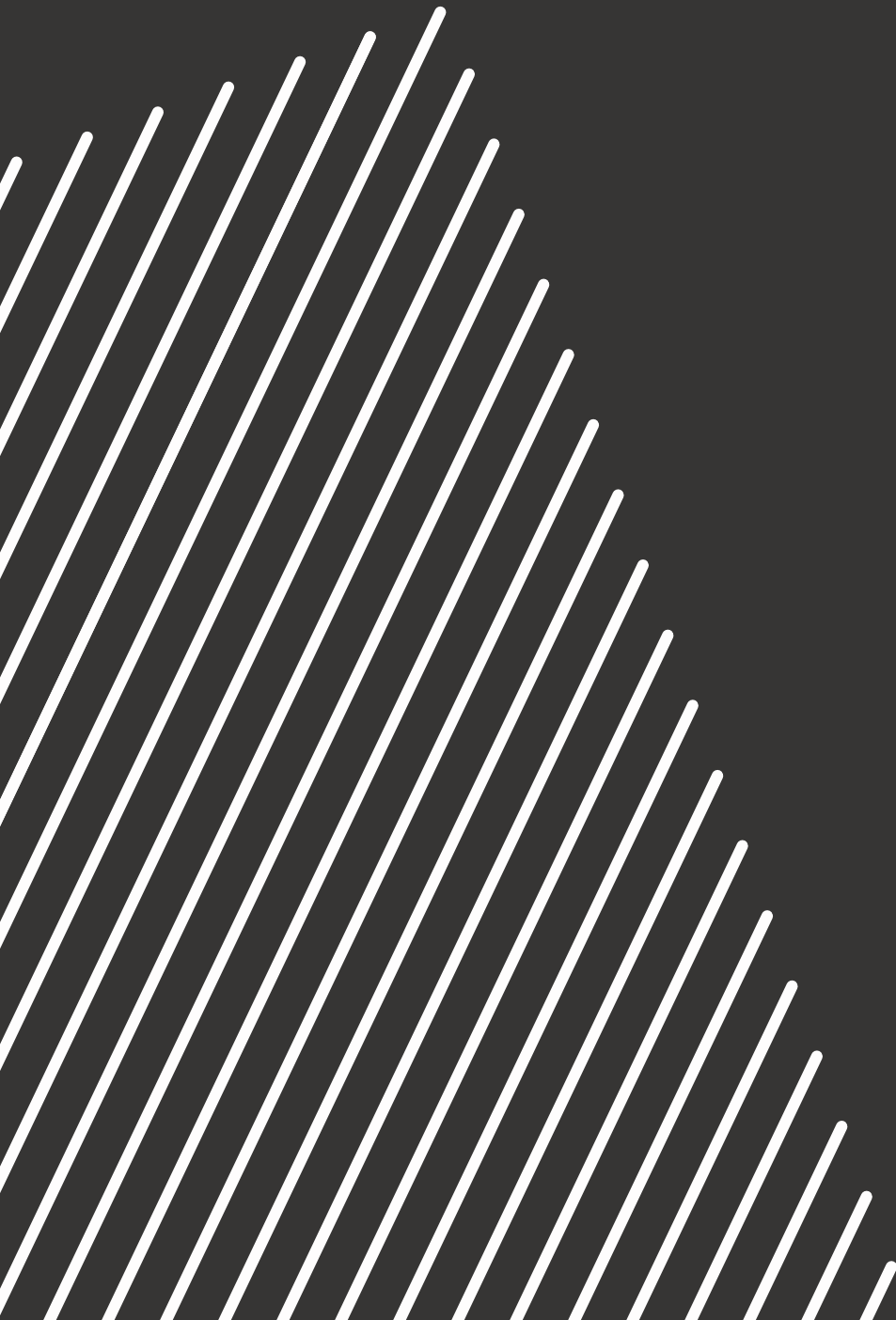




Annual operational plan
2023/24

Development Bank of Wales

Overview



Our commitments

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

Please see our [corporate plan 2022/27](#) for further detail. Performance against our five-year targets can be found within our Annual Report and Accounts which will be published by September.

Overview

2022/23 in brief

2022/23 proved to be a successful year for the Group with over £124m invested through our Welsh funds. In addition, a further £38m was delivered by FW Capital and £20m through our investment services, bringing total delivery to £182m. This is testament to our dedicated teams who have, in Wales alone, worked directly with 435 new businesses, supported 470 new home purchases, continued to manage our existing portfolio of over 3,000 businesses and supported the creation and safeguarding of over 4,500 jobs. This is a positive achievement as we begin our 2022/2027 strategic phase and demonstrates our commitment to delivering on our ambitious targets.

