



## SOSE NET ZERO & NATURAL CAPITAL SUBSIDY SCHEME (NZNCSS)

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## Introduction

### 1.1 Purpose of this Scheme

South of Scotland Enterprise (SOSE) was established by the Scottish Government in recognition of the unique circumstances of the South of Scotland, and the need for a fresh approach to drive inclusive growth across the area.

Our statutory aims and powers are conferred by the [South of Scotland Enterprise Act 2019](#). These require us to further the sustainable economic and social development of the South of Scotland and to improve the amenity and environment of the region. SOSE may undertake any activities deemed necessary or expedient for achieving its goals, or conducive to the performance of SOSE's functions. This includes providing grants and loans focused on sustainability initiatives.

This Net Zero and Natural Capital Subsidy Scheme (**Scheme**) will be the principal instrument under which SOSE will grant subsidy in pursuit of our ambition to be a Net Zero and Nature Positive region and enhance our region's natural capital assets.

### 1.2 Aims and objectives of SOSE

As an agency of government, SOSE is responsible for delivering both its own goals and those of the Scottish Government as may change from time to time. The following objectives are representative of specific current targets relating to Net Zero and nature which SOSE is tasked with supporting:

- Improving the amenity and environment of the South of Scotland;
- Maintaining, protecting, and enhancing the natural and cultural heritage and environmental quality of the South of Scotland;
- Promoting the sustainable and efficient use and re-use of resources;
- Supporting the transitions required to meet the Net Zero emissions target, which is for Scotland to be Net Zero by 2045, and for emission of all greenhouse gases in Scotland in 2045 to be at least 100% lower than the baseline period (1990 levels); and
- Supporting Scotland's biodiversity and natural capital goals, which are for Scotland to have restored and regenerated biodiversity across our land, freshwater and seas by 2045. Underneath the 2045 term vision sits a key milestone of halting biodiversity loss by 2030.

These objectives form key principles against which the Scheme assessment methodology has been developed. Where the Scottish Government amends or revises a stated target or goal, SOSE will have regard to the updated version when administering this Scheme.

### 1.3 Duration

The Scheme takes effect from 1 January 2025 for a period of 6 years to 31 December 2030.

### 1.4 Legal basis for the Scheme

The Scheme is designed to comply with the requirements of the Subsidy Control Act 2022 (the **Act**) and to complement SOSE's two existing schemes, the SOSE Economic Development Subsidy Scheme and the SOSE Agriculture, Food & Drink Subsidy Scheme.

Given the caps on the maximum amounts of grant funding that can be given under the Scheme, the Scheme does not allow the giving of a subsidy which meets the definition of either a subsidy of particular interest or a subsidy of interest for the purposes of the Subsidy Control (Subsidies and Schemes of Interest or Particular Interest) Regulations 2022. On that basis the Scheme does not require referral to the Subsidy Advice Unit within the UK Competition and Markets Authority.

## 1.5 Types of subsidy

SOSE has powers to offer grant, loan, equity, and guarantees. Applicants must state their financial needs and preferences at application stage, but the final decision on whether to award grant funding and thereafter, on the amount and type of any subsidy award, will remain at SOSE's discretion, informed by our strategic priorities and the outcome of due diligence.

There is no lower limit for capital grant funding bids under the Scheme. Each capital grant funding application to SOSE will be assessed on its own merits, and funding awards will be made subject to budget availability. If SOSE is oversubscribed (for either revenue grants, capital grants, or both) funding awards will be prioritised at SOSE's discretion.

## SOSE Eligibility Criteria

### 2.1 Who can apply?

The Scheme applies to awards made by SOSE to applicants based, or with an operating presence, in the SOSE area as well as applicants who can evidence that they will begin business operations in the SOSE area if they receive subsidy under this Scheme. In each case, an applicant's activity has, or could have, an effect on trade or investment with competitors in:

- the UK internal market
- third countries covered by Free Trade Agreements or World Trade Organisation rules covered by the Agreement on Subsidy and Countervailing Measures and the Agreement on Agriculture.
- Northern Ireland. If SOSE subsidies were to genuinely affect trade in goods and electricity (not services) between Northern Ireland and the EU, then the Windsor Framework would apply. It aims to avoid having border checks on goods crossing the Northern Ireland – Eire border by applying EU State aid rules (and other trade rules) on both sides.

