

MINUTES OF THE SCOTTISH ENTERPRISE BOARD HELD ON FRIDAY 6 DECEMBER 2024 IN ATRIUM COURT

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

In Attendance: Jane Martin, MD, Innovation and Investment
Gill McNeill, Chief People Officer, People, Digital and Communications
Douglas Colquhoun, Chief Financial Officer
Reuben Aitken, MD, Energy Transition and International Operations
Rhona Allison, MD, Productivity and Business Growth
Dinker Bhardwaj, Director, Strategy and Performance
Colin Cook, Director, Economy, Scottish Government
Karen Hannah, Corporate Office

STANDING ITEMS:**1. Minutes of the Meeting held on 25 October 2024 – SE(M)350**

The minutes of the meeting were approved.

2. Matters Arising – SE(340)MA

The matters arising in progress were noted.

3. Board Committee Updates/Minutes**3.1 Nominations & Governance Committee Meeting held 01 October 2024 – SEBNGC(M)47**

The minutes were noted.

3.2 Audit & Risk Committee Meeting held on 09 September 2024 – SEAC(M)(24)04

The minutes were noted.

3.3 Audit & Risk Committee Meeting held on 25 November 2024 – Verbal Update

Graham provided an update on the discussion at the recent meeting, advising that the timetable for the Annual Report and Accounts had reverted to pre-covid scheduling with the Board considering the accounts on 27 June and the Audit & Risk

Committee would review earlier that week. The audited accounts would now also include climate disclosures.

Other matters discussed included a review of subsidiaries and ongoing negotiations on the sale of an asset which could have potential reputational issues. A lessons learned review would be undertaken following conclusion of the sale.

The Internal Audit report included five assurance reviews, one of which provided substantial assurance, two moderate, and two limited. Discussion focused on the latter which related to stakeholder engagement events and supplier contract management.

The Corporate Risk Register was reviewed, noting two additional risks in relation to grid and critical raw materials. Four risks remained outside of appetite.

The refreshed Whistleblowing Policy was approved and outcomes from the recent Audit & Risk Committee survey were provided.

4. Chair's Report

Willie updated on a positive meeting with the Chair and CEO of Highlands and Islands Enterprise and commented on the continued strong collaboration between both organisations.

Willie also updated on the All Staff Conference, commenting on the positive feedback from staff and from the business leaders who joined the panel session. He extended his thanks to the First Minister for his video contribution which was very well received.

5. Chief Executive's Report

Adrian noted that this was Willie's final Board meeting and offered his thanks for his support and contribution to SE as a Board Member, Deputy Chair and Interim Chair over the past 9 years and wished him well for the future.

Adrian advised that SE had won the Green Energy Award, in the Industry Challenge category, as recognition of the work on the strategic investment model for Offshore Wind. The awards were delivered by a consultant on behalf of SOWEC and was positive recognition by the industry.

Kerry Sharp had also won Dealmaker of the Year, at the inaugural Insider Scotland Dealmakers Awards, which was a tremendous accolade for Kerry and the team on the delivery of the Co-investment funds over the past 20 years.

Adrian thanked the Board for their contribution to the All staff Conference. This had been the first time that the conference had been hosted on-line and had worked well. He offered his thanks to the SE team, board members, and customers who had taken part in the break-out sessions. Further thought would be given to continue to use the platform for future colleague events.

The Collaboration space in Atrium Court continued to evolve following feedback from staff and a door had now been installed to offer some privacy. The space was now booked out until April 2025. A second collaboration space was now being developed as well as quiet spaces.

Douglas provided an update on the budget settlement for 2025-26 advising that this was more positive than anticipated given the current pressures. Discussions were underway

with Colin Cook on the impact of IFRS and work was underway to prioritise the resource budget due to the additional pressure.

Adrian thanked Colin and his team for their support on helping to achieve the best position in what was a difficult process.

