SCOTTISH ENTERPRISE BOARD **SE(M)361**

MINUTES OF THE SCOTTISH ENTERPRISE BOARD HELD ON FRIDAY 26 JUNE IN THE PREMISES OF PRESTWICK AEROSYSTEMS

Present: Professor Sir Jim McDonald
Adrian Gillespie Chief Executive
Raymond O'Hare
Graham Soutar
Professor Stephen McArthur
Jacqui Gale
Cameron Murray
Greig Rooney
Luke Logan
Stuart Patrick

In Attendance: Jane Martin, MD, Regional Economic Development Partnerships
Gill McNeill, Chief People Officer, People, Digital and Communications
Kerry Sharp, Chief Finance & Investment Officer
Reuben Aitken, MD, Energy Transition and International Operations
Rhona Allison, MD, Productivity and Business Growth
Colin Cook, Scottish Government
Richard Rollison, Scottish Government
Karen Hannah, Corporate Office

Apologies: Jan Robertson, Operational Managing Director Grangemouth Transition

STANDING ITEMS:

1. Prestwick AeroSystems Ltd

The Chair welcomed John Gillbanks and Paul McCubbin to the meeting.

John and Paul provided an overview of Prestwick Aerosystems' history, current areas of focus and ambitions for the future. They highlighted the importance of the aerospace industrial / business cluster at the site and working in collaboration with partners, and noted the strong relationship with SE which has enabled huge growth for the site.

The Chair thanked John and Paul for the presentation and for hosting the meeting.

The Chair sought any declarations of interest. Greig Rooney and Professor Stephen McArthur declared potential conflicts of interest for item 15.

2. Minutes of the Meeting held on 24 April 2026 – SE(M)360

The minutes of the Board meeting held on 24 April 2026 were approved. Stuart Patrick sought clarification on the operation of Board sponsor roles, including whether engagement should be proactive and the appropriate route for contact. Sir Jim confirmed that a proactive approach was appropriate, while recognising the distinction between Executive and Non-Executive roles. It was agreed that meetings with key contacts between Board meetings may be appropriate, with Executives to make initial contact with

their respective Board sponsor. Board sponsors would also be consulted during the development of any Board papers relating to their areas of interest.

The minutes were approved.

3. Matters Arising – SE(349)MA

The matters in progress were noted.

4. Board Committee Updates/Minutes

4.1 Board Urgent Approval Meeting, held 14 May 2026 – SEBUA(M)(26)04

The Minutes of the meeting were approved.

4.2 SE Board People & Governance Committee, held 27 May 2026 – SEPGC(M)(26)01

The Minutes of the meeting were noted.

4.3 Audit & Risk Committee Meeting 23 June 2026

Graham Soutar provided an update on discussions from the Audit and Risk Committee meeting, noting that the Committee had considered the Annual Accounts, the Audit and Risk Committee Annual Report, internal and external audit activity, and risk matters. It was agreed that benchmarking papers should be shared with the Board going forward.

Adrian noted that Audit Scotland had commented positively on the benchmarking work and regarded it as good practice.

Sir Jim McDonald welcomed the clean audit opinion and noted that some risks sat outwith Scottish Enterprise's direct control. The Board discussed how further support might be provided, including through engagement with Scottish Government colleagues.

Graham Soutar highlighted the value of the Committee's discussion on cyber risk, including the importance of Board visibility of the EIS partnership and sufficient information to support understanding and oversight. It was noted that, while the overall risk position had reduced, the Committee had placed greater emphasis on resilience and recovery.

5. Chair's Report

Sir Jim congratulated Jane Martin on receiving an MBE in the King's Birthday Honours.

The Chair provided an update on recent key meetings, including, GEL Board Meeting with Professor Sir Ian Chapman; the PSR Chairs Cluster Meeting; meeting with the CEO and Chairs of HIE and SOSE and introductory meeting with Ben MacPherson, Minister for Innovation, Technology and Tertiary Education.

