

Annual operational plan

2021/22



Our mission

To unlock potential in the economy of Wales by increasing the provision of sustainable, effective finance in the market.



Our values

Open | Responsible | Partnership



Our strategic objectives

Promote economic development through an adaptable delivery model that is responsive to market needs whilst providing continued value for money for public funds.

Become the Welsh Government cornerstone organisation for delivery of public sector financial instruments, supporting micro to medium businesses in Wales and increasing the supply of finance.

Deliver key Welsh Government policy objectives by achieving performance targets and providing investment management and support services across the whole of Welsh Government.

Our five-year targets
2017-2022

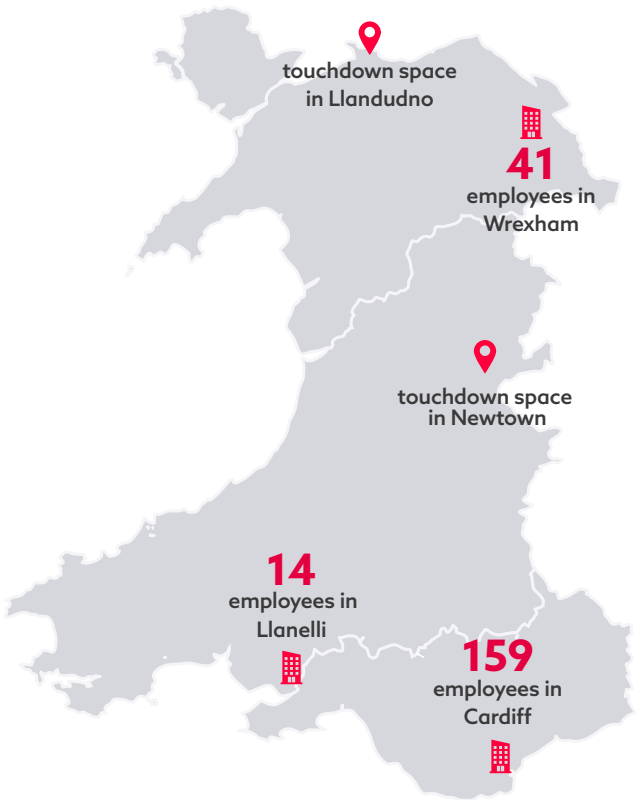
20,000
jobs created or safeguarded

1:1.15
investment to private
sector leverage

£80m+
annual investment

1,400
businesses supported

£1bn
of economic impact



and 32 employees in the North of England

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OVERVIEW

The past year has been extremely challenging for all of us as we each have had to deal with the impacts of the pandemic. As we write this annual operational plan, we look forward to the gradual easing of the Covid-19 lockdown restrictions and a return to some form of normality. The economic outlook is appearing more positive with the International Monetary Fund predicting growth of 5.3% this year and 5.1% in 2022. Whilst this is positive news, we need to consider that even with this growth the UK economy will only return to its pre-pandemic level of activity in late 2022. With that in mind response measures are evolving into recovery measures and the focus is now firmly on the future.

The Development Bank of Wales has a major role in supporting economic recovery and sustainable growth and, following significant capitalisation by the Welsh Government in 2020/21, is well positioned to support our businesses as they emerge from lockdown restrictions.

Most significantly, the £270m commitment to the Wales Flexible Investment Fund in 2021 has provided businesses with long-term assurance that they can access the finance they need to support their businesses, drive growth and encourage entrepreneurship.

Alongside direct funding, the Development Bank is considering ways to further support Welsh businesses through recovery. This includes establishing how best it can work alongside the Welsh Government to support strategic businesses, developing an equity communication and education campaign to provide better understanding of the

benefits and opportunities that equity investment can offer and, how it can best assist its existing customers and other established and start-up businesses across Wales as they face the challenges and opportunities as lockdown restrictions ease.

In 2021/22, the Development Bank will continue to monitor the evolving market and actively develop funding solutions that deal with the issues faced by Welsh businesses. In Q2, a new pilot fund, working in collaboration with Business Wales, will launch focusing on encouraging entrepreneurship in town centres. This is a great example of how funding packages can be developed in partnership with other key stakeholders, which harness the right expertise to deal with specific challenges facing our business community in Wales. We will work with the Welsh Government to ensure that Welsh businesses gain maximum benefit from the full range of support available. This will include working with sector experts to support the decarbonisation agenda, as well as continued monitoring of the funding landscape post Brexit including specific focus on the foundational economy. We will also work alongside the Welsh City Deals and other UK national schemes such as the British Business Bank and the new National Infrastructure Bank to maximise funding flow into Wales and provide a co-ordinated package of support to our businesses.

In 2020/21, the Development Bank succeeded in another record year of investment. Testament to the dedication of the team, by the end of Q1 over £92m of emergency funding had been structured, sanctioned and delivered to 1,334 SMEs, safeguarding over 16,000 jobs.

This funding provided a vital lifeline for Welsh businesses whilst the UK government worked up the major schemes delivered by the British Business Bank.

Furthermore, by the end of the financial year an additional £105.5m of ‘business as usual’ funding had been invested into 365 businesses, supporting the creation and safeguarding of over 3,300 jobs.

The Development Bank of Wales’ sub-brands also continue to grow. In late 2020/21, the Welsh Government committed to a further two years of operations for the Help to Buy – Wales Scheme with a further £185m of funding. In the North of England, FW Capital (“FWC”) continues to deliver in partnership with the British Business Bank, including as an accredited lender for the Recovery Loan Scheme from April 21. Additional fundraising for the North East Property Fund and a new succession fund is also targeted for 2021/22, as well as preparations for the next round of Northern Powerhouse Investment Funds.

Perhaps the most impacted area of the business as a result of Covid-19 was the launch of Self Build Wales. Key to the success of the scheme is the availability of sites from local authorities, yet following the March 2020 launch, key resource in these organisations has been understandably refocused on Covid response measures. Moving forward, we will re-engage across the 22 local authorities as well as continue to encourage additional site development from private landowners. With over 3,000 expressions of interest from interested customers there is clear pent-up demand for the scheme to service.

In 2021/22, the Development Bank’s research unit, Economic Intelligence Wales (“EIW”), will focus on embedding recommendations from the recent strategic review including forming an academic collaboration panel, widening its audience and developing new approaches to original research, alongside continuation of its standard reporting outputs. This includes the longitudinal evaluation of Welsh Government Covid-19 response measures, with the second report due for publication this year.