Adrian provided an overview of his recent US programme to Boston and Chicago, which was a successful programme to help deliver on our trade & investment agenda, with engagements driven by all three of our mission priorities. The programme included six meetings in Chicago with FDI prospects and existing investors in the areas of Energy Transition, Quantum Technology, and Life Sciences. In Boston, four meetings with FDI prospects and existing investors in the areas of Semiconductors and AI, Offshore Wind, and Robotics; and two meetings with trade prospects in Food & Drink and Life Sciences/Healthcare. Adrian also joined a roundtable focused on Offshore Wind; a GlobalScot roundtable on the Scaling Innovation Mission, and hosted an evening reception at the British Consul General's residence with Scottish university alumni and GlobalScots, leading to multiple new connections made with senior leaders in the greater Boston area.

Adrian attended the Project Willow Steering Group on 22 November where the meeting concluded phase 2 of the project, short-listing opportunities to progress to phase 3, where business cases would be developed. The process was progressing at a good pace, led by E&Y.

At the Scottish Chambers Annual Business Address on 28 November, the First Minister heard first hand from a company that SE has been supporting. He complimented SE on being an excellent organisation, which Scotland was lucky to have.

The groundbreaking ceremony for the Oligonucleotide Manufacturing Innovation Centre of Excellence (OMICE) was scheduled for 16 December, to be opened by the First Minister and Minister Vallance. SE was working closely with CPI and would be signing an MOU cementing the existing strong relationship with a key partner in the Life Sciences/Industrial Biotechnology sectors.

Adrian advised that a paper seeking further investment into Celtic Renewables would be coming forward for Board consideration in January. The company had offered a briefing with the SE Board to allow their leadership team to update on progress. The Board agreed.

Adrian also suggested holding the next Board meeting in February at Grangemouth, together with a tour, subject to the incoming SE Chair's agreement.

6. Finance Report as at end of October 2024 – SE(24)73

Rachel Ducker joined the meeting to provide the Board with a review of the financial results to the end of October 2024 (Period 7) and an update on the latest full year forecasts for the 2024/25 financial year.

The R-Del overspend had reduced by £1m since September and C-Del was showing a slight underspend. Projects were being explored to accelerate to reach a balanced budget. Financial Transactions (FTs) were forecasting a balanced position. A prioritisation exercise was being undertaken on R-Del uncommitted spend.

Overall income had decreased by £0.7m due to the reduction of in year transfers for the Green Hydrogen Fund following a re-assessment of the deliverability of projects this financial year. A potential land disposal was not currently included in the business income forecast but was expected to generate c£30m if it proceeded. It was probable that a

significant element of the receipt would be returned to the Scottish Government as it would result in SE exceeding its agreed business income target for 2024/25.

There remained significant backloading in expenditure and options to reduce this for future years were being explored.

The Board sought further clarification in relation to balance of spend on Missions; confidence levels on exits, and benchmarking with other economic development agencies.

On the balance of spend, Adrian explained that a number of projects cut across all missions and there was some transitioning moving out of old commitments and newer projects taking longer to come through. There was also some slippage in the inward investment pipeline.

Rachel explained that the confidence level for land disposals was a best estimate at this point in time due to the nature and timing of the exits.

In relation to benchmarking, Adrian confirmed that SE regularly undertook benchmarking with other economic development agencies in Scotland. He referenced Business Finland as the closest internationally.

DISCUSSION:

7. Club fund – Proceeding to Fundraise – SE(24)74

Kerry Sharp and Sarah Hume joined the meeting to provide an update on progress of the Club Fund and to discuss next steps. On behalf of the Board, Willie congratulated Kerry on the Dealmaker of the year award.

Kerry provided an overview of the focus of Phase 2 since the last discussion with the Board in August, where the key areas of focus were on regulation and legislation, to ensure there was no impediment to proceed, and conversion of data to investor KPIs.

Sarah provided more detail on the work involved as part of phase 2 on delivery readiness, soft testing in market and considerations around the fundraising strategy, all of which included engagement with stakeholders throughout. It was recognised that this was complex and challenging, but ambitious and, if successful, transformational for SE's role supporting early-stage Scottish companies. Evidence suggested there was a credible proposition to market and the fund managers the team had engaged with were very supportive. This was an exciting opportunity but not without risk as there is still much to do to finally assess if the proposition could be taken to market. It was further noted that there remained a need for significant resources as consideration of the model progressed throughout the next stages and also if the Club Fund was to be delivered. The next phase of work would provide more clarity on these costs.