6. Chief Executive's Report

Adrian commended the team in the UAE for continuing to deliver, despite the recent period of conflict in the Gulf. The team was also instrumental in the Embassy response. Discussions continued with Hub 71, Masdar and Dubai Chambers on inward visits and also in discussion with the Ministry of Investment, the Abu Dhabi Investment Office and the Abu Dhabi Chamber on post summer join activity.

Scottish Government have allocated £100k of funds for UAE activity, and teams in Scotland and UAE are finalising plans for this spend – including Scotland Week. Adrian confirmed that the new Cabinet Secretary was keen to continue UAE engagement.

SE's new Organisational Structure was introduced on 11 June, with consultation ending in mid-July and implementation expected in August. This had been mainly well received. There were 25 roles that had been displaced and discussions were ongoing with the individuals affected on future options. Adrian thanked the Executive Leadership team and wider leadership colleagues for their support throughout the process.

Once live in August there will be a period of further efficiencies to achieve SE's target. Current headcount was 868 with a 20% reduction over the last 5 years, on top of significant reductions over the last 10 years. The Chair acknowledged the work done to date.

Jan Robertson had taken up the position of MD Energy Transition and Transformational Programmes on 7 June.

Rachel Ducker was also finishing her role as Finance Director (last day today due to holidays). Rachel had advised of her intention to take up a new opportunity at Edinburgh Zoo and the Highland Wildlife Park. However, she had agreed to remain with SE to see the Annual Accounts process to its conclusion, particularly with a key member of the Finance team being on bereavement leave. Adrian thanked Rachel for her excellent contribution to SE over almost 3 years. Alan Maitland will take over as Finance Director on an interim basis.

The new North East Director was due to join in August to lead SE's North East engagement.

Recruitment for a Digital Customer Director, reporting to Jan, has concluded and the preferred candidate has been offered the position.

Adrian had recently hosted six colleague sessions with over 700 colleagues attending. The sessions focused on a look back at performance over the last financial year and a look ahead and operating environment.

The most recent Peakon survey had closed this week which showed engagement had dropped by 0.2% to 7.2%. Key themes were communications and change coordination which would be included as areas of focus within Ambition 28 delivery.

The ERP Implementation activity had completed a third Scottish Government Technology Assurance Framework review with green/amber results and strong endorsement for SE's approach. Adrian thanked the team for all the work being done on the implementation.

Adrian reported on the 2026 EY Attractiveness Survey which showed that Scotland has retained its position as the UK's leading destination for foreign direct investment (FDI) outside London for the 11th year. The First Minister announced the results at Guala Closures visit. The Board noted the strong performance and conveyed congratulations to the team.

Adrian updated on recent engagement with new ministers: Ben MacPherson and new Cabinet Secretary, Stephen Flynn, where he joined him for a visit to Celtic Renewables. A formal introductory meeting was also being scheduled, as well as meetings with Mr Gethins and Mr McKee.

The First Minister hosted a session on Public Sector Reform on 8 June, with a clear message across all public services to think about how we deliver at pace and at a holistic system level. Adrian noted that SE had achieved a great deal with Ambition28 and PSR and were keen to share SE's journey with other organisations and learn from others.

Adrian joined the First Minister on 27 May for the opening of the new Hitachi Engineering Centre of Excellence. Hitachi's investment would create circa 90 highly skilled roles in Glasgow. SE provided support for the project, including a grant of £1.7m.

The US team recently hosted a successful two-day programme for the First Minister in Boston including delivering 8 FDI meetings, an AI Roundtable, where the First Minister provided the keynote address and a joint reception with Visit Scotland. The First Minister and his team had huge praise for SE's ability to deliver a very robust FDI programme.

Adrian updated that the Commonwealth Games programme had now been finalised and SE was leading on three events: Globalscot Connect 25, Young Leaders and a Productivity Powerhouse, as well as collaborating with partners on other trade events.

Following an internal review, audit findings and ongoing engagement with the Scottish Government, SE has updated its Human Rights Due Diligence (HRDD) policy. There had been some media articles earlier in the week in the National on an Amnesty International letter to Stephen Flynn, Cabinet Secretary asking him to intervene to ensure our HRDD policy is published – this followed an FOI where the policy was withheld.