The priorities and strategic direction of the Development Bank are set in the context of the Programme for government, Prosperity for all: the National Strategy, the Economic Action Plan and the Well-being of Future Generations (Wales) Act 2015.

In 2021/22 we will take forward a more formalised approach to the Economic Contract between the Welsh Government and the Development Bank, linking directly into the Development Bank’s work to more clearly define impact and social purpose outputs. Welsh Government elections in May 2021 will lead to a new Programme for Government and we will hold early discussion with the administration to ensure the Development Bank is clearly aligned with future government priorities.

As with many organisations, the return to the ‘new-normal’ in 2021/22 will see an adjustment in our traditional working practices building on the learnings from the past year. To assist in preparing for this we have tasked an internal working group to consider critical areas such as environmental impact, wider market best practice, employee sentiment and requirements, culture and continued delivery excellence and to put forward recommendations to directly shape our future operations.

To support this, we are also advancing well in our group wide digital transformation programme. System advances in 2020/21, including cloud migration and

Microsoft Teams roll out, have been invaluable in supporting the home working structure. In 2021/22 we expect to see significant progress in the customer journey work streams including the first portals going live in Q1 for micro loan and Self Build Wales customers. Furthermore, the reconfiguration of our Cardiff office to maximise the functionality of the space will be completed by the end of 2021.

Not only do these steps aim to improve efficiencies, reduce our carbon footprint and reduce costs but they also create a wider reach in our ability to attract new colleagues from all groups and communities. The Development Bank is committed to an equal and diverse workforce and we welcome the opportunity this may bring for future recruitment.

As the Development Bank enters the last year of its current five-year strategic phase, we are positive about the future opportunities and capabilities of businesses in Wales. The brand and reputation of the Development Bank has grown significantly since its launch placing it firmly as a cornerstone organisation for sustainable economic development, here for the long-term to support Welsh businesses. Over the course of 2021/22 we will comprehensively reflect on the last five years and engage widely to determine the required focus for the organisation for the next five years. Critical to this will be continued collaborative working with the Welsh Government, as well as colleague engagement and market outreach, leading to our Board strategy session in Q3 to cement our future plans in a new Corporate plan for 2022-2027.

This operational plan outlines the combined objectives for the organisation for 2021/22. We do not underestimate the volume of work ahead, coupled with an uncertain economic and market environment, but as colleagues within the Development Bank demonstrated in 2020/21, we remain focused on our duty as custodians of public funding and look forward to the challenges ahead.

* Sensitised in line with forecast market conditions for 2021/22 through Covid-19 recovery.

The economic outlook is appearing more positive with the IMF predicting growth of 5.3% this year and 5.1% in 2022.

2021/22 targets

£

£110m

Investment

397

Business

2,889

Jobs created and safeguarded*

£65m

PSL*

DEVELOPMENT BANK OF WALES STRATEGIC PRIORITIES

Our customers

Support our customers through the post Covid business recovery phase with bespoke repayment solutions and flexible finance.

- Directly invest £110m into the Welsh economy supporting the creation and safeguarding of over 2,800 jobs
- Build a recovery support team to work with businesses requiring a comprehensive finance restructure to aid long-term sustainability
- Consider ongoing funding needs across sectors including agriculture, regeneration and energy
- Baseline and monitor the Development Bank’s net promoter score

Our delivery

Formalise new ways of working post Covid that balance productivity, efficiency and the organisation’s carbon footprint.

- Offset our carbon footprint in Q1 and implement measures and policy guidance to reduce 19/20 Carbon outputs by 25% in 2021/22
- Launch the online customer portal for micro and Self Build Wales customers by the end of Q1, and a further four customer journeys by the end of Q4
- Deliver bespoke action plans across our sub brands HtB-W, Self Build Wales, EIW and FWC to embed increased funding and enhance delivery impact
- Work in partnership with other lenders and stakeholders to ensure a cohesive and efficient funding structure in Wales

Our impact

Evolve the Development Bank’s Environmental Social and Governance (ESG) strategy with a particular focus on decarbonisation and young entrepreneurship.

- Design a fund or service that aligns with decarbonisation ambitions
- Identify and implement outreach initiatives to encourage young entrepreneurs across Wales
- Evolve the Development Bank’s data capturing to communicate wider investment impact
- Launch equity marketing and education campaign

WELSH GOVERNMENT POLICY ALIGNMENT

The Development Bank of Wales was created to directly support the delivery of Welsh Government policy objectives. In December 2017, the Welsh Government launched its Prosperity for all - economic action plan which utilises the overarching aims of the Well-being for Future Generations (Wales) Act 2015 to focus on interventions required to equip people, businesses and places with the tools they need to shape their own futures, and in turn the prosperity of Wales as a whole. The Development Bank of Wales in 2021/22 supports the key areas of this plan in the following ways:

Prosperity for all

Recovery, wealth, and wellbeing
Continued support to businesses through patient and flexible investment terms to navigate the Covid recovery phase. Creating opportunity for businesses to start up, survive and grow and wealth generation for owners and employees.

Reducing inequality
A focus on underrepresented groups through marketing and business development including female entrepreneurs and young people with a pan-Wales investment strategy to support economic recovery across Wales.

Economic action plan

Supporting people and driving prosperity
Working with business owners and supporting entrepreneurship.

Climate Change
Identifying and developing Development Bank support to decarbonisation.

Focus on long-term sustainable growth
Patient capital through loan and equity investment to support business with long-term recovery and sustainability.

Stronger regional voice
Continued regional presence with strong spread of investment across the region.

Skills for a changing world
Driving innovation through support to seed and growth technology companies and supporting businesses to adapt to the recovery period and new ways of working.

Modern and connected infrastructure
Support to strategic infrastructure development through MIM.

Ambition and life-long learning
Coaching, mentoring and training support for its employees.

Wales in the world
Support in continual enhancement to the business ecosystem in Wales, and support export potential post Brexit.

Investment with a social purpose

The Development Bank of Wales invests for impact. Its purpose is to drive economic development with sustainable investment which positively impacts through a range of measures including assisting in the creation and safeguarding of jobs and supporting innovation.

