sets out five overarching outcomes, each supported by a series of objectives designed to deliver these outcomes:

				
<b>Nature Connects</b>	<b>Communities</b>	<b>Public Services</b>	<b>Business &amp; Economy</b>	<b>International</b>

- Outcome 1:** Nature connects across our land, settlements, coasts and seas.
- Outcome 2:** Communities are creating climate-resilient, healthy and equitable places.
- Outcome 3:** Public services are collaborating in effective and inclusive adaptation action.
- Outcome 4:** Economies and industries are adapting and realising opportunities in Scotland’s Just Transition.
- Outcome 5:** Scotland’s international role supports climate justice and enhanced global action on adaptation.

**Outcomes 3 and 4**, in particular, link clearly to our mandate to deliver long term positive outcomes for the people of Scotland. We report annually on our progress against these national objectives, as part of mandatory **Public Bodies Climate Change Duties Reporting**.



## 2. A climate resilient portfolio

*We understand and manage the climate risks associated with our portfolio*

Understanding our exposure to current and future climate risks across our portfolio is essential to delivering mission-aligned impact despite the changing climate.

Prior to making an investment, we conduct a Climate Risk Assessment (CRA) for all prospective investees. The CRA is a structured evaluation to identify and assess material climate-related risks and opportunities. It is a core part of our due diligence and investment approval process. Our process for undertaking this assessment is outlined on page 7.

In 2023, we published our **Pathway to Net Zero Carbon Management Plan (CMP)**<sup>5</sup>. The CMP outlines three key commitments, which included our voluntary adoption and alignment to the **Taskforce on Climate-related Financial Disclosures (TCFD)**. The TCFD framework encourages disclosure of climate related risks and opportunities in a structured way, promoting transparency and demonstrating commitment to proactive risk management.

We capture aggregated portfolio climate risk exposure within our TCFD report, which we publish annually. Core elements of the framework are also embedded within our Annual Report and Accounts, ensuring integration into financial reporting.

In April 2025, we introduced a Post-investment Action Plan requirement for investees to complete a short **Climate Adaptation Checklist**. This resource is designed to support investees to consider management of physical climate risks relevant to their business. This checklist was drawn from Adaptation Scotland's "SME Climate Resilience Checklist" (endorsed by the Scottish Government).



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5. [Pathway to Net Zero: Our Carbon Management Plan](#) | Scottish National Investment Bank



### 3. Responsible business

*Our operations are resilient to the impact of climate change*

Our third area of consideration for adaptation focuses on our own operations.

Climate risk is embedded within our corporate risk management processes. The main tool of risk classification is the Bank's risk taxonomy. The taxonomy seeks to define the main types of risk that the Bank is exposed to. "Climate related risk" falls under the Bank's Level 1 Environmental, Social & Governance risk.

As the Bank is primarily office based, climate-related risk associated with our corporate functions is managed as part of our internal **Business Continuity Plan**. The plan provides direction for staff on the processes and systems that should be applied should there be an extreme weather event, or other causes of disruption to the Bank's normal operating procedures.

Beyond specific risk-management interventions, effective and proactive climate change adaptation requires strong organisational capabilities. This includes governance, knowledge, and culture to respond to the challenges of a changing climate. The Bank aligns with the **Adaptation Capability Framework**<sup>6</sup>, an award-winning model that supports public sector organisations in their approach to climate adaptation. Our recent analysis is presented on page 11.



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<sup>6</sup> [Climate Adaptation Capability Framework - Adaptation Scotland](#)



## Our Climate Risk Assessment process

As part of the Bank's investment processes, we undertake a Climate Risk Assessment (CRA) on all prospective investments. These assessments look at a variety of risks and opportunities and are categorised into four separate areas for assessment:

- ◆ **Emissions boundary:** The identification of a company's carbon footprint boundary and the sources which we would expect them to report on, allowing the measurement of their emissions and associated risks that may contribute to future climate change.
- ◆ **Transition risks:** The regulatory and market risks associated with transition to a net zero economy that will be evident over the life of the investment, and which could create adverse risks to investment performance and returns, such as stranded assets, increased operating costs or innovations in the market.
- ◆ **Opportunity:** Whether the investment offers potential opportunities to drive energy/resource efficiency, products, or services that support the transition to a lower carbon economy. Typically, the Bank's investments proactively seek out these opportunities.
- ◆ **Physical risk:** The risk that short term (acute) or longer term (chronic) impacts of climate change will have a material effect on the operations, growth and success of an investment. Typically assumed to be weather related (flood, heat stress, storms) these risks may be more complicated (and sector specific) and need to be viewed through the lens of global supply chains in many instances.

These assessments are a part of our investment decision making process, prior to a company becoming one of our investees.

Where the CRA identifies a high risk, this is escalated to the Investment Risk and Deal teams to ensure that we can reach an acceptable level of comfort in terms of risk management. In some cases, this may include requiring further information from prospective investees regarding implementation of appropriate climate adaptation measures such as enhanced flood defences.





