



# About this document

This document provides an overview of our corporate strategy covering 2022 to 2027. It fully reflects the Welsh Government's ambitions for the Development Bank of Wales which have been set out in the Term of government remit letter.

**For more detail please refer to:**

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## **Annual operational plan**

Annual objectives that will see us deliver the commitments in this corporate plan.

## **Annual report and accounts**

Past year performance alongside detail of our risk and financial management approach, the Board and Executive Management Team and our annual impact statement.

## **Six-monthly performance updates**

Performance against corporate plan commitments. Published October and May.

## **People strategy**

Our approach to people and development.

## **Decarbonisation roadmap**

Our operational decarbonisation action plan (available in 2022/23).

## **Customer charter**

Our customer approach at each stage of the relationship.

## **Responsible business policy**

Our approach to environmental, social and governance impact in our investment decision making (available 2022/23).

## **Data measurement disclosure**

Our methodology for capturing and recording key performance indicators and impact metrics.

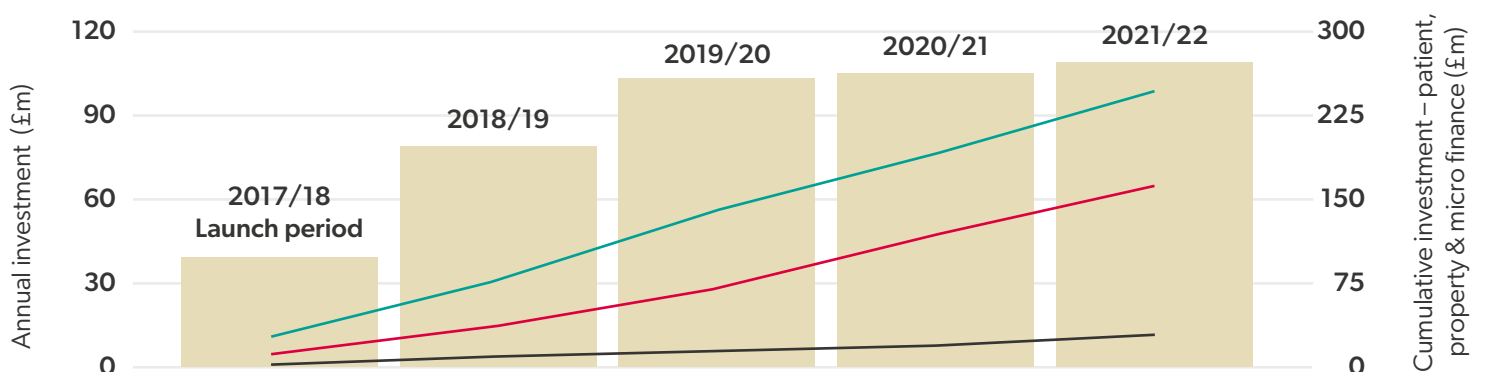
## **See more information on the reports and documents page on our website.**

This document will next be reviewed and updated, where appropriate, in March 2024.



# The Development Bank of Wales in 2022

● Annual investment — Property investment — Microfinance — Patient capital



**Businesses supported since launch**

**1,740**

**389**  
Start-ups

**Businesses supported since launch including emergency Covid-19 response funding**

**3,074**

**Funds under management**

**£1.9bn**

**Customers in portfolio**

**2,982**

**People**

**253**

Total colleagues 2022

**12**

Board members

**Office locations**



**Total impact since launch (Wales)**

**£1.2bn**

**Private sector co-investment**

Over  
**£365m**

**Jobs supported since launch**  
Including emergency Covid-19 response funding

**32,862**



## Property investment

# £159m

Capital invested

# 1,357

House builds supported

### Sub-brands

Dirnad Economi Cymru  
Economic Intelligence Wales



#### Research

Economic Intelligence Wales –  
dedicated research unit

Angylion Buddsoddi Cymru  
Angels Invest Wales



#### Angel network

Angels Invest Wales – facilitating  
growth in angel activity in Wales



Hunanadeiladu  
Cymru  
Self Build  
Wales

#### Self Build Wales

Custom and self-build  
development scheme

#### Help to Buy – Wales

# £500m+

Investment delivered

# 13,191

Number of house purchases supported



FW Capital

FWCapital



# £237m

Funds under management



# Introduction



# Our purpose

Bringing ambitions to life and fuelling possibilities for people, businesses and communities in Wales.

## Mission

Unlocking potential in the Welsh economy by increasing the supply and accessibility of sustainable, effective finance.

## Values

- Smart collaboration
- Entrepreneurial energy
- Objective empathy
- Conscious responsibility



## Baseline delivery targets 2022/27

Support over <b>2,200</b> businesses	Over <b>20,000</b> jobs supported	Directly invest over <b>£650m</b> into Welsh companies	Target co-investment on business funds of <b>1:1</b>
Deliver on our pledge to the Welsh Government All Wales Plan – <b>Working Together to Reach Net Zero</b>	Maintain a customer NPS® of <b>60</b>	Maintain an employee NPS® of <b>60</b>	Fund <b>1,900</b> new house builds

## Five-year phase strategic objectives

Core: Deliver debt and equity funding with a social impact	Emergent: Promote and advance a green future in Wales	Operational: Delivery excellence, customer-first, financial sustainability
1. Facilitate an entrepreneurial culture in Wales, from foundational through to high-growth businesses	1. Use our position and influence to promote a robust, proportionate transition to a green future across the business ecosystem in Wales	1. Ensure collaborative and responsive delivery that meets customers' evolving needs
2. Support financial inclusion for underrepresented groups and create positive impact in the Welsh economy	2. Develop innovative financial instruments to advance the ambitions for a green future in Wales	2. Embed financial sustainability into the long-term through innovative use of capital for ongoing market needs
3. Work with our new and existing customers to encourage them to identify and prioritise social impact opportunities as part of their business planning	3. Continually improve our knowledge, skills and understanding of climate change impacts and the role of finance in delivering solutions	3. Make optimal use of our ability to support the delivery of government policy through our structure and expertise

## Baseline investment targets 2022/27

	22/23	23/24	24/25	25/26	26/27	
<b>Debt and equity (£m)</b>	66	66	74	76	79	<b>361</b>
<b>Property (£m)</b>	51	59	61	61	59	<b>290</b>
<b>TOTAL (£m)</b>	117	125	135	137	138	<b>651</b>

# Overview



**W**e complete our first five years having reached a scale and breadth of offer that exceeds our initial ambitions<sup>1</sup>.

Annual investment has reached £110m, well ahead of the £80m forecast. Total impact over five years reached £1.2bn against a target of £1bn. These achievements have been driven by an effective delivery model supported by ongoing commitments from the Welsh Government. As it stands, the Development Bank now manages over £1.9bn of funds to drive economic development in Wales.

We deliver a unique resource on behalf of Wales. We're identifying market gaps, catalysing a dynamic and competitive Welsh economy, creating financial solutions in support of wide-ranging government policy and we're doing it in a way that demonstrates ongoing value for money in the use of public funds.

## Our role

Our primary role remains to ensure businesses have access to finance where **market failure** exists. Our reach has broadened to support policy priorities, such as residential and commercial property, tourism, microlending, as well as ongoing accessibility to business start-up and growth capital. We operate on commercial terms while recognising the need to achieve a balance of social and financial outcomes. An important aspect of our approach is the way we work with co-investors to maximise the flow of private capital in Wales and minimise displacement; this may take the form of two-way deal referrals, deal level co-investment or benchmarking to support the positioning of our investment terms.

We adopt a **counter-cyclical role** ensuring continuity of access to finance when other sources in the market are retracting – something that has proved essential since the Covid-19 pandemic. Our financial capacity and embedded skills and structures are critical in achieving this, allowing for adaptability and agile delivery.

For our role to be effective we maintain a real-time market awareness. Over the next five years we will further enhance our dedicated research arm, Economic Intelligence Wales (EIW), by working with new research partners and universities. EIW will explore the key issues impacting Welsh SMEs and consider how existing and new funding can be optimised in a collaborative way to support them.

## Market outlook

The next five years will present a challenging phase for Welsh businesses as the economy emerges from the pandemic, the longer-term impacts of the UK leaving the European Union take effect and the crisis in Ukraine unfolds.

The global threat posed by climate change will become prominent in business planning, as will the impact of changing working patterns, increased fuel costs and the evolving nature of retail. The resultant impact on our towns and cities will create both challenges and opportunities for businesses. And we're here to assist businesses as they navigate these changes, working closely with our key stakeholders in central and local government and the wider business community.

<sup>1</sup>Please see our [corporate plan – Executive summary, 2019–2022](#) for further detail.



At the same time, historic funding structures have changed. Although EU structural funding is no longer available to support the Development Bank funds, we have the ongoing commitment of the Welsh Government and the legacy returns from previous EU and non-EU funding. This means we're well capitalised to assist Welsh businesses into the future. As new funds are launched in Wales, with funding expected from British Business Bank and the City Deals, we will work with these new funders with two key aims: to ensure Wales attracts as much finance as possible to support Welsh businesses; and to ensure that all funding is complementary and focused to address genuine market gaps.

## Our delivery

Since launch in 2017, we have increased our team from 161 to 253. Not only has each and every colleague adapted their working practices to meet the needs of the business, but they have all done so in a spirit of collaboration and partnership reflective of our values. This growth is also being supported by advances in productivity through our programme of digital transformation which aims to modernise our customer interface while ensuring a lean and cost-effective delivery model.

Maximising **value for money** is intrinsic to our long-term vision to create a financially sustainable model for core business lending. The repayable finance mechanism through which we operate public funds has the potential to ensure future businesses are supported using the same capital for years to come.

This must be balanced by our wider role of economic development. We are a **regional impact investor** with a true customer focus. This point of differentiation is an essential part of our offer. It has earned us a reputation among customers and our wider network of business support partners as a credible, trusted, and valued source of business funding support.

## Sustainable businesses

A fundamental focus for us over the next five years will be to further embed our responsible investor role, in both our operations and investment decision-

making. This will align with our impact themes and will apply **environmental, social and governance** (ESG) factors.

We will continue to promote fairness, accountability, responsibility and transparency in our operations and in those of our suppliers, partners and the businesses we support. Ultimately, we believe that the businesses that will be most successful are those that take a holistic view of their social and environmental impacts and governance arrangements. So we will work with our customers to support them in building value by addressing these challenges. We also recognise that an absolute position is not pragmatic, due to the range of businesses we work with and support – particularly the challenges facing underrepresented groups in firstly addressing financial inclusion. Our approach will be transitional. We will steer businesses in a positive direction, preparing them for legal and regulatory changes, particularly in relation to carbon emission reductions, and enabling them to manage risks, reduce costs and compete for talent.

As a cornerstone public sector organisation, we will continue to play a significant role in supporting **decarbonisation** and the net zero ambitions of the Welsh Government<sup>2</sup>. Bold actions are required to bring about change. But these actions must also be within the capacity and capabilities of a funding organisation. This is expected to be a significant area of growth and development for us over the next five years, and like many businesses we are still at an early stage of our journey. Externally, we are considering multiple projects to support the market transition to a greener future. Internally, we are already reducing our carbon emissions and offsetting those we make. Our internal delivery plan will be refreshed in 2022/23 and will set out our detailed roadmap to further reduce our carbon footprint and significantly reduce our need to offset.

<sup>2</sup> Net Zero Wales Carbon Budget 2 (2021–25), Welsh Government, 2021. Available [here](#).

## Welsh Government partnership

Our ability to realise our ambitions and the associated delivery targets can only be achieved through with a continued open and proactive **working relationship with our shareholder**, the Welsh Government. Following a business reclassification in 2021, new ways of working have jointly been embedded in terms of budget management and opportunities to maximise the use of available capital within these frameworks for future growth. More broadly, our ongoing referral collaboration with Business Wales remains important in ensuring businesses are making the most of their opportunities for success, with the right tools for growth.

## FW Capital

Our subsidiary, **FW Capital**, will play an increasingly important part in the delivery of our evolving strategy. As an FCA-authorized vehicle, FW Capital offers the opportunity to work with a wider investor base to increase the flow of finance in Wales. This is particularly important as the distribution of funding in the UK post-Brexit has changed, and further recognises the benefit FW Capital brings to Wales through repatriation of profits, importing knowledge and skills, and creating support services jobs in Wales.



