



Ein cyf/Our ref MA-VG-2916-21

Mr Gareth Bullock
Chair
Development Bank of Wales plc
Unit J, Yale Business Village
Ellice Way
Wrexham
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3 November 2021

Dear Gareth,

Term of Government remit letter for the Development Bank of Wales plc

The Development Bank of Wales plc (DBW) was set up by the Welsh Government in 2017 to support the Welsh economy by making it easier for businesses to secure access to the finance needed to start-up, strengthen and grow.

In this letter I am setting out the priorities I wish to see DBW address in line with its mission, including playing an active role as part of the Team Wales model supporting our economic recovery mission and in responding to the climate emergency. In delivering on these priorities DBW will help us realise our vision, making Wales an attractive place to live, study, work and invest. I reserve the right to review and update this letter over the 5-year term.

DBW is the “entrusted” entity through which the Welsh Government places funds for investment and return. In this capacity, DBW is expected to operate in accordance with the Companies Act 2006, and all other statutory and regulatory requirements applicable to the activities it undertakes. To this end, this letter should be considered in conjunction with the Framework Document between the Welsh Government and DBW, and DBW’s Articles of Association. DBW will also comply with the standards, guidelines and governance principles applicable to public service organisations funded by the Welsh Government and notified to DBW by the Welsh Government – including (but not limited to) Managing Welsh Public Money and the Nolan Principles, and the Well-being of Future Generations (Wales) Act (2015).

The Welsh Government understands and acknowledges the distinction between DBW and its subsidiaries, and it is appreciated that some of those subsidiaries operate with full autonomy of investment decision making as separate entities from DBW. This remit letter has been prepared with this frame of reference, and should be read and construed in that context and that of the existing contractual agreements between the Welsh Government and DBW.

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

Before proceeding, I would like to thank you and the Board for your leadership and the staff of DBW for the professionalism and dedication demonstrated in delivering DBW's objectives during the previous term of the Welsh Government.

Delivering for Wales

The Programme for Government sets this Welsh Government's ambitious commitments to be delivered over the next 5 years. It is founded on the traditional Welsh values of community, equality and social justice – values I want to see DBW championing and upholding both as a company, and through the investments it makes with public funds.

This remit letter sets the direction and focus that DBW will adopt and develop over the term of this Welsh Government, working across Welsh Government Departmental and Portfolio boundaries as necessary to secure impact, tackle challenges and exploit opportunities. In setting these strategic policy objectives DBW is recognised as being uniquely positioned to support the economic resilience and reconstruction mission and the delivery of specific Programme for Government commitments – namely those concerned with expanding access to patient capital and increasing the use of equity stakes as set out below.

I wish to see DBW's forward plans for new and existing funds developed in the context of our cross-cutting goals. For example, alongside any new initiatives to support decarbonisation, I expect DBW to review how its existing portfolio of funds might best be flexed and enhanced to be consistent with Net Zero goals and the need to adapt to climate change.

Equally I wish to see DBW's plans clearly demonstrating how it will contribute to the Welsh Government's well-being objectives and the ways of working and principles as set out in the Well-being of Future Generations (Wales) Act 2015. DBW's forthcoming Corporate Strategy and annual Operational Plans will therefore set out how it is using the five ways of working, how it is contributing to achieving the seven wellbeing goals, and how its approach will progress year on year.

Strategic Policy Objectives

DBW is hereby remitted to bring forward a Corporate Strategy for the period 2022-27 and related plans, which address the following strategic policy objectives and challenges:

1. *Economic Recovery and Future Growth*

- 1.1 DBW will continue to extend finance options relevant to businesses of different sizes at different stages of their development and growth in all parts of Wales. DBW is a vital asset for Wales as the Welsh Government seeks to support economic recovery in the wake of Covid-19. As a cornerstone economic development institution, I expect DBW to play its full role in supporting this recovery, adapting to unfolding events and remaining agile and responsive to business and market needs and wider opportunities arising in the UK financial landscape.
- 1.2 In line with the Programme for Government, DBW shall extend patient capital delivery in response to market demand – helping businesses spread the cost of borrowing and manage their costs through the economic recovery period.
- 1.3 Welsh Government recognises the historic barriers to equity delivery in Wales and the work that DBW has done to inform and educate the market, and we wish to see

this continue with DBW helping even more businesses to consider equity as a route to achieve growth ambitions, and providing tailored solutions aligned to this.

- 1.4 I wish DBW to continue to improve and drive financial inclusion and social equality. In doing this I would like DBW to address disproportionate impacts experienced by those sharing protected characteristics and proactively tackle barriers faced by people on the basis of socio-economic disadvantage. This will require taking steps as necessary to both better understand barriers and challenges, and also to actively address these in the way DBW conducts its business.
- 1.5 I would like DBW to continue to maximise opportunities to promote the use of the Welsh language both internally and in its work with the business community in Wales.

2 *Net Zero – Climate Emergency*

- 2.1 It is imperative that all public bodies play their full part in the Welsh Government's drive toward a Net Zero carbon Wales. As the Committee on Climate Change risk-assessment makes clear, the Climate Emergency and the risks arising from it are real and pressing. In March 2021, Senedd put the 2050 Net Zero pathway in legislation, with a 2050 target, and challenging carbon budgets for the 2020s. In response, DBW is expected to play its full role by requiring changes to business behaviours and practices to move our economy purposefully toward Net Zero and our wider environmental goals, while maximising the future economic opportunities from these activities.
- 2.2 I expect the plans of DBW to demonstrate how it is championing the low carbon / green economy and how it will embed 'Net Zero' and adaption credentials within its existing suite of funds as appropriate. DBW will work in collaboration with third parties to support portfolio businesses with their environmental focus, as well as actively considering new funding solutions to enable business to invest in decarbonisation as markets, technologies and regulations evolve.