Scottish Government has approved a partnership proposal with overall programme budget of £1.8m between consortium of SE, HIE, SoSE, the Data Lab and Business Gateway (COSLA) for a National SME AI Adoption Programme 2026/27. The programme will build on last year's model with an increased focus on more mature projects.

The Chair expressed his gratitude to the CEO and team for the significant effort and outcomes demonstrated in the report.

7. Finance Report as at the end of May 2026 – SE(26)32

Alan Maitland joined the meeting to present the Finance Report as at the end of May 2026. It was noted that increased income, including higher listed share valuations and reduced expenditure in large grants, had reduced the capital over-allocation to £19.9m. This provided scope to release up to £10m back into business activity, subject to prioritisation.

The Board noted that the resource position had moved from an over-allocation to an underspend position, largely due to year-end carry forward assumptions. Approximately £2m was expected to be released back into business activity. The increased flexibility from Scottish Government, including removal of the income cap, was welcomed as it allowed increased income to be used more effectively.

The Board discussed the key risks, including the backloading of capital expenditure, uncertainty around non-listed exits, movements in listed share valuations and expected credit losses. It was noted that these areas would continue to be monitored closely, with further decisions informed by half-year asset valuations and the year-end position.

In discussion, Board members considered the levers available to accelerate or manage spend across projects and partnerships, including opportunities to demonstrate where Scottish Enterprise's influence had helped secure investment, even where resources were not directly allocated by SE.

The Board noted the financial position and the key risks set out in the report.

8. Performance Report – SE(26)33

Dinker Bhardwaj presented the Performance Report, noting that it was early in the reporting year and that the RAG ratings reflected emerging signals against the annual

targets. It was noted that job outcomes were lower than at the same point in the previous year and that the pipeline was less strong, although this would continue to be monitored closely.

The Board noted mixed performance across the missions, with positive signals in Energy Transition and progress on relationship-building and priority projects across other mission areas. Internal A28 projects were also noted to be progressing, including key work on data modernisation and the finance strategy.

The Board discussed the Corporate Risk Register, including the impact of the external environment, public service reform and regionalisation. It was noted that risks had been re-characterised and re-scored, with a number remaining above or on appetite, reflecting the continuing challenge of delivery within reduced budgets.

The latest Peakon survey showed a slight reduction in the overall engagement score, with feedback largely focused on the organisational restructuring and associated communications. It was noted that this would be kept under review by the Executive Team during the consultation period.

Board members welcomed the presentation of the report and discussed the reasons for lower job outcomes, including pipeline timing and internal system changes, and noted the continuing significance of Energy Transition jobs within the overall position. The future relevance of jobs as a performance measure was discussed, including the need to reflect higher-value jobs, wider economic impact, and the nature of larger and more complex projects. It was noted that capital investment outcomes could be more variable due to dependence on a smaller number of significant projects, while job outcomes were more diversified.

Members also noted the importance of communicating SE's wider leadership role and external impact, including where outcomes were influenced through partnership activity rather than direct investment alone. The Board agreed that further discussion on the nature and quality of future job outcomes would be valuable.

The Chair thanked Alan and Dinker for the reports.

FOR DISCUSSION/APPROVAL:

9. International – SE(26)34

Mark Hallan, David McPhee and Victoria Carmichel joined the meeting to present SE's new international approach, outlining the current operating context, SE's global footprint and recent trade and investment performance.

David outlined that the new approach would develop a full spectrum international offering to deliver on SE's Mission approach, building on successful trade and FDI global operations to date.

The Board noted that international trade performance remained strong in a challenging global environment, and that it was important for SE to maximise the impact of its international activity. Members welcomed the proposed whole-organisation approach, underpinned by a culture shift across staff.

The paper outlined a number of key propositions, including strengthening trade support and upskilling, maintaining a focus on food and drink, enhancing inward investment market activity through concierge services, strengthening of a London Global Hub, and

responding to emerging policy and manifesto commitments through closer integration between Scottish Development International and Scottish Government activity.