## Accountable and aligned

As a long-term publicly owned organisation, and as custodians of public funding, we are accustomed to the need to respond to challenge and scrutiny. We will continue to work closely with our shareholder and during the current Term of government will respond to a Tailored Review. This review is a key milestone for all arms-length bodies through which purpose, success and ongoing validity is assessed. A core theme will be our ongoing alignment with the **Well-being of Future Generations (Wales) Act 2015** and assessing our impact through the five ways of working:

## Alignment with the Well-being of Future Generations (Wales) Act 2015 five ways of working

<b>Long-term</b>	Long-term delivery of finance through a recycled funding mechanism, with a financially sustainable vision, while also supporting our portfolio through value creation planning.
<b>Prevention</b>	Providing catalytic funding in areas of market failure to ensure financial inclusion and social justice throughout Wales.
<b>Integration</b>	Market-led funding offer, working directly with businesses and stakeholders to understand what matters to them and ensuring our role of economic development is achieved through consistent and clear communications.
<b>Collaboration</b>	Collaborative operations, working with a wide range of business support experts and co-investors. Diverse funding offer, working across multiple market segments including tech seed, property, micro and larger growth businesses.
<b>Involvement</b>	Close working with Welsh Government to deliver on policy ambitions, including the Programme for Government aims and objectives for a cohesive approach.

**Our core mission is:**

## Unlocking potential in the Welsh economy by increasing the supply and accessibility of sustainable, effective finance.

**Our strategic aims for the next five years  
are broken down into these objectives:**

- Increase the supply of debt and equity finance with a social impact
- Promote and advance a green future
- Delivery excellence, customer first, financial sustainability.

**Measuring success** will require a broad range of performance indicators and economic outcomes. These will be identified in our annual operational plans for each 12-month period.

Ultimately, our goal is the continued delivery of a sustainable Welsh asset that we can all be proud of.



# Investment principles

Our investment principles underpin our role and position in supporting economic development in Wales. They are designed to meet our shareholder ambitions, taking account of the capacity of our operations and market regulation.

The **six core principles** of our approach to investment are:

- 1** We operate where there is **market failure**, supporting economic opportunity by making finance available to viable businesses and responding to evolving market and customer needs.
- 2** We invest on **commercial terms**, pricing the investment fairly to reflect the risk. This ensures we are not displacing the private sector. It also means we generate returns that can be recycled into new customers, creating a long-term, value for money asset for Wales.
- 3** We are a **patient investor**, providing accessible funding to support the long-term sustainability of the businesses we fund.
- 4** We work in close collaboration with the private and public sector and **crowd-in private sector co-investment** wherever possible to increase the flow of funds in Wales.
- 5** We invest for positive financial and non-financial impact in the regional communities we serve. **Environmental, social and governance** are considerations proportionately embedded in our investment decision-making.
- 6** We are a responsible investor, delivering **expert, independent investment management services**. Our experienced team adds value to the businesses we work with, for the life of the relationship.



# Our commitment



# Delivery of debt and equity funding with a social impact

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Continue to deliver our core remit, ensuring ongoing supply of debt and equity finance to Welsh businesses to unlock potential in our economy and create positive social impact.

**We will:**

- Facilitate an entrepreneurial culture in Wales from foundational through to high-growth businesses
- Support financial inclusion for underrepresented groups and create positive impact in the Welsh economy
- Work with our new and existing customers to encourage them to identify and prioritise social impact opportunities as part of their business planning

## The challenge

Delivering debt and equity finance to Welsh businesses has been our core business for over 20 years. Our annual investments have increased from £3.6m in 2000/01 to £109m in 2021/22, with an impact driven approach always at the heart of our delivery. As our operation has expanded so too have the pressures on public funding in delivering broader economic growth and development outputs with clear social value.

The market in Wales is diverse, ranging from a large number of dispersed smaller businesses to clusters of larger industry in the southeast and northeast<sup>3</sup>. It's essential that Wales is supported as a whole and that financial inclusion and social justice for underrepresented groups helps unlock the economic potential of the whole economy.

To create impact, businesses must be supported in embedding socially responsible practices in their employees and in their supply chain. Fair work practices, diversity, inclusion and climate change are now a mainstay of all business plans. Public sector organisations must lead by example when advocating these disciplines.

Delivery of funding must also remain agile in a changing market. It must be responsive to opportunities and challenges. From major events, such as Covid-19 where the needs and capacity of businesses changed overnight, to working in collaboration with new pilot initiatives to extend the reach of funding, the environment is ever-changing and delivery models must be able to adapt.

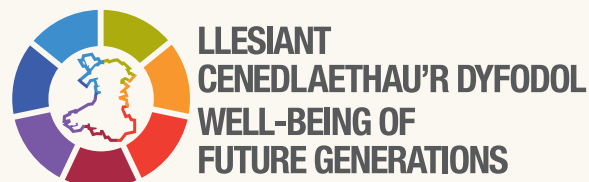
<sup>3</sup> UK business: activity, size and location, ONS, 2021. Available [here](#).

## Our approach

We are an impact investor with a social purpose.

We support prosperity across all sectors and regions in Wales, bringing ambitions to life and fuelling possibilities for people, businesses and communities. It's our inherent responsibility to understand the barriers faced by different groups and to consider ways to ensure economic opportunity is available to all. This helps build a diverse and sustainable economy for the future, making Wales an even better place in which to live and work.

Our value-driven objectives are to be an organisation that has smart collaboration, entrepreneurial energy, objective empathy and conscious responsibility at its core. We are embedded in communities across Wales, working together as colleagues and with customers, businesses we invest in, communities, suppliers, stakeholders. Our activity is based around four key themes that define our overall approach to continued ESG enhancement:



### A prosperous future

By providing funding to **underserved markets**, we help businesses to **create employment opportunities**, allowing people to take advantage of the **wealth generated** by businesses in the **communities** in which they are based.

#### Alignment with Well-being of Future Generations Act

- Healthier
- More equal
- Prosperous

#### Alignment with UN SDGs

3. Good health and well-being
8. Decent work and economic growth
9. Industry, innovation and infrastructure
10. Reduced inequalities
11. Sustainable cities and communities
12. Responsible consumption and production

### Community and place

Investing in businesses that reflect the **diversity in the communities** we serve helps make our society **more equal, inclusive** and **cohesive**. Investing in improvements to where people work and live promotes **health** and **well-being**.

#### Alignment with Well-being of Future Generations Act

- Cohesive communities
- Healthier
- More equal
- Vibrant culture and thriving welsh language

#### Alignment with UN SDGs

3. Good health and well-being
4. Quality education
10. Reduced inequalities
11. Sustainable cities and communities
12. Responsible consumption and production

Continued on next page.

## A sustainable future

Investing in businesses that are seeking to **grow sustainably** contributes to a **low carbon, biodiverse** society that supports **social** and **economic resilience**.

### Alignment with Well-being of Future Generations Act

- Resilient
- Cohesive communities
- Globally responsible

### Alignment with UN SDGs

- 7. Affordable and clean energy
- 11. Sustainable cities and communities
- 13. Climate action
- 14. Life below water
- 15. Life on land

## Innovation and technology

Investing in businesses that **innovate** creates **highly skilled employment** opportunities at the cutting edge of technology. Supporting more traditional businesses to **adopt new technologies** makes them more **competitive, productive** – using **resources** more **efficiently** and **proportionately**.

### Alignment with Well-being of Future Generations Act

- Prosperous
- Resilient
- Globally responsible
- More equal

### Alignment with UN SDGs

- 8. Decent work and economic growth
- 9. Industry, innovation and infrastructure
- 10. Reduced inequalities
- 11. Sustainable cities and communities
- 13. Climate action



## Our funding

We offer a broad range of funding options, from supporting the needs of smaller-scale micro lending through to large-scale growth finance. This range ensures we play a full role in meeting the ongoing needs of the market, including accessibility to patient capital – in line with the Welsh Government Programme for Government commitments – and can play an active role in Covid-19 recovery. Our scale of capital also allows flexibility to redirect funding as the market changes, to ensure we are meeting the needs of Welsh businesses.

The quantum and flexibility in our generalist funding offer, particularly through the Wales Flexible Investment Fund allows us to create tailored finance packages to suit customers' individual needs. While the market in Wales continues to be predominately for debt-based finance, as one of the most active venture capital investors in the UK<sup>4</sup>, we are well-positioned to continue to support businesses in considering equity as a route to achieve growth. This, too, aligns with a key Welsh Government Programme for Government commitment. See [page 47](#) for further details about our product range.

## Social impact in our investment decision-making

Social impact risks and opportunities form an important part of our ESG-focused investment decision-making. This includes opportunities to support more local, quality employment; improve business productivity, governance and sustainability; promote a culture of innovation; and encourage equality and diversity and local supply chains.

We recognise the range of potential outcomes is broad. Not all will be achievable for all businesses, so flexibility in approach is critical. Over the next five years we will continue to embed investment practices which maximise social outcomes from the businesses with which we work. Further information on our investment approach is found on [page 36](#).

## Regional approach

We are a funder for the whole of Wales and have built our offer around a regional approach. That applies everywhere – from cities, through to our most rural areas. We understand the important role that our town centres play for economic development and will continue to work with the Welsh Government on collaborative solutions. Importantly, this regional focus allows us to create social and economic impact within the significant foundational economy in Wales. Covid-19 has made more urgent the need to redress significant inequalities between places and between people and it's our role to ensure an equitable pan-Wales offer.

## Economic Contract Pledge

We will identify and develop new ways to encourage fair work and economic activity in underrepresented groups, including young and female entrepreneurship.

<sup>4</sup>The Deal: Equity investment in the UK in 2020, Beauhurst. Investing in Wales: The Welsh High-Growth Ecosystem 2021, Beauhurst

## Collaborative approach

**Maximising funding flow in Wales** — With continued pressure on Welsh Government budgets as we emerge from the pandemic and adapt to the exit from the EU, it is critical that we make every pound we invest count. To do this effectively we must work with others to maximise the flow of funding into Wales. We will work closely with our Welsh Government colleagues to ensure Wales benefits from new sources of funding including new UK Government funding streams, such as the proposed British Business Bank funding. It is vital that devolved and UK-run schemes are collaborative and provide additionality in the market. Our experience and ongoing research provides a valuable voice in the shaping of the future funding landscape.

**Working with business support** — Financial support alone cannot create the required effect on social and economic development in Wales. A major challenge in the new funding environment will be to maintain an effective business support ecosystem in Wales given the more fragmented funding packages that will replace structural funding. This is further exacerbated by the continued closure of local bank branches and the resultant loss of the high street banks' local relationship managers. We will continue to work closely with Business Wales and the wider Welsh advisory network including banks and financial intermediaries.

**Underrepresented groups** — Understanding the barriers faced by underrepresented groups is key to improving social justice and financial inclusion. We will continue our work with women, Black, Asian and Minority Ethnic and disabled entrepreneurs. We will maintain our focus on young people, working with Big Ideas Wales to increase our profile among this demographic demonstrating the support that's available and encouraging graduates into entrepreneurship. Engagement with this vital demographic, which provides the leaders of the high-growth SMEs of the future, is crucial to long-term economic development.

**Research** — We have an important asset in Economic Intelligence Wales (EIW), particularly at a time when understanding changes in our economy is of critical importance. EIW tracks macro-economic changes and the consequent socio-economic impacts arising from these. Over the next phase, an expanded research collaboration panel from 2022 will use EIW to develop further insights into the real-time issues in the Welsh economy. More information about this is on [page 51](#).

## Our operations

Social impact is embedded in our own operations. The diagram below shows some of the social impact initiatives we operate.