3 *Fund Management*

- 3.1 During the previous Welsh Government term, the Wales Flexible Investment Fund (WFIF) was extended, positioning DBW to continue investing in business lending and equity as access to EU funds ends. To safeguard the capacity for future rounds of investment, DBW will identify options to enable the WFIF to operate on a fully evergreen basis. Achieving this ambition will safeguard future investment capacity, create a foundation for long-term impact and further underpin the overall value proposition. I will use the opportunity of the 2025-26 mid-term review of the WFIF to establish progress against this objective.
- 3.2 I wish DBW to continue to engage widely across the Welsh Government to support the delivery of policy priorities through appropriate financial instruments. This will include continued partnership with the Homes and Places and Decarbonisation divisions, as well as exploring potential new areas such as agriculture and creative industries over the term of the Welsh Government.
- 3.3 In line with the Programme for Government, DBW will support employee buy-outs raising awareness among businesses where funds are able to support such actions.
- 3.4 DBW will consider and advise the Welsh Government on how existing links between the Welsh Government's economic policy, social partnership, fair work and

decarbonisation ambitions and DBW's investment and decision-making guidelines could be strengthened, and the implications of doing so.

- 3.5 Welsh Ministers, in making funding available to DBW to operate and manage its activities, have entered into a number of funding agreements that specify key performance indicators for those individual funds. The annual Operational Plan should continue to incorporate the key performance measures linked to the existing and anticipated investment programmes in-line with agreed targets.

4 *Value, efficiency and customer service*

- 4.1 I wish to see DBW vigorously pursuing efficiency and effectiveness gains which will underline the value-for-money proposition through which investments are made via DBW. The quantum of public funds now managed by DBW has grown significantly since DBW's inception in 2017 as the work of DBW has also grown in reach, scale and complexity. In light of this evolution, the Corporate Plan will set out how DBW will identify and evaluate options for change – considering reforms to current operating models and organisational structures so the organisation may continue to demonstrate a strong value proposition, as well as safeguarding the agility necessary to respond to future challenges. DBW will work with the Welsh Government to co-ordinate the optimum timing of this activity in relation to the Tailored Review to be conducted during the term of this Welsh Government.
- 4.2 DBW will continue to strengthen its brand and reputation, actively listening to customers and stakeholders, responding to that feedback, and taking steps as necessary to ensure evolving delivery models continue to demonstrate trust, positive customer experience and satisfaction. I wish to see how DBW will further embed its reputation as a trusted expert in business finance, and as an authoritative voice in business investment and economic development to further economic growth in Wales.

5 *Other new delivery and service opportunities*

- 5.1 DBW should continue to actively explore new products and services which may support the Welsh Government in delivering policy objectives where these can be shown to represent value for public money. This should include continued provision of key programmes such as Help to Buy Wales, Mutual Investment Model administration, and Angels Invest Wales.
- 5.2 I wish DBW to continue to work with, and support the Welsh Government as it seeks to shape policy related to the replacement for European Regional Development Fund funding. I invite DBW to actively work to identify solutions which create the potential to increase the flow of funds into Wales – for example, developing its relationship with other appropriate investment providers such as the British Business Bank and UK Infrastructure Bank. In this context, following the announcement by the Chancellor of the Exchequer of a £130m regional fund for Wales the Welsh Government and DBW must work together to address this opportunity.
- 5.3 I welcome the collaboration and successful joint working relationship between DBW and the Welsh Government's business support provision and wish to see this continue to strengthen.

6 *Intelligence and Research*

- 6.1 DBW will maximise the contribution of Economic Intelligence Wales (EIW) at a time when understanding changes in our economy is of critical importance. In so doing

DBW shall ensure the work of EIW continues to complement and co-ordinate with wider Welsh Government research and economic impact work. The Welsh Government is particularly keen to ensure research considers how investments could be targeted to address the challenges experienced by (i) people sharing protected characteristics (Equality Act 2010), and (ii) people experiencing socio-economic disadvantage within the business community, and I would welcome further insight from EIW on this.

7 Funding and Budget management

- 7.1 DBW will continue to fund its operational requirements from the revenue derived from its fund holding and fund management service delivery and DBW shall continue to work openly and positively with the Welsh Government to adapt to the new budget management arrangements necessitated by DBW's recent National Accounts classification.

Working with the Welsh Government

DBW's forthcoming Corporate Plan shall set out how DBW will deliver in line with the policy priorities and aspirations I have set out in this letter. The positive, constructive and challenge-based relationship developed between DBW and the Welsh Government has played an important role in DBW's success and I thank you for supporting this. I can confirm your Welsh Government Partnership Team is headed by Duncan Hamer, Deputy Director Business Division and your day to day point of contact within the team is Jo Banks, Leader, Access to Finance and DBW Sponsor Programmes.

DBW has established itself as a highly credible, trusted and effective organisation, and it has played a significant role in supporting the objectives of the Welsh Government in its previous term. The Welsh Government has committed significant resources to DBW's management and, through your effective stewardship and management of those resources, DBW is now established as a cornerstone economic development institution in Wales. Because of this, as the Welsh Government looks to build an economy based on the principles of fair work, sustainability and the industries and services of the future, expectations and ambitions for the role of DBW are high and I look forward to working with you in pursuit of our shared goals over the coming years.

Yours sincerely,



Vaughan Gething AS/MS
Gweinidog yr Economi
Minister for Economy

Cc: Mr Giles Thorley, Chief Executive, Development Bank of Wales