## Assessing physical climate risk

The actual impact of a potential weather related climate hazard is determined by a company's own exposure and vulnerability to that hazard. A core component of our CRA process is to understand a business' potential vulnerability to climate hazards. This is usually a sector based assessment. For example, two businesses in the same location - and therefore with the same likelihood of flooding - could be affected differently (impact). An office-based workplace, with hybrid functionality, is likely to be less impacted by flooding, than a logistics company requiring continuous road access.

We therefore use the following methodology to assess climate risk:



Our assessment utilises a combination of quantitative, model-based information relating to selected climate hazards, and qualitative information, based on our knowledge of the company and our assessment of the potential impact to that business or sector.

We currently consider three acute risks:



### Flooding

- ◆ Flooding poses significant physical climate risk across Scotland.
- ◆ We use modelling scenarios derived from the Scottish Environmental Protection Agency's (SEPA) Flood maps to understand the current and future likelihood of surface water, rivers, and coastal flooding for the main HQ or operating location of companies and projects which we are seeking to invest in.



### Extreme heat

- ◆ Temperature extremes could have material impacts to our investments.
- ◆ We assess business' exposure to two indicators; Summer maximum temperature, and number of heatwave days projected under a 2°C and 4°C Global Warming Level, using available data from the Met Office Local Authority Climate Service.



### Storms

- ◆ UK weather varies significantly year to year, making storm trend identification challenging. Climate change is expected to increase the intensity of storms with heavier rainfall and rapid intensification, though changes to the overall frequency of storms remains uncertain<sup>7</sup>.
- ◆ We undertake a qualitative assessment of exposure and vulnerability to such events to inform our assessment. Some sectors are more vulnerable to the impacts of storms - for example, Supply Chains & Critical Infrastructure.

<sup>7</sup> Met Office: UK and Global extreme events - Wind storms




## Assessing physical climate risk continued

To assess longer-term, chronic, physical risks we use the third UK Climate Change Risk Assessment (CCRA3) to identify chronic physical risks relevant to sectors within our investment portfolio. This allows overall narrative on sector-based exposure to a range of longer-term risks, and we consider overall portfolio exposure to higher risk sectors.

The impacts of climate hazards such as floods, heatwaves, or storms, are assumed to vary by sector, with higher potential impacts for sectors reliant on natural processes or outdoor work, or time sensitive supply chains.

As more tools and information become available, we will continue to develop our processes for assessing physical climate risk, to deliver enhanced granularity while ensuring a decision-useful, proportionate approach is taken, in line with the Bank's Business Plan and risk appetite.

Level of potential impact	Example sectors
<b>Higher level</b>	<ul style="list-style-type: none"><li>◆ Housing</li><li>◆ Supply Chains &amp; Critical Infrastructure</li><li>◆ Forestry</li></ul>
<b>Lower level</b>	<ul style="list-style-type: none"><li>◆ Consumer Products &amp; Services</li><li>◆ Life science</li><li>◆ Scalable tech</li></ul>





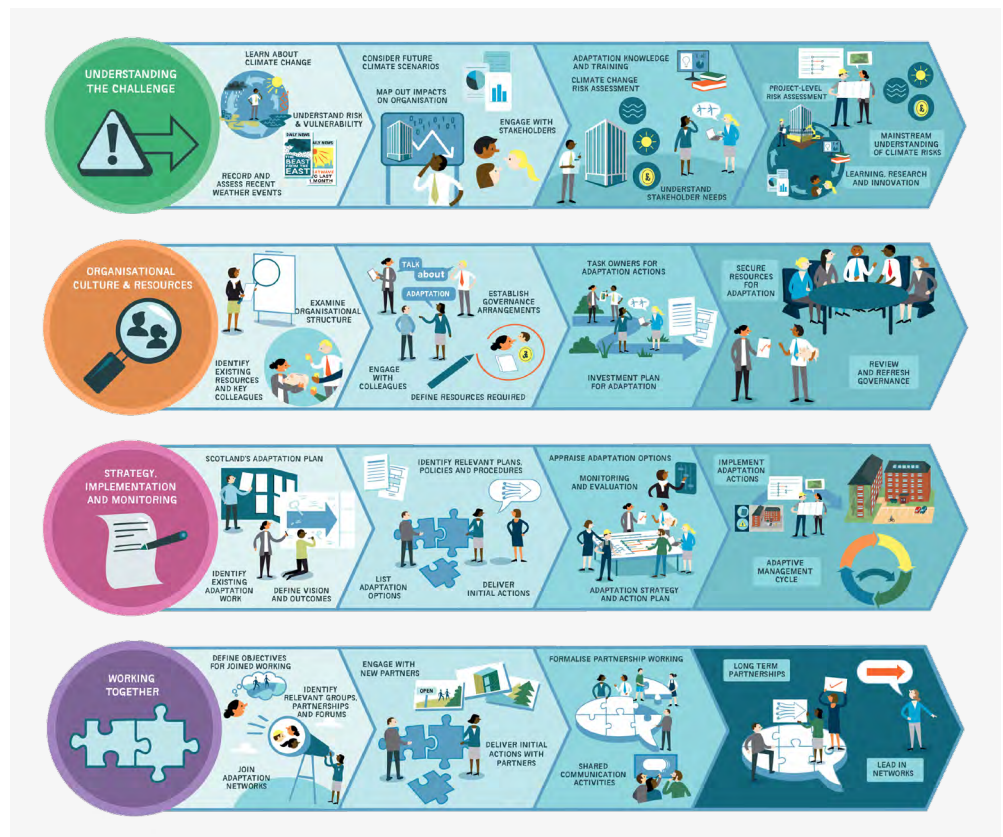
## Our adaptation capability

The Adaptation Capability Framework was developed by Adaptation Scotland to support public sector organisations to build their capacity to adapt to climate change.