People	Community	Suppliers	Welsh Government
Well-being strategy	Welsh Language	Prompt Payment Code	Economic Contract
Fair Work Employer	Business in the Community	Sell 2 Wales	Well-being of Future Generations Act
People strategy	Charity of the year		

## Critical success factors

### **Facilitate an entrepreneurial culture in Wales, from local through to high-growth businesses**

#### **Key commitments:**

- Identify collaboration opportunities to increase the flow of funds to Wales
- Deliver investment targets across all funds over the five-year phase, including increased patient capital and promotion of equity
- Identify developing market needs and generate financial solutions to support these
- Optimise the Development Bank's regional presence to impact on the foundational economy, including within the town centres across Wales
- Promote our offer through clear and accessible communications

### **Support financial inclusion for underrepresented groups and create positive impact in the Welsh economy**

#### **Key commitments:**

- Understand the barriers to social justice and financial inclusion in Wales directly from those they affect, including commissioning EIW-specific research
- Collaborate with the wider business and social support network across Wales to maximise economic development opportunities
- Continue and evolve specific focus on young, Black, Asian and Minority Ethnic, women and disabled entrepreneurs

### **Work with our new and existing customers to encourage them to identify and prioritise social impact opportunities as part of their business planning**

#### **Key commitments:**

- Ensure our colleagues are equipped to support and signpost businesses in the key areas of fair work, skills development and diversity and inclusion
- Embed social impact considerations more comprehensively in our investment decision-making through more defined ESG focus
- Lead by example with our own operations demonstrating best practice in social impact delivery

## Measuring success

We use a range of indicators to track and measure our influence on social impact and economic growth. These include the number of jobs, quality of jobs, productivity and diversity. Metrics are aligned with the UN Sustainable Development Goals which facilitates further alignment with the well-being objectives detailed in the Programme for Government. We use this data to inform investment policy and action plans to promote best practice and impact across our delivery, ensuring added value interventions are optimised.

We will report the key metrics in the delivery of the above critical success factors every six months over the course of the 2022/27 strategic phase, beginning in October 2022.

# Promote and advance a green future in Wales

To promote and advance a green future in Wales through delivery of specialist finance and supporting our new and existing customers to address decarbonisation.

**We will:**

- Use our position and influence to promote a robust, proportionate transition to a green future across the business ecosystem in Wales
- Embed innovative financial instruments to advance the ambitions of a green future in Wales
- Continually improve our knowledge, skills and understanding of climate change impacts and the role of finance in delivering solutions

## The challenge

There is an immediate and significant collective responsibility to meet the ambitious targets for decarbonisation and net zero.

However, this urgency must also be carefully managed. Initiatives must embed long-term impacts, and to do this there needs to be a transitional approach. As the economy recovers from the effects of Covid-19 there is an opportunity to accelerate the focus on green pathways. However, many businesses will remain focused on survival into the medium-term and the overlay of decarbonisation may take more time.

We are gearing up to support the varying needs of the businesses we work with. Building our own learnings in this space, we will help evolve business practices and work with business leaders to embed and prioritise environmental credentials.

The challenge is multifaceted. The technologies are new. Research and development are evolving, re-skilling is required, business focus needs to be aligned, and funding is needed. In parallel, businesses are adapting to more digitalised working practices alongside continuing to deliver their products and services.

Net zero is a marathon not a sprint and getting the frameworks and foundations right for the future will be the most effective way to ensure long-term results. Collaboration with local and national expertise is fundamental and will take time to establish. Our focus will therefore balance a measured approach with clear and consistent stimulus.



## Our approach

We recognise the critical role we must play in supporting a stronger, greener economy as we progress towards decarbonisation, and are continually building our role within 'Team Wales'. The scale of the challenge and diverse needs require us to have a considered approach to ensure our resources, capacity and capital are used in the most effective ways.

In recent years we have been working to understand the challenge and how we can make a difference. We have engaged directly with customers and stakeholders to understand their expectations of us and our role ahead. We have also looked at our capacity and skills to deliver and we have considered examples of best practice locally and in other countries.

Our pledge to a net zero future, as detailed in the Welsh Government Net Zero Plan<sup>5</sup>, demonstrates our ambition to create and effect change.

### **Our pledge – The Development Bank is fully committed to addressing the climate change emergency and will continue to develop ways of working that will have direct impact, driven through:**

- 1** Ongoing delivery of a carbon reduction plan focused on our own operations, managed by a dedicated working group with the ambition to reach net zero\*
- 2** Utilising our research unit Economic Intelligence Wales to explore policy and product recommendations that can inform the transition to a low carbon economy
- 3** Supporting the businesses we work with to improve and reduce environmental impact, including through referrals to Business Wales sustainability advisors

\*See [page 46](#) for further information

## Our offer

We are committed to having a proactive approach in understanding the areas of the market in which underfunding is inhibiting the progress of decarbonisation activity and will consider how both existing products and new funds can be utilised to meet these challenges. To achieve behavioural change, particularly ahead of regulatory changes, we anticipate a degree of Welsh Government subsidy will be required. Our investment alongside that will enable government resources to go further. We will work to create innovative solutions to best utilise public capital and catalyse projects where private investment can be encouraged through de-risking or aggregation of smaller projects.

### **Decarbonisation programme**

The focus of development over the next phase will be on a programme of initiatives that work with evolving policy to deliver change. This rolling programme will prioritise achievement of early impacts. Alongside that, it will bring together the contributory parties to embark on larger-scale projects. Our initial focus is detailed on the following page. We expect this will evolve as the pace of change in this space continues.

<sup>5</sup>Working together to reach Net Zero: All Wales Plan 2021–25, Welsh Government, October 2021. Available [here](#).

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### **Economic Contract Pledge**

We will develop decarbonisation-focused financial solutions, supported by our research unit. We'll use our capacity and expertise to deliver impactful programmes of scale in support of net zero ambitions. By 2024, we will aim to have a minimum of two active pilots from the current proposed programme of six prioritised net zero projects.

<b>Decarbonisation investment for businesses</b> Consideration of a range of debt and equity products for SMEs to support decarbonisation. This will include exploration of a challenge fund, skills pivot funding for trade, low interest and hybrid grant loans and consultancy support.	<b>Incentive schemes</b> Development of incentives, focused initially on property, that support gradual behavioural change in the lead-up to the introduction of new building standards regulation in 2025.
<b>Energy hubs for Wales</b> Working with anchor clients to establish small-scale energy hubs to service small developments or communities.	<b>Large scale community energy</b> Part funding of large-scale developments and management of the community impact delivery.
<b>EV and PV</b> Supporting commercial property owners' fund requirements across photovoltaic and electric vehicle installations, utilising third-party consultants for technical support.	<b>Private sector retrofit</b> Working with Welsh Government and the optimised retrofit scheme to extend delivery to the private rented sector and owner occupiers. Directly support the heat strategy for Wales (to be published in 2023). This pilot will directly support the Programme for Government commitment to decarbonise more homes and deliver quality jobs and innovation in the local supply chains.

## Research

Progression in the offer to market will be supported by EIW research, which will be developed in collaboration with stakeholders from across industry, government, and academia.

## Communication

An essential part of our offer will be showcasing success and demonstrating to businesses how change can be achieved. We'll use real-life examples to normalise decarbonisation as part of a business's growth plan, and we'll support businesses in identifying how their own impact can be adapted.

To maximise our involvement in delivering solutions, we'll actively engage with policy working groups and stakeholder collaborations. This will include exploring how we can support the work of the newly-formed Net Zero Industry Wales body.

## Our customers

To achieve our most widespread impact in carbon reduction, we'll work with our growing number of customers across a broad range of sectors to help them understand decarbonisation risks and opportunities. Embedding an environmental focus will be part of being a Development Bank customer. And part of our role will be to show how these elements can strengthen a business plan.

Immediate pressures for climate change need to be balanced with the ongoing needs of business sustainability and growth. The transition to net zero needs fundamental change in business behaviours. This will take longer in some businesses than in others.

Our response must recognise this and be proportionate and fair.

The initial phase of implementing our approach will involve a high-level materiality assessment. This will look at the level of impact by the business, based on size and sector, falling into one of the three categories below.

This approach will continually refine and evolve as new learnings are evidenced both internally and externally.

Micro businesses	Remaining portfolio	Medium to large equity portfolio
<p>Approach to include:</p> <ul style="list-style-type: none"> <li>– Signposting to specialist business support</li> <li>– Information provision</li> </ul>	<p>Approach to include:</p> <ul style="list-style-type: none"> <li>– Signposting to specialist business support</li> <li>– Desktop risk assessment using e.g. IBIS World</li> <li>– Create plan for mitigating material risks</li> <li>– Monitoring specific actions through conditions precedent/subsequent</li> </ul>	<p>Approach to include:</p> <ul style="list-style-type: none"> <li>– Assessment of positive impact and ESG risks and establishment of a mitigation plan</li> <li>– Monitoring of mitigating actions</li> <li>– ESG actions embedded in a value creation plan</li> <li>– Monitoring progress against investee agreed KPIs</li> <li>– Encouraging Board engagement</li> <li>– Signposting to specialist business support</li> <li>– Use of risk assessment reporting e.g. IBIS World</li> <li>– Monitoring specific actions through conditions precedent/subsequent</li> </ul>

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### Economic Contract Pledge

We will continually develop our stewardship role with both our new and existing customer base to support businesses in maximising their environmental credentials and build future resilience to support the net zero ambitions of Welsh Government. By 2024 we will ensure that carbon emissions and net zero plans are a mainstream part of our sanction considerations for investments we make.

We are working to set a portfolio-wide baseline using an analysis of environmental risk factors by sector, business size and exposure. This approach avoids the need to collect regular and detailed data returns which can be burdensome for small business owners. Our portfolio method gives us the ability to understand the scale and dynamics of customer carbon emissions and will support the development of targeted support strategies.

### Programme for upskilling and training

We will ensure our colleagues are sufficiently supported to work with our customers in reviewing their environmental credentials as part of an investment. We will continue to build our signposting network so that detailed support can be provided to businesses as they require it. We are also committed to expanding our colleagues’ core skills to include environmental matters.

## Critical success factors

### Use our position and influence to promote a robust, proportionate transition to a green future across the business ecosystem in Wales

#### Key commitments:

- Work with new and existing customers to identify areas of environmental impact and promote the actions required to transition to net zero
- Lead by example and ensure our own operations are subject to carbon reduction targets through a dedicated strategy
- Promote positive action and change through communication of success stories and a collaborative approach with external experts

### Embed innovative financial instruments to advance the ambitions of a green future in Wales

#### Key commitments:

- Develop a programme of identified projects including housing retrofit and renewable energy technology
- Introduce incentives to encourage behavioural change to meet policy ambitions for decarbonisation
- Catalyse innovation by de-risking green investment through exploration of collaborative approaches to supporting new technology

### Continually improve our knowledge, skills and understanding of climate change impacts and the role of finance in delivering solutions

#### Key commitments:

- Produce a series of contributory research through EIW in partnership with green leaders
- Continual programme of upskilling and training of our colleagues in line with evolving environmental developments
- Achieve ESG accreditation

## Measuring Success

As a cornerstone investment vehicle for Wales, the Development Bank is well positioned to introduce change within the Welsh micro- to medium business sector. As an accountable public sector organisation operating public funding, we must demonstrate to stakeholders that we are helping businesses adapt and respond to the environmental crisis.

To do this, we will track progress against a series of metrics that deliver on the critical success factors outlined above. These will be reported on at six monthly intervals over the course of the 2022/27 strategic phase, with the first output in October 2022.



# Delivery excellence, customer first, sustainability

To ensure delivery excellence, driving through ongoing efficiencies for our customers and establishing long-term sustainability so that we remain a lasting asset for Wales.

**We will:**

- Ensure collaborative and responsive delivery that meets customers' evolving needs
- Embed financial sustainability into the long-term through innovative use of capital for ongoing market needs
- Make optimal use of our ability to support the delivery of government policy through our structure and expertise

## The challenge

As government budgets become tighter and business needs become more complex we must consider new and novel ways to optimise delivery impact. This includes utilising our FCA regulated entity, FW Capital, to work with a wider pool of investors to increase the flow of funds within the Welsh economy.

Since our launch in 2017 the breadth of our products and services has increased significantly. With that has come the need to bring in new skills, upskill our colleagues, enhance our systems and processes and adapt to the changing market.

The ability to quickly expand delivery in line with the growing needs of the market has been possible due to the tried and tested processes and governance inherited from our predecessor organisation Finance Wales. This has allowed the creation of a range of sector-specific interventions. It also meant we were able to respond immediately to the pandemic through the Covid Wales Business Loan Scheme in April 2020.

Following the transformational period the organisation has navigated over the last strategic phase, it is now vital that our operational framework not only meets the expectations of our customers but also continues to demonstrate clear value for money in ongoing efficiency of delivery.

In turn, our breadth and offer to the market must directly support our ambition to maintain long-term support for businesses in Wales. Developing innovative financial solutions in the use of scarce public funds has never been more important to ensure future generations of businesses can be supported. This is the fundamental advantage of our model where investments can be recycled to support future growth.