All types of commercial entity (enterprise) can apply, regardless of their legal or profit-distributing status. This includes and is not limited to:

- Limited company
- Partnership
- Sole trader
- Charity
- Community group

Applicants must also:

- Be legal entities with the requisite authority to undertake the planned investment/project. For projects involving changes to land and/or buildings, applicants must:
  - manage all the land/buildings included in the application; and
  - have control of all the activities proposed in relation to the project; or

- have written consent from all parties who manage and control the land.
- Be an established, financially viable business that is not in financial distress
- Comply with relevant SOSE and Scottish Government requirements around sanctions, human rights, fair work, the real living wage and any other requirements specified during the SOSE due diligence process

Successful applicants will be the recipients of grant funding and will be responsible for ensuring that grant funds are deployed in accordance with the funding award, i.e. procuring and mobilising third parties to deliver the funding activities. Consultants cannot submit applications on behalf of their clients, but they can support the development of the application form and supporting evidence.

Individuals cannot apply to the Scheme.

Potential applicants that may require any additional assistance, should contact the SOSE HUB in the first instance on 0300 304 8888 or by email, at: [clienthub@sose.scot](mailto:clienthub@sose.scot).

Applicants who fail to meet the eligibility criteria will be refused grant funding under the Scheme.

## 2.2 Financial support not covered by the Scheme

SOSE will not provide any form of prohibited subsidy under the Scheme (as prescribed in Part 2, Chapter 2 of the Act).

Prohibited subsidies include:

- Unlimited guarantees where the funding amount or duration is not limited.
- Funding to pay for the direct operating costs of exports i.e. staff, materials or other revenue costs tied to the export performance of goods or services or price differences between various markets.
- Funding awards made on condition that the successful applicant favours UK suppliers and / or goods.
- Funding awards which are conditional on relocation from one area to another i.e. relocation from England to Scotland.
- Funding awards made to ailing or insolvent enterprises.

Subsidy awarded as MFA under the Act is also out of scope of the Scheme and MFA cannot be combined with Scheme funding to achieve greater financial support in respect of the same project.

## 2.3 What applicants must show to obtain funding under the Scheme

In addition to meeting the individual criteria under a given Measure, successful applicants should also be able to demonstrate each of the following SOSE Principal Criteria to a significant degree:

1. The project outcomes contribute to SOSE's strategic objectives and Operating Plan priorities in respect of accelerating Net Zero and Nature Positive solutions, for example by:
  - accelerating development of a prototype project and/or 'proof of concept' to facilitate early adoption and/or replicability or a positive Net Zero / nature impact on other projects, organisations or locations;
  - promoting greater efficiency and/or adoption of climate neutral circular business models;
  - supporting reduced emissions of greenhouse gases;
  - catalysing private sector investment in new Net Zero initiatives and opportunities, possibly leading to the creation of new markets or employment opportunities;
  - investing in the skills, knowledge and/or infrastructure needed to support the transition to Net Zero; and

- enhancing or protecting biodiversity or natural capital.
2. There is quantifiable evidence or projections of the anticipated impact of the project by reference to detailed analysis of the first full year of operation of the project, benchmarked against the most recent version of the UK Government greenhouse gas reporting conversion factors.<sup>1</sup> Where no suitable data is available, applicants propose and SOSE approves, a suitable alternative quantitative benchmark to assess the anticipated impact of their project;
  3. The project would not be able to proceed in the South of Scotland at all, or not at the same scale, quality, or speed, without public assistance (additionality); and
  4. The Applicant has the capacity to implement the project effectively to enhance its future competitiveness.