FUNDS

The commitments made by the Welsh Government into financial instruments operated by the Development Bank have created security in access to finance for many years to come. The most recent allocation of £270m into the Development Bank Wales Flexible Investment Fund has not only created investment capacity for a range of investment needs to 2030 but has also created the scale required to generate the recycle of investment to support future generations of businesses through follow-on funding programmes. This is a step-change in our ambition to deliver a long-term self-sustaining flow of finance to Welsh businesses and contributing to a more secure economic future for Wales.

New funding areas

While ensuring our delivery commitments are met is a priority, so too is the continued assessment of the changing financial market in order to understand where new or existing market gaps need to be addressed. As an organisation, we operate a rolling programme of fund development to ensure accessibility and continuity for indigenous businesses across a range of sectors and business stages right across Wales. To aid this work, through Q2 and Q3 the Development Bank will undertake a series of internal and external workshops with key partners to identify new market areas that will inform our planning for the next strategic phase of the organisation. A further key determinant of this will be the priorities of the new Welsh Government administration.

Early areas of consideration to be explored further in the year ahead include:

- Energy and decarbonisation**
A priority strand of work looking at both housing retrofit solutions and ways to support businesses pivot towards net zero outputs.
- Strategic equity/special situations**
Large scale finance for strategic Welsh businesses.
- Agri capital**
Continued discussions with Welsh Government colleagues in the agriculture and land management divisions to build solutions that support alternative sources of income in this sector.
- Regeneration**
The launch of the Town Centre Entrepreneurial Fund in Q2 will be the first dedicated scheme offered by the Development Bank to support the regeneration of our urban areas. Building on this further, the Development Bank will work with Welsh Government policy colleagues to identify ways we can harness our funding capacity through property and SME funding to further impact on the creation of sustainable and active communities.

In 2021/22 the Development Bank forecasts its highest investment delivery to date in Wales (not including emergency funding delivered in 2020/21), with a base expectation of £110m. Through this investment over c.400 businesses are forecast to be supported and over 2,800 jobs created or safeguarded. This increased level of finance is partly driven by the breadth of funds now within our product suite, as shown below, and partly due to the essential countercyclical role the Development Bank takes when market conditions are weakened.

Fee mechanisms

With a number of significant changes in motion, from the scale of investment offered through to the transition to the new Subsidy Control Regime, in 2021/22 the Development Bank will undertake a comprehensive review of its fee mechanisms with the aim to agree and implement any changes with its shareholder by the end of Q3.

Our investment offer

- £1k – £10m**
Deal Size
- Up to 15 years**
Investment Terms
- SMEs and non-SMEs**
Business size
- From seed funding to succession funding**
Business stage
- Pan-Wales**
Geography

The Development Bank currently manages 16 live funds which provide investment across the business lifecycle from early stage seed funding to succession and turnaround funding. This includes the £710 million Help to Buy – Wales scheme which

supports individuals to buy new homes across Wales. The Development Bank has worked closely with the Welsh Government to create a suite of products that directly meets the market needs.



Development Bank of Wales funds

£20m Wales Tech Seed Fund Equity funding for tech start-ups	£204m Wales Business Fund Generalist Equity and debt funding	£50m Wales Tourism Investment Fund Funding for strategic Tourism projects
£2.5m Town Centre Entrepreneurial Fund Pilot Fund for North Wales Town Centres	£55m Wales Stalled Sites Fund Unlocking property development opportunities	£25m Wales Management Succession Fund Funding buy-out opportunities
£25m Rescue and Restructuring Fund Turnaround funding for SMEs	£8m Wales Angel Co-investment Fund Co-investment with Angel syndicates	£12.5m Local Energy Fund Supporting local energy and decarb projects
£30m Wales Micro Loan Fund Supporting sub £50k investment needs	£40m Self Build Fund Supporting individuals custom build their own homes	£47m Wales Property Development Fund Residential property funding
£55m Commercial Property Fund Funding development of commercial space	£500m Wales Flexible Investment Fund Generalist equity and debt funding	£710m Help to Buy – Wales Scheme Supporting home ownership across Wales
£92m Covid-19 Wales Business Loan Scheme Emergency response funding		

SERVICES

The Development Bank currently operates over £0.5bn through innovative investment service structures. As we broaden our reach as economic needs evolve, we will leverage the success of our current schemes to grow our services support function. In particular, the Development Bank is considering the viability of

a number of schemes for potential implementation, mainly focused on the energy and decarbonisation policy space and will work with the Welsh Government to develop direct policy solutions over the course of 2021/22. Continued delivery of the existing services provision for the coming year is detailed further below.

Help to Buy – Wales	Self Build Wales	Mutual Investment Model
<p>Help to Buy – Wales continues to deliver an impressive investment rate with Phase 1 and 2 of the scheme, having supplied £460m of funding since its inception in 2014 and delivering 8,503 homes in Wales during this term of government. With Phase 2 now closed to new applications from March 31 2021, the 2021/22 focus now shifts to the successful delivery of the £185m Phase 3 of the scheme which runs from April 2021 to March 2023.</p> <div><p>Cefnogi gan Lywodraeth Cymru Supported by Welsh Government</p></div>	<p>Self Build Wales provides a unique scheme to Wales that has huge potential to add diversification within the housing market. Data captured via the SBW website, in the form of over 3,000 site specific and general registrations of interest, proves that demand for self-build properties in Wales is strong. Critical to the success of the scheme is the availability of sites for development. However, limited progress with local authority land was possible during 2020/21 as a result of resource focus within the authorities being diverted to the Covid response. Whilst unavoidable, the team looked to mitigate these setbacks by accelerating the introduction of private land into the scheme which will be further supported through a direct marketing campaign in 2021/22.</p> <div></div>	<p>The Development Bank continues to monitor the first two investments through the Welsh Government Mutual Investment Model: one in the Welsh Education Partnership and the other which was undertaken in the A465 road infrastructure project. In 2021/22 it is anticipated that the first investment will be made into an individual 21st Century schools project in the Autumn. In addition, further work is also in the planning surrounding investment requirements for the new Velindre Cancer care unit.</p>

OPERATIONS

Digital transformation

Customer journey
In 2021/22 the Development Bank will launch its first customer portals for Self Build Wales and micro loan customers. This will provide a significant step forward in the automation and simplicity we can offer our customers, as well as creating internal efficiencies. By the end of the year, it is forecast that a further four customer portals will be live. This functionality comes as a result of a dedicated period of planning and development that will ensure our client facing systems can offer the importance of convenience for busy business owners whilst maintaining the opportunity to discuss their needs directly with one of our investment experts whenever required.