On balance, it was recommended that the Club Fund proceeded to the next stage and ELT had approved this subject to a continued view on the costs of progressing vs level of confidence on delivery.

The Board sought further information on: the role of Alternative Investment Fund Manager (AIFM) vs SE's role; additional resource required; principles of success; and investment eco-system views.

Kerry acknowledged the points raised in relation to the use of an AIFM and explained that the model would only work for SE if the AIFM was able to deliver a role which complemented the SE role. How all the roles would come together would be determined

through the AIFM appointment process. Graham suggested the use of external support for fund raising as an alternative. Kerry was open to having a further discussion and advised that placement agents had been considered by the project team, but current thinking was that the targeted investors would be niche and the costs/benefit of using placement agents was currently not looking favourable.

In relation to additional resource to progress to market, it was anticipated that a further 10 roles would be needed for delivery of the Club Fund if successful. While this would be a permanent cost to SE, it was anticipated that this would be offset by fees.

On principles for success, Kerry outlined the need for a vibrant risk capital market in Scotland for early-stage investments and a need to increase investment levels into innovative high growth potential start-ups and spin outs. The Club Fund would provide a vehicle to bring in institutional capital alongside SE, increasing the scale of funding available to the early stage. In light of the budget situation going forward there was also a need to reduce SE's financial commitment to this area of activity, if possible, which the Club Fund would facilitate.

Sarah confirmed that through market testing, the investment eco-system was supportive to what SE was seeking to do.

Willie commended the team on the work involved and the progress made given the complexity. The Board was keen to be updated on progress and the team was encouraged to use the expertise of the Board members to help progress where required.

8. Communications & Marketing (CAM) Delivery Update and introducing “We Back Ambition” – SE(24)75

Jacqueline Anderson and Marina McIver joined the meeting to provide an update on progress on the Communications and Marketing (CAM) Strategy and to give the Board an insight into the We Back Ambition Campaign.

Jacqueline provided an overview of progress since presenting SE's refreshed brand the previous year, taking account of SE's new values, and outlining next steps. Third party research had been undertaken which had highlighted confusion in the eco system on what SE can offer to customers. The campaign aimed to reposition SE externally, building its position as a dynamic, impactful and ambitious organisation, driving transformation in Scotland's economy.

Engagement with colleagues, partners and customers had been undertaken on the campaign with positive feedback.

The Board commented very positively on the campaign which was considered to be bold with a clear brand proposition. Further information was sought on the key focus and the team confirmed that it would be targeted to ambitious organisations who want to scale and internationalise. A question was raised on resource to manage leads generated. The team advised that the campaign would be small and targeted through the missions, however, discussions had been held with the Business Support Partnership in readiness of redirecting leads which were not within SE's target market. The Board suggested showcasing the personal journeys of companies on how they became ambitious to encourage other companies to follow suit. Careful consideration to be given to the channels used to ensure a broader reach, including using partner events.

Willie thanked the team and reiterated the comments from the Board on the quality, tone and impact of the campaign.

PROJECTS/PROGRAMMES FOR APPROVAL:

9. Edinburgh BioQuarter – Strategic Update paper on Delivery Options – SE(24)76

Derek Shaw, Derek McCrindle and Lisa Hannon joined the meeting to present potential future options for SE for an alternative delivery strategy to realise the vision for Edinburgh BioQuarter (EBQ) as a globally renowned Health Innovation District. The aim of the discussion was to gain an indication of the Board's long-term investment and risk appetite in relation to EBQ. Insights gained from the discussion would inform a more detailed appraisal of options, alongside any additional options which may arise from ongoing discussions with EBQ Partners. A fuller business case would then be presented to the SE Board for approval at the end of the financial year (April 2025).

Derek Shaw provided a summary of the background in relation to the unsuccessful procurement process to appoint a developer. He outlined the continued commitment of the partners to maintain momentum and to build on the good work done in recent years, building on the significant assets that the EBQ has, and the continued long-term vision of EBQ as an innovation health district, with mixed use development and commercial space.