## 2.4 Conditions attached to all measures under this Scheme

Subsidy shall not be granted under any Measure where improvements are undertaken to ensure that enterprises comply with environmental standards already adopted, even if they are not yet in force.

All projects eligible for subsidy under the Scheme must also comply with SOSE's current due diligence controls, including financial standing, sanctions, human rights, real living wage and fair work criteria<sup>2</sup> at the date of grant award and thereafter, for the term of the grant.

In addition, the following conditions must be met for the subsidy to be granted:

- The impacts of these projects must be able to be estimated and create a benefit which exists for a duration of at least 5 years.
- 6 months following project completion from which this subsidy provided support, an update must be submitted to SOSE detailing the observed impact of the project.<sup>3</sup>
- Measurement of impacts and benefits will utilise the most up to date 'UK Government conversion factors for company reporting of greenhouse gas emissions' to help standardise measurement across projects.
- Total eligible project costs cannot contain costs of items which are hire purchased or leased.
- Grants awarded under this subsidy must be claimed within the SOSE financial year in which they are agreed at point of reward.
- Grants must not be awarded for projects that have already been started by the applicant.

## Funding Measures available under the Scheme

The Scheme is designed to support subsidy awards in respect of four specific funding Measures. In addition to the Principal Criteria set out in the previous section, Applicants are required to identify which Measure they are seeking funding for in respect of their project.

### 3.1 Measure 1 – Support for Enhancing Efficiency

#### *Eligible Activities*

This Measure has been designed to provide organisations with the support they may need to improve the efficiency of their operations to have a positive Net Zero impact.

<sup>1</sup> <https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2024>

<sup>2</sup> As set out in the applicable SOSE funding and appraisal documents used at the relevant time.

<sup>3</sup> For example, the observed impact can be reported by reviewing levels of production versus energy consumption since project delivery and comparing against periods before the commencement of the project.

“Efficiency” for these purposes is a measurable concept, determined by the ratio of useful output to total input. Increased efficiency can minimise the waste of resources such as labour, physical materials, energy, or time while maintaining or increasing overall output.

Efficiency improvements that will have a positive Net Zero impact could include:

Improvements to:

- The ratio of total output generated by the production or service process versus total inputs used.
- The sustainability of the physical materials and inputs being used.
- The life span or efficacy of the generated output.

Reductions in:

- The amount of emissions generated by:
  - the end product or service;
  - the production process for creation of that product or performance of the service;
  - the sourcing of raw materials and other inputs for the production process;
- Consumption of energy, electricity, fuel, heat, or water in the production or service process.
- The total amount of raw materials or other inputs required to achieve desired outputs.
- Requirements for manual labour to perform tasks that are mechanical, repetitive, or potentially harmful, or that displaces skilled labour from more socially desirable work.
- The amount of waste produced through the process or the amount of packaging associated with inputs or outputs.

Irrespective of which activity is being supported, the benefit the activity has on overall efficiency and the corresponding progress the efficiency benefit makes towards the South of Scotland’s Net Zero goals must be able to be articulated and evidenced. Relevant evidence may include analysis quantifying the forecast efficiency benefits of the activity that can be used as a basis for appraising the project against the UK Government’s greenhouse gas reporting conversion factors. This can be produced by the applicant or supplied on their behalf by their third party consultant. Evidence may be based on resource consumption, transport miles, production figures, product data sheets or other means.<sup>4</sup>

### **Sectoral Eligibility**

Enterprises from any sector will be eligible other than those in agriculture and fisheries, which may be subsidised via the SOSE schemes for those sectors.

### **Subsidy Limits**

The subsidy intensity, in terms of grant or grant equivalence, shall not exceed the following percentage of eligible costs:

Type of subsidy	Small	Medium	Large
Efficiency Enhancements	50%	40%	30%

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<sup>4</sup> For example, an applicant might demonstrate that the project would enable them to use x% less electricity, resulting in x% less greenhouse gas emissions.

