

River Catchment Restoration Fund: Preparing for Launch Report

Produced by Fisheries Management Scotland as part of the project “Developing a portfolio of river restoration investment packages and delivery support measures for the Source to Sea Fund”

April 2025



This report is one deliverable of the “Developing a portfolio of river restoration investment packages and delivery support measures for the Source to Sea Fund”

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1. Introduction

This is our FIRNS(2) project output “Report on progress made in taking the Source to Sea Fund recommendations forward outlining the key steps, activities and resources required to bring the River Catchment Restoration Fund to product launch - ‘Preparing for Launch Report’”. This report builds on the outputs of a previous FIRNS(1) supported project “Developing a Source to Sea Nature Finance Model”¹ that focused on the funding mechanism, governance and investor demand side for the development of a River Catchment Restoration Fund (the Fund). This report describes the progress made in addressing key areas essential to developing the Fund as outlined in the “Roadmap and Next Steps”² report prepared by Finance Earth.

This report should be considered alongside two other key documents prepared as part of this FIRNS(2) project;

- Investment Potential Summary Report³, and
- River Catchment Restoration Portfolio Project Monitoring Framework⁴

We present a holistic set of outputs that have laid the foundations from which to take the final steps in the development of a River Catchment Restoration Fund (the Fund) to its launch over the coming year.

The Fund is an ambitious mechanism to facilitate private investment into Scotland's river catchments to ensure long-term benefits for nature and people. Scotland's 125,000km of rivers and 30,000 lochs and all the life they support are under threat. As the impacts of climate change and environmental degradation become increasingly apparent, there has been a movement to unlock private finance, such as through corporates' Environmental, Social and Governance (ESG) or Corporate Social Responsibility (CSR) interests, to support restoration work alongside more traditional public grant funding. It is modelled on the working precedent of the Scottish Marine Environment Enhancement Fund ⁵(SMEEF) depicted in Figure 1. Below.

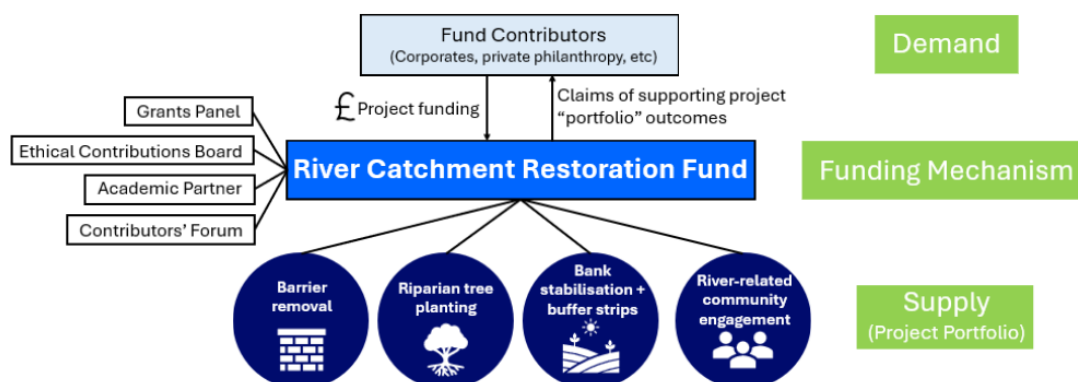


Figure 1 Proposed structure of the River Catchment Restoration Fund, modelled from the Scottish Marine Environmental Enhancement Fund (SMEEF)

¹ <https://fms.scot/wp-content/uploads/2024/07/Source-to-Sea-Summary-Document-FINAL-FMS.pdf>

² <https://fms.scot/wp-content/uploads/2024/07/Source-to-Sea-Roadmap-and-Next-Steps-FINAL-FE.pdf>

³ This report will be made available on the FMS website www.fms.scot in due course.

⁴ This report will be made available on the FMS website www.fms.scot in due course.

⁵ <https://smeef.scot/>

The Finance Earth Roadmap and Next Steps report from FIRNS(1) sets out a plan for taking forward the Fund's development as indicated in Figure 2 below.

Step	Action	<3 months	3- 6 months	6 - 12 months
1	Define the funding mission, objective and strategy			
2	Monitor policy to align funding mechanism			
3	Understand project pipeline			
4	Engage with funders (corporates & investors)			
5	Agree financing mechanism structure			
6	Define and formalise funding strategy			
7	Confirm fund reporting requirements			
8	Assess resourcing requirements and team capacity			
9	Conduct risk assessment and maintain a risk register			
10	Agree and implement a governance framework (including the selection of a host (Option 2B / 3)			
11	Marketing, engagement, branding and communications			
12	Launch financing mechanism			

Figure 2 12 Month plan suggested by Finance Earth in their “Roadmap and Next Steps Report” for the Fund partners (FMS/NatureScot) to implement the Report’s recommendations.

We have made significant progress against many of the actions. The following sections describe the progress made against these throughout the term of this current FIRNS(2) project. A final section outlines a plan for the coming year culminating in the Fund's launch subject to a successful FIRNS(3) bid submission.

2. Defining the funding mission, objective and strategy

The establishment of the Scottish Marine Environmental Enhancement Fund (SMEEF)⁶ in 2022, on which the concept for this Fund is modelled, provides a useful starting point. SMEEF has been successful in securing private funding for marine and coastal enhancement work⁷ and has delivered locally developed projects to improve the conditions in the marine environment through a range of measures. Whilst the River Catchment Restoration Fund has a lot to learn from SMEEF, especially in the way the SMEEF operates, there are many differences between marine restoration activities and those that apply to river catchment restoration. Consequently, this also means there may be a different range of corporate entities interested in contributing to this Fund to those interested in SMEEF.