Progress and achievement go further than delivery outputs alone. In 2022/23 we successfully completed several key projects. These included:

- Embedding ESG considerations in all our investment sanctioning and becoming a signatory of the UN Principles of Responsible Investing;
- Development and launch of two new green focused products - the Green Business Loan Scheme and the Green Homes Incentive, as well as a new service provision, the Leaseholder Support Scheme;
- The introduction of a comprehensive new budgetary management system;
- Progress on digital transformation including a customer portal for Self-Build Wales, implementation of a new risk management framework and transition to electronic document execution;
- Successful application to become an Innovate UK Investor Partner;
- Expansion of the Economic Intelligence Wales collaboration to include two new research partners;
- Extensively refreshed brand roll out including values, tone of voice, assets and visuals;

Looking forward

Our ambition to fuel possibilities for businesses and communities in Wales continues into 2023/24. Our investment delivery over the next 12 months will be focused on delivering key targets in support of social justice and financial inclusion. Firstly, through the delivery of the remainder of our EU financed £216m Wales Business Fund in the geographical focus of West Wales and the Valleys which is due to complete in December 2023. We will also continue delivery of our equity strategy improving reach to more businesses and sharing understanding on the opportunities this type of investment brings for business growth. In addition, our focus on encouraging young entrepreneurship, ethnic diversity and gender balance will be supported through clear investment strategies and dedicated investment champions.

We start 2023/24 with a refreshed brand identity and are well equipped with a suite of strong assets to support communication across the range of support we offer, from micro lending through to sustainability projects. This will be further supported in 2023/24 by an updated stakeholder engagement strategy re-emphasising the positioning of the Development Bank as an expert in finance with an empathetic understanding of entrepreneurship. We will also be enhancing our website offer to develop a range of information for our customers to support and signpost in key areas.

Market outlook

Challenging times remain ahead for Welsh businesses as inflation remains high and supply chain delays and shortages continue. Insolvencies have been experiencing an upward trend as post pandemic support terminates and there has been a decline in the growth rate for SME loans in the wider market since 2021, in part due to consistently rising interest rates. Ongoing inflated energy prices plus high wages through labour shortages only add to the operational cost burden on businesses, making conditions hard to predict and directly impacting on growth plans.

2022/23 delivery outputs

Direct investment	Co-investment (non prop)	Businesses supported	Jobs created/safeguarded
£124m	£103m	435	4,694
106%	136%	91%	128%

This has been evident through a decreased enquiry rate in 2022/23 of almost 30%. For our property development delivery, pressures in labour and supply chains as well as material costs and interest rates on mortgages are set to continue to impact demand.

The Development Bank is a vital tool for the economy in these conditions, providing the required risk appetite and range of responsive financial instruments to support businesses when market failure is most acute. In 2023/24 we will continue to leverage the experience, contacts and expertise of our Recovery Support Group to help businesses navigate trading difficulties with both financial and non-financial means. Economic Intelligence Wales will continue to provide us with Wales focused market analysis and with two new research partners operating in 2023/24, a widened output reach will help build further forward-looking market insights.

Growing in partnership

Supporting Welsh businesses can only be achieved through smart collaboration and we do this in a number of ways. Co investors are critical for increasing the flow of funds in Wales. Within our Welsh business funds, we target a minimum of 1:1 co investment and our teams are continually growing their extensive network of investment partners. We will also continue to work closely with strategic partners across Wales including City Deals, Business Wales, business accelerators and the Welsh Government regional economic framework delivery teams.

SMEs are not just our customers. We view them as long-term partners with whom we work to jointly enhance economic development in Wales. With over 3,000 customers, our dedicated portfolio teams are focused on these delivery relationships, getting the best benefit for both the businesses, and the funding with which they are supported, through value-add interventions.

An important area for both partnership and growth over the next 12 months, which will be led by our FCA authorised arm FW Capital, will be in support of the post EU SME replacement funding allocation through the British Business Bank Nations and Regions Investment Programme. We began engagement on these Funds in 2022/23 and will consider opportunities to support further funding delivery through our extensive operational infrastructure in Wales and the North of England. In Wales particularly, any new contracts will be developed in alignment with our existing product offer, ensuring maximum

efficiency for complementary public funding delivery.

Working with the Welsh Government

Through delivering on our [economic contract](#) pledges, developing a net zero strategy and supporting Programme for government commitments, we deliver in direct alignment with the Welsh Government policy. In 2023/24, there will be a particular focus on aligning with the new [Innovation strategy for Wales](#) as well as the refreshed manufacturing action plan - [A manufacturing future for Wales: our journey to Wales 4.0](#), which is a key part of the economic mission aimed at creating a more prosperous, equal and green Welsh economy.

