

An Leas-phrìomh Mhinistear agus Ath-shlànachadh
Cobhid
Deputy First Minister and Cabinet Secretary for Covid
Recovery
John Swinney MSP



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Review of grants issued by Scottish Enterprise

07 February 2023

Dear Ross,

Thank you for your letter dated the 29th of January. I note your concerns around the issuing of grants by Scottish Enterprise in relation to companies that continued to trade with Russia after February 2022 and will seek to address these fully. The Scottish Government condemns Russia's unprovoked invasion of Ukraine, and we are committed to supporting and upholding democracy, human rights and the rule of law at home and abroad.

As you will be aware, individuals with close links to the Russian regime should be captured by the formal and legally binding UK sanctions list. This is a reserved matter and as such the Scottish Government has no role in the decision-making, but officials have been in periodic contact with the coordinating UK Government team.

In addition to the UK's legally binding sanctions regime, the Cabinet Secretary for Finance and Economy Kate Forbes wrote an open letter in March 2022, encouraging all businesses to sever links with Russia - [Stop trading with Russia - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/open-letters/pages/default.aspx?id=12345). The Scottish Government and its economic agencies will not support trade and investment activity with Russia, albeit that ultimately we cannot force businesses if what they plan is otherwise lawful (including not breaching the UK sanctions regime). This is an additional, discretionary economic measure that the Scottish Government applies over and above the legally-binding UK sanctions regime.

Scottish Ministers, special advisers and the Permanent Secretary are covered by the terms of the Lobbying (Scotland) Act 2016. See www.lobbying.scot

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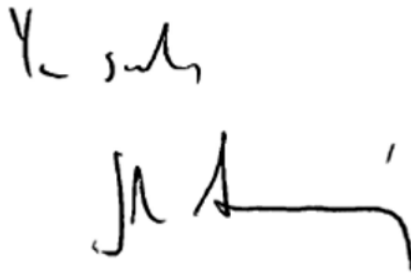
Scottish Enterprise therefore has a policy in place, which is kept under regular review, to ensure that it does not support companies that continue to trade with Russia. Scottish Enterprise undertakes checks to identify individuals and businesses subject to the UK Government's legally binding sanctions list, and will not provide support to a sanctioned company or where a sanctioned individual is identified as owning or having a controlling interest in a business. In addition, Scottish Enterprise will not knowingly provide any new support to any individual or business that seeks to maintain links to Russia or Belarus, including trading links, and will consider its legal position in relation to the continuation of any support approved prior to the Cabinet Secretary's letter of March 2022.

We have always acknowledged there might be cases where it was not feasible to immediately sever links to Russia that pre-dated the invasion of Ukraine, for example due to contractual obligations or if staff safety might be jeopardised.

I have personally raised the case of Baker Hughes with the Chair and Chief Executive of Scottish Enterprise. The £4.9 million research and development grant referred to in the Herald article was approved in April 2018 by Scottish Enterprise, pre-dating the current conflict in Ukraine, and £4.8m of the grant had been paid before March 2022. Scottish Enterprise conducts checks ahead of all grant payments being made. Since March 2022 and the introduction of these discretionary measures against Russia, Scottish Enterprise has completed legal sanctions and discretionary checks in relation to Baker Hughes, and will continue to do so in line with its policy.

I understand that there remains a small final instalment of funding due to Baker Hughes for a training grant, which was part of the package of support approved in 2018. I have been assured by Scottish Enterprise that, even though the original approval pre-dated the invasion of Ukraine, this final amount will not be paid to Baker Hughes unless both the legally binding sanctions regime and the Scottish Government's position towards Russia are being complied with.

I trust this will provide some assurance that due process is being followed.



JOHN SWINNEY