Loan system
By the end of 2021/22 all investing loan funds will be operating from a new loan administration system that provides the functionality and capacity for growth required to mirror the future delivery forecasts for the organisation.

Future working

In preparation for the ease of restrictions expected in the coming months, the Development Bank has tasked a dedicated internal project group, or Teulu¹, to consider future working and plan for a ‘new normal’ in terms of what our future working practices look like. The output of this work will be available in May and will be used across the business to inform our future working policies. A central facet of this will be an environmental focus and will align with the Welsh Government Covid-19 reconstruction priority of a ‘greener Wales’ through reduced pollution and congestion by facilitating homeworking as appropriate.

Offices
A reconfiguration of the office space in Cardiff will be completed by the end of 2021 to maximise use of the space available in line with evolving working patterns and colleague needs. In addition, our facilities team will ensure all Covid safety measures and workplace controls are in place in line with government guidelines across all Development Bank Group offices.

Welsh language

The Development Bank is committed to promoting and facilitating use of the Welsh language. We comply with the Welsh Language Standards in respect of our service delivery which includes ensuring that the Welsh language is treated no less favourably than English.

Project management office

Delivery and accountability for key strategic projects will continue to be governed by the Development Bank’s dedicated Project Management office (PMO). In 2021/22, a specific focus will be given to the principles of managing change and consistency in the approach to benefits management to maximise value for the Development Bank and its customers.



¹ A Teulu, translated as ‘Family’ from Welsh, is a working practice within the Development Bank which creates dedicated cross departmental team of up to 9 people to work over a three-month period on a specific business challenge.

PEOPLE

The hard work and dedication of the 246 Development Bank colleagues over the last 12 months clearly demonstrates the positive culture that thrives within our organisation. The seamless move to homeworking as a result of effective cross departmental collaboration has facilitated an exceptional year for results. In addition to widespread volunteering to join the ‘pods’ created to deliver our £92m Covid-19 Wales Business Loan Scheme (CWBLs), colleagues also volunteered to assist the Welsh Government in delivery of their ongoing responses for businesses in Wales.

People strategy

In 2020/21, the Development Bank published its Wales and FW Capital focused people strategies. These documents outline the culture, environment and support that working with the organisation has to offer. In 2021/22 we will work to further promote this information both internally and externally, through the use of case studies, as well as embedding the document into the recruitment process. To further support our colleague focus we will also introduce a quarterly employee net promoter score to track sentiment and satisfaction.

The exchange

Our internal ideas portal, the Exchange, will continue to provide a platform which encourages our colleagues to put forward ideas, utilising the wide range of knowledge and skills we have across the DBW Group. This function facilitates the opportunity for colleagues to impact and influence their working environment and assist in help shape short and long term organisational growth.

In these challenging circumstances, we have prioritised our employee wellbeing through the promotion of both physical and mental wellbeing activities including through our Mental Health First Aider team, flexible hours for those with caring responsibility and regular communications. Alongside this work we will continue to evolve and grow our people focused practices with some of the key 2021/22 initiatives detailed below.

Equality and diversity in recruitment

The Development Bank ensures all role profiles and advertisements are equality impact assessed to guarantee an inclusive recruitment practice. Building on this, in 2021/22, our people and development team will work towards anonymisation of applications to address any gender or ethnicity biases, as well as providing training to line managers on equality and diversity in recruitment. Our progress here will be analysed externally through the annual Chwarae Teg report.

Employee development and progression

In 2020/21 the Development bank achieved ‘gold level’ for its approach to training and development as part of the Chwarae Teg Fairplay Employer assessment. Maintaining this level will be a key ambition in 2021/22 supported through ensuring a minimum number of training days per employee and extending the career pathway from its successful roll out in investment teams, to incorporate our Finance, Help to Buy – Wales and investment support teams.



RESEARCH

Dirnad Economi Cymru
Economic Intelligence Wales



Following the completion of an external review of Economic Intelligence Wales (EIW) in 2020/21, the focus in 2021/22 will be on implementing the recommendations and expanding the research collaboration to form an academic collaboration panel. The key recommendations to be addressed are summarised below.

- Developing a broad three-year research agenda, which will outline an expanded series of future bespoke reports, with clear linkages between the research and policy or delivery objectives
- Developing further approaches to original research, such as making better use of internal Development Bank insight
- Widening the audience for EIW’s research
- Better linking EIW’s research to the wider range of economic and business research across Welsh Government

Alongside these areas of growth, there will be a strong element of consistency in 2021/22 with Cardiff Business School continuing to produce the quarterly and annual reports on the state of the Welsh SME finance market, and the impact of the pandemic and Brexit on Welsh SMEs.

Evaluation of Covid-19 measures

A longer-term research project for EIW which started in 2020/21 focuses on evaluating the impact of Welsh Government Covid-19 financial interventions. The second bespoke report on this topic, to be published during the year, will include analysis of the results from a large-scale survey of Economic Resilience Fund (ERF) beneficiaries. The survey of ERF beneficiaries will be undertaken over a number of ‘waves’ to enable longitudinal analysis of the impacts of Welsh Government financial interventions.



IMPACT

The Development Bank operates in a unique space which balances financial returns with social impact. Ensuring commerciality in the businesses it supports for long term survival is crucial, while also using public funds to unlock economic impacts that might not otherwise be supported by the private sector due to risk appetite. Since 2020/21, the Development Bank has aligned its impact with the UK Sustainable Development Goals across the

Defining and measuring impact

The Development Bank has a wide-reaching delivery remit across a broad range of sectors which creates impact in multiple areas. With such breadth, the Development Bank will develop a framework for Environmental, Social and Corporate Governance (ESG) to set out how we are taking account of issues in relation to our internal business and the risk exposure to individual investments as part of our approach to portfolio management.

In addition, suitable accreditations will be considered, and aligned with our socially responsible investment, the investment strategy for the organisation will be further defined as we enter the second five-year phase of the Development Bank’s impact on the Welsh economy.