We will continue to work closely with finance colleagues across departments of the Welsh Government, and centrally, to ensure robust budget management. We will also develop innovative approaches to recycle, and where appropriate repurpose, allocated funding and returns into new areas to maximise financial efficiency. We are an organisation for the whole of government and will continue to support the policy delivery across multiple departments including economy, housing, energy and decarbonisation (see page 20). In 2023/24 this will include a review of our Local Energy Fund to identify any future enhancements that align with the evolving Welsh Government's net zero strategies.

Further product and service development in 2023/24 will also include exploration of a housing retrofit offer, consideration of further property linked services including mortgage rescue, as well as continuing to manage the Mutual Investment Model (MIM) financial delivery.

Operational focus

Achieving this level of delivery is only possible through a joined-up approach. Each of our colleagues has a key role to play and it is vital that we retain and attract a diverse talent base. We start the 2023/24 financial year with 270 FTE colleagues, an increase of 119 since launch in 2017. This is a direct result of our stakeholders entrusting us with an increasing number of funding mandates following successful delivery of previous and current funds and schemes. We are committed to being an employer of choice. We actively develop our colleagues, and our continued growth offers an ongoing opportunity to use our cross organisational expertise to enhance our offer.

In 2023/24, operational enhancement will be focused on ongoing digital transformation and our data strategy programme. The system and process upgrades involved including CRM, electronic document execution, facility processes and financial administration systems, impact every department across the organisation. It is vital that these changes are managed holistically and consistently and we achieve this through our Change Management Office and Project Management Office functions, supported by our team of IT experts. They are tasked with ensuring identified benefit realisation and value for money and the effective use of public funds. Areas to be progressed in 2023/24 include an open banking solution and customer portal development. In addition, our Change Forum, made up of representatives across the business, identify ongoing areas of continuous improvement to enhance both our colleague and customer experiences.

Commitment to ESG

Continual enhancement of our ESG credentials remains a priority for the organisation. In 2023-24 this will lead to our first round of Principles of Responsible Investment reporting as a live signatory. We will also be setting in place and testing our data capture and reporting methodology for our Partnership for Carbon Accounting Financials disclosures. Furthermore, developing and publishing our own corporate Sustainability Strategy in 2023-24 will further embed our commitments and ambitions to a sustainable led future.

In support of our wider ESG goals we will also undertake an equality impact assessment to ensure our delivery meets the needs of all our customers in an inclusive way. As our customer interface grows, with over 3,000 customers currently managed, it is vital we support conscious responsibility across all of our delivery.

2023/24 targets

Direct investment	£112m
Co-investment	£80m
Businesses supported	420
Jobs created/safeguarded	3779

Robust oversight

As the organisation continues to grow so too does our oversight and governance function ensuring we remain trusted and accountable. Our internal team of risk and governance experts manage our adherence to the rules and standards of procurement, data protection, risk management, quality assurance, regulatory compliance, colleague training and operational quality.

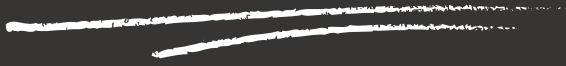
They take a proactive approach as demonstrated by the managed implementation of our Consumer Duty compliance, ahead of 2023/24 deadlines, and a root cause analysis methodology to any issues, no matter how small, raised as part of internal audits or file sampling. The team will continue to undertake detailed work in analysing portfolio trends, focusing on early intervention, auditing systems and processes and preparing quarterly risk reviews. They will also manage essential projects over the next 12 months including embedding the new public procurement guidelines and registering the Wales Risk and Restructuring Fund under the new subsidy control regime by December 23. Full details of the Development Bank of Wales risk governance framework can be found in our Annual report and financial statements.

Measuring success

Outputs for 2023/24 build on the delivery of the five-year corporate plan targets which aims to achieve over £650m of funding and support over 2,200 businesses. Over the next 12 months we will target delivery of £112m of investment (adjusted in line with market conditions noted above), the creation and safeguarding of over 3,750 jobs and direct support to 420 businesses. We will also continue to shape our investment impact, with the core objective of social impact and financial inclusion, assessing ESG factors for every £1 invested. This will include enhancing our impact monitoring and reporting capacity. The closure report that will be undertaken for the Wales Business Fund will also further inform our evolving impact measurement.

We will continue to rise to the challenge of an ever-growing remit and look forward to delivering on our commitments and values through working with new and existing customers over the next 12 months, and beyond.