We have not labelled the Fund's mission statement, objectives and strategy in those precise terms, but have described the approach and objectives more broadly mainly through FIRNS project documentation and plans following the Green Finance Institute's toolkit⁸. Figure 3 depicts how our FIRNS(1) and FIRNS(2) projects have addressed the elements of the toolkit and how our FIRNS(3) "Market and Investment Readiness" bid will allow us to bring the fund to market.

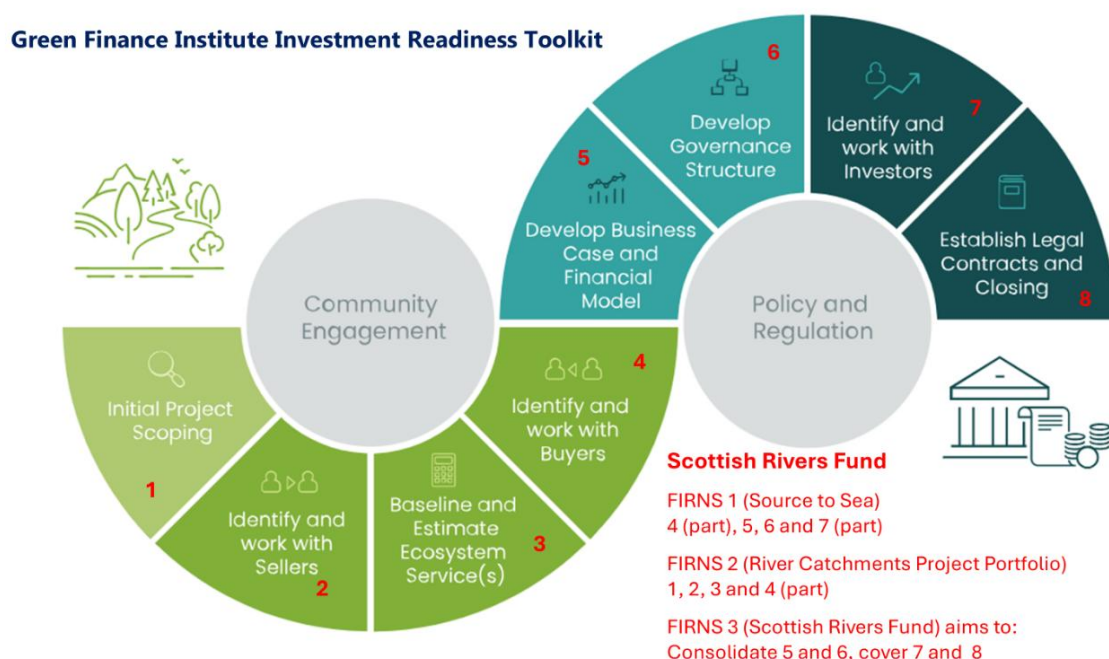


Figure 3 The Green Finance Institute depiction of the web-based "Investment Readiness Toolkit" to guide project developers to market readiness. N.B. FIRNS(3) awards are pending and note also that we have rephrased the Fund to "Scottish Rivers Fund".

⁶ [SMEEF website](#)

⁷ [SMEEF Latest Impact report](#)

⁸ <https://hive.greenfinanceinstitute.com/gfihive/toolkit/>

A working draft mission statement is as follows:

“To achieve transformative catchment scale restoration action and heightened recognition of the importance of rivers supported by an innovative nature market mechanism.”

(Source FIRNS(3) application).

In terms of strategy, the Fund’s development plan has within it strategies for monitoring and for community engagement and is outsourcing the development of a third strategy for corporate engagement and marketing.

3. Monitor policy to align funding mechanism

The Scottish Government's supportive commitment to encourage the development of nature markets and to address the twinned biodiversity and climate challenges is welcome. We have continued to maintain close links with evolving Scottish Government policies as they relate to the Fund's development. Policies of particular relevance are outlined below. Our Steering Group membership includes key staff from Marine Directorate, SEPA, NatureScot and Crown Estate Scotland to ensure that policy interests are brought into the Fund's development. We have also secured good engagement from Scottish Government and agency colleagues at project events.

Natural Capital Market Framework⁹

The Natural Capital Market Framework singles out this project as an initiative that contributes to the creation of a large-scale investment opportunity in "supporting a project pipeline". The Natural Capital Market Framework collates a wide suite of policies and intentions that align with our Fund's ambitions. We have also maintained close working with Scottish Government's Private Investment in Natural Capital team who authored the Natural Capital Market Framework through providing bespoke presentations and securing their attendance at project events.

Scottish Biodiversity Strategy and Delivery Plan,¹⁰

Objective 5 "Invest in Nature" encompasses a range of priorities including the FIRNS Programme, to support the development of high integrity nature markets meaning that they will deliver for economic transformation, climate change and biodiversity, provide community benefits, and support a Just Transition – attributes that we have incorporated into the Fund.

Wild Salmon Strategy

Fisheries Management Scotland (FMS) leads on several of actions in the Implementation Plan¹¹ of the Wild Salmon Strategy including on nature finance "...to explore new means of making investments in Scotland's rivers...". The Investment Potential Summary Report describes investment-ready projects that provide broad benefits to improving Scotland's rivers and river catchments.