Subsidy amounts are capped at:

1. £350,000 per award
2. £700,000 cumulative award per specific project

### **Eligible Costs**

The eligible costs shall comprise the total capital investment costs for the project that are required to achieve the desired efficiency outcome. These may include:

- Capital costs associated with development or modification of infrastructure or relevant process or building; and/or
- Purchase or modification of equipment or assets linked with the infrastructure or relevant process or building.

### **Types of Assistance**

Grant or loan.

## **3.2 Measure 2 – Supply Chain Capacity and Local Infrastructure Development**

### **Eligible Activities**

Subsidy under this Measure will support any investment which increases the capacity or productivity levels of the South of Scotland supply chain, or develops local infrastructure, provided this can be shown to facilitate the delivery of a Just Transition to Net Zero in the South of Scotland.

Projects supported under this Measure could:

- Increase the production or service capabilities of businesses in the South of Scotland so that they can better deliver the activities and reach the targets outlined by the Scottish Government to achieve a Just Transition to Net Zero;
- Support the development of local infrastructure benefiting multiple users or development of a sector in the region, which can be shown to have a Net Zero benefit.

Irrespective of which activity is being supported, the benefit the activity has on supply chain capacity or productivity levels, or the development of local infrastructure, and the corresponding progress the benefit makes towards the South of Scotland's Net Zero goals must be able to be articulated and evidenced. Relevant evidence may include financial or other analysis quantifying the benefits of the activity that can be used as a basis for appraising the project.

### **Sectoral Eligibility**

All enterprises except those in agriculture and fisheries, which may be subsidised via the SOSE schemes for those sectors.

### **Subsidy Limits**

The subsidy intensity, in terms of grant or grant equivalence, shall not exceed the following percentage of eligible costs:

Type of subsidy	Small	Medium	Large
Supply chain development to enable a Just Transition to Net Zero	50%	40%	30%

Subsidy amounts are capped at:

1. £350,000 per award
2. £700,000 cumulative award per specific project

### ***Eligible Costs***

The eligible costs shall comprise the total capital investment costs for the project that are required to achieve the intended benefits for the supply chain capacity or relevant local infrastructure, and may include:

- a) Supporting the purchase of equipment or modification of existing equipment;
- b) Increasing the capacity of an organisation to manage a greater volume of work, including by employing more people, expanding their facilities or offices, etc.;
- c) Capital costs associated with development or modification of local infrastructure which is either new or is not being utilised in a way that maximises progress towards Net Zero goals.

### ***Types of Assistance***

Grant or loan.

## **3.3 Measure 3 – Enhancing Natural Capital to enable a Nature Positive Future**

### ***Eligible Activities***

This Measure has been created to enhance natural capital assets, halt biodiversity loss and enable a nature-positive future that is consistent with the South of Scotland's designation as Scotland's Natural Capital Innovation Zone. Natural capital assets are the natural resources that are critical to the economic and physical wellbeing of the region. This subsidy route is intended to support projects that will protect and enhance these for the benefit of the region by attracting investment over the long term.

Projects supported under this Measure could include:

- Pilot or demonstration projects of innovative approaches to managing, developing or delivering natural capital assets in the South of Scotland;
- Acquisition, analysis and sharing of data and information necessary to map, understand and enhance natural capital assets across the South of Scotland; or
- Development or adoption of new codes, frameworks, or markets for natural capital assets.

Irrespective of the activity being supported, the impact the activity will have on private investment in natural capital assets over the long term, and the corresponding progress the benefits will make towards the South of Scotland's Net Zero goals and designation as Scotland's Natural Capital Innovation Zone must be clearly articulated and evidenced. Relevant evidence may include financial or other analysis quantifying the benefits of the activity that can be used as a basis for appraising the project. For example, Projects supported under this measure could include investment in natural capital such as habitat or peatland restoration to support national targets.