It outlines a range of tasks across four key ‘capabilities’:



Progressing these tasks, in turn, allows an organisation to move along four levels of Maturity – Starting, Intermediate, Advanced, and Mature, in relation to performance against a given capability. The tasks relevant to each maturity level can be viewed on the [Adaptation Scotland website](https://www.adaptation-scotland.org.uk/).



Source: Adaptation Scotland



## Our adaptation capability continued

In July 2025, the Climate Action Network, which represents different teams across the Bank, took part in the Bank’s first Adaptation Benchmarking Workshop. The workshop set out to:

- ◆ understand the Bank’s ‘maturity’ in each capability and;
- ◆ identify priority tasks to take forward.

In three of the capabilities, the Bank was benchmarked at an Intermediate/Advanced stage, while ‘Planning, Implementation and Monitoring’ was rated at the lower ‘Starting’ level. To support progress in this area, this document outlines our current approach to climate change adaptation, which will be developed further through our forthcoming Climate Change Strategy, incorporating both mitigation and adaptation.

Capability and descriptor	Benchmarked Maturity Level (2025)
<p><b>Understanding the Challenge</b></p> <p>Adaptation is our adjustment to climate change, by understanding the challenge we can make informed decisions based on actual or expected change. By developing this capability you will gather evidence on climate risks and vulnerabilities, then integrate these into internal systems and procedures.</p>	Intermediate/Advanced
<p><b>Organisational Culture and Resources</b></p> <p>For adaptation to be successful, it must be supported by your organisational culture and be sufficiently resourced. By developing this capability, you will find ways to align adaptation activities with your organisation’s priorities. Over time they will become mainstreamed into plans, policies and procedures – becoming part of business-as-usual for your organisation.</p>	Intermediate/Advanced
<p><b>Planning, Implementation and Monitoring</b></p> <p>Adaptation requires strategic planning and implementation to achieve outcomes. By developing this capability you will set appraised options into an adaptation strategy and action plan, adopting an approach that maintains flexibility and seeks pathways to resilience.</p>	Starting
<p><b>Working Together</b></p> <p>No organisation can adapt alone, by working together we can do more to achieve shared adaptation outcomes. By developing this capability, you will forge connections with key partners to share ideas and find opportunities to collaborate. You will benefit from engaging a diverse range of external partners to help shape your adaptation plans.</p>	Intermediate/Advanced

Source: Adaptation Scotland



## Our adaptation capability continued

As well as identifying areas to develop maturity in future, the benchmarking assessment highlighted adaptation actions that have been already addressed or are in progress, often through our business-as-usual operations. These include:

- ◆ Adaptation is integrated into internal training in a one-hour Climate Literacy module delivered to all staff.
- ◆ The Bank has developed scenario analysis including implications for our operations and portfolio, which is published in our annual TCFD disclosure.
- ◆ Our Business Continuity processes include alerts for extreme weather events which are shared with all staff.
- ◆ We engage with our portfolio to support adaptation actions using a Climate Adaptation Checklist.
- ◆ We have convened a Climate Action Network with representation from across the organisation.
- ◆ We are members of the Public Sector Climate Adaptation Network (PSCAN), Sustainable Scotland Network (SSN) and Environmental Managers Forum (EMF).

## Next steps

This document marks the beginning of our adaptation journey, establishing a clear baseline and setting the foundation to build upon. It outlines our current approach to climate change risk and adaptation and acknowledges the need to go further as climate impacts intensify.

We are committed to strengthening the organisation's overall capacity to adapt to climate change. The recent Adaptation Capability Framework Benchmarking Assessment identified intermediate to advanced performance across three of the four Framework capabilities, and we consider our approach to managing climate risk within our portfolio to be maturing well. Alongside this progress, we have identified a number of priority actions that will guide the next phase of our work.

Our next priority is to develop a comprehensive climate change strategy for the Bank. The strategy will build on our existing mitigation efforts (CMP), this adaptation approach, and outline how climate change is embedded across our governance and strategy functions. It will set out clear actions to enhance climate resilience, embed adaptation more systematically across our operations, and ensure alignment with evolving regulatory requirements and stakeholder expectations.



# The Scottish National Investment Bank

Scottish National  
Investment Bank plc  
Waverley Gate,  
2-4 Waterloo Place,  
Edinburgh,  
United Kingdom  
EH1 3EG

[www.thebank.scot](http://www.thebank.scot)  
[enquiries@thebank.scot](mailto:enquiries@thebank.scot)

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