Our value proposition for the future must balance the competing pressures of these dynamics to introduce new investment capital into the Welsh economy.

## Our approach

Our commercial approach is fundamental in ensuring additionality and generating long-term impact through the ongoing availability of funding for Welsh businesses. Our role is unique and one that needs to satisfy a wide range of stakeholders and at its core must balance the following requirements:

Economic return	Additionality	Impact-generating	Catalysing action
Ensure sustainability for both the businesses we support and the Development Bank itself so that we meet repayment commitments and maintain future impact	Ensure any potential displacement of the private sector is minimised	Deliver policy goals and economic development through measures such as business growth, job growth and productivity	Crowding-in the private sector by acting as initial risk taker

## Customer-focused delivery and operational efficiency

Our point of differentiation as an investor is the partnership approach we take with our customers were highlighted in a 2021 customer survey. Customers noted our flexible, approachable team that has the ability to structure bespoke funding packages.

The established processes within the organisation are the backbone to our delivery capacity, but we are committed to continuous improvement. Our programme of digital transformation is a major area of change. It will create a more streamlined interface with our customers, as well as internal efficiencies that will result in cost savings.

Ultimately, we are focused on operations that represent value for money where efficiency and effectiveness can be clearly demonstrated. It is difficult to attain a meaningful benchmarking cost comparison for an organisation with our breadth of activity and policy aims. The gap in which we operate has limited incentive for commercial fund managers, particularly as higher risk investment often comes with more complexity, uncertain returns and higher costs. Furthermore, the requirement for and benefit of maintaining and growing a regional presence creates an operating model that is not reflected in many private funding organisations.

Our change management function will enable us to demonstrate our ongoing value. This comes at the right time – following a significant period of growth and as we prepare to take on the next phase of market challenges.

## Change management office

The change management office will provide us with a greater focal point for governing, structuring, and implementing change initiatives. It will scrutinise and approve projects that deliver strategic and operational change or significant continuous service improvement. Importantly the function will provide complete oversight from approval through to benefit realisation.

Role of the Change function		
Approve	Embed	Govern
Prioritisation	CSI advocates	Dependencies
Change readiness	Change communications	Risk management
Budget allocation	Oversight and reporting	Project governance
Resource allocation	Project delivery	Portfolio approach
Strategic alignment	Challenge and scrutiny	Benefits realisation
Business case review		Regular reporting
Procurement readiness		Supplier performance

The change management function will operate groupwide and encourage colleague-initiated change where clear operational efficiency and cost saving is identified. All projects will be governed by the established principles of the Development Bank project management office. Outputs will be reported through a balanced scorecard of key metrics.

## Customer and stakeholder feedback

Understanding the benefit gains to our customers and ongoing requirements of our stakeholders is paramount to guiding our ongoing Change programme. Over the course of the next five years, we will track our customer NPS® and supplement quantitative feedback with regular roundtables and focus group engagement.

## Long-term customer relationship

Our dedicated portfolio executives are firmly focused on customers, for the life of the investment. It's a culture that is embedded into the way we work; value-add measures are a core part of the team's existing impact. We adapt our customer approach to suit the nature of the investment, the level of input we are able to achieve and the capacity of the customer businesses themselves.

Supporting socially and environmentally responsible business activity within our portfolio will include elements of:

- Supporting businesses in creating exit plans
- Signposting and referrals to key support organisations throughout Wales
- Provision of follow-on funding to drive further growth
- Provision of a responsible business resource portal on our main website for all business
- Regular events to inform and update customers on relevant business issues
- Connecting aspiring entrepreneurs to relevant business partners
- Using case studies to showcase achievable success
- For larger investments, designing dedicated value-creation plans
- Developing the leadership skills of the teams we invest in – such as appointing NEDs as mentors
- Developing the use of incentives to motivate businesses into action

## Funding outlook

We have established a significant capital base. Funding is available across a range of sector and generalist funds, meeting an extensive range of business needs. Seventy per cent of funding we operate is Financial Transactions Capital which has scheduled repayment commitments back to Treasury.

2017 (Launch)	2022 (five-year point)
£1bn Funds under management	£1.9m Funds under management

Funds in active investment and realisation stages <sup>6</sup>

To ensure longevity in delivery, it's important that we demonstrate both impact and returns. We must continue to develop innovative funding solutions that can achieve both. Mechanisms have been developed for current live funds which utilise recycled capital and legacy funding to minimise the call for new funding. We will work with Welsh Government to agree how capital allocations can be further utilised to get the most value for public funding. Achieving a 'financially sustainable model' within the core business funding delivery is our long-term vision, while still balancing the role of economic development.

<sup>6</sup> Does not include additional funding managed in closed funds or those solely within holding fund management.

Our ability to quickly respond to market needs provides a major advantage for the Welsh market. Through ongoing market intelligence gathering and through policy direction, the Development Bank and Welsh Government have a strong partnership in delivery. This has been demonstrated through the establishment of 11 new funds over the last five years.

## FW Capital

FW Capital will play an increasing role in our future funding strategy. As the Group's<sup>7</sup> FCA-authorised investment arm it can manage funds on behalf of public and private contracting authorities and investors. As the shape of funding in the UK change post EU, FW Capital will be an important vehicle in accessing increased in-flow of funding for Wales.

FW Capital will also explore expansion of its delivery outside of Wales, building on the existing North of England presence in new regions. Importantly, the funding landscape may also open up opportunities for cross-border delivery through this vehicle.

Expansion of FW Capital is an important component of the Development Bank's future sustainability. Its operation brings direct benefit for Wales through its networks and relationships, wider market learnings and creation of jobs that support its delivery. The role of FW Capital as a deliverer in Wales, as well as outside Wales, will be further enhanced.

## Utilising the Development Bank's wider expertise

**Investment services** — We have been successfully delivering the Help to Buy – Wales scheme since 2014. Our proven governance and financial structures have enabled us to develop a service that provides a cost-effective solution based in Wales. Furthermore, a valuable resource has been established which has potential to support future Government programmes. We will work with Welsh Government to identify further service needs that may be supported by this operational resource.

**Recovery support group** — Our recovery support group will continue to provide support to financially challenged businesses that require non-financial assistance. We are keen to make sure that the knowledge and expertise within the Development Bank is utilised to add value, even where the ultimate goal may not involve funding from us.

## Economic Contract Pledge

We will evolve our funding mechanisms and operations to further optimise efficiency and effectiveness of delivery, ensuring high customer needs are met and satisfaction levels are maintained. We will continually monitor our customer NPS®, ensuring it remains above 60.

<sup>7</sup>Please click [here](#) for more information on the Development Bank of Wales Group.



## Critical success factors

### Ensure collaborative and responsive delivery that meets customers' evolving needs

#### Key commitments:

- Focus on customer and stakeholder satisfaction and feedback through regular roundtables and NPS® tracking
- Continually enhance the value creation plans developed with our portfolio customer base
- Advance our digital transformation programme to achieve greater efficiencies and modernise our interface with customers
- Embed a change management function which ensures effectiveness in the implementation of operational change

### Embed financial sustainability into the long-term through innovative use of capital for ongoing market needs

#### Key commitments:

- Work closely with our shareholder to ensure capital availability and utilisation is maximised in market-focused repayable finance solutions
- Continued delivery of an effective exit strategy in order to realise and recycle public funds
- Identify potential new delivery contracts for FW Capital

### Make optimal use of our ability to support the delivery of government policy through our structure and expertise

#### Key commitments:

- Recruit and retain expertise and develop talent through career pathways
- Develop serviced-based solutions for policy areas requiring financial administration, building on the success of Help to Buy – Wales
- Directly support the ambitions of the Programme for Government through closer linkage with Welsh Government policymakers
- Continue to support Covid-19 recovery through measures such as the Recovery Support Group

## Measuring success

We will track progress against a series of metrics that deliver on the critical success factors outlined above. These will be reported on at six-monthly intervals over the course of the 2022/27 strategic phase, with the first output in October 2022.

We will work with our shareholder to complete a full Tailored Review of performance and operations within this Term of government. The outputs of this strategic objective will be critical in demonstrating to this review how the organisation achieves the right balance of operational efficiency, customer expectations and long-term delivery. It is expected that this review will take place in 2025.

# Our approach

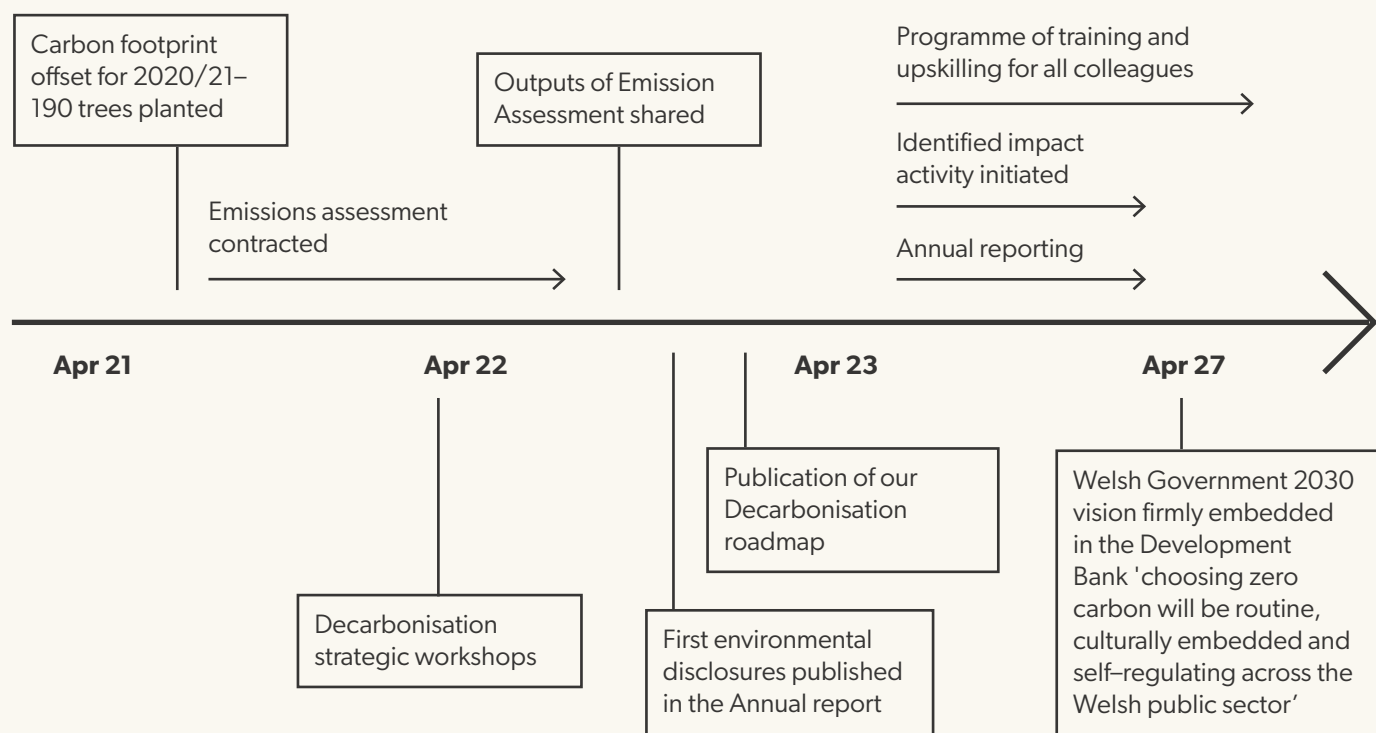


# Our net zero roadmap

For us to drive change we must demonstrate our own commitment. We focus our environmental impact within the context of the UN Sustainable Development Goals (UN SDGs) of decarbonisation and the environment and the Well-being of Future Generations (Wales) Act 2015. Importantly, the Well-being of Future Generations Act gives us a legislative basis for addressing the UN SDGs within the Welsh context and, in turn, in our own operations.

## Our carbon footprint

Following the work of a task and finish group (Teulu<sup>8</sup>) in 2019 we are actively employing a range of measures to reduce our carbon emissions and offset our remaining footprint through tree-planting schemes in Wales. An updated forward-looking Decarbonisation roadmap will be in place in 2022/23 which will set out a detailed action plan to further reduce our emissions and minimise our need to offset. The timeline is here:



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## Economic Contract Pledge

We will maintain carbon neutral operations with targeted reduction on remaining emissions under our control. We will publish our Decarbonisation roadmap in 2022/23.