### ***Sectoral Eligibility***

All enterprises except those in agriculture and fisheries, which may be subsidised via the SOSE schemes for those sectors.

### Subsidy Limits

Type of Subsidy	Subsidy Limit	Comment
Grant	£250,000 per award £500,000 cumulative award per specific project	Grant or grant equivalents if phased grant release, per enterprise

### Eligible Costs

Eligible costs shall comprise the total capital investment costs for the project that help achieve the desired project outcomes. For example:

- costs associated with the collection, analysis or sharing of data which supports the development of natural capital assets in the South of Scotland (e.g. costs for the purchase or analysis of data or conducting a physical or remote survey); and
- costs of pilot or demonstration projects associated with new innovative techniques or methods of delivering natural capital projects (e.g. the costs involved with purchasing or modifying equipment, professional services or land and infrastructure).

### Types of Assistance

Grant or loan.

## 3.4 Measure 4 – Supporting Agriculture and Fisheries Transition

### Eligible Activities

This Measure has been created to support the investment into capital equipment which supports primary and secondary producers within the agricultural and fisheries sector to deliver a Just Transition to Net Zero within the South of Scotland. It is designed to complement what is already possible through SOSE's existing Agriculture, Food & Drink Subsidy Scheme.

Eligible activities may include any formal assessment or action the applicant can carry out that will lead to positive Net Zero changes to the applicant's operations, such as improving its climate resilience and sustainability, or reducing or mitigating emissions associated with the amount of waste produced through the production process or the amount of packaging associated with either inputs or outputs.

Irrespective of which activity is being supported, the impact funding will have on the activities carried out by the Applicant and the corresponding progress this will make towards the South of Scotland's Net Zero goals must be able to be articulated and evidenced. Relevant evidence may include financial or other analysis quantifying the benefits of the activity that can be used as a basis for appraising the project.

### Sectoral Eligibility

Only Agriculture and Fisheries.

### Subsidy Limits

The subsidy intensity, in terms of grant or grant equivalence, shall not exceed the following percentage of eligible costs:

Type of Subsidy	Small	Medium	Large
Supporting agriculture and fisheries transition to Net Zero	50%	40%	30%

Subsidy amounts are capped at:

1. £350,000 per award
2. £700,000 cumulative award per specific project

### ***Eligible Costs***

Eligible costs shall comprise the total capital investment costs for the project that help achieve the desired project outcomes. Examples may include:

- Costs associated with the collection, analysis or sharing of data which supports the development of natural capital assets in the South of Scotland – the costs of this could be for the purchase or analysis of data or conducting a physical or remote survey;
- Costs of pilot or demonstration projects associated with new innovative techniques or methods which improve climate resilience or sustainability across either the food system or landscape – these could be the costs involved with purchasing or modifying equipment and associated professional services;
- Costs associated with the purchase or modification of equipment, machinery or facilities which deliver a reduction in emissions associated with the applicant's operations – this reduction must be able to be demonstrated as a long-term reduction within existing operations and the impact in emissions reduction must be able to be demonstrated and evidenced.

Irrespective of the activity being supported, the benefit of the grant funding and its impact on the relevant project must be able to be articulated, quantified, and evidenced, including with formal financial or other analysis, so it can be shown that the benefit aligns with Scottish Government Net Zero objectives.

### ***Types of Assistance***

Grant or loan.

### ***Scheme Conditions***

Notwithstanding the criteria set out here, awards from SOSE are entirely at SOSE's sole discretion. Applications that do not meet the eligibility criteria set out in this Scheme will not be taken forward for assessment.

Furthermore, even when an application satisfies the eligibility criteria, there is no automatic entitlement to an award of funding of any amount. SOSE reserves the right to consider reputational risks when deciding whether to award funding to an applicant. This includes risks arising from the applicant being, or potentially becoming, associated with any situation, activity, or third party that, in SOSE's opinion, might negatively affect or reflect unfavourably on the reputation of SOSE or any aspect of its work.