Biodiversity Investment Plan

Investing in Nature¹² is a plan to support investment in biodiversity and climate adaptation in Scotland and sits within the wider Scottish Biodiversity Framework. It highlights the contribution of various streams of public funding allocated to nature and environmental work. It also states the intention to develop an Ecosystem Restoration Code by 2026 to help scale up responsible private investment in nature through nature credits to be co-developed with stakeholders. We have a keen interest in working closely

⁹ [Scottish Government Natural Capital Market Framework](#)

¹⁰ [Biodiversity Delivery Plan 2024 to 2030](#)

¹¹ <https://www.gov.scot/publications/wild-salmon-strategy-implementation-plan-2023-2028/documents/>

¹² <https://www.gov.scot/publications/investing-nature-plan-support-investment-biodiversity-climate-adaptation-scotland/>

with this area of policy to ensure the Fund is consistent with the principles that emerge with the Code.

River Basin Management Planning

The fourth River Basin Management Plan (RBMP4) is due to be published in December 2027. FMS is already working closely with SEPA across a range of regulatory issues in relation to rivers and fisheries. RBMP4 will be an important tool spanning six years that will strongly influence how rivers and their catchments will be managed and can ultimately help steer much needed investment into river restoration activity, including through public/private finance alongside mechanisms like the current Water Environment Fund and innovative use of compliance-related actions.

Other relevant areas of policy and agency activity that we are closely aligned with include;

- NatureScot's work on producing a prospectus of landscape scale nature restoration projects in Scotland. We have had discussion on how our project portfolio might have synergies with this piece of work.
- National Planning Framework 4 and the associated development of a biodiversity metric that may become the unit by which biodiversity gains through development are measured. We have been considering how, in time, the Fund might be able to incorporate provision for Biodiversity Net Gain (BNG) offsetting.
- Water metrics development through the Hydronation / SEPA-led water metrics development group, and the Naria Framework of "river dynamics" indicators being developed through a CivTech project.
- Nature Finance Certification Alliance Community Inclusion Standard.
- Natural Environment (Scotland) Bill may provide scope for target-setting for natural capital.
- Public funding mechanisms such as the Nature Restoration Fund, Peatland ACTION, the Water Environment Fund, and the Neighbourhood Ecosystems Fund will all have a bearing on land use incentives that could support or work alongside the Fund.

4 Understand project pipeline

The main component of this FIRNS(2) project has focused on developing a thorough understanding of the project pipeline and has been fully described in the following accompanying project deliverables;

- **Investment Potential Summary Report¹³** provides a summary of the investment potential for river catchment restoration activities in Scotland, taken from an extensive engagement exercise with a focused cohort of project developer stakeholders with a keen interest in river and river catchment restoration. It provides a steer on how to build a sustainable river catchment restoration project portfolio pipeline, to inform the Fund's future governance structure and approval processes, and to serve as a basis for subsequent marketing efforts to drive contributions to the Fund.
- **Project Portfolio presentation¹⁴** provides an overview of the portfolio and the mechanics by which it operates.
- **ArcGIS Online Scottish Rivers Fund Portfolio Hub¹⁵** is the active 'live' portfolio consisting of 'delivery-ready' projects and an aggregation of these to present current scale of investment opportunity.

¹³ This deliverable will be made available on the FMS website in due course.

¹⁴ This deliverable will be made available on the FMS website in due course.

¹⁵ This is still under development and expected to be available online in due course.

5. Engage with funders (corporates and investors)

Our engagement with corporates through our FIRNS(1) project was confined to the renewable energy sector. It is our stated intention that following this FIRNS(2) project we will conduct systematic one-to-one engagement with corporate entities to explore ESG and CSR commitments to the Fund. We have however gained some additional insights from a range of sources of corporate and investor interest through the course of this FIRNS(2) project. Some examples are set out below that help to support our case for the proposed funding mechanism..

The UK Nature finance conference of November 2024 demonstrated interest by major corporates to “invest” in nature-focused initiatives that are not necessarily in pursuit of either repayable finance (direct returns on investment) or in securing more resilient supply chains. Rather, the driver for such investment is that it is the right thing to do as a responsible business behaviour through exercising good ESG practice. This approach is often portrayed as “corporate philanthropy”, and in the absence of a standardised or mature market approach to paying for nature, many corporates are engaged in this type of financial contribution. The conference also highlighted the strength of business coalitions, - businesses working together to achieve nature positive and social outcomes even whilst compliance and reporting regulation is not fully compulsory.

We are engaged with the company alliance; the Aldersgate Group¹⁶, - a group of mainly UK-based corporations seeking sustainability throughout their business practice. This group lobbies for and promotes among its membership nature and climate focused business practice including increased uptake of Taskforce on Nature-related Financial Disclosure (TNFD)¹⁷ methods. The implication of increased TNFD adoption by major corporations has implications for businesses in the supply chain to also comply with positive action to identify nature-related financial risks and integrate nature into business and financial decisions.

We attended the edie-25¹⁸ conference in March for additional insights, sources of advice and securing potential business contacts through one-to-one meetings. The event comprised mainly sustainability professionals from UK, European and global corporations strongly aligned with climate and nature considerations as part of their business culture and practice. This was a good opportunity to evaluate how corporations are responding to these key issues. The emphasis was on compliance with a range of national and international reporting standards, and in addressing business and resilient supply chains risk from nature related impacts. A key takeaway was that smaller businesses are becoming increasingly aware of the expectation to demonstrate action on nature as a supplier, even though not a compliance requirement. Again, there were a range of examples of “corporate philanthropy” that were not directly associated with the business operations’ specific environmental impacts or business location, but rather as a contribution to nature and people through an appropriate financing mechanism. Interestingly, such contributions are often “under the radar” (also known as “greenhushing”).