Young entrepreneurship

The lasting effects of Covid-19 on economic activity are widespread, and one particular area of impact is employment within the younger generations. In 2021/22 the Development Bank will consider ways in which it can support and encourage both youth employment and young entrepreneurship through its communications and investment strategies. One early initiative will be the launch of the Town Centre Entrepreneurial Pilot scheme in North Wales in the early summer. This Fund will facilitate small scale start-ups, ultimately impacting both on employment and regeneration of our town centres.

Foundational economy

The Development Bank will continue to focus on providing access to finance for a broad range of SME and micro business needs across Wales. Our approach to gathering Welsh specific economic data through our Economic Intelligence Wales partnership with ONS and Welsh Universities will help to provide meaningful information to support policy making in Wales. The commitment of the Welsh Government to create an evergreen £500m Wales Flexible Investment Fund will ensure that the Development Bank has a sustainable Fund that will provide long term access to finance for businesses in the foundational economy.

thematic area of Prosperity and Global Opportunity, Decarbonisation and Environment, Community Health and Social Inclusion and Innovation and Digital Inclusion. Alongside our responsible business operations, the organisation has a strong foundation for growth in this area that delivers against the ambitions of the Well-being of Future Generations (Wales) Act 2015.

Economic contract

A central part of the Welsh Governments Prosperity for All: Economic Action Plan is the Economic Contract which has been designed to drive inclusive growth and responsible business behaviours, including increasing the availability of fair work and decarbonisation. Although the Development Bank are not currently required to formalise a Contract with the Welsh Government on this basis, as part of the wider ESG development in 2021/22, we will work with the Welsh Government to document compliance with the principles of the Contract in how we operate, including, as appropriate, our engagement with Welsh businesses.

Recovery support team

Post Covid-19, it is inevitable that many sustainable businesses will be hindered by the structure of their indebtedness with their various lenders. At the Development Bank, we supported a number of strategic businesses through 2020/21 using our experienced investment colleagues to review and consider the best options for the businesses. With further business likely to enter this flux status, the Development Bank will work with the Welsh Government to establish a support team to aid businesses through specific financial restructuring.

Core business

At the heart of Development Bank investment operations is the drive to impact on business growth and success. Value-add, or ‘money with management’, has always been central to the organisation’s ethos. 2021/22 is predicted to be a year where more than ever businesses need the flexibility and support of adaptable finance and the Development Bank will continue to deliver and grow its investment support in the following ways.

Flexible finance

Following the successful deployment of the £92m emergency response Fund in 2020/21, we will work with the portfolio of CWBL businesses to assess requirements for flexible repayment options, including extending loan terms, where appropriate, for improved serviceability.

Green focus

The Development Bank portfolio teams will review their ‘value add’ targets to assist companies in their environmental credentials through referrals to Business Wales colleagues.

Networking

The Business Development team will ensure quarterly portfolio events that provide the opportunity for businesses to network and share information.



Equity promotion

Building on the workshops and seminars undertaken previously by our investment experts with the aim of improving the understanding of equity benefits, in 2021/22 the Development Bank will launch an equity marketing and education campaign. This is particularly important from a recovery perspective as, although not appropriate for all businesses, equity investment can provide the catalyst for survival and growth for many businesses as high gearing and repayment commitments hinder the recovery of otherwise strong businesses.

Customer satisfaction

In 2021/22, the Development Bank will evolve its customer satisfaction measurement tool by developing a Net Promoter Score framework for ongoing monitoring.

Regional delivery

As an organisation for the whole of Wales, the Development Bank operates a Pan-Wales delivery model. Through its distributed team across the regions, indigenous businesses have access to local representatives who work in close collaboration with local Business Hubs and support partners. Over the last few years, Wales has taken advantage of City Region funding from UK Treasury and now has four established deals covering all parts of the region. In 2021/22, the Development Bank will continue to work with these delivery teams to ensure a cohesive structure to finance in Wales that best utilises public funding.

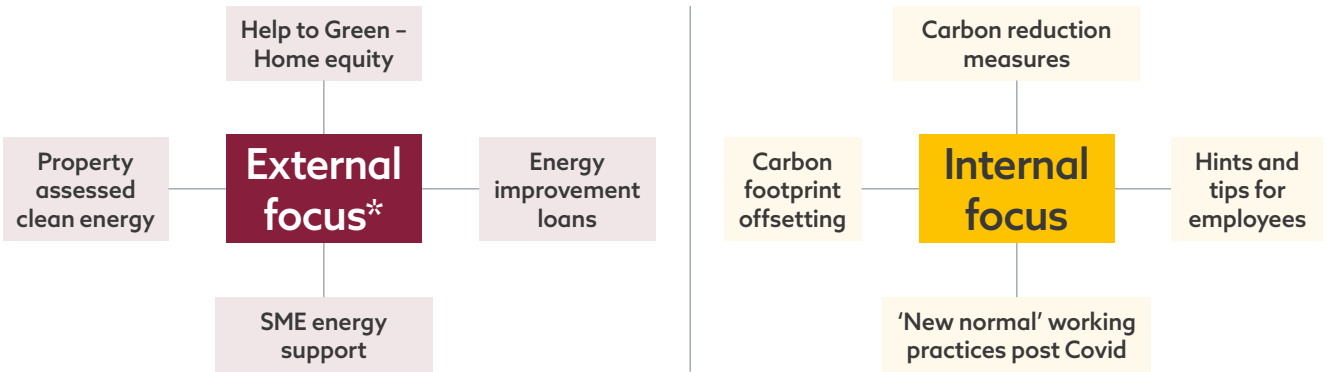
Local Energy Fund

Since 2015, the Local Energy Fund has provided a critical source of funding to community groups and SMEs in the development of small-scale renewable energy projects. The 2020/21 investment commitment in Ripple Energy is a clear example of how this funding can support innovative models for the future, in this case developing affordable access to green energy ownership. In 2021/22, the Development Bank will review ongoing market needs and ensure the fund is effectively positioned for its next phase of support.

Decarbonisation

Welsh Government have called for a ‘Team Wales’ approach within the public sector in regard to decarbonisation. This collaborative approach to accelerated decarbonisation action aligns to the growth areas of our current five-year corporate plan. However, decarbonisation must become an increasingly larger part of our offering if the Development Bank is to be a proactive member of Team Wales and support delivery of the Low Carbon economy. Through mapping policy, delivery and the market in 2020/21, the Development Bank have begun collaboratively working with groups across Welsh Government to identify gaps best suited for our intervention.