Grant funding could be partially or entirely rescinded or clawed back if significant discrepancies are identified during implementation, construction or operation, compared with the information provided as part of the application.

SOSE will not be responsible for any costs incurred in preparing an application, whether or not it is successful.

SOSE reserves the right not to consider an Application further if an applicant refuses or is unable to disclose information requested within the specified time periods. Requested information should be complete and provided in full.

SOSE reserves the right to reject or disqualify any application where grant funding would be (for any reason) unlawful or not compliant with its statutory powers.

## Annex 1 – Definitions

Terms used in this Scheme document have the meaning set out in the relevant definition below.

1. **'Act'** means the Subsidy Control Act 2022;
2. **'Scheme'** means this Net Zero and Natural Capital Subsidy Scheme, the rules of which are laid out in this Scheme document;
3. **'net zero'** means the net UK carbon account for the year 2050 being 100% lower than the 1990 baseline as may be amended or revised by the Scottish Government from time to time.
4. **'enterprise'** means an entity or a group of entities constituting a single economic entity, regardless of its legal status, that is engaged in an economic activity by offering goods or services on a market. If a group of companies, partnership or joint venture concerned in the economic activity are acting together and share the risks and rewards they form part of the single economic entity. However, if they are operating through a supply agreement or service contract which has been competitively tendered the supplier is not considered part of the single economic entity;
5. **'small'** enterprise means an entity with fewer than 50 full-time equivalents (FTEs), with either an annual turnover of up to £10.2 million or a balance sheet total of up to £5.1 million. For classification, exceeding either the turnover or the balance sheet total does not preclude an enterprise from being categorised as small, as long as the other criterion is within the specified limits;
6. **'medium'** enterprise means an entity with fewer than 250 FTEs and either an annual turnover of up to £36 million or a balance sheet total of up to £18 million. Similar to small enterprises, only one of the financial criteria needs to be met without exceeding the limit, while the other can surpass the threshold. Any enterprise with more than 250 FTE staff is automatically classified as a large enterprise.
7. **'large'** enterprise means an entity not fulfilling the criteria for an SME according to The Companies Act 2006;
8. **'MFA'** means minimal financial assistance as defined under Section 36 of the Act;
9. **'subsidy'** means funding constituting a subsidy within the meaning of Section 2 of the Act;
10. **'subsidy scheme'** means a scheme registered on the UK Government [publicly available website](#) to support the transparency reporting of subsidies made by UK public authorities;
11. **'SOSE Principal Criteria'** means the criteria that applicants must show to a significant degree in order to obtain funding under the Scheme. The Principal Criteria are listed in 1-4 of Section 2.3 above.
12. **'grant'** means a cash award towards a project but can also take the form of the value of support given free of charge or subsidised services;
13. **'guarantee'** in the context of this Scheme means a written commitment to assume responsibility for all or part of a third party's newly originated loan transactions such as debt or lease instruments, as well as quasi-equity instruments;
14. **'quasi-equity investment'** means a type of financing that ranks between equity and debt, having a higher risk than senior debt and a lower risk than common equity and whose return for the holder is predominantly based on the profits or losses of the underlying target enterprise and which are unsecured in the event of default. Quasi-equity investments can be structured as debt, unsecured and subordinated, including mezzanine debt, and in some cases convertible into equity, or as preferred equity;
15. **'loan'** means an agreement which obliges the lender to make available to the borrower an agreed amount of money for an agreed period of time and under which the borrower is obliged to repay the amount within the agreed period. It may take the form of a loan, or another funding instrument, including a lease, which provides the lender with a predominant component of minimum yield. The refinancing of existing loans shall not be an eligible loan;