¹⁶ [Aldersgate Group](#)

¹⁷ <https://tnfd.global/>

¹⁸ <https://event.edie.net/edie25/about>

We have had one-to-one engagements with Scottish and Southern Energy Networks, Scottish Power Energy Networks and the Scotch Whisky Association with follow up meetings planned.

Models of corporate financing nature positive action that are of relevance to our Fund are included in Section 7.

The list of prospective companies gleaned from the aforementioned events and intelligence gathering have provided a solid backdrop to our upcoming corporate engagement and marketing work where FMS is preparing to commit £25,000 to develop a corporate engagement and marketing strategy. The brief will be to recommend sectoral and individual business approaches tailored to meet ESG interest and aligned to the Fund's proposed mission. This will be followed up with a wide-ranging engagement programme with corporate entities across a range of business sectors by FMS to market-test the offer and to respond to corporate interest and investment preferences.

6. Agree financing mechanism structure

This action will be partly addressed following the resolution of where the Fund will be hosted (see Section 7). The hosting organisation will have its own financial structures for handling contributions and managing the disbursement of funds. If for example NatureScot becomes the host, it is likely that the structure being used by SMEEF will be adopted for the Fund. If the host is one of the independent grant hosting organisations that includes for example Foundation Scotland or Inspiring Scotland who we have already contacted to discuss options, we are confident that their established structures and contractual mechanisms can be adopted and tailored to the needs of the Fund. The fulfilment of this action is therefore outstanding - see Section 14.

7. Define and formalise funding strategy

The funding strategy will be in part dependent on the outcome of the corporate engagement work described in Section 5. The Investment Potential Summary Report provides detail on the funding model as geared towards supporting projects. It uses information gleaned from project developer stakeholder interviews and experience of other funding schemes to identify desirable aspects for the Fund. This is to ensure that the Fund is accessible to a wide range of organisations that are familiar with local conditions and best placed to develop locally relevant projects. The Investment Potential Summary Report provides detail on the types of projects the Fund should support and also those that the Fund should deprioritise support for. That will help to consolidate the approval criteria for selecting projects to be supported by the Fund. Figure 4 shows a summary table of the desirability of Fund characteristics taken from project developer stakeholder feedback collected during workshop sessions.

Characteristics of an accessible and high-quality River Catchment Restoration Fund		
Must have	Nice to have	Shouldn't have
<ul style="list-style-type: none">• Baselines & assessment of outcomes/benefits• Holistic and flexible funding (full cost recovery, multi-year funding, upfront payments, development cost)• Flexible budget spending• Clear benefits for rivers & wider ecosystems• Streamlined & flexible application process	<ul style="list-style-type: none">• Capacity within the fund to support project teams (dedicated fund manager, application guidance, stakeholder engagement assistance)• Community benefits (i.e. education, employment)• Maintenance and monitoring costs	<ul style="list-style-type: none">• Lengthy application form• Onerous or rigid reporting requirements• Unachievable outcomes• Support poor quality projects with possible negative impact• Greenwashing

Figure 4 Summary of the desirable and undesirable characteristics of the Fund from a stakeholder perspective.

The desirable characteristics for the Fund as described by project developers summarised in Figure 4 will be important points to include as part of the corporate engagement activity of Section 5 and Section 14.

Also, from our limited engagement with corporates and experience of other nature financing models, we are aware of a range of corporate funding preferences that include things like; whether location specific projects are preferred versus a wide geographic remit; whether generalised project impact reports versus reports against detailed metrics are important, and whether exclusive ownership of outputs is a requirement versus pooled ownership with other contributors. These will be considerations to explore through the corporate engagement and marketing strategy in Section 14, and building on the initial corporate engagement work described in Section 5.

8. Confirm funding reporting requirements

The development of the River Catchment Restoration Portfolio Project Monitoring Framework¹⁹ (the Monitoring Framework) concluded through a consultancy contract provides the basis for meeting reporting requirements to Fund contributors. The Monitoring Framework is a key deliverable of this project. It describes the importance and means for establishing baselines for projects supported by the Fund, of whichever location, size and type, and for monitoring their delivery and post-delivery outcomes to establish overall progress for reporting purposes. As a framework, it is not prescriptive but allows flexibility to use optimal monitoring methods most suited to the project at site level as depicted in Figure 5 below.