In 2021/22, the Development Bank will continue exploration of a number of external focused schemes, as well as a programme of internal work to use baselined data to both reduce and offset our carbon footprint.















* Potential areas of development in 2021/22

PARTNERSHIPS

The Development Bank works with a number of public and private sector partners to influence long-term economic development. Working closely with our shareholder, we will continue to partner across Welsh Government departments to develop investment services and new initiatives to support policy delivery. This also extends to the close alignment with the Business Wales support function through ongoing strategic collaboration and cross referrals. Through the ongoing delivery of the Wales Business Fund, the Wales European Funding Office remain a

critical partner and we will continue to work closely with them to successfully complete the investment phase of the wales Business Fund by the end of 2023. Further funding flows for Wales and partnership working will also be focused through the ongoing relationship with the British Business Bank, with strong links already in place in the North of England. The Development Bank works with a host of other organisations on an operational and development basis. Some of the key areas of collaboration for 2021/22 are shown below.

 Llywodraeth Cymru Welsh Government	 Cronfa Datblygu Rhanbarthol Ewrop European Regional Development Fund	 British Business Bank
Welsh Government	European Regional Development Fund	British Business Bank
 Busnes Cymru Business Wales	 Landsker Business Solutions Atebion Busnes	 Cronfa Bensiynau Clwyd Clwyd Pension Fund Administered by / Gweinyddwyd gan Sir y Fflint Flintshire COUNTY COUNCIL
Business Wales	Landsker Business Solutions	Clwyd Pension Fund
 Wales Co-operative Centre Canolfan Cydweithredol Cymru	 CARDIFF UNIVERSITY PRIFYSGOL CAERDYDD	 fsb Arbenigwyr mewn Busnes Experts in Business
Wales Co-operative Centre	Cardiff University	Federation of Small Businesses
 Comisiynydd Cenedlaethau'r Dyfodol Cymru Future Generations Commissioner for Wales	 WcVA CCGC	 BUSINESS IN THE COMMUNITY
Future Generations Commissioner for Wales	Wales Council for Voluntary Action	Business in the Community

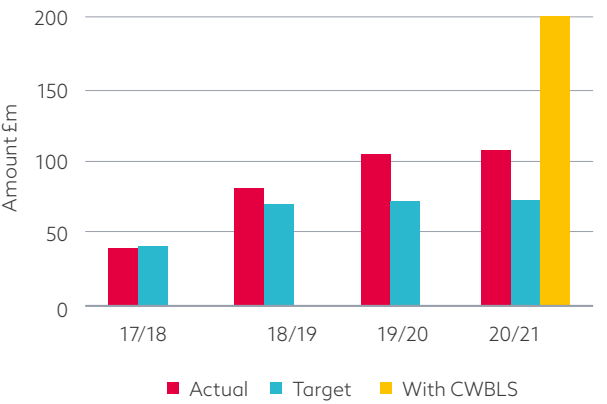
SCALE

Performance against five-year objectives

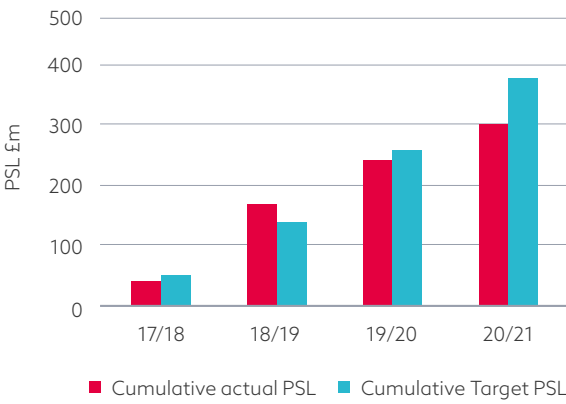
At launch, the Development Bank committed to the achievement of ambitious delivery targets to create significant impact on the Welsh economy for the

period 2017-2022. Progress against the four core areas of direct investment, Private Sector Leverage, number of businesses and jobs is shown below.

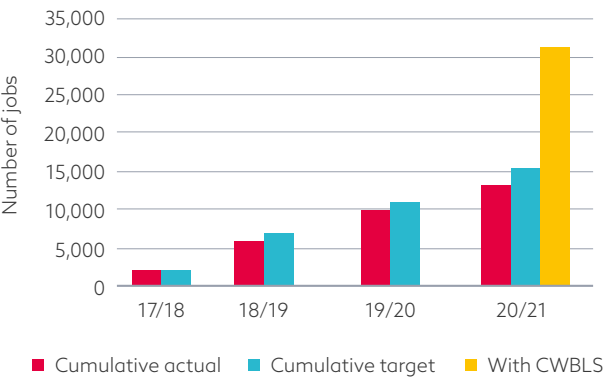
£ Investment



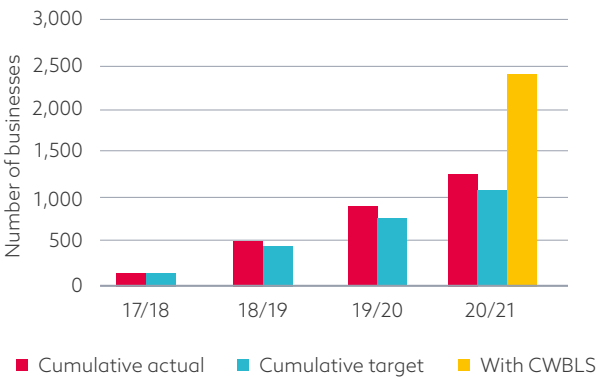
Private sector investment



Jobs



Businesses



The Development Bank has made strong progress against its five-year targets. This includes delivery of emergency response funding which would not have been possible without the support and funding from the Welsh Government which enabled the Development Bank to act quickly.

There has been good progress against private sector leverage, which although running behind target, continues to attract private sector investment in Wales. The variance in this objective results from a number of factors including the increased proportion of property development support undertaken, the historic slower take up of equity investment in Wales and the impact of Covid-19 on risk appetite of private investors. In 2021/22, the Development Bank will directly address some of these hurdles including through the dedicated equity campaign to Welsh businesses.