In discussion, members considered how SE could support companies with the greatest potential to grow international trade and contribute to wider national targets. It was noted that macroeconomic conditions, trade agreements and wider policy levers would influence progress, but that SE could add greatest value by targeting companies with strong export potential and offering more integrated support across trade, innovation, investment and productivity.

Members discussed the importance of a clear and consistent narrative on food and drink, recognising its continuing importance to Scotland's trade performance. It was agreed that the proposition should be clear across all elements of the approach, including in relation to emerging Scottish Government policy and manifesto commitments. Adrian and the Chair would raise these matters through ministerial engagement.

The Board discussed the role of GlobalScot, ministerial visits and global market insights in identifying and progressing international opportunities. It was noted that GlobalScot remained an important resource and should be integrated more effectively into the overall approach, with clearer routes for companies to access relevant support and expertise.

Members also discussed inward investment, noting that while Scotland continued to perform strongly, global conditions were becoming increasingly competitive. The proposed focus on pipeline development, use of data and AI to target companies, enhanced concierge services and stronger aftercare for existing investors was welcomed.

The Board noted the importance of communicating the offer clearly to businesses and industry, and of encouraging greater demand for trade support. Members welcomed the proposed integration of trade and innovation activity as a means of increasing uptake, supporting scale-up and helping companies move up the value chain.

The Chair thanked the team for the presentation and discussion. The Board confirmed its support for the proposed international approach and noted that it would remain engaged as the work developed.

10. Annual Report and Accounts 2025/26 – SE(26)36

Kerry Sharp introduced the Annual Report and Accounts 2025-26, highlighting continued delivery in a challenging economic environment. Kerry highlighted that SE had supported 1,061 companies, delivering 1,686 projects during the year which contributed to SE's outcomes. Performance against headline measures had been shared with the Board, with outcomes reaching the lower end of target ranges except for the jobs measure, which was narrowly missed.

The key achievements were outlined, including £182.5m of grants awarded to 663 organisations, £50m invested in 105 early-stage companies, £163m of additional external leverage secured, 139 inward investment projects were supported and contributed 6,171 jobs towards the jobs target. continued contribution towards jobs targets, and support for 345 companies to decarbonise their operations.

Progress against SE missions was outlined, highlighting examples such as, activity to accelerate the development of market-ready offshore wind opportunities, strategic investment in innovative infrastructure and high-growth firms, and the launch of a new capital grants scheme to support the creation of higher-value jobs.

Kerry highlighted some key information from the Accountability Section, which included the governance and remuneration reports, and the Parliamentary Accountability report which outlined the financial outturn position. The final budget was £356.6m made-up of £232.7m of grant-in-aid and £123.9m of non-cash allocations. The final outturn for SE was £3.9m underspend (£1.8m capital and £2.1m resource) against the £250.1m fiscal budget, driven by small reductions across various spend areas. The Board noted the positive outturn position, with a balanced delivery position achieved through controlled and effective financial management during the year.

In relation to the financial statements, net expenditure was reported at £307.9m, including operating expenditure of £241.7m. The Board noted the reduction in legacy project expenditure and that staff costs had increased slightly, with reduced headcount (3.6%) offset by pay awards.

The statement of financial position showed net assets decreasing by £45.8m to £469.6m, driven principally by an £80.6m reduction in the value of the investment portfolio. The principal cause of this was a substantial downward fair value valuation adjustment of £115.7m reflected prevailing market conditions, which had been anticipated by the investment team and at the half year review. The retirement benefit position improved from an £8.2m deficit in the previous year to an £11.3m surplus, driven by higher discount rates and lower inflation assumptions.

Kerry advised that Audit Scotland had issued a clean audit opinion. The Board noted positive feedback on the quality of the audit papers and the responsiveness of the finance team, which was a key factor in the achievement of the tight timetable for issue of the Audit Report. Two audit findings relating to valuation adjustments were highlighted; one adjustment of £666,000 had been reflected in the accounts and one (£980,000) had not been adjusted due to timing and materiality considerations, with no impact on the audit opinion, due to their lack of materiality.