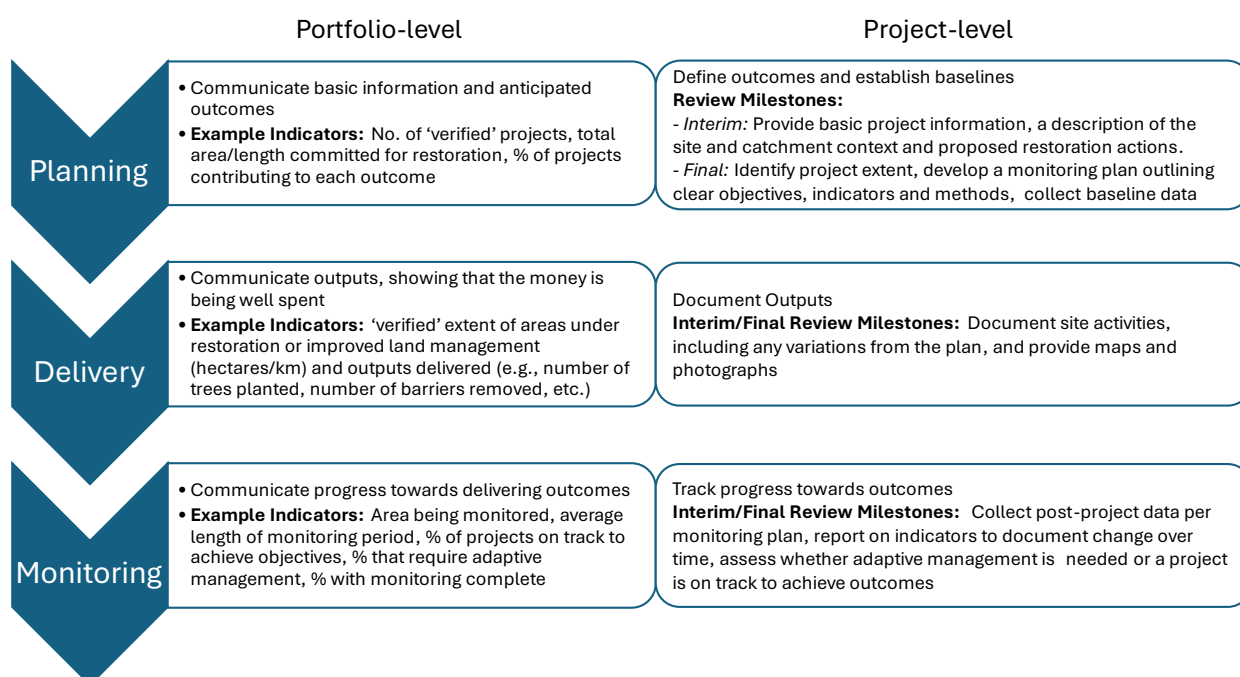


Figure 5 Demonstrating the baseline to outcome reporting framework for projects supported by the Fund.

The Monitoring Framework also describes how progress aggregated across all projects delivered through the Fund's support is scaled up to demonstrate the overall impact of the Fund's portfolio against a set of environmental and social outcomes (see Section 12). It incorporates an adaptable approach that will be able to align with aspects of corporate reporting standards such as; Taskforce on Nature-related Financial Disclosure (TNFD)²⁰ and the UN Sustainable Development Goals (SDG's)²¹ – measures that are in common use across corporate ESG reporting. Planned corporate engagement covered in Section 5 will consolidate which corporate reporting standards will be used, if any, to inform

¹⁹ Insert weblink in final version

²⁰ <https://tnfd.global/>

²¹ <https://sdgs.un.org/goals>

indicators that are most relevant. Figure 6 below depicts a conceptual model of how this works.

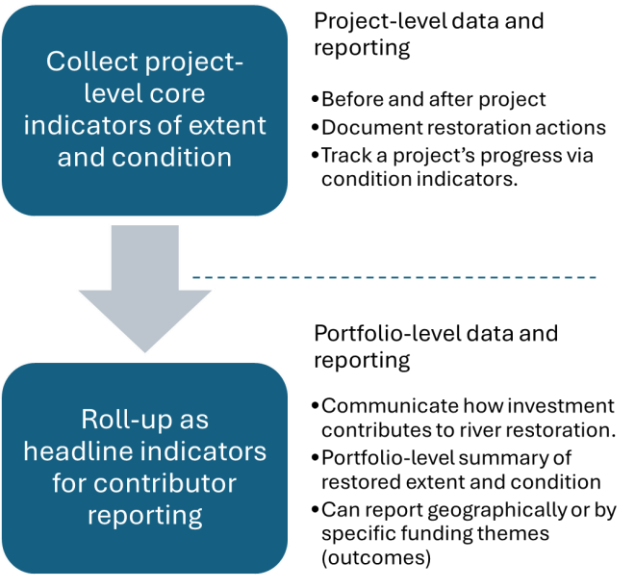


Figure 6 Conceptual outline of how the monitored progress of individual projects is rolled up or aggregated to common “headline” indicators that meet corporate reporting requirements.

See also Section 14 for next steps

9. Assess resourcing requirements and team capacity

We have indications from NatureScot for the level of staffing required to operate SMEEF.

We have determined the following fixed functions which depending on the hosting arrangements may be shared across organisations and pared back if being hosted by a contracted third party.

Role	Full / Part time
Fund Manager	Part time
Fund Officer	Full time
Due Diligence Officer	Part time
Administration support	Part time
Specialist (legal, financial, strategic)	Ad hoc

Annualised payroll / contracted costs for the above roles at current rates is of the order of £150,000.

Considering the governance covered under Section 11, we recognise the need for key functions to be fulfilled including overall governance of the Fund. These include a grants approvals panel and a due diligence panel. We anticipate that there is the scope for provision of in-kind input to these functions from partner organisations whose objectives are aligned with those of the Fund.