Likewise, the ambitious job target of 20,000 is also running marginally behind at the four-year point. The Development Bank does not make investment decisions based purely on job numbers as there is a careful balance to be made here in terms of productivity versus job creation. Many businesses looking to increase competitiveness and efficiency are investing in technology that has the effect of reducing job numbers, and therefore achievement here is highly dependent on individual business plans. However, with the inclusion of the jobs safeguarded through the delivery of the CWBL scheme, the Development Banks overall impact on jobs is currently well over 30,000.

RISK, GOVERNANCE AND COMPLIANCE

Governance

The Development Bank of Wales Group has robust governance and risk management systems which ensures clear monitoring of mitigating controls. Poor management of risks, and failure to identify emergent risks in a timely fashion, could adversely impact the Group's performance, reputation, and longevity. Therefore, the Group adopts a layered risk management profile as demonstrated in Appendix 3. The Development Bank of Wales is a

responsible lender and fully aware of its obligations with regulatory compliance including the FCA Senior Manager and Certification Regime. We will continue to meet our obligations across internal, external, and European audits as well as providing comprehensive colleague training and development across all compliance needs. In 2021/22, specific focus will be given to the following areas.

Embed new subsidy control regime

Following completion of the current UK government consultation on the successor to State Aid Rules (the UK Subsidy Control Regime) the Development Bank will ensure the new rules are embedded throughout its operations. This will also include the requirement to re-notify the Wales Rescue and Restructuring Fund under the new rules from January 2022.

Digital transformation compliance

The Development Bank will ensure compliance risks are effectively managed in the move to create more automated and digitally led processes both internally and with our customers. The compliance team will continue to play a key part of the project team to provide advice on data and information management requirements as well as anti money laundering compliance. In addition, the legal team will support the testing and integration of the DocuSign solution for customers as well as loan documentation production through the new loan administration system.



Supporting Covid recovery businesses at risk

As expectations of an easing of lockdown restrictions grow, the Development Bank will ensure it is firmly positioned to offer maximum assistance to businesses at risk during the recovery phase.

Flexible repayments

The Development Bank has taken early steps to ensure a range of restructure solutions are available for its customers including repayment holidays, longer term patient capital and supportive funding packages.

Business Wales referrals

The Development Bank will ensure a continued close relationship with Business Wales for referral of at-risk businesses that are in need of immediate support.

Rescue and Restructure Fund

As government interventions come to an end the Development Bank is well capitalised to support turnaround and restructure opportunities through its dedicated £25m Rescue and Recovery Fund.

Responsive action

The Development Bank has built its monitoring and support services over 2020/21 to ensure early intervention and oversight by the relevant teams for its increased portfolio. These internal systems will continue to be enhanced to deliver further 'value add' as instances of businesses requiring recovery support potentially increases.

APPENDIX 1: FW CAPITAL



Strategic overview

FW Capital (FWC) is the Development Bank of Wales Group's FCA registered fund management arm. It currently operates from six offices across the North of England with 31 staff, including two dedicated

Fund Directors who manage operations in the North West and North East of England. FWC forms a core part of the Development Bank of Wales Group strategy creating direct benefit to Wales through:

Financial	Expertise	Fundraising
Making a financial contribution to the Development Bank Group to benefit Welsh businesses.	Widening the scope of the Group's investment activity and therefore increasing the knowledge base across the organisation.	Successfully securing and delivering contracts on behalf of third parties, including the British Business Bank.

2021/22 priorities

In 2020/21 FWC was approached by the British Business Bank to deliver an additional allocation of £15m – £19 million for the Northern Powerhouse Investment Fund ("NPIF"), bringing the Fund total to £161.6 million. During 2020/21, following the impact of Covid-19, FWC secured accreditation to deliver CBILS for NPIF with a lending limit of £46.5 million in total. Following the deadline for new applications of 31/03/2021, a successor, the Recovery Loan Scheme, has been launched and FWC has made an application for NPIF to be an accredited lender. FWC will continue to prioritise the successful deployment of NPIF; BBB are putting together a proposal for NPIF2 and it is important for us to remain a key partner with a strong track record in delivery to stand us in good stead in the forthcoming procurement exercise.

Due to an increased demand for the North East Property Fund in the last 6 months a successful approach was made to the investors in the Fund (North East LEP and Santander) to extend the Fund term by 3 years and in addition the North East LEP have agreed to commit an additional £10 million of funding taking the Fund to £20 million. In 2021/22 FWC will prioritise fundraising and will develop an Investment Memorandum for a Management Succession Fund in England for presentation to Limited Partner's in the Autumn.

2021/22 target outputs

Funds	Target
NPIF - TVC and NW	£22.9m
North East Property Fund	£6m
Tees Valley Catalyst Fund	£2m

APPENDIX 2: ANGELS INVEST WALES



Strategic overview

The forward strategy for the AIW programme in 2021/22 is to significantly enhance an already reasonably well-established profile and consolidate the brand identity as the primary angel network in Wales.

The AIW programme continues with an investor focused approach, seeking to develop a number of ‘first time’ angel investors, while ensuring that experienced investors in Wales and UK are aware of the good quality ‘investor ready’ prospects available in Wales through the AIW platform.

The planned recruitment and expansion of the existing ‘lead investors’ cohort for the Wales Angel Co Investment Fund (WACF) should also have a tangible impact on deal flow together with the growth of angel syndicates and angel deals supported by WACF this coming year.

Specific operational priorities this year;

- Increase all aspects of our marketing and promotional activity with a specific aim of expanding engagement levels and further recruitment of quality, active angel investors.
- Further cultivate a continuous improvement strategy with the existing network and develop investor activity and collaboration through a programme of best practice development support.
- Identify and engage new ‘lead’ investors to expand angel investment activity supported by WACF.
- Increase collaboration with strategic funding / equity partners UK wide on selected projects – Maintain external collaboration and play an active and effective part in supporting all business stakeholders and the Wales economic development eco system.

