

MINUTES OF THE SCOTTISH ENTERPRISE BOARD HELD ON FRIDAY 23 FEBRUARY 2024 IN ATRIUM COURT, GLASGOW

Present: Adrian Gillespie Chief Executive
Willie Mackie, Interim Chair
Karthik Subramanya
Dr Poonam Malik
Dr Sue Paterson
Peter McKellar
Professor Gillian Murray
Raymond O'Hare
Professor Richard Williams
Graham Soutar
Professor Stephen McArthur

In Attendance: Colin Cook, Director Economic Development, Scottish Government
Jane Martin, MD, Innovation and Investment
Gill McNeill, Chief People Officer
Douglas Colquhoun, Chief Financial Officer
Neil Francis, MD, Digital and Major Projects, Scottish Enterprise
Reuben Aitken, MD, International Operations
Rhona Allison, MD, Business Growth
Karen Hannah, Corporate Office

STANDING ITEMS:**1. Minutes of the meeting held on 01 December 2023 – SE(M)343**

The minutes of the meeting were approved.

2. Matters Arising – SE(335)MA

Progress on the matters arising were noted.

3. Board Committee Updates/Minutes**3.1 SE Board Urgent Approval, 07 February 2024**

The minute was approved subject to an amendment in relation to Orbital Marine to reference the competition risk.

3.2 SE Board Urgent Approval, 11 January 2024

The minutes of the meeting were approved.

4. Chair's Report

Willie updated that he and Adrian were scheduled to meet with the Cabinet Secretary Mairi McAllan on 28 February. A letter of congratulations and thanks had also been sent to Neil Gray for his tenure as Cabinet Secretary and his support of SE.

Willie reflected on the Strategic Ambition launch which was held at Verlume in Aberdeen. Willie thanked Colin for his support in briefing the First Minister and Cabinet Secretary. The media coverage of the event had been very positive.

An update was provided on the SE Chair Recruitment, advising that there had been a slight delay due to the change of Cabinet Secretary. Discussions were ongoing to find the appropriate candidate.

5. Chief Executive's Report

Adrian advised the Board that Linda Murray, Director of Strategy, had taken the decision to take early retirement on 29 March, after 30 years' service. Adrian conveyed his thanks, appreciation and best wishes to Linda for the future. Recruitment would begin to fill Linda's position.

Adrian updated on the Budget settlement, highlighting the increase in capital, which reflected the strength of the project pipeline. Adrian thanked Colin and the team for their efforts to secure this outcome in challenging circumstances. On resource, while this would be challenging, the steps taken in the current financial year, particularly on the salary budget, had ensured a good position for the next financial year. The key issues related to the Financial Transaction (FT) settlement and discussions were ongoing with Scottish Government on retention of income from FTs. The Club Fund was a priority and was being progressed, with the aim to have some elements of the fund up and running in the next financial year.

Looking to the next financial year, while challenging, SE was well positioned with the steps taken on the new Missions approach. Progress was being made to manage out of current commitments in order to focus on the missions. The draft Finance Strategy would be discussed later in the meeting and more work was needed to reflect the financial situation and address other issues, such as backloading in the capital budget.

The meeting scheduled with JP Marks on 15 March was a key opportunity to discuss proposed changes to enable SE to be more commercial to manage income and reinvest into economic development over multiple financial years. Adrian updated that he and Willie had the opportunity to speak with JP Marks recently and the Permanent Secretary had cited SE as being one of the best examples of Public Sector Reform.

Adrian updated on the media coverage from the Strategy launch, advising that the news release had been viewed over 2 million times, there were over 36 pieces of coverage, and more than double number of impressions on social media, with LinkedIn increasing by 44% to 29,800 impressions. Building on the momentum, Jane had accompanied the Cabinet Secretary at Flowcopter to announce SE's R&D funding.

Also highlighted SE's RSA grant support to Watt Lasers, a laser manufacturing company. The company moved into the larger premises in September 2023, bringing improved

productivity, greater operational efficiency, and increased innovation capacity, with 3 new full-time jobs; 8 existing posts safeguarded.