Operational



Headline business objectives 2023/24

Core: Delivery of debt and equity funding with a social impact

Facilitating an entrepreneurial culture, supporting financial inclusion and prioritising social impact

- Deliver the investment targets, £112m Wales (including £19m minimum into West Wales and the Valleys), £33m FW Capital. In addition, potential MIMS activity of the £8m (*MIMS activity will be driven by Welsh Government*) (Q4)
- Effective implementation of the new Consumer Duty (Q2)
- Subject to CMA approval, implementation of a Subsidy Scheme to replace the EU authorised R&R Scheme, (Q2)
- Procure and complete a corporate equality impact assessment, develop and agree an action plan to adopt recommendations (Q4)
- Create a rich content hub for the Development Bank website with information and signposting to educate the market (Q2)
- Build and deliver awareness campaign including key themes of equity, young entrepreneurs, employee buyouts and financial inclusion targeting SMEs and KBI audiences (Q3/4)

Emergent: Promote and advance a green future in Wales

Promote a robust and proportionate transition, develop innovative financial instruments and continual learning of climate change impacts

- Review, identify and progress an impact monitoring approach to effectively track net zero impacts, alongside wider ESG measures (Q4)
- Deliver and publish a corporate sustainability strategy (Q4)
- Deliver business case for housing retrofit pilot product for approval by the Welsh Government (Q2)
- Review Local Energy Fund for opportunities to create a stronger investment rate and widen environmental outcomes and output (Q3)
- Complete first PRI reporting cycle and complete carbon accounting exercise for 22/23 (Q3)
- Finalise and publish Economic Intelligence Wales report into the impact of government policy on decarbonisation (Q2)

Operational: Delivery excellence, customer first, financial sustainability

Collaborative and responsive delivery, innovative use of capital and support government policy through structure and expertise

- Deliver programme of system upgrades/digital transformation including CRM portal, Sage, Docusign, Frameworks, loan admin (HtBW and Group) (Q4)
- Continue the implementation of the Data Strategy Enhancement Programme (Q4)
- Meet diversity objectives through our recruitment methods – Match or exceed proportion of ethnic diversity compared to national average. Achieve a Gold Fair Play
- Employer Award for Recruitment by (Q1)
- Review and update the people strategy and use content to better aid recruitment through our webpage (Q4)
- Work with colleagues in the Welsh Government to embed new budgeting arrangements including within product development (Q4)
- Bid and deliver UKG, BBB and other regional development schemes using value for money of structure and scale - SW Investment Fund, Investment Fund for Wales, NPIF and MEIF (Q4)
- Develop and deliver an updated stakeholder engagement strategy with focus on the stakeholder voice (Q4)

Priority operational projects

Our teams are focused on continual strategic and operational enhancement. The breadth of delivery by the Group creates an ongoing programme of projects that operate across the business, led by subject matter experts and governed through our Change management and Project office functions.

For 2023/24, we have important dedicated workstreams spanning across subsidy control registration, sustainability and equality, fundraising, data management, stakeholder engagement and new budgetary arrangements. To explore some of these areas in more detail, we have highlighted four priority areas for the coming 12 months.

Impact monitoring

Excellent progress was made over the course of 2022/23 in embedding consideration of environmental, social and governance (ESG) risks and opportunities within our investment processes. This included a revised sanction paper, the systematic inclusion of ESG in all assessment narrative and the inclusion of ESG within value creation plans for our equity customers. We will continue to evolve and improve our investment approach in light of international standards and as a signatory of the United Nations Principles of Responsible Investment, as well as the Partnership for Carbon Accounting Financials. Moving forward, we now turn our attention to longer term impact monitoring.

With considerable experience of operating impact investment funds, we operate our own impact framework. Since 2017 we have been aligned to the Wellbeing of Future Generations Goals and the United Nations Sustainable Development Goals and collect data for areas such as job quality, diversity and inclusion and innovation. It is important that this is now broadened to take account of the developing ESG agenda including greenhouse gas emissions (GHGs) whilst recognising that measurement of GHGs can be challenging for small businesses and assessments may not always be accurate. As part of our commitment in this area, we have recently

appointed a Sustainability Manager to centralise and evolve our activity and build our credibility and influence in this space.

Corporate sustainability strategy

As we integrate ESG considerations into our work with customers, we recognise our own responsibility to act for the good of our stakeholders today and in the interests of our community tomorrow. To be effective in delivering on our purpose, it is important that we continue to lead by example, making sure that we systematically consider environmental and social sustainability in our own operations.

