

The Scottish Forestry Trust

Trustees' Meeting, Thursday 20th April 2023 Via Zoom

Minutes

Present:

Paul Atkinson (Chair)
Eddie Balfour
Prof David Burslem
Dr Keith Kirby
Prof Adam Kleczkowski
Dr Ioly Kotta-Loizou
Tim Liddon
Dr Helen McKay
Trefor Owen
Dr Ian Willoughby
Amanda Bryan (Director)

Apologies:

Prof James Pendlebury

In attendance:

Lynne Lamont – Brewin Dolphin (Item 7 only)
David Hourston – Brewin Dolphin (Item 7 only)

1: Welcome and Apologies

The Chair, who noted this was his first meeting as Chair, welcomed everyone to the meeting particularly the three new Trustees who joined the Board in January 2023. He went on to say that ideally the Trustees meetings are held in person but on this occasion due to the timing of the Bursary Student Seminar being held on the 26th-27th April it had been decided to move this meeting online.

James Pendlebury had tendered his apologies due to having to attend a funeral.

2: Declarations of Interest

There was one topic which would be raised under AOB which relates to Forest Research and as such HM and IW would be asked to leave the meeting (JP was not present).

3: Minutes of Previous meeting

The minutes of the meeting held on 15th December 2022 were approved as presented (with one minor modification) and will be signed by the Chair.

4: Actions & Matters Arising

The Chair noted that there had been several points arising from the last meeting but that these had largely been dealt with, he invited AB to talk through the actions in turn:

Action 22/4: (updated) AB to progress a change in Trust governance to SCIO and to scope out what is required for the due diligence process by early 2023. Ongoing: Still not complete AB to circulate in the next couple of months..

Action 22/13: AB to arrange for all Trustees to complete signing of the Board Resolution to add Helen McKay as a bank signatory. Discharged: HM now confirmed as signatory.

Action 22/14: AB to review the previous MSc Dissertation support scheme and update for approval by PRC. Ongoing: Still to be completed.

Action 22/15: BM to find out more about the potential forestry investment under consideration and report back to Trustees to inform next year's investment mandate. Discharged: Having spoken to the Chairman of the company, BM offered the following advice (received via email). There is much to commend about the company's approach and sustainability credentials, with quite a bit in their reports about biodiversity and community engagement. They launched in 2021 with an initial share price of £1 and they are currently trading at £1.07 with a high to date of £1.16. Unfortunately, there are no plans for a cash dividend, but the company may offer carbon credits to shareholders instead so, unless the Trust wanted a purely long-term capital growth element in the portfolio it isn't a sensible option at this stage. RB and PA both agreed with BM's conclusion and the Trustees were happy to set this proposal to one side and come back to potential forestry investments in the future.

Action Point 22/16: AB to update Fraud Policy and recirculate to Trustees. Discharged: Circulated with Papers. This has added in Chair of PRC as an alternative to Chair of Trustees as lead in circumstances if latter was to be implicated. **Trustees approved the updated policy.**

Action Point 22/17: Trustees to reflect on whether there are any policies that are missing and to feed back to AB by end January 2023. Discharged: New Equalities and Diversity Policy (suggested by HM) was developed for approval. This was adapted from an ACAS template to suit SFT's requirements. The Trustees approved this policy which will be reviewed at the late November 2023 Trustees meeting.

5. Director's Report

AB introduced her written report and indicated she would not be speaking to each element but would be happy to take questions. She spoke to the following points:

AB updated Trustees on the discussions that Confor had been leading in relation to the office. There is still no firm agreement on the office lease going forward, this largely related to the rental payment and Confor are hoping to get a speedy resolution.

AB raised the issue of the need to update the laptop. The current laptop is now three years old and there is a need to ensure that the technology remains up to date and fit for purpose to ensure organisational resilience. There would also be an intention to move to Microsoft 365. AB hasn't firmed up costs but **£1,000 was agreed by Trustees towards a replacement laptop.** In response to a question from Trustees AB confirmed that the trust has both cloud back up (Backblaze) and hard drive back up in place.

PA also raised the topic of delegated spend limits – **Trustees agreed that AB can approve expenditure of up to £500 at her own hand, on the basis of delivering agreed forward budgets.**

AB then went on to talk about an initial meeting with potential external funders. An initial meeting with Aviva Investors had been held the day before then Trustees meeting, involving both herself and PA, and this

had gone reasonably well. PA commented that this format of presentation could be repeated with other potential partners. PA asked for Trustees who might be willing to make similar contacts (HM agreed to be involved in this activity after the meeting, previously PA, JP and RB had indicated an interest in supporting this type of activity). AB highlighted that this may result in additional Director workload if there are bespoke programmes developed and this would have to be a consideration going forward. PA also highlighted the need to manage potential conflicts around new funders. IW asked about the scale of likely funds which was then discussed – the challenge is that to date similar funders have typically provided circa £20K per annum (although this has been as high as £100K per annum). In future a more specific ask with a figure attached may be the way to go. AK also raised the possibility of returning to Aviva with a specific ask and also that there could be scope to approach AXA.