A number of recommendations were noted which management were addressing, focused on continuous improvement. Prior year actions had been implemented.

Subject to Board approval, the Annual Report and Accounts would be laid before Parliament by the end of August. Work would continue with Scottish Government and communications colleagues to prepare for publication, including both positive messaging and anticipated areas of challenge.

Kerry acknowledged the significant effort across the organisation in preparing the accounts and completing the audit. Kerry also thanked Thomson Cooper and Audit Scotland for their positive engagement and support in completing the audit to timetable.

The Audit & Risk Committee had highlighted some typographical errors, which had been revised. Adrian also asked for Audit Scotland's opinion on the length of the report, and this is something that would be considered for next year.

Graham highlighted the clean audit report and referenced the level of scrutiny involved in the process with praise from Audit Scotland for the team on their professionalism, responsiveness and high-quality papers. The Audit & Risk Committee recommended approval by the Board.

The Chair expressed appreciation on behalf of the Board to the Audit & Risk Committee and to the team for the work throughout the audit process.

Sir Jim noted that this was Rachel's last day with the organisation. On behalf of the Board, he thanked her for her contributions and wished her well in her future role.

11. Scottish Enterprise Operating Plan 2026/27 – SE(26)37

The Board considered the Scottish Enterprise Operating Plan 2026/27, noting that it set out SE's focus for the next 12 months under the organisational strategy and would be published on the website. It was noted that targets had been developed following previous Board feedback, taking account of the pipeline and operating environment, with an appropriate balance of stretch and realism.

The Board discussed how the missions would deliver against Scottish Government priorities, including the role of priority projects and the importance of clearly articulating the choices made through prioritisation. Members noted that the plan should make clear what SE would focus on, and where relevant implicitly reflect areas that would not be prioritised.

The Board agreed that the approach to 'choicefulness' should be presented positively, potentially through the Chief Executive's foreword, and that further information on the budget process would be shared with Board members.

Members discussed the balance of ambition across innovation, international activity and missions, including how SE could use its knowledge, networks and technology to scale activity and impact. The Board also noted the potential value of considering targets over a longer timeframe, recognising that 2026/27 would be a transition year.

The Board discussed the allocation of resources across missions and the extent to which that represented a shift from previous years. It was noted that the finance strategy would support decisions on the balance between resource allocation and direct delivery, though further work was required to reach the desired balance.

Members commented on the presentation of the plan, including the need to clarify the role of A28, enhance the "plan on a page", and ensure visual consistency with Scottish Enterprise's brand colours. It was agreed that elements of the plan would be reviewed and refined.

The Board discussed the scale of activity proposed and the importance of converting pipeline into tangible outcomes. Members also highlighted the need to call out issues at an early stage and to show how A28 underpinned delivery of the plan.

In relation to Energy Transition and Grangemouth, the Board discussed the importance of balancing net zero, energy transition, energy security and economic resilience within the plan. Members also noted the need to recognise delivery across regions and the wider public service reform context.

The Board considered the proposed measures and target ranges, noting that these reflected both stretch ambition and the reality of available resources. It was noted that the target for Real Living Wage jobs reflected a stronger ambition for higher-paying jobs, while some other measures were slightly lower in recognition of the operating environment.

The Board approved the Scottish Enterprise Operating Plan 2026/27 and delegated authority to the Chief Executive to make any minor changes prior to publication.

12. Venture Building For Scotland – SE(26)35

Derek Shaw and Nicola McMillan joined the meeting to present the proposal for Venture Building for Scotland. It was noted that SE had been reviewing how Scotland's world-class research and talent could be more consistently translated into scalable commercial businesses, following benchmarking and engagement across the wider ecosystem.

The Board noted the proposed strategic direction towards an integrated venture builder and fund model, intended to support deliberate company creation, identify the strongest opportunities earlier, attract experienced talent and international investment, and address the gap in creating companies capable of scaling from Scotland.