The Wales Angel Co-Investment Fund

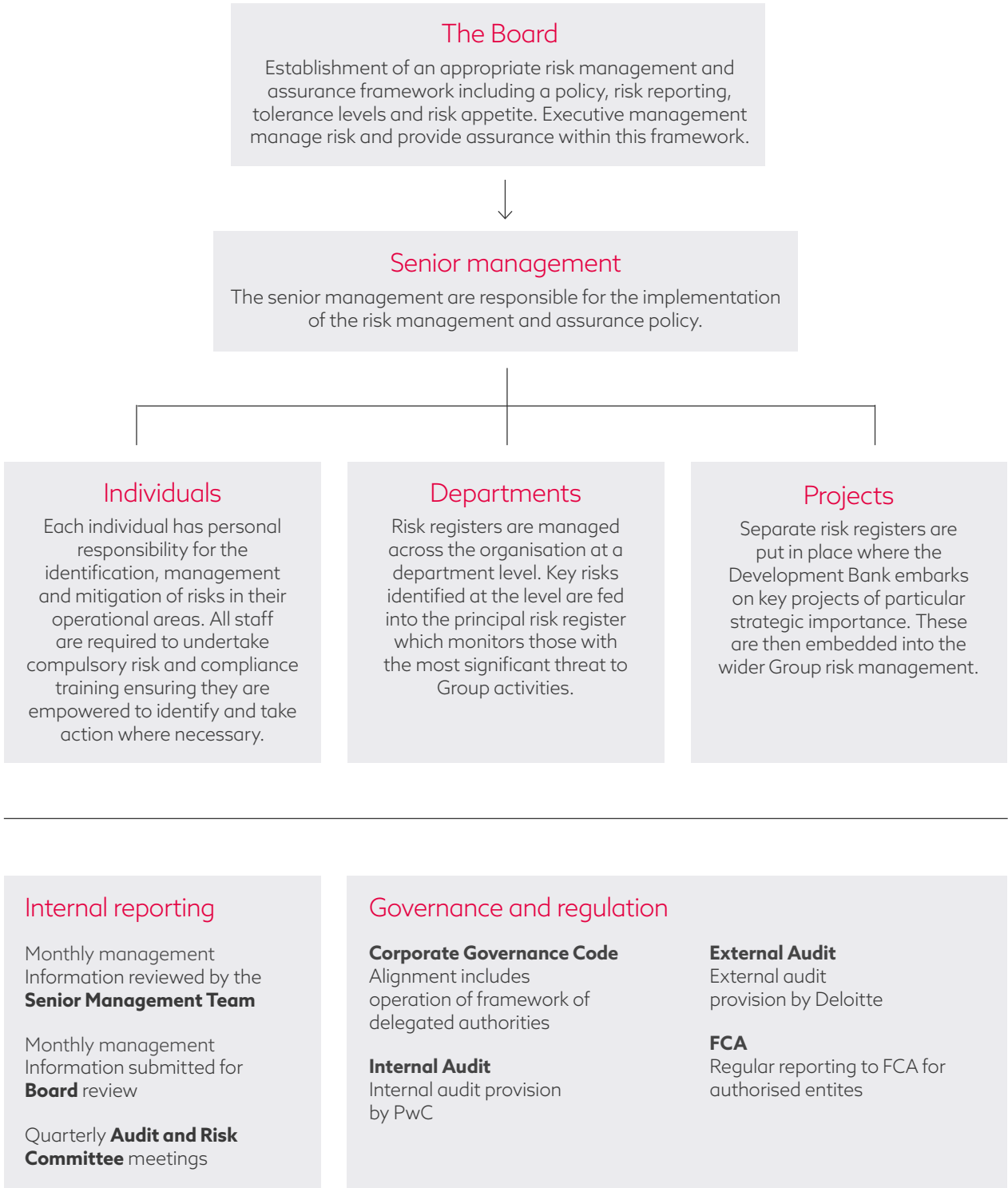
The Wales Angel Co Investment Fund was launched by Cabinet Secretary for Economy in 2018 and currently has 11 registered, active ‘lead investors’ approved to submit investment opportunities for match funding.

The Fund will significantly benefit from an expanded cohort of experienced lead investors to support the growth of WACF deal flow and angel investment syndicate activity in Wales more generally. A focused recruitment drive with new and existing investors to add to the lead investor group should result in the deal flow target (match funding) next year.

2021/22 key performance indicators

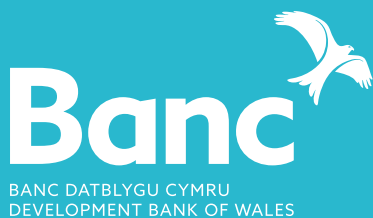
Performance indicators	Target
Investment facilitated	32 angel deals / £2.5m
New investors registered	50 new
ACF lead investors	6 new approved
WACF Investment	£1m

APPENDIX 3: RISK GOVERNANCE FRAMEWORK



APPENDIX 4: DEVELOPMENT BANK OF WALES STRATEGIC OVERVIEW

Financial	Long-term financial sustainability for ongoing economic impact						What do we want to achieve?
	Transparent and accountable						
	Maximise value for money		Legacy management strategy		Cost and revenue strategy		
Customer	Wider benefit		Funding		Awareness		
	Leverage private sector investment	Delivery of stakeholder KPIs	Responsive market focused products	Flexible customer solutions	Brand and value proposition	Leading organisation market voice	
Internal business	Operational		Innovation		Governance and policy		How will we achieve it?
	Continuous operational excellence		Continuous product development		Market leading governance standards		
	Scalability		Welsh Government investment service delivery		Full alignment with Welsh Government policy		
	Productivity		Employee voice		Pan-Wales presence		
Organisational growth	Technology		People		Culture		
	Invest in system efficiency through automation		Develop and progress talent		Customer focus		
	Develop greater productivity through processes		Strong employment brand		Flexible solutions		
			Competitive packages		Leading organisation		



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Development Bank of Wales Plc (Banc Datblygu Cymru ccc) is the holding company of a Group that trades as Development Bank of Wales. The Group is made up of a number of subsidiaries which are registered with names including the initials DBW. Development Bank of Wales Plc is a development finance company wholly owned by the Welsh Ministers and it is neither authorised nor regulated by the Prudential Regulation Authority (PRA) or the Financial Conduct Authority (FCA). The Development Bank of Wales has three subsidiaries which are authorised and regulated by the FCA. Please note that neither the Development Bank of Wales Plc nor any of its subsidiaries are banking institutions or operate as such. This means that none of the group entities are able to accept deposits from the public. A complete legal structure chart for Development Bank of Wales Plc can be found at developmentbank.wales.