AB outlined the poor uptake of the Early Career Researchers Conference Bursary Scheme which the Trust had put in place last year with only one eligible application received and approved; this is an award of £295.70 to Kadiatou Schiffer-Forsyth from Forest Research/ University of Edinburgh to attend the 12th International Congress of Plant Pathology in Lyon, France, in August 2023. There was considerable discussion about whether the Trustees wished to continue with this scheme and at what quantum, and it was **agreed that the Scheme would be continued with a reduced annual budget of £5,000 and more heavily promoted.**

AB raised an issue that had come forward from University of St Andrews with two elements in relation to project P22-305B Pre-treatments and Fractionation of Hardwoods. The first is that the end date for the PhD is extended by 3 months (with no additional costs) to take account of the industrial placement that the student was required to undertake, which was agreed. The second element is a request for a slight increase in funding to take into account an increase in UKRI rates, which would amount to somewhere between £2 and £3K exact figures still to be confirmed. This latter point was discussed at length by the Trustees as such an award to St Andrew's would require to be rolled out to other institutions and it was important for the Trust to 'do the right thing'. It was agreed that this would be on the basis that it was a decision imposed by UKRI with no consultation and it was not purely inflationary. It was further agreed both that this required a bit more financial analysis before Trustees could make a decision and that the application guidance should be updated to stress the need for inflation to be factored in to project costs at the start of any projects as no inflationary uplifts would be provided as a rule.

Action Point 23/1: AB to undertake some analysis on what the cost implications would be to offer Bursaries linked to UKRI rates an uplift and circulate to Trustees to enable a decision to be taken.

Action Point 23/2: AB to ensure application guidance makes adequate referral to inclusion of inflation in budgets.

AB outlined the arrangements for the Bursary Student Seminar and the presentation of the Scottish Woodlands Student Excellence Award. The other event we have agreed to undertake for the 40th Anniversary is a celebration event and fundraising dinner which would take place in November. AB asked if any Trustees wished to be actively involved with the planning of that, and if so, if they could get in touch by email. There would be a further showcase in print in RSFS's Scottish Forestry later in the year.

AB finished her report by highlighting the recent flurry in new enquiries which is really hopeful. She will be circulating a concept note from Edinburgh Science Festival for early feedback in advance of a full application for Circa £12k over a 2 year period.

6. Financial Report including Risk Register

AB set out that the Trust's Current Account at Hampden is in a healthy position having recently received a number of payments from Scottish Forestry including for the Bursary Scheme and the Bursary Scheme Seminar and that we had also received the contribution from Scottish Woodlands for this year's Student Excellence Award. In terms of the payments to be approved later in the meeting there was adequate funds in place to enable these to be made. Trustees will also be asked to consider one new application which there is adequate headroom to cover if Trustees are minded to approve.

AB went on to outline the limited changes that had been made to the risk register. The main issue continues to be potential changes in the office space as Galbraith's will be giving up their lead tenancy of 59 George Street with Confor still in negotiations with taking on the lease directly.

PA asked where things were sitting with the SCIO due diligence. AB outlined the process that she was going through which was identifying all tasks that would have to be completed – this includes looking at all contracts and arrangements which will include setting up new bank accounts, transferring investments etc. This will not be a small task so it is important to consider everything in advance.

HM raised the issue of the increasing workload of PRC with the scope and level of activity already increasing and likely to increase further. She wondered if the size of PRC needs to be expanded to help share the workload further. It was agreed that this would be discussed and considered further by PRC with a recommendation taken by Trustees in August.

Action Point 23/3: PRC to consider options for increasing resilience and spreading workload of PRC with recommendations to be made to Trustees for consideration at their August meeting.

[LL and DH joined the meeting]

7: Investment Manager's Report

PA welcomed LL and DH to the meeting. LL started their presentation by reflecting on what has continued to be an unusual year in terms of change and uncertainty with inflation still running high and some instability in the banking sector. The threat of recession is still present along with wage inflation and other workforce pressures. BD has now been bought by RBC, although nothing has changed in practice. Market volatility has continued although Europe is now the best performing although the long term still shows North America as performing the best. Since the start of 2023 the best performing stocks have been energy based but SFT only has one holding in Royal Dutch Shell as we have transitioned away from these traditional stocks. She also outlined that while the US market has done well this is dominated by 7 large companies, which have been outperforming the rest. In short if you aren't invested in a small number of very good performers then you will not be matching the overall market performance.