Members discussed the practicalities of attracting the right talent and experience, including the role of equity incentives, external expertise and alignment around outcomes. The Board noted that the approach should build on existing high-growth start-up activity while addressing current barriers to scaling and commercial success.

The Board welcomed the direction of travel and noted the potential benefits for universities, spin-outs and cluster development. Members also discussed the need for a data-driven approach to university engagement and the opportunity to position Scotland as a centre for this type of investment and company creation.

The Board discussed relevant examples from other ecosystems and noted the need to manage associated risks, including equity returns, partner participation and the challenge of maintaining incentives and momentum in early-stage ventures. It was agreed that the future business case should provide greater clarity on what success would look like.

Members noted the importance of alignment with Scottish Government priorities and manifesto commitments, including potential links to wider innovation funding. The Board also discussed the critical role of the private sector and the need for clear coordination with the Scottish National Investment Bank, particularly around timing, procurement, messaging and the wider support landscape.

It was noted that discussions with the Scottish National Investment Bank had indicated alignment, although further work was required to ensure the fund and wider support were coordinated effectively. Members emphasised that the proposal should clearly articulate what was being proposed, why it was needed, and the urgency of progressing the work over the next six to nine months.

The Board endorsed the direction of travel and noted that Chair and CEO engagement with university principals in September would provide an opportunity to discuss the proposition further.

CHANGE REQUEST FOR APPROVAL:

13. Chemify Expansion Project Change Request – SE(26)39

Board approval was sought for this change request which would accelerate SE's grants payments in 2026–27 and 2027–28. The Board had approved investment of £22m in March 2026 the change request represented a material change to Scottish Enterprise's risk profile, while enabling the project to proceed in Scotland through the revised contractual arrangements.

The Board noted the strategic importance of Chemify as a deep-tech spin-out from the University of Glasgow, with significant global market potential and the opportunity to anchor a high-growth company and associated cluster activity in Scotland.

It was noted that the £22m investment would help leverage broader project investment and support the establishment of global research and development programmes and headquarters activity in Scotland.

The Board approved the Chemify Expansion Project change request.

14. OMICE Change Request – SE(26)38

Greig Rooney and Professor Stephen McArthur declared conflicts of interest and left the meeting for the duration of the discussion.

The Board considered the OMICE change request. It was noted that the revised proposal provided an opportunity to right-size the project in response to pipeline demand, while retaining intellectual property and maintaining the potential for future manufacturing capability.

Members noted the project's strategic importance as a large-scale collaboration with significant partners and its profile within Scotland.

The Board recognised the complexity of the proposal and the interdependence of the two project elements. Members noted confidence in CPI as a delivery partner, the continued industry engagement, and the strength of the partnership with OLS, supported by governance and control arrangements.

The Board discussed the mitigation options available should the preferred plan not progress. It was noted that approval would create time to undertake further development work, with the majority of funding due in the next financial year and traction to be assessed during the current year.

The Board approved the OMICE change request.

Sir Jim McDonald confirmed that his involvement in the inception of MMIC did not constitute a conflict of interest.

Greig Rooney and Professor Stephen McArthur rejoined the meeting.

FOR INFORMATION:

The following information papers were noted.

On Item 18, Adrian advised that a paper for fuller discussion would come back to the Board in August.

Work was also underway to capture testimonials more systematically for reporting purposes.

15. Freedom Of Information (FOI) Report – SE(26)40
16. Annual Complaints Report April 2025 – March 2026 – SE(26)41
17. Notification of New Interest – SE(26)42
18. Impact of Election & Early Engagement with New Government – SE(26)43
19. Proposed Scottish Enterprise Audit & Risk Committee Annual Report 2025-26 – SE(26)49
20. Economic Commentary – SE(26)44
21. Key Performance Facts – SE(26)45
22. Approvals Within Delegated Authority – SE(26)46
23. Testimonials & Complaints April – June – SE(26)47
24. CEO & Chair Summary of Key Activity – SE(26)48