<sup>8</sup>Teulu – Meaning 'family' in Welsh, is a cross-departmental working group approach utilised by the Development Bank to address key business challenges.

# People

To achieve our ambitions, we will maintain a culture and environment in which our colleagues can thrive and learn. The economy is experiencing significant change, from that brought about by the climate change emergency, through to post-economic shock recovery. It's important that our knowledge, skills and understanding evolve alongside this. People are our greatest asset and fundamental to our long-term success.

We champion an equal and diverse workplace and continually implement strategies to make sure we're always achieving this. Our efforts are accredited annually through the Chwarae Teg FairPlay Employer Award<sup>9</sup>, ensuring inclusive working practices are at the heart of our operations. In addition, our employee Well-being strategy promotes positive physical, mental, financial and social well-being, supporting every colleague in reaching their full potential.

Over the next phase, we will embed our post-pandemic working practices. We will work with our colleagues and continue to monitor best practice in our industry to ensure we maintain delivery excellence while also offering our colleagues flexibility and a great work/life balance. Our dedicated People strategy outlines our commitments to new and existing colleagues, with the core aim of the Development Bank being an employer of choice.

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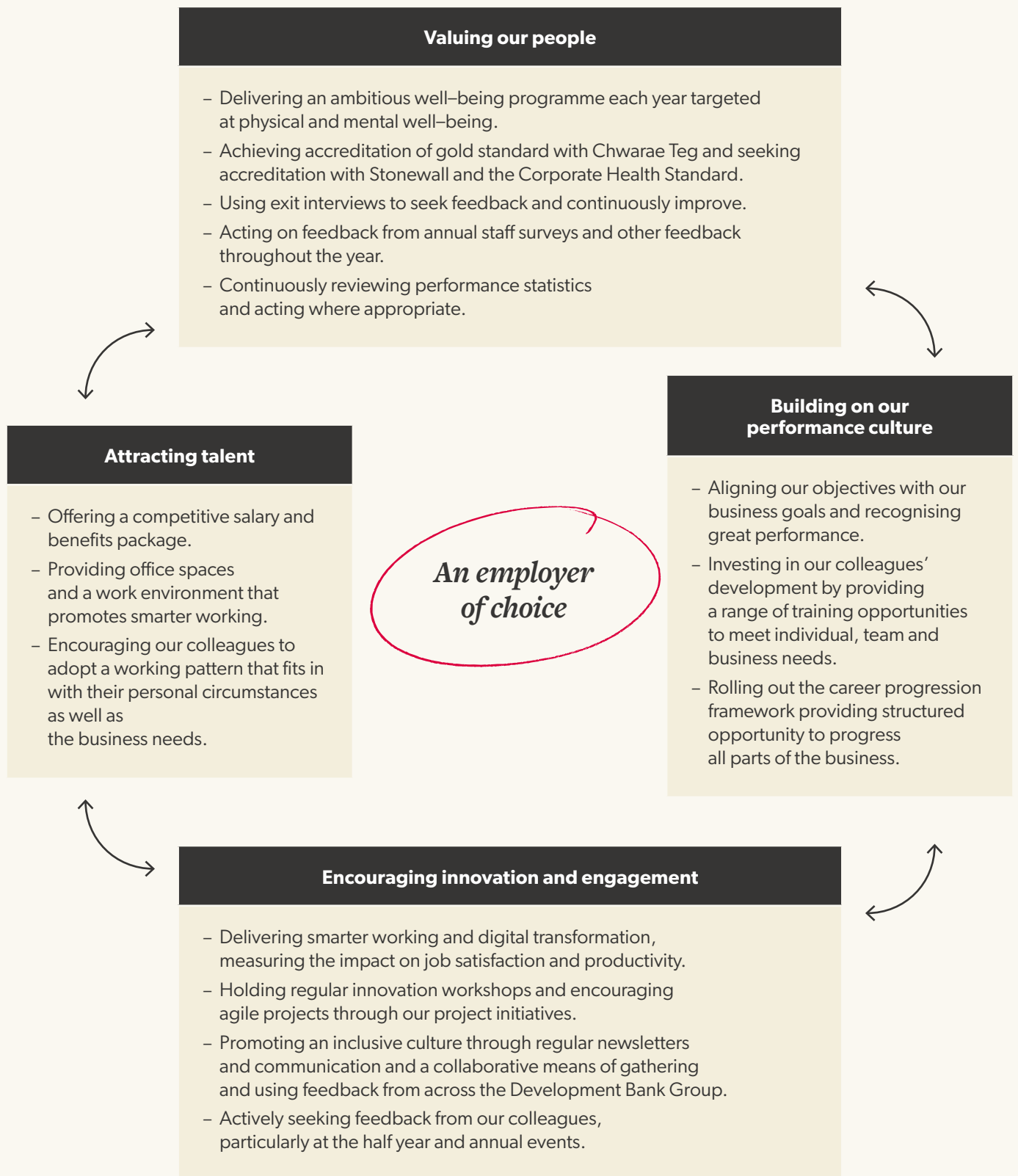
## Economic Contract Pledge

We will continue to deliver a dedicated Well-being strategy that supports the mental, physical and financial well-being of our colleagues.

By 2024 we will aim to upgrade our silver standard in the Chwarae Teg FairPlay Employer Award to gold, which covers a range of activity including flexible working, business diversity, culture and recruitment and selection. We will also align the lowest pay bands with Welsh Government minimum pay.



<sup>9</sup> Read more about Chwarae Teg's FairPlay Employer Awards [here](#)





# Location

As a development bank for the whole of Wales, we are committed to having a presence in all regions. Our network of offices, including our Wrexham based headquarters, demonstrates this. This infrastructure is essential to our dispersed teams providing locally-based access for both new and existing customers.

We closely monitor our carbon footprint. Our facilities and travel have the biggest impact, but new initiatives are continually being introduced to minimise our outputs. So far, these include our supplier procurement approach, broad recycling measures and an interactive travel system that monitors CO2 usage. More details will be outlined in our **Decarbonisation roadmap** in 2022/23.

**+30**

**employees in the  
North of England**



# Investment approach

## Investment type

Our funding is market-led and investments aligned to the individual needs of the customer business. We primarily offer three types of investment:

Debt	Equity	Property (debt)
Term lending from £1k micro loans to £10m growth capital loans. As a patient investor, we can offer business loans of up to 15 years.	Equity and quasi-equity products utilising mechanisms such as mezzanine finance and convertible loan notes. Minority shareholder stakes of £50k through to £10m.	Dedicated property development finance to support small property developers in building homes and commercial premises across Wales.
Directly supports the Welsh Government aims to increase the supply of patient capital for Welsh businesses and utilise finance to catalyse economic growth.	Directly supports government aims to increase the use of equity stakes by businesses in Wales.	Directly supports government aims to increase the supply of new homes in Wales, support the building industry and develop green homes of the future.

Note: Our Local Energy Fund and proposed decarbonisation solutions offer longer terms.

## Additionality

We operate in the space where market failure exists. While it is not feasible to eliminate all direct or indirect displacement, we utilise various checkpoints to minimise this risk and consider a business's ability to access funding from the private sector. This includes declarations from the business itself as part of the application, direct referrals from the private sector, and the work our customer-facing teams undertake in reviewing customers' financing needs.

Our role in crowding-in co-investors at a deal level is also a key part of managing additionality. This has been a central strand of our operation since inception. We are a collaborative investor that operates an extensive network of co-funders and support organisations. Our aim is to maximise the support we can bring to businesses in Wales, and to do this it's critical that we harness and leverage the expertise, capacity and funding available across the marketplace.

## Subsidy control regime

We adhere to the evolving principles of the subsidy control regime (previously State Aid). The Subsidy Control Bill states that financial assistance provided on terms that might reasonably have been expected to be available in the market does not give rise to a subsidy. Loans and equity investment are offered by us on commercial terms, benchmarked against the market.

## Pricing

A commercial return is fundamental to us to fulfilling our remit of balancing social impact and financial returns for long-term delivery. The unique value for money mechanism which we provide to Wales ensures that scarce public funding can be operated in a sustainable way and reinvested for future generations of businesses.

To achieve this, we promote a culture in which risk is accepted in a measured, reasoned and informed way. This has been key to the Group’s performance to date. We carry out a risk-based assessment of each prospective investment and apply the appropriate pricing to comply with our overarching Pricing policy. This is typically higher than the private sector, further addressing potential areas of displacement.

### Patient investor

We are a patient investor with a product range built to ensure serviceable financial solutions for businesses to start up and grow. Across both our debt and equity, we offer a long-term partnership with our customers, providing mainstream investment terms of up to 15 years.

### Discretionary investment services

We are contracted to deliver discretionary fund management services. All investment decision-making is undertaken independently of our shareholder (Welsh Government) by our in-house investment management team of finance specialists.

### Regulation

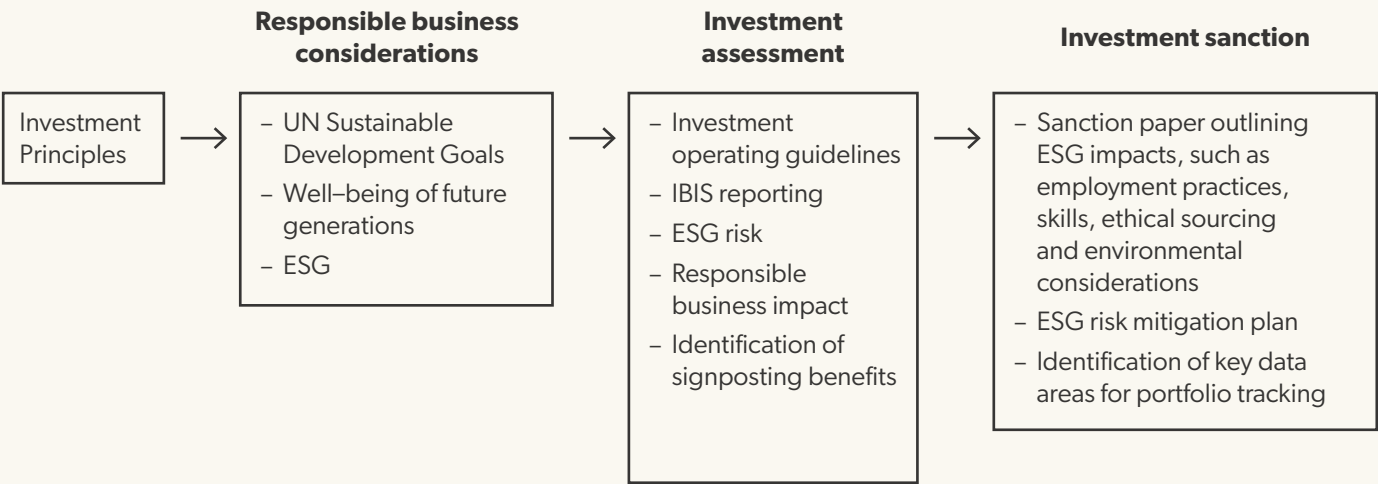
As an arms-length body, operating funding on behalf of our shareholder Welsh Ministers, our investment delivery is not generally required to be regulated under the Financial Conduct Authority.

Exceptions do exist where there is FCA-regulated customer activity within the Group subsidiaries: FW Capital Ltd, DBW Investments 10 (Ltd) and Help to Buy – Wales.

### Responsible investor

As a responsible investor, we understand our role is wider than financial impact. We’re continually evolving our ability to support the businesses we work with to consider their individual capacity to contribute to ESG goals. This approach will develop in line with ESG international standards and best practice. More details can be found in our Responsible business policy.

Building on our current focus on the UN Sustainable Development Goals and Well-being of Future Generations, ESG impact will become a mandatory element of our investment assessment. Through our long-term relationship with our customers, we will capture data to demonstrate how the investment positively impacts against these themes and use this to inform our annual impact statement. This change will be implemented in an incremental way, recognising the need for resource upskilling, process adaptation, business education and culture and behavioural changes.



# Financial strategy

## Long-term sustainability

We provide Wales with a funding mechanism that can create a continuous supply of finance for economic development. By working with our customers to maximise our return profile while also embedding continuous improvement in the efficiency of our operations, we provide a long-term asset for Wales. Achieving this aim requires close management with both internal factors – policy ambitions, operational efficiencies; and external factors – business performance, stakeholder needs. Together, these internal and external factors directly influence our success.