The valuation of SFT investments as of the date of the meeting was sitting at £3.030m which is up from the end of the year (2.9%) but down on the figure at the end of March 2022 (£3,177,263) and it has fluctuated throughout this year due to market volatility as discussed earlier. In terms of income – our ask is £85,200 and current projections from portfolio income (without capital lock in) is £84,173. Yield is now sitting at 2.8% and dividends have been increasing. This yield is higher than typical Cat 6 Index of 2.1%. In terms of asset allocation there hasn't been a significant change over the period.

DH then took over and discussed the performance of different elements of the portfolio. The best performers have been Apple, ASML Holding (Dutch semiconductor tech), Amazon, Microsoft, and RELX (data management). The poorer performers have been Digital 9 Infrastructure (tech infrastructure), Abrdn

Property Income (diversified investment trust including forestry – negative impacts due to refinancing in September), Aberforth Smaller Companies Trust, JP Morgan US Equity Income and Scottish Mortgage Investment Trust (early-stage business investment negatively impacted by increase in interest rates but should improve).

DH then discussed transactions which had been fairly minimal on the basis that it is better not to trade while the market is so volatile. In January an exercise had been undertaken to reduce exposure to UK equities and to lock in some capital growth. Recent purchases included Texas Instruments, Charles Schwab, Intercontinental Exchange, Roche Holdings, and Intercontinental Exchange. When considering the holdings BD consider external positioning, internal qualities, and analytics. BD remain committed to investing the businesses that have long term growth potential that are honest, transparent, and aligned with shareholder values. He noted that these companies have struggled a bit in recent market conditions but that in the longer term they should realise their full potential.

LL outlined BD's active ESG work which is part of their responsible stewardship commitment. She set out how they have worked with the third-party fund managers they invest with using the Transition Pathway Initiative to assess BD's exposure to potentially high carbon emitting companies and then undertaking further work with them to reduce emissions.

SFT's own ESG risk report was discussed. From the analysis SFT is seen as a 'low risk' client overall although there are investments in a small number of higher ESG risk scoring companies with whom BD are engaging. In terms of carbon intensity, the SFT portfolio is sitting at 86.98 (tCO₂e/\$M Revenue) against a market comparator of 207.43.

There was some discussion about the appropriateness of the income currently being received by the Trust. LL responded by outlining the current income and returns and how that was in line with the funds that were being drawn down by the Trust. There was then some discussion about the exposure to technology in the portfolio and the mix between direct investment in more mature technology firms with exposure to smaller, newer companies being through other investment funds to spread the risk. IW asked about whether the figures reflected actual value and should we be making adjustments for real terms equivalent value to take into account inflation. There is a need for the Trustees to be aware of this. LL pointed out that it does depend on timescale and that recent markets do not reflect historic performance which would be around 8% per annum on average which is above inflation meaning that capital was protected, and the Trust also had income over this period. HM asked a question about how our own funds performance would vary from any underlying indices – LL responded that any variation would be because there would be adjustments due to variations in the actual stocks held due to ESG preferences for example.

Action Point 23/4: BD to provide figures showing real value of the Trust capital over the long and short term via email.

There was clarification with BD that there would be no changes to this year's investment mandate – either in terms of income or in relation to active investment in forestry.

Action Point 23/5: AB to confirm in writing SFT's investment mandate requirements for 23/24.

[LL and DH left the meeting]

8: Projects and Research Committee Report

KK took the Trustees through the PRC minutes and provided updates on items as relevant.

KK commented that the Committee had considered a number of project reports and that it was good to see progress being made. He then summarised the PRC's recommendations and on that basis the Trustees agreed the following:

P16-266 Improving biodiversity in lowland planted woodlands (Rick Worrell). Payment of £475 approved (Final Payment). This is a small final payment relating to a long running project looking at reintroductions of ground flora in planted woodlands. The plots will hopefully be taken on by the WrEN project to ensure that the sites will be monitored on a care and maintenance basis.

P17-273B Predicting Impacts of Extreme Weather Events on UK Forests (Tom Ovenden, University of Stirling). Payment of £2000 approved (Final Payment). This work has already seen some good papers published from this thesis. Final thesis has now been received enabling payment.

P17-274B Monitoring and Managing Genetic Diversity in Sitka Spruce (Domen Finzgar, University of Edinburgh). Payment of £2000 approved subject to receipt of final corrected thesis. (Final Payment). This too is a final payment on receipt of corrected thesis. The student has passed their viva and latest expected date for receipt of thesis (with minor corrections) is 4th July 2023.

P19-293B Dynamic Conservation of Genetic Diversity in Juniper (James Baker, UKCEH). Payment of £3741 approved (Interim Payment). This project is slightly more complex as it relates to an application for extension which will be dealt with later on the agenda. This MRes project will see two payments over a year. Good progress has been made and following on from additional responses from student to questions raised by PRC payment should be made.