10. Conduct risk assessment and maintain a risk register

We have set up an initial list of key risks covering the next steps for the Fund's development in relation to the FIRNS(3) bid. These include

Risk	Likelihood (H/M/L)	Impact	Impact (H/M/L)	Mitigation
In case of NatureScot hosting fund, NatureScot staff positions are not reimbursable through FIRNS budget and have difficulty providing resource on unpaid basis.	medium	Causes delay to the setup of the hosting and governance structure of the Fund	medium	Work with NatureScot senior managers to secure commitment.
Failure to attract sufficient corporate interest and pledges of corporate finance	low	Delays fund set up and operability	high	Review and revise finance-raising strategy. Explore blended finance or other options as pump-priming / gearing mechanism.
Unable to secure sufficiently qualified membership to the Governing, Approvals and Due Diligence Panels	low	Reduced quality of oversight of key governance functions	medium	Revisit terms of engagement, consider terms for reimbursement or other incentive
Project pipeline does not produce sustainable supply in number or quality of projects	low	Projects are not available in quantity or quality for available funds	medium	Explore ways to ensure project development costs can be covered

The agreement of these risks and any others identified, their rating and mitigation actions will be important for the Steering Group to consider as one aspect of their role.

Further areas related to risk management can broadly be split into the following main categories: governance, legal, strategic, and reputational. There will be many other project-level risks that will depend on the funding strategy, the corporate contributions and how the Fund interacts with those. Risks will be included in the risk register for management by the project. To an extent, these will be able to be mitigated through appropriate governance design and set up of the Fund. For example, the Fund could ensure it does not invest or provide capital into projects that introduce unacceptable levels of risk. Project level risks can be expected to include those relating to land tenure, land ownership, land rights, interactions with other national grant schemes, market risk, delivery risk and broader environmental risk (e.g. extreme weather events) to name a few.

It will be the job of the overall governing panel as a key governance feature to mitigate risks to ensure that red lines and guardrails in each of these areas to ensure risk is appropriately mitigated and transferred to third parties where appropriate (e.g. through agreement or contract terms with delivery partners). We will also consider incorporating a contingency within the Fund to provide for remedial or adaptive management measures as insurance to guard against not achieving project outcomes.

11. Agree and implement a governance framework (including the selection of a host)

Securing a host for the Fund is a critical step that will determine many of the subsequent steps with regards setting up the governance, managerial, financial and operational aspects. At the end of FIRNS(1) we reached a consensual view that the optimal positioning of the fund would be a “sister” fund to SMEEF as indicated as Option 2 in Figure 7 below. That way many of the attributes of SMEEF might be easily adopted or adapted into a funding structure whose focus would apply to the freshwater environment and the associated aspects of river catchments. However, we were not able to conclude an agreement on the hosting arrangements. That continued to be a key consideration during the current FIRNS(2) project phase.

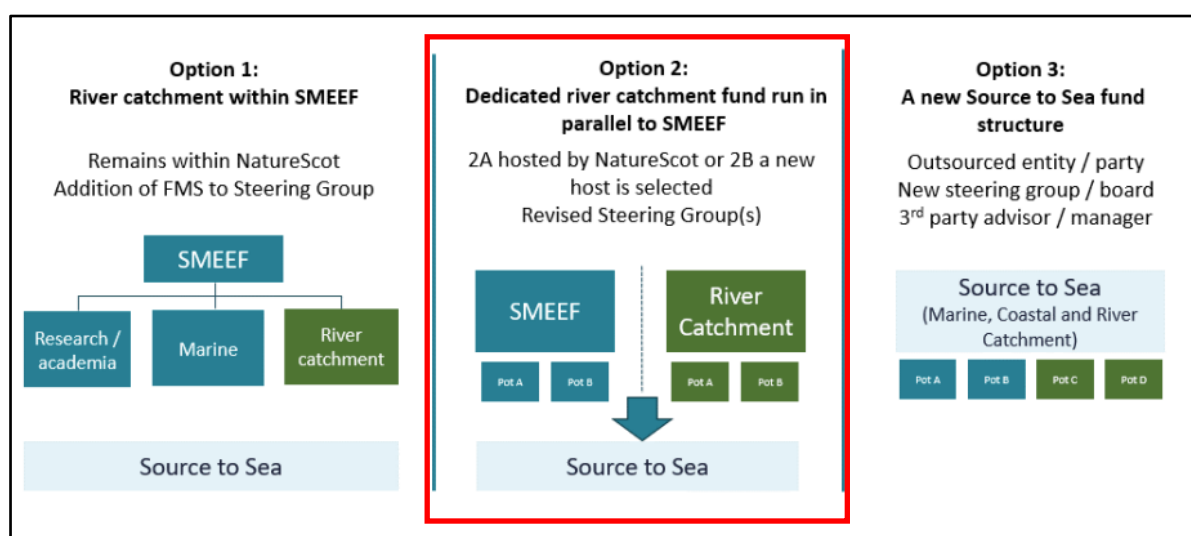


Figure 7 Finance Earth's depiction of the Fund hosting options

FMS has continued to maintain close working with NatureScot and reconvened a meeting of the Steering Group from FIRNS(1) to update on progress with the current project and revisit the hosting and governance questions. Following this, in late 2024 NatureScot indicated the intention to pursue internally the possibility of hosting the Fund – indicated as Option 2A in figure 4. NatureScot is currently (April 2025) progressing this at senior management level. At the time of writing, FMS is seeking clarity on NatureScot's position and potential arrangements for hosting the fund. FMS is also exploring with its Board and broader FMS membership that these arrangements can accommodate adequate flexibility to support our sector in the delivery of river restoration projects.