## Recycling of funding

Central to our long-term sustainability is the ability to utilise receipts for future investment. We operate several sources of capital, of which the majority is Financial Transactions Capital (FTC). This type of funding has committed repayment profiles back to UK government which therefore limits both the use and forecast reutilisation of the capital. However, particularly in regard to the latter, long-term repayment profiles can be modelled if there is evidence of ongoing benefit. In addition, the blending of FTC with any available core capital can also create more sustainable long-term solutions. A fundamental objective over the next phase is to work with our shareholder to identify and maximise options for capital utilisation both in the medium- and long-term.

## Funding and budget management

Following re-classification of the Development Bank in 2021 to a Central Government organisation (FW Capital Ltd remains as a public corporation) a budget reprofiling exercise has been undertaken to aggregate individual fund and operational cost budgets. The ability to achieve a long-term delivery

strategy, and manage reutilisation of receipts, must fundamentally be compliant with the parameters of these Welsh Government budgetary frameworks.

## Operational costs

Our delivery costs are covered through the application of fund management and holding fund management fees against the funds which we operate. We undertake periodic reviews to benchmark against market fee pricing. The most recent review was completed in 2021. The next will be completed in 2023.

This model ensures we are financially self-sustaining. It doesn't require a call on public budgets for our operations. Any surplus earned, after an appropriate operational reserve is held, is reinvested into financial instruments for economic development.

# Partnerships

Smart collaboration is a core value of the Development Bank. We will not succeed alone in meeting our objectives and so we work across both the public and private sector, connecting business support solutions and new opportunities to create a cohesive and efficient funding ecosystem in Wales. We are committed to proactive stakeholder engagement in all areas of our operations. Some of our key partners are shown below.

## Co-investor network



## Business support network



## Public and private fund level investors



## Social business network



## Cross-departmental Welsh Government liaison



## Research partners and universities



## Charity, third sector and responsible business advocacy groups



**Banc** 



# Policy

Our remit is focused on supporting multiple policy ambitions of the Welsh Government and its wider affiliated bodies. Our objectives continually align with the achievement of economic development impacts in Wales. The main policy alignment is shown below:

## Overarching

**Programme for Government** – The Development Bank to support increasing equity stakes and the provision of patient capital. Also supporting the values of community, equality and social justice.

### Working Together to Reach Net Zero:

**All Wales Plan** – All public sector organisations to be net zero by 2030. The Development Bank is committed to supporting this.

### Well-being of Future Generations –

Seven well-being goals and five ways of working.

### Wales Infrastructure Investment Plan –

The Development Bank to fill the gaps between funding from the private sector. Administration of public sector funding within the Mutual Investment Models.

## Housing

**Programme for Government** – The Development Bank supports building an economy based on fair work, sustainability and the industries and services of the future. We unlock and develop modern commercial sites across Wales, which also makes our cities, towns and villages even better places in which to live and work.

### Welsh Development Quality Requirements 2021 –

Funding developments to support the aim of creating beautiful homes and places, promoting Modern Methods of Construction where possible.

## Economy

### Economic resilience and reconstruction mission –

The provision of rapid and agile funding, maximising the Development Bank's contribution to the fulfilment of economic policy objectives.

### Moving the Welsh Economy Forward:

#### "A Team Wales recovery, built by all of us" –

Focus on young people, graduate start-ups and ensuring we have firms grounded in Wales to provide future opportunity.

**Economic Contract** – The Development Bank's Economic contract and six delivery pledges.

### Regional economic frameworks –

Support to delivery programmes as identified.

## Operational

### Welsh Language (Wales) Measure 2011 –

Bilingual outputs and communications.

### Public Procurement Regulations (2015) –

Managing the purchasing of goods and services by the Development Bank.

**Fair Work Wales** – Adherence to fair work practices.

**Remote working** – Flexible working to reduce our footprint, supporting Welsh Government aims for 30% of workers to work at or near their homes.

## Programme for Government well-being objectives

- Build an economy based on the principles of fair work, sustainability and the industries and services of the future
- Build a stronger, greener economy as we make maximum progress towards decarbonisation
- Embed our response to climate and nature emergency in everything we do
- Celebrate diversity and move to eliminate inequality in all its forms
- Make our cities, towns and villages even better places in which to live and work
- Push towards a million Welsh speakers and enable our tourism, sports and arts industries to thrive

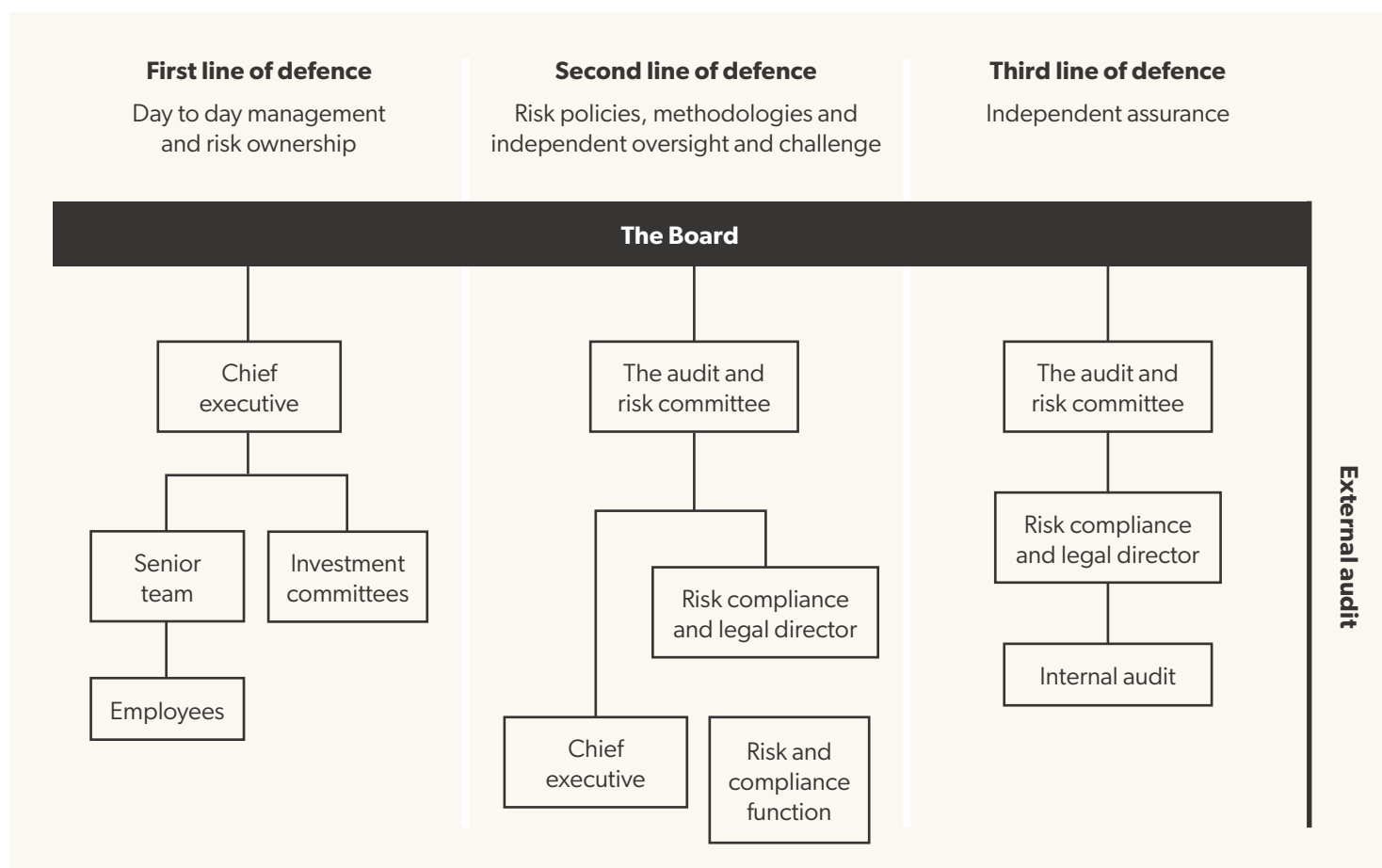
# Risk and governance

## Risk management framework

The Board of the Development Bank provides entrepreneurial leadership within a robust framework of risk identification, monitoring and management using risk mitigating controls. As a gap-funder, our tolerance to credit risk is inherently higher than that of most commercial lenders. Our approach to credit risk management is embedded in comprehensive appraisal and portfolio management procedures, and adherence is monitored by the independent compliance team.

The Board has identified several other enterprise risk categories: compliance, conduct, interface, investment mandate, liquidity, operational, reputational and strategy. A tolerance has been ascribed to each. Overall, risk tolerances are either negligible or low.

We encourage a positive risk culture that's based on openness, objectivity and integrity. The three lines of defence model allows for effective risk management. Accordingly, the Board and senior management expect everyone to play their part through ownership of the risk identification process and by taking personal responsibility. Colleagues are fully supported through ongoing training and development to carry out their role.





## Principal risks

The Board has identified the following ten principal risks to the successful delivery of the strategic plan:

- Failure to deliver the Group's business case and commitments and/or poor alignment or engagement with our stakeholder
- Failure to ensure the continued availability of funding, in terms of type and/or sufficiency
- Failure to comply with legal and regulatory requirements
- Failure to understand and adapt to the needs of our customers
- Failure to meet fund performance objectives
- Failure to optimise operational resilience and effectiveness in managing change
- Managing organisational growth and change, and failure to recruit, develop, motivate and retain appropriately skilled and experienced colleagues
- Vulnerability to cyber-attack, data security breaches, and the threat to, or denial of, IT service
- Failure to manage the contribution of third-party providers to the successful delivery of the strategic plan
- Failing to have sufficient focus on the ESG aspects of our activities

Full details of the Risk management framework, culture and tolerances can be found in the **Annual report and accounts** and in the Risk management & assurance policy.

**Digitalisation** – As part of the digital transformation programme, we are migrating our risk management operations to a digitalised system. This risk management software will allow for more streamlined oversight and management of controls and indicators across all departmental operations over the next strategic phase.

# Equality impact

As part of the policy decision to launch the Development Bank, an Equality Impact Assessment (EIA) was undertaken. This assessment explored the impact of our products and services in the context of groups with protected characteristics and set out recommendations.

We have made good progress in the areas prioritised for initial action. This includes supporting female entrepreneurs, improving diversity in our marketing and communications, and providing regular colleague training.

We will continue to manage the EIA outputs, looking at additional areas of activity, revisiting the early actions and considering changes in requirements to EIA best practice. Specifically

regarding the latter, we will consider the requirements of the Socio-economic Duty which came into force in March 2021 and which supplements the Public Sector Equality Duty – the statutory requirements under which the original EIA was conducted.

As noted throughout this Plan, our operations and delivery will also be closely linked to both the Well-being of Future Generations Act and the evolving impacts of Covid-19, particularly in underrepresented areas.

The next stages of our Equality Impact focus are detailed below. The remaining work will lead to the five-year point of the initial review when a revised EIA will be conducted.

<b>Training</b>	Refresh and repeat diversity training, ensuring all new starters are included
<b>Diversity monitoring systems and processes</b>	Review the diversity monitoring form as part of the project of work to consider how ESG considerations are further embedded into our processes
<b>Recruitment</b>	Develop and implement specific training on equality and diversity in recruitment – to be included as part of the recruitment process
<b>Branding and communication</b>	Ensure equality and diversity is part of the 2022 branding refresh work and embedded in our communications  Review our document accessibility and update our accessibility statement
<b>Planning</b>	Scoping and procurement of second EIA in 2023
<b>Customers</b>	Through direct engagement, identify additional support required by underrepresented groups  Promote the entrepreneurial culture through engagement with programmes focused on young people  Continue to work with networks and partners to reach underrepresented groups

# Delivery





# Strategic objective summary

The three strategic objectives and their related critical success factors for the strategic phase 2022/27 are consolidated below. Key objectives against these are to be set on an annual basis and reflected in the annual operational plan.