P22-304 The Economic and Social Benefits of Native Woods (Community Woodlands Association). Payment of £5000 approved (Interim Payment). This is being dealt with as an interim payment as the final report was not quite ready. AB has since circulated outputs from the work but a full final report will be available for the next PRC. CWA have done a very good job on what they have produced so far.

IW asked about how information from the research was disseminated. KK indicated that the application asks for information on dissemination proposals. It isn't possible to link payments to that however as often publications follow after the research itself has been completed. AB has also been working with grant recipients to ensure that SFT work has been disseminated to a non-academic forestry audience. There was a further question about the information that was made available by grant recipients for posting on the SFT website.

Action Point 23/6: AB to consider how information and dissemination of results managed within SFT contracts and own website.

KK set out that the PRC had considered one application and one concept note at the previous meeting. The application has been recommended for approval, but the concept note was not considered suitable for a full application. The Trustees then confirmed their support for the following:

Bursary Fund: Dynamic Conservation of Genetic Diversity in Juniper (UKCEH) – extension to current MRes. The Trustees approved up to £14,000 towards Dynamic Conservation of Genetic Diversity in Juniper subject to being able to raise the balance of funds. It is understood that with the SFT contribution two thirds of the funds would be in place and that leaves one third remaining with three live applications in place for that.

Concept Note: Incentivising Tree Planting – A Long Term Solution to the Challenge of Grey Squirrel Damage. (European Squirrel Initiative). The Trustees agreed that this project is rejected on the following grounds:

- a. Grey squirrel control using the methods proposed is a very complex area and it appears that the funding requested is a mismatch (on several scales of magnitude) with the nature of the project. If our understanding that circa £10m is required to undertake such work, then this is not an area where SFT funding would make any real impact and we would therefore not be minded to support.
- b. There is also concern that no consideration has been given to regulatory issues relating to such a proposal. This is expected to be a significant hurdle with regard to practical application and therefore until all regulatory issues have been resolved then there is also a value for money question.

The Trustees agreed that the James Jones UK-Australia Research Bursary would be offered to R Bowman (University of Bangor) following shortlisting of his application and an interview undertaken by representatives from SFT and James Jones. [On making the offer it transpires that the proposed recipient has accepted an employment opportunity which is incompatible with the Bursary Award and therefore no Award will be made this year. Action will be put in place to relaunch the scheme in early Autumn 2023]

The Trustees heard the process that was undertaken to consider the 4 theses eligible for this years Scottish Woodlands Student Excellence Award. **The Trustees were happy to accept the PRC's recommendations and there will be joint Award made to:**

Dr Flora Donald: Mapping Impacts of *Phytophthora austrocedri* on Juniper.

Dr Heather Dun: Epidemiology of *Phytophthora ramorum* on *Larix* spp. and host responses to infection.

The Trustees agreed to provide an additional £400 to match Scottish Woodlands contribution of £400. AB confirmed that there was budget to cover this.

9: AOB

[IW and HM left the meeting]

AB provided feedback on a topic that had been raised previously by email. Confor had raised a query about whether SFT would be prepared to collect the funds required by Forest Research for the *R. grandis* programme. Trustees had raised several questions which AB had been able to get responses to. She set out the responses relating to both the current research use of the data and collected and the practicalities of gathering the funds. The Trustees felt that this proposal as it currently stands is not core to SFT's work and may require significant work without little additional return. There is also a fiduciary risk to the SFT as we would be taking money from a large number of people then passing that on to a third party. The only complicating factor is the potential impact of trying to raise funds for the Hylobius Research Fund at the same time. It was agreed to take the topic offline to reach a full conclusion.

Action Point 23/7: AB, PA, TO and RB to discuss the *R. grandis* proposal further offline and come to an agreed position.

Date of Next Meeting

Thursday 17th August 2023. Venue tbc, Edinburgh.

Summary of Action Points

Action 22/4: (updated) AB to progress a change in Trust governance to SCIO and to scope out what is required for the due diligence process by June 2023.

Action 22/14: AB to review the previous MSc Dissertation support scheme and update for approval by PRC. Ongoing

Action Point 23/1: AB to undertake some analysis on what the costs implications would be to offer Bursaries linked to UKRI rates an uplift and circulate to Trustees to enable a decision to be taken.

Action Point 23/2: AB to ensure application guidance makes adequate referral to inclusion of inflation in budgets.

Action Point 23/3: PRC to consider options for increasing resilience and spreading workload of PRC with recommendations to be made to Trustees for consideration at their August meeting.

Action Point 23/4: BD to provide figures showing real value of the Trust capital over the long and short term via email.

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Action Point 23/7: AB, PA, TO and RB to discuss the R. grandis proposal further offline and come to an agreed position.

Approved by Trustees on 17th August 2023

Paul Atkinson
Chair