Adrian updated on his attendance at a Glasgow Chambers of Commerce event on 2 February, with 60 representatives from across business and academia. Further events hosted by SE Leadership were being scheduled and Adrian was hosting a session with Chamber CEOs on 14 May.

The Mission Operating Plans were being submitted to the Portfolio Management Office and would be consolidated into a single SE Operating Plan, which would come to the April Board Meeting.

Adrian updated that the redeveloped SE website launched on 9 January, based on the new Scottish Enterprise Design System, with a refreshed user experience and user interface and technical upgrades of the Content Management System (CMS) leading to a faster, and greener site.

The following business updates were provided:

- Sumitomo had confirmed its investment in Nigg Bay for a £350m cable manufacturing facility, supported by contributions from SE, HIE and Scottish Government. A key element to the investment had been SE's relationship building with the company in Japan.
- Intelligent Growth Solutions, following approval by the SE Board and Scottish Government, the deal completed on 30 January. Andrew Lloyd had been formally appointed CEO, and Sonya Hotson as CFO.
- Celtic Renewables, positive progress with the Ethanol production reaching purity specification, and samples of all products shipped to customers.

Karthik raised a question in relation to the update on Sumitomo in terms of Scottish developers and the supply chain. Adrian updated on feedback from the industry in terms of pace and concerns of Scotland losing its competitive edge. A key element was access to the Scottish Government Offshore Wind funding. Reuben updated on pilots through the missions to address the smaller scale supply chain, in terms of bridging the gap. Work was also ongoing with SOWEC and industry partners.

Gill advised there was a great deal of activity in the Higher Education sector and offered her assistance as part of the overarching strategy aligned to the missions.

Adrian provided a brief update on Mangata, a fuller update was provided in the Board pack.

6. Finance Report as at end of January 2024 – SE(24)01

Rachel Ducker and Alan Maitland joined the meeting to present a review of the financial results to the end of January 2024 (Period 10) and an update on the latest full year forecasts for the 2023/24 financial year.

Alan updated on the current budget position, advising of the higher underspend in C-Del, which was impacted by the AO template process. On FTs, the underspend had increased due to two income receipts, and it was unlikely that the additional income could be utilised due to the number of deals to be completed by the year-end. R-Del underspend had increased slightly due to a culmination of additional income forecast and small decreases in expenditure across a number of projects.

The full Scottish Government allocation for Expected Credit Losses would be utilised, however, the final position would not be known until the year end when valuations and assets were reassessed.

Overall, there remained some uncertainties and one third of the plan was backloaded to deliver by end March, which was in line with backloading in the previous financial year.

Douglas advised that the backloading would have been worse without the overprogramming approach that had been applied earlier in the year, advising that the AO template process was providing challenges in terms of ability to control levers.

Willie confirmed that concerns had been raised with Scottish Government, as well as with the previous Deputy First Minister.

7. Performance Report as at end of January 2024 – SE(24)02

Susan Moore joined the meeting to present the performance report, which provided an update on performance and delivery across the business.

As at end January, two of the six published measures had been achieved, with the remainder forecasting to be achieved, and exceeded in some cases. The Growth Funding measure was forecasting to reach bottom of the target range, and this was being closely monitored.

The report included a spotlight on exporting, providing analysis on its contribution to the Scottish economy and key findings from the Scottish Government led evaluation on export support.

An overview of activity following SE's Strategic Ambition Launch was included, showing strong results across all channels, with the number of impressions and engagement rate indicators higher than normal. A snapshot of some of the positive press coverage was also included.

Susan outlined the key changes to the top five risks.

The Board conveyed their congratulations on performance given the challenging year. A question on the measure ranges for the next financial year was raised and Adrian advised that they would be heavily informed by the Mission operating plans. Key challenges were highlighted including inward investment and the impact of the reduction in Financial Transactions funding on the Growth Funding measure.

Political risk was raised, and it was agreed that this would be a helpful discussion to include in the Board Strategy session in terms of context for the environment SE was operating in.