To date, we have enjoyed productive and supportive working relations with NatureScot, SEPA, Marine Directorate, Crown Estate Scotland, FMS members and stakeholders with freshwater interest. We would expect the overriding governance to comprise membership from across this cohort of organisations, with the potential for others such as Scottish Water and Scottish Environment LINK Freshwater Group to be invited. Advisory Input from others is expected through an evaluation panel of experts to assess project applications, a due diligence panel to vet corporate contributions and a contributors'

forum. We have also sought an academic partner in Edinburgh University through the recently launched Nature Finance Lab²² and who have offered to be involved in a research capacity.

FMS has held meetings with other potential hosting organisations including Foundation Scotland, Inspiring Scotland and Environmental Funders Forum. From these discussions we have the confidence that third party structures are very well set up to enable this to work satisfactorily and could, if needed, lead us to work on option 2B – as indicated in Figure 4.

FMS will consolidate the knowledge and experience we have of the rivers and fisheries management sector to ensure high-integrity projects will be delivered through the Fund whichever resultant hosting arrangement we arrive at.

²² <https://www.ecfi.business-school.ed.ac.uk/news/nature-finance-lab-launch>

12. Marketing, engagement, branding and communications

A major effort to engage with corporates and market the Fund follows this FIRNS(2) project. We will use the portfolio of projects as evidence of the offer and market the outcomes that can be realised through these. The Monitoring Framework highlighted in Section 8 elaborates how outcomes that are designed to have appeal at corporate ESG reporting levels link from a range of projects of different types and scales delivered across river catchments. An initial list of such outcomes “rolled up” from across projects are:

- Cold, Clean Water
- Biodiversity and Ecosystems
- Water Quantity
- Climate Adaptation and Resilience
- Community Benefit & Engagement

The Fund will support a range of projects that improve river ecosystems and that offer opportunities for communities to be involved from the start. The Fund will also support community engagement initiatives that have clear objectives and may help to facilitate further restoration work in the future.

Corporate entities place importance on ensuring that people benefit from their ESG and CSR responsibilities and commitments. Our FIRNS(1) Source to Sea project Corporate Engagement Report²³ found that corporations being targeted for a ‘Source to Sea’ Fund were interested in seeing community benefits and engagement as a part of the projects they supported, especially if they aligned with in-house engagement strategies. To reflect the importance of this to Fund contributors, we have defined a ‘Community Benefit and Engagement’ outcome, to sit alongside the more ecological-focused outcomes from the Fund’s Monitoring Framework.

The Fund outcomes are a key component of the offer that will be presented to corporates through the planned engagement. We expect funding preferences to arise from these conversations as are already apparent in other nature market projects that we shall need to consider in finalising the shape of the Fund.

The Fund is not a “one-size-fits-all” but will be designed to fit a number of businesses with a growing awareness of competitiveness and compliance advantages in demonstrating commitment to sustainability. The business press indicates a growing trend in this regard (for example Knight Frank²⁴), despite an apparent global downturn in compliance with net zero climate and impact investment targets.

Importantly, we recognise that besides the objectives and aspirations we have for the Scottish Rivers Fund, corporate engagement at this scale will reveal insights that will have implications that are valuable for wider reaching aspirations and possibilities for the development of nature markets. We want to make sure that the final shape of Scottish Rivers Fund considers the measures necessary for future-proofing so that it can embrace opportunities to attract finance geared to established codes and standards. We are keen

²³ <https://fms.scot/wp-content/uploads/2024/07/Source-to-Sea-Corporate-Engagement-Report-FINAL-FE.pdf>

²⁴ <https://www.knightfrank.com/research/article/2024-11-11-nature-finance-uk-investing-in-a-greener-future>

to learn of the appetite and potential for this demand in response to feedback from the corporate engagement.

We have a good sense of projects available for delivery if funding is available. The table below shows the breakdown in project cost for the projects currently listed in the portfolio, with nearly half being smaller projects costing £30,000 or less. The total value of projects in the portfolio amounts to around £10.5m.

Project Cost	Number of projects
Small (£30,000 or less)	20
Medium (£31,000 - £100,000)	8
Large (£100,000+)	11

The Investment Potential Summary Report provides more detail on the project portfolio and of the projects' attributes.

As a potential component of our marketing effort, we have had early discussions with NatureScot with an idea for a national pilot “Expo” that might be held later in 2025 for potential investors in nature market opportunities. If this goes ahead, we will be keen to help organise and participate.

We have prepared some early marketing material as QR coded promotional “postcards” tested at the recent International Wild Salmon Connections²⁵ event in London and shared at the previously mentioned edie-25 event²⁶ (noting that we are referring to the Fund as “Scottish Rivers Fund”). This has already attracted a list of interested parties to learn more.