The two key priorities were outlined: to commercialise the innovation space and bring on additional capital, and to explore the options available. Four strategic options were set out, ranging from divesting of SE's land and property; investing in assets; SE taking the lead on delivery of building at EBQ; and, leading on the overall vision. Varying degrees of risks were outlined for each.

The Board sought further information on the opportunity in relation to other opportunities in SE's business plan and wider implications of the options; barriers to attraction of commercial developers to Scotland; and, blockages to becoming commercially viable.

In terms of the opportunity, Derek confirmed that the options were being considered in alignment with the Scaling Innovation Mission. Jane confirmed that the further paper would include opportunity costs, which would be one of the criteria assessed.

Derek McCrindle explained that there was interest from the private sector to invest in Scotland, however, this wasn't coming through at this time and the team was looking at de-risking the opportunity as far as possible to attract interest. Jane outlined some of the potential barriers, including consenting, planning, and expense of build.

The Board welcomed the options put forward and conveyed key comments for consideration, including: blockages to being commercially viable, the type of partner sought and the need to pitch to partners and investors accordingly; inhouse capability vs third party; demand and whether this was a market SE wanted to continue to support; opportunity to sign up further university partners and the need to demonstrate Scotland's commitment in this space.

Willie thanked the team for the paper and the Board looked forward to the further paper in April 2025.

10. Edinburgh BioQuarter – SPEN Electrical Substation – SE(24)77

Derek McCrindle and Lisa Hannon presented this paper which sought approval for gross expenditure of up to £14.32m (inc. VAT), made up of £13.9m and £0.42m development funding, to fund the cost of a new electrical substation to be delivered by SPEN (Scottish Power Energy Network) at Edinburgh BioQuarter (EBQ), to facilitate and unlock future

commercial and residential development, under Section(s) 8(1)(a) of the Enterprise and New Towns (Scotland) Act 1990.

Derek explained that securing an additional power supply was a key dependency for the future development of Edinburgh Bioquarter and was required regardless of the strategic delivery option SE progresses. Supply from the current sub-station was limited to 5.5MVA and although further supply of 6MVA may be available from 2025, this cannot satisfy projected demand from future development at EBQ or SE's plans for future commercial healthcare space and residential development. The medium-long term development of EBQ was therefore dependent upon securing adequate power supply. The University and NHS would also contribute, and separate contracts were in negotiation. Delegation to the MD of Innovation and Investment was sought on SPEN contract terms and separate cost sharing agreements with stakeholders.

The Board asked about the consequences of not proceeding. The team outlined SE's legal obligation, as well as the impact on future marketing and promoting opportunities of the site should this not progress. Timing of the decision was also questioned in terms of waiting until the strategic decision in April. Derek advised that work had been in progress for the past 6 months and a decision at this point would provide security to partners and avoid the potential of costs increasing. Jane highlighted the low risk of all of the options as costs would be recouped. The Board suggested selling spare capacity as part of the business model going forward.

Willie thanked the team for the paper, and this was approved, including delegation to the MD, Innovation and Investment on SPEN contract terms and separate cost sharing agreements with stakeholders.

FOR INFORMATION:

The following information papers were noted.

- 11. Growth Investments Portfolio Segmentation and Approach – SE(24)80**
- 12. Critical Raw Materials & Technologies – SE(24)81**
- 13. Approvals Within Delegated Authority – SE(24)83**
- 14. Testimonials & Complaints – SE(24)84**
- 15. CEO & Chair Summary of Key Activity – SE(24)85**
- 16. AOB**

Sue commented on the Critical Raw Materials and Technologies paper, highlighting the important focus on circular economy. Richard agreed that there was a great deal that could be done in Scotland to align the critical circular economy to strengths in Scotland's economy.

It was agreed that a Board discussion on implications and challenges would be scheduled at the appropriate time.

Willie stated that it had been a privilege to be a Board member and Chair of the SE Board. He wished SE continued success, and he committed to continue to be an ambassador for SE. He thanked the Board and Executive Leadership Team for their support over the time of his tenure.