A discussion followed on Cyber risks, which was out with risk appetite. This would be reviewed following the refresh of risk categories and appetite. On data and digital, Neil confirmed that the risk related to SE as an organisation and preparation to meet challenges and opportunities, not on how SE supports customers. An annual review of data and

digital would be coming to the Board in April, followed by refreshed Data and Digital Strategies in August.

Following a question on the pipeline for scale in manufacturing and connecting with priority areas, Adrian confirmed that following SE's manufacturing proposition as part of the missions, new projects and investors were starting to come into the system, particularly in areas such as robotics, medicine manufacture and pharmaceutical manufacture,

The Board sought information on the pipeline for FDI and Reuben confirmed that the pipeline was strong, but moving towards the energy transition, there was some uncertainty on whether the projects would land. Scotland's competitive advantage was acknowledged but there was an increasing need to drive further with CfD contracts, grid connection, consenting and regulation.

The Board thanked Susan for the progress report.

FOR DISCUSSION/APPROVAL

8. SE Pension & Life Assurance Scheme Update – SE(24)03

Willie welcomed Alistair Gray to the meeting, advising that Alistair was due to retire in September as Chair of the Pension Scheme.

Alistair provided an update on SE's pension scheme, outlining the challenges of external forces over recent years and the work undertaken to de-risk the scheme for the coming years. A recent valuation with independent covenant advisors had rated the overall employer covenant as strong. The focus of the working groups was outlined, as well as the diverse committee and enthusiastic Board, with a commitment to look at the area of EDI and pursuing ESG Plus.

Alistair thanked the Board for its support.

Willie thanked Alistair for the quality of the presentation and for his guidance of the Scheme through challenging times.

On behalf of the Board, Willie wished Alistair a long, healthy and happy retirement.

9. People Strategy 2024-2027 and Draft Medium-term Financial Strategy 2024/25 to 2026/27 – SE(24)04 & SE(24)05

Maria Bradshaw presented the People Strategy, providing an overview of the key priorities: performance and productivity, future skills, inclusive workforce and culture and outlining the areas of focus within each. Year 1 priorities in support of the missions were also outlined and were underway.

The Board sought further information on trade-offs, connection between values and activities, key activities, de-layering and broader talent reach.

Gill confirmed that the activity would be delivered within the financial budget available e.g. in terms of recruitment and tools to work differently. Maria advised that the values was part of the culture work, and would be refreshed to ensure that the values were fit for purpose. In relation to measuring the impact of the values, this was done via regular Peakon surveys to assess how colleagues felt they were able to operate. It was suggested that this could be reviewed in terms of measurement. On key challenges, Gill advised that culture change may be challenging for some colleagues, however, the leadership team was involved in supporting. A more targeted approach to broaden talent

reach would be taken to reach a different population of people, through the use of SE's purpose and colleague stories. The use of internships and graduate apprenticeships was suggested. On de-layering and spans of control, this was being actively discussed with leadership, and structuring differently to respond to the missions approach.

Willie suggested exposing all staff to companies and projects. Maria advised that previously this was included as part of the induction process, and this could be revisited to incorporate within the current process, as well as building into People Manager development. Willie also suggested inviting representatives from companies to meet with colleagues.

Willie thanked Gill and Maria for the work done in developing the strategy. Board members confirmed that they would be happy to support in any way they could.

Draft Financial Strategy: Rachel Ducker presented the draft strategy, which was work in progress and had been developed in a similar format to the People Strategy. The next stage was to develop an Action plan and slides were included on specific activities. This would come back to the Board in June.

Willie thanked the team for the draft strategy and looked forward to seeing the Action Plan.

10. Scottish Enterprise's Risk Appetite – SE(24)06

Jennifer Paul and Gary Stewart joined the meeting to lead on discussion of SE's risk appetite. The Board was asked to review the proposed risk category definitions, risk appetite levels and risk appetite statements. These had been developed through consultation with colleagues, and in line with best practice by looking at approaches adopted by other organisations. Peter had also provided input as Chair of the Audit & Risk Committee.