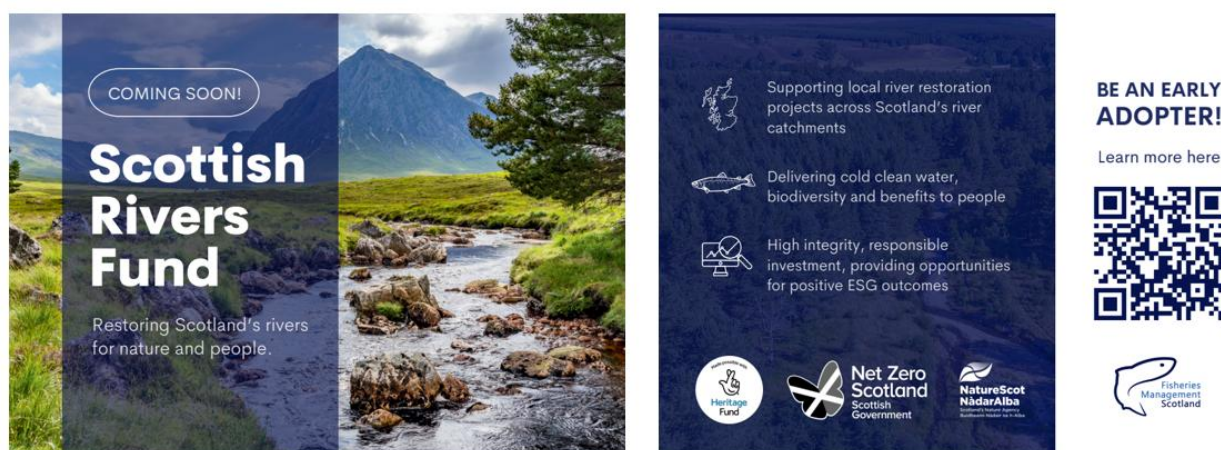


Figure 8 River Catchment Restoration Fund (renamed as “Scottish Rivers Fund”) promotional postcards

²⁵ <https://www.missingsalmonalliance.org/wild-salmon-connections>

²⁶ This marketing material was developed with support of the Golden Bottle Trust.

13. Launch financing mechanism

The successful completion of all actions covered under the preceding sections and outlined in the plan of the following section will culminate in the launching of the Fund. Our ambition is for a launch within the coming year, by which time we will have:

- secured the Fund hosting arrangements
- put in place the governance arrangements
- established and pilot-tested the processes for project applications and approvals
- set up the project funding, monitoring and reporting mechanisms
- secured sufficient early financial commitments to the Fund for a successful launch.

14. Next steps

We believe we have established sufficient credibility and good momentum in step with current thinking and the nascent state of nature markets such that a launch of our Fund is realistic within the coming year. We are progressing the development with a plan leading to the Fund's launch that is included with the FIRNS(3) bid submission shown overleaf.

June '25-March '26 Plan to launch of the Scottish Rivers Fund per FIRNS(3) bid submission

When will the task happen?	What is the task?	Who is the task for?	Who will carry out the task?
June-July	Establish Project Steering Group (and/or partnership) as required.	drawn from Scottish Government Agencies (SEPA, NatureScot), Marine Directorate, FMS Board, FMS members, local stakeholders and potentially eNGO and community and landowner representative groups	FMS
July-December	Deliver the corporate engagement and marketing strategy (prepared in advance of this FIRNS project timeline by FMS), to carry out systematic company approaches to understand corporate responses to the offer, provide feedback to the Fund structure and criteria, secure funding contribution commitments.	Target up to 100 potential Corporate contributors across business sectors	FMS
June-July	Agree Funding (hosting) criteria Building on SMEEF, develop and agree fund eligibility and approval criteria, and key parameters including allowing preparatory costs, full cost recovery, multi-year funding, staged payments that support the type of projects and organisations that are likely to apply.	Project developers who would apply to the Scottish Rivers Fund	FMS with project partners
August-October	Establish Fund Governing Panel building on the SMEEF experience. Adopting and improving where possible to include FMS and others' (NatureScot, SEPA, Marine Directorate, Environmental / Community NGO), key roles in governance.	to Provide assurance to corporate contributors that the Fund has governing controls in place	FMS with project partners
June-October	Develop funding business model and model contracts and finance acceptability criteria in relation to river catchment and freshwater environment. Review SMEEF due diligence and ethical contributions processes. Develop / adopt model funding contracts covering risks, liabilities and commitments.	to provide assurance to contributors and project developers that high integrity nature projects are delivered	FMS with project partners
November-December	Conduct workshops for potential contributors drawn from results of the marketing exercise. Use experience of SMEEF to establish a contributor forum and mode for operation.	Up to 4 workshops for corporate contributors to contribute to and review the Fund's operation.	FMS with project partners
July - December	Explore the integration of the FMS / Esri developed project pipeline portfolio within or alongside a NatureScot system in possible combination with the NatureScot landscape scale dataset visualisation, incorporating Esri support. December	For project developers to be able to provide a continual supply of deliverable projects	FMS with project partners
November - January	Establish Approvals Panel and fit for purpose processes, adopting existing models as appropriate, for evaluating project applications against established funding criteria, ensuring they meet strategic priorities, the Scottish Rivers Fund outcomes and eligibility requirements, and meet with corporate ESG interests and commitments.	to assure corporate contributors that high integrity nature projects are delivered and provide good value.	FMS with project partners
October - January	Prepare monitoring and reporting process and templates Using FMS (FIRNS 2) developed monitoring framework alongside NatureScot and SEPA freshwater teams as appropriate to design a fit for purpose process, ensuring that monitoring requirements are integrated into projects application and funding. Learning from the marketing and contributor feedback to refine impact reporting system.	to assist project developers and to set baselines and monitor and to assure corporate contributors that impacts are achieved.	FMS with project partners
December - February	Piloting 3 projects to support river restoration project development at local levels, ensuring that community engagement is integrated as appropriate to all potential projects, piloting three projects through the development, applications and approvals process and compliance with the monitoring framework – baselining and monitoring protocol, for feedback before committing corporate monies.	To ensure that project application processes are fit for purpose and operable by the Fund manager and project developers.	FMS with project partners