1/3 Core: Delivery of debt and equity funding with a social impact		
Critical success factors		
Facilitate an entrepreneurial culture in Wales, from foundational through to high-growth businesses	Support financial inclusion for underrepresented groups and create positive impact in the Welsh economy	Work with our new and existing customers to encourage them to identify and prioritise social impact opportunities as part of their business planning
<b>Key commitments:</b> <ul style="list-style-type: none"> <li>– Identify collaboration opportunities to increase the flow of funds to Wales</li> <li>– Deliver all investment targets across funds over the five-year phase, including increased patient capital and promotion of equity investment</li> <li>– Identify developing market needs and generate financial solutions to support those</li> <li>– Optimise our regional presence to impact on foundational economy, including within the town centres across Wales</li> <li>– Promote our offer through clear and accessible communications</li> </ul>	<b>Key commitments:</b> <ul style="list-style-type: none"> <li>– Understand the barriers to social justice and financial inclusion in Wales directly from those affected, including commissioning EIW-specific research</li> <li>– Collaborate with the wider business and social support network across Wales to maximise economic development opportunities</li> <li>– Continue and evolve specific focus on young, Black, Asian and Minority Ethnic, women and disabled entrepreneurs</li> </ul>	<b>Key commitments:</b> <ul style="list-style-type: none"> <li>– Ensure our colleagues are equipped to support and signpost businesses in the key areas of fair work, skills development, R&amp;D and diversity and inclusion</li> <li>– Embed social impact considerations more comprehensively in our investment decision-making through more defined ESG focus</li> <li>– Lead by example with our own operations demonstrating best practice in social impact delivery</li> </ul>

Continued on next page.

Critical success factors		
<b>Use our position and influence to promote a robust, proportionate transition to a green future across the business ecosystem in Wales</b>	<b>Develop innovative financial instruments to advance the ambitions of a green future in Wales</b>	<b>Continually improve our knowledge, skills and understanding of climate change impacts and the role of finance in delivering solutions</b>
<b>Key commitments:</b> <ul style="list-style-type: none"> <li>– Work with all new and existing customers to identify areas of environmental impact and promote the actions required to transition to net zero</li> <li>– Lead by example and ensure our own operations are subject to carbon reduction targets, through a dedicated strategy</li> <li>– Promote positive action and change through communication of success stories and a collaborative approach with external experts</li> </ul>	<b>Key commitments:</b> <ul style="list-style-type: none"> <li>– Develop a programme of identified pilot projects including housing retrofit and renewable energy technology</li> <li>– Introduce incentives to encourage behavioural change to meet policy ambitions for decarbonisation</li> <li>– Catalyse innovation by de-risking green investment through exploring collaborative approaches to supporting new technology</li> </ul>	<b>Key commitments:</b> <ul style="list-style-type: none"> <li>– Produce a series of contributory research through EIW in partnership with green leaders</li> <li>– Continual programme of upskilling and training of our colleagues in line with evolving environmental developments</li> <li>– Achieve ESG accreditation</li> </ul>

Critical success factors		
<b>Ensure collaborative and responsive delivery that meets customers' evolving needs</b>	<b>Embed financial sustainability into the long-term through innovative use of capital for ongoing market needs</b>	<b>Make optimal use of our ability to support the delivery of government policy through our structure and expertise</b>
<b>Key commitments:</b> <ul style="list-style-type: none"> <li>– Focus on customer and stakeholder satisfaction and feedback through regular roundtables and NPS® tracking</li> <li>– Continually enhance the value creation plans developed with our customer base</li> <li>– Advance our digital transformation programme to achieve greater efficiencies and modernise our interface with customers</li> <li>– Embed a change management function which ensures effectiveness in the implementation of operational change</li> </ul>	<b>Key commitments:</b> <ul style="list-style-type: none"> <li>– Work closely with our shareholder to ensure capital availability and utilisation is maximised to support SMEs across the whole of Wales</li> <li>– Continued delivery of an effective exit strategy</li> <li>– Identify potential new delivery contracts for FW Capital</li> <li>– Work with our new and existing customers to encourage them to identify and prioritise social impact opportunities as part of their business planning</li> <li>– Continually improve our knowledge, skills and understanding of climate change impacts and the role of finance in delivering solutions</li> <li>– Make optimal use of our ability to support the delivery of government policy through our structure and expertise</li> </ul>	<b>Key commitments:</b> <ul style="list-style-type: none"> <li>– Develop serviced-based solutions for policy areas requiring financial administration, building on the success of Help to Buy – Wales</li> <li>– Provide direct support to the ambitions of the Programme for Government through close linkage with Welsh Government policymakers</li> <li>– Continue to support Covid-19 recovery through the Recovery Support group</li> <li>– Recruit and retain expertise and develop talent through career pathways</li> </ul>

# Products and services

## Key

- Debt
- Equity
- Debt and equity

Fund	Stage of business					Property	Fund admin services
	Seed	Early stage tech	Start-up business	Growth	Succession		
Business Funds							
Wales Micro Loan Fund			£1k–£50k				
Wales Angel Co-investment Fund	£25k–£250k						
Wales Flexible Investment Fund		£25k–£10m					
Wales Technology Seed Fund II	£50k–£250k						
Wales Business Fund		£50k–£5m					
Wales Tourism Investment Fund			£100k–£5m				
Wales Management Succession Fund					£500k–£3m		
Rescue and Restructuring Fund II				£50k–£2m			
Local Energy Fund			£1k–£2m				
Property Development Funds							
Wales Stalled Sites Fund						£150k–£6m	
Wales Property Development Fund II						£150k–£6m	
Wales Commercial Property Fund						£250k–£5m	
Personal Lending for Homes							
Help to Buy – Wales							£1k–£50k
Self Build Wales						% of build cost	
Infrastructure							
MIMS							
FW Capital							
Northern Powerhouse Investment Fund				£100k–£750k			
North East Property Fund						£250k–£2m	
Tees Valley Catalyst Fund				£100k–£2m			

Correct as of July 2022

# Sub-brands

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# Sub-brands strategies

## FW Capital



**Overview —** FW Capital was created in 2010. A critical mass of skills and delivery services had been built through Finance Wales (now the Development Bank of Wales) and there was an opportunity to utilise this base to operate additional fund management contracts. This was particularly important as a response to reducing Welsh Government budgets and to create a business model for Finance Wales that introduced new revenue streams and future growth opportunity.

Since its launch, FW Capital has seen a sustained period of growth focused in the North of England. Strong links have been made with the British Business Bank, Santander, UK Government, Clwyd Pension Fund and the NE LEP in delivery of contracts worth over £200m.

FW Capital is intended to complement and enhance the wider Development Bank objectives and to be fully self-financing.

**Benefits —** FW Capital provides the Development Bank of Wales Group with an essential delivery vehicle. It is the only subsidiary in the Group which is authorised by the Financial Conduct Authority and therefore has the ability to secure Fund Management contracts from external investors, both within and outside Wales. In addition, FW Capital continues to deliver a range of benefits that creates direct impact in Wales:

- Profitable trading since 2010 with an accumulated cash reserve.  
The first allocation of this was made in 2018, where £1m was invested into the Wales Rescue and Restructuring Fund.
- Strong relationships in place with a wide investor base including the British Business Bank.
- Valuable experience and expertise for the Development Bank through a wider colleague base including improved in-house skills in tendering and fundraising.
- Valuable market intelligence on SME funding in other regions.
- Access to wider panel of NEDs, investors and business expertise to support Welsh businesses.
- Creation of a minimum of four full-time jobs in Wales where all support functions are based.
- Annual recharge paid to the Development Bank to cover back-office support and proportion of senior management salaries, equating to c. £500k of income per year.

**Future strategy** — FW Capital has established itself as a core asset within the Development Bank of Wales Group. It has demonstrated its ability to mobilise quickly into new areas and manage a portfolio of investors. As the traditional funding routes for the Development Bank have shifted post-Brexit, the successful positioning and utilisation of FW Capital is ever more important. The prioritised activity over the next phase will include:

- **GROWTH: Fundraising** — Maintain growth momentum through identifying new fund contract opportunities both in Wales and in other regions, sustaining an income stream to support Development Bank Group operations. Specifically, this will focus on new British Business Bank funding, as well as working with the City Deals.
- **OPERATIONS: Invest in people and processes** — In parallel with the work being undertaken in the Wales-based operation, FW Capital must advance its operational efficiency and ensure it is sufficiently resourced to be responsive to new opportunities both in bidding and delivery.
- **COLLABORATION: Working with partners** — Generate opportunities to maximise the flow of funding in Wales contributing to the efficient use of public funds for economic development.
- **FINANCIAL IMPACT: Allocation of surpluses** — Identify ongoing opportunities to utilise accumulated surplus for the benefit of Wales, through both internal and external investment.



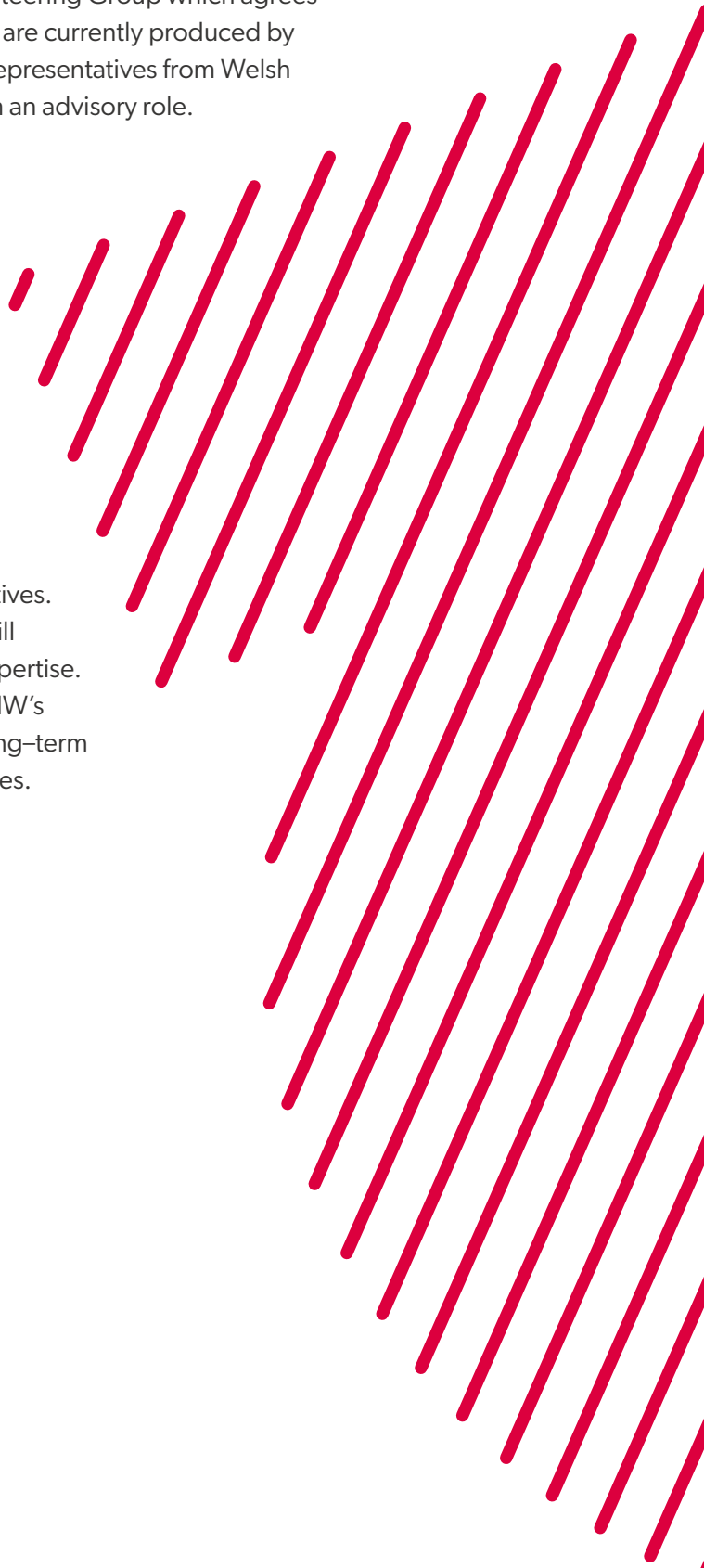


We launched Economic Intelligence Wales (EIW) in 2018 as a research collaboration between the Development Bank, Cardiff Business School and the Office for National Statistics (ONS). It seeks to create independent, robust, and reliable insight to inform policies to improve the Welsh economy, with a focus on the supply of finance to SMEs.