The Board thanked Jennifer for the very informative paper. A discussion took place on the categories, particularly in relation to the proposed appetite for reputation, stakeholders, customers and partners and governance and operations. Gary explained that governance was applied broadly within SE and covered processes and procedures, as well as the non-executive and executive relationship. Douglas highlighted the need to be more transformative and less risk-averse with the missions approach, however, assured the Board that appropriate and proportionate governance would always be followed.

The Board was broadly in agreement with the risk category definitions, appetite levels and statements. Peter proposed that these were reviewed once a year, aligned with timing of approval of SE's strategy for the year.

11. International – Deep Dive – SE(24)07

Mark Hallan and Jan Robertson joined the meeting to present on SE's current international activities, and to seek the Board's views on issues relating to future focus.

This paper provided an overview of SE's overseas footprint, the 23/24 year-to-date performance, and planned future focus. Reuben outlined the overarching ambition within the missions to internationalise, highlighting the good foundations already in place and SE's international resource and focus on key priorities.

Mark outlined the work underway on the energy transition, the focus on identifying opportunities, and the positive results achieved to date in terms of jobs in the pipeline associated with energy transition projects and export sales anticipated. There was

however, significantly increasing uncertainty in the market and the Board's view was sought on mitigating risks.

Jan updated on the positive results in Trade in the past two years, with significant results anticipated in the current year. The key challenges were outlined in terms of shifting the dial and the Board's view was sought on how to drive increased trade in companies.

The Board discussed opportunities in Asia, the pace of the energy transition, how cross-cutting major themes are translated into decision-making, and challenges in building capital investment opportunities.

The team updated on the strategic prioritisation and country segmentation which had been undertaken, as well as focus on demand by building partnerships to identify opportunities. This included fostering domestic partnerships and cross-Team Scotland programmes focused on supply chain. The time to build networks was acknowledged therefore, decisions needed to be taken on which markets to focus on in future years. The team advised that Scotland was well placed due to the companies and products it has to respond to energy opportunities, particularly in terms of supply chain, services, geological and carbon storage. Match-making work was underway to try to inform what happens in Scotland in terms of innovation and building the ecosystem. In terms of capital investment, Reuben referenced recent engagement with the middle east on their focus and ambitions, and work was underway to respond and create opportunities for projects in Scotland. With the missions approach, there was a key emphasis on international and a need to resource appropriately from across the organisation.

The Board encouraged continued focus on markets of the future and engagement at an early stage to develop opportunities.

Willie thanked the team for the discussion and conveyed the Board's appetite to help.

12. Property Portfolio & Strategic Property Acquisition Programme (SAP) Implementation Update – SE(24)08

Michael Wright and Garry Williamson joined the meeting to discuss the property portfolio and Strategy Property Acquisition Programme. Jane provided an introduction to the discussion which aimed to raise Board awareness of management of the portfolio in recent years and the critical importance of using assets to lever objectives and outcomes towards the missions.

The paper provided an update on the performance of the property portfolio and the contribution it makes to SE's strategic priorities, an update on the Transition to Net Zero roadmap for the portfolio and a progress report on how the missions based approach is driving the Strategic Acquisitions Programme (SAP). Michael provided a high-level overview of the assets within the portfolio; categorisation of the assets in terms of strategic value; and the current financial performance.

The new strategy provided an optimal time to rebalance and refresh and the Strategic Acquisition Plan would provide an opportunity to purchase assets which made a significant contribution to the missions.

The Board commented positively on the paper and the innovative approach taken. Further information was sought in terms of financial metrics and scenarios to outline how this

translates within SE's broader strategy. Further insights into the journey to net zero were also requested.

A further paper would be brought back to a future Board meeting.

FOR INFORMATION

The papers for information were noted.

Willie highlighted the testimonial in paper SE(24)11.

Neil updated that the analysis on approvals and alignment to mission would be provided in next the Approvals within Delegated Authority paper, following finalisation of the missions delivery plans.

13. Mangata Networks LLC – Satellite Manufacturing Opportunity – SE(24)16

14. Notification of New Interest – SE(24)09

15. Economic Commentary – SE(24)10

16. Approvals Within Delegated Authority – SE(24)11

17. Testimonials & Complaints – SE(24)12

18. CEO and Chair Summary of Key Activity – SE(24)13