16. **'professional services'** means the provision of specialised business support by qualified and regulated professionals to clients, involving the application of expert and specialised knowledge. This service may encompass a variety of fields including, but not limited to, legal, accounting, consulting, engineering, architecture, medical services;
17. **'environmental standards'** means the criteria and regulations established to protect the environment and promote sustainable use of resources. These standards are designed to prevent or mitigate damage to the natural surroundings and resources caused by industrial or commercial activities. Key aspects include the implementation of energy-saving measures, the adoption of renewable energy sources, and ensuring that activities adhere to the 'polluter pays' principle;
18. **'polluter pays principle' or 'PPP'** means that the costs of measures to deal with pollution should be borne by the polluter who causes the pollution;
19. **'capital costs'** means the expenditures incurred for acquiring or improving both tangible and intangible assets. These costs are capitalised on the balance sheet and are systematically expensed over the asset's useful life through depreciation or amortisation;
20. **'tangible assets'** means assets consisting of land, buildings and plant, machinery and equipment;
21. **'intangible assets'** means assets that do not have a physical or financial embodiment such as patents, licences, know-how or other intellectual property;
22. **'just transition'** refers to the principles set out in the Climate Change (Emissions Reduction Targets) (Scotland) Act 2019, which mandate reducing net Scottish greenhouse gas emissions in ways that support sustainable jobs, promote low-carbon infrastructure, foster social consensus, create fair work, and address inequality, alongside applicable interim targets aiming for significant emissions reductions;
23. **'nature positive region'** means halting biodiversity loss by 2030 in the South of Scotland and to restore and regenerate biodiversity across the country by 2045 in line with Scottish Government policy on biodiversity for a nature positive Scotland as may be amended or revised by the Scottish Government from time to time;
24. **'construction'** means the sector involved in the building, maintaining, and repairing of buildings and infrastructure;

#### *Definitions applying to Measure X.1*

25. **'efficiency'** means the effectiveness with which resources, such as materials and energy, are used to produce desired outputs. It is measured by examining the ratio of useful output to total input used in the production process. Enhancing efficiency involves increasing the quality and quantity of output while reducing waste, resource consumption, and emissions from production processes;
26. **'ratio of useful output to total input'** this is a metric of efficiency and productivity, calculated by dividing the quantity or value of useful outputs by the total inputs used. It evaluates how effectively resources like labour, materials, energy and time are transformed into products or services. A higher ratio means better efficiency, indicating that more outputs are being achieved with fewer inputs. 'Output' for these purposes means the amount of something produced (or its equivalent financial value), and 'input' means the energy, raw materials, labour or other resources that are used for that production process. Output and input rates should be evidenced by formal records or financial analysis.

#### *Definitions applying to Measure X.2*

27. **'supply chain'** means the connected series of activities, organisations, resources, information, and services involved in the production and distribution of goods from supplier to customer. This encompasses the procurement of raw materials, manufacturing, handling, transportation, distribution, and retail;
28. **'local infrastructure'** means the foundational facilities and systems necessary for the successful economic operation of the South of Scotland region, including (but not limited to) transportation networks, energy supply systems, telecommunications, water supply facilities, and health and educational facilities.

*Definitions applying to Measure X.3*

29. **'natural capital assets'** means the physical, natural resources that provide critical ecosystem services and benefits, and are essential to the health and function of South of Scotland communities. This includes (but is not limited to) forests, peatlands, aquatic environments, and mineral resources. Investments in these assets will be guided by principles that ensure they deliver social, environmental, and economic benefits, fostering a sustainable, values-led market that supports community involvement and maintains high environmental integrity, in line with the South of Scotland's designation as Scotland's Natural Capital Innovation Zone.

*Definitions applying to Measure X.4*

30. **'primary producers'** in this case will be any entities engaged in the initial stages of agricultural production. This involves the cultivation and harvesting of products directly from the soil and the raising and maintaining of livestock without any further processing that alters the nature of the products;
31. **'secondary producers'** in this case will be any entities involved in the processing and transforming of primary agricultural products into finished or semi-finished goods. Without limitation, this includes operations such as milling grains into flour, making cheese from milk, or canning vegetables.

## Change Log

Section/measure	Change	Page No
Amendments made in date (Version)		