Representatives from the three organisations form the EIW Steering Group which agrees the research themes and reviews research outputs. Outputs are currently produced by Cardiff Business School. The Steering Group also includes representatives from Welsh Government departments and StatsWales as stakeholders in an advisory role.

EIW publishes quarterly and annual reports on the Welsh economy, Welsh SMEs and access to finance. The annual reports include an additional section analysing the impact of the Development Bank. EIW bespoke reports are commissioned by the Steering Group to address specific and topical research questions. The purpose of these reports is to add new understanding of an issue in the Welsh economy, provide policy recommendations and establish an evidence base for further research.

EIW will expand its academic collaboration panel, working with additional research partners to introduce new perspectives. This will provide a greater diversity of research inputs and will enable access to a wider range of specialist and thematic expertise. The expansion of the academic collaboration will increase EIW's capacity, profile, reach and impact in delivering against a long-term research agenda focused on economic development in Wales. EIW research framework is shown on the following page.



**EIW's long term research priorities will be open and flexible to new research collaborations. To direct initial research plans, each project must have clear basis in current policy, financial support, data gaps and cross-cutting influences which will be coordinated under research themes and must have a clear objective to impact policy, financial support and data gaps in Wales.**

### Policy context

Foundational economy	Business support funding	Net zero carbon status by 2030
Programme for Government 2021-2026	Well-being of Future Generations Act	

### Financial support

Welsh business investment priorities	Foundational business finance demand	Welsh business succession plans
Demographical finance needs	Development Bank corporate plan 2022/27	

### Data gaps

Rural business 5G use	Future energy demand and fuel mix	Local market and supply chain clusters
Small business energy use and efficiency	Quantify the support landscape	

### Cross-cutting research influences

Post pandemic economic recovery	Post EU economic transition	Past EIW research
Increasing business use of equity and patient capital	Establishing a Wales based data set	

### Research themes

**Business support and ownership models**

**Localised economic development and productivity**

**Decarbonisation and green growth**

### Priority impacts

**Policy context:**  
Make direct policy recommendations

**Data gaps:**  
Identify and address data gaps

**Financial support:**  
Recommend financial solutions

Angels Invest Wales (AIW) is focused on enabling, co-ordinating and supporting all angel investment activity in Wales. It centres on linking innovative businesses to selected private investors, together with the development of new investment 'syndicates' to build an active angel investment ecosystem in Wales. Business opportunities are promoted through an online digital deal share platform, accessible to certified investors.

AIW also provides the organisational lead for the £8m Wales Angel Co-investment Fund – the first of its type in Wales. It provides the link between approved investment syndicates and the available 'match' investment through this fund with the aim to invest the full £8m over the next five years.

Over this strategic period, AIW will seek to:

- Continue to expand the angel network and grow deal flow, supporting active angel syndicates in Wales
- Promote an ongoing development programme to encourage angel investment best practice, to include workshops and masterclasses to support enhanced angel investor competency and capacity
- Develop increased diversity within the active Angels Invest Wales network
- Explore funding opportunities for Welsh businesses and investors through appropriate institutional investors and economic development stakeholders
- Develop collaborative relationships with other UK regional angel networks and fund managers for co-investment opportunities into Welsh businesses
- Continue to encourage angel investors to co-invest alongside our funds and portfolio businesses





## Help to Buy – Wales

Following its launch by Welsh Government in 2014, the Help to Buy – Wales scheme is now in its third phase, supporting the purchase of homes up to £250,000 bought through a registered Help to Buy – Wales builder. The Help to Buy – Wales scheme makes new-build homes available to all homebuyers (not just first-time buyers) who want to buy a new home but may be constrained in doing so. Support of up to 20% of the purchase price is available to buyers through a shared equity loan funded by Help to Buy – Wales. Buyers must provide a deposit of 5% of the purchase price.

Since the scheme started, over 13,000 properties have been purchased under the scheme, 77% of which were sold to first-time buyers. In total, more than £514m has been lent, supporting property sales of £2.6bn. The second phase of the scheme came to an end in December 2021. The third phase which is in place until March 2023 brought with it a reduction in the maximum eligible purchase price from £300k to £250k, which so far is seeing a higher percentage of first-time buyers (84%) being supported through the scheme. It is anticipated that any further phases will have an enhanced focus on energy efficiency and innovative building solutions in line with the economic action plan, with a focus on driving sustainable growth and combatting climate change.



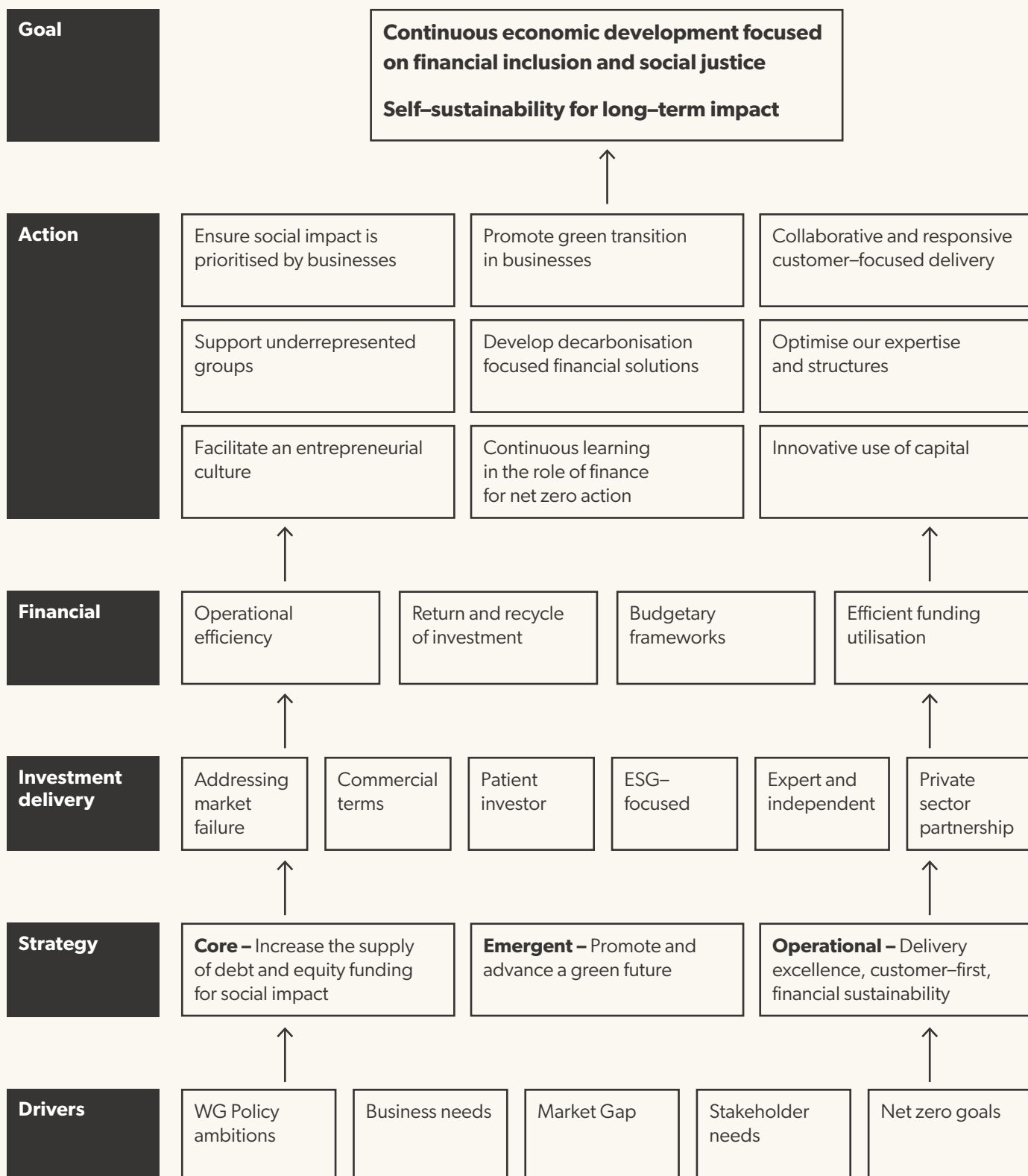
## Self Build Wales

The Self Build Wales scheme supports people in Wales in using undeveloped land for self-build and custom-build homes. It provides an opportunity for homeownership at an affordable cost, and directly supports Welsh Government new-build house targets while also promoting innovative alternative design methods.

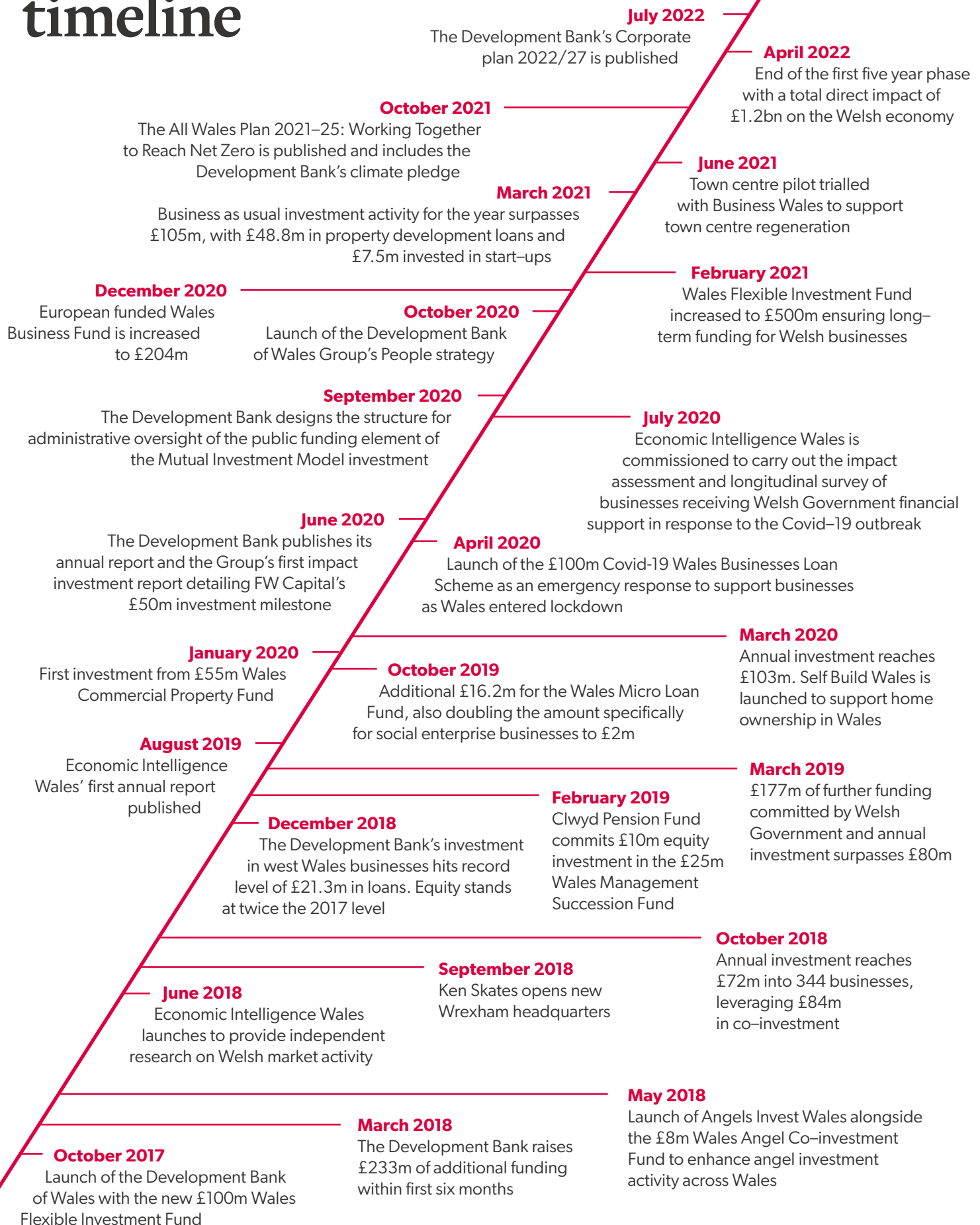




# Strategy outline



# Organisational timeline





[bancdatblygu.cymru](http://bancdatblygu.cymru)  
[developmentbank.wales](http://developmentbank.wales)

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](http://developmentbank.wales).



**Cronfa Datblygu  
Rhanbarthol Ewrop  
European Regional  
Development Fund**