As a regional investor, social sustainability has a long-term foundation across our work. In 2019 we measured our carbon footprint for the first time and became carbon neutral. In 2022/23, we commissioned an independent evaluation of our GHG emissions, and participated in the Welsh Government's Net Zero by 2030 programme, affirming our own commitment to reach Net Zero. An internal working group, drawn from across the business, considered business travel and made recommendations to reduce our emissions from this source. In the 2023 Annual Report we will make our first carbon accounting disclosures, giving us a baseline from which to develop.

As we move into 2023/24, we will further define our long-term strategy covering areas such as active travel, a healthy and sustainable working environment, supply chain management and equality and diversity.

Digital transformation

Rollout of online account management for all DBW investments and FWC customers will be key outputs for the customer journey project during 2023/24, with the aim of providing a quick and easy way for customers to interact with us.

We will focus on creating efficiencies in the application assessment process and reduce response times to our customers. Alongside this, efficiency improvements through new services for ID verification, Open Banking and Equifax Credit Flex+ decision engine tool will be progressed, all of which aim to reduce time to decision for our customers and enhance the customer experience.

In 2023/24 the migration of the loan administration system is due to complete providing additional functionality for our financial management across our delivery needs. In addition, we continue to enhance our group wide data strategy ensuring it remains aligned with ongoing digital advances.

Our IT team are embedded across our digital enhancements to ensure critical links are considered across cyber security, business continuity, data management and network infrastructure requirements.

Consumer duty

The dedicated cross departmental project group which is managing the implementation plan for Consumer Duty compliance will continue into 2023/24. As a deliverer of funding under £25k to sole-traders and partnerships, elements of our activity fall under the Consumer Credit Act. Launched in July 2022, the FCA's Consumer Duty aims to set clearer and higher standards where firms must ensure fair and good outcomes for customers, especially those in vulnerable circumstances. Detailed workstreams are underway for the four Consumer Duty outcomes of Products and Services, Price and Value, Customer Communication and Customer Service. We are well advanced in this work and on track to meet the 2023/24 milestones for both current and new products.



Investment services

A key commitment in our corporate strategy is to support the Welsh Government through the development of service-based solutions for policy areas requiring financial administration. By utilising our robust structures and embedded governance systems we can provide expert and value for money services. As the funding landscape continues to change, we will work closely with the Welsh Government to identify new opportunities for wider investment support. In 2023-24 this will include consideration of structuring an offer to support homeowners undertake retrofit activity, in alignment with our ongoing programme of decarbonisation pilots.

In the meantime, we will continue to deliver across three live investment services which are detailed below.

Help To Buy - Wales



Help to Buy - Wales continues to support the Welsh Government commitment to homeownership with 13,560 house purchases and over £539m now delivered through the scheme. The recent launch of a two-year extension to

Phase 3 sees the price cap increase to £300k, with all homes purchased needing to reach a minimum of Energy Performance Certificate (EPC) B. The team will ensure it continues to deliver on its service level agreements with the Welsh Government through ongoing enhancements to its Customer Relationship Management system and deployment of digital transformation initiatives such as paperless direct debits, DocuSign, and upgrades to telephony. The procurement of a new loan administration system is also well under way that aims to improve customer experience, automation, and team productivity. Embedded within all existing and new processes will be ongoing consideration to regulatory obligations with particular focus this year on vulnerable customers and complaints processing in line with new FCA Consumer Duty.

Self Build Wales



**Hunanadeiladu
Cymru
Self Build
Wales**

The Self Build Scheme continues to take shape having been heavily impacted by the pandemic where

work by Local Authorities (LA) to identify sites was paused as they dealt with more immediate pressures. Its aim remains focused on increasing and diversifying home ownership in Wales, making self-build more accessible to prospective homeowners though providing plots with outline planning permission. In support of this, outside of ongoing LA engagement, the Welsh Government Land Division are actively working on sites and a proposal has been submitted for Ministerial approval to extend the Scheme to utilise sites brought forward from privately owned land. In 2023/24 we should see the completion of the first house build which will provide an excellent case study for future scheme development.

Leaseholder Support Scheme

Following launch of the scheme in June 2022, the Leaseholder Support Scheme assists applicants that are in financial hardship as a direct result of building fire safety related issues. All eligible Leaseholders receive advice from an Independent Financial Advisor, followed by access to an appropriate financial package to support selling their property where that is deemed the most beneficial route. In January 2023, the Minister for Climate Change enhanced the Scheme eligibility criteria to accommodate rising energy costs as part of the affordability assessment, as well as easing restrictions around already displaced residents. This positive change to eligibility criteria has driven an increase in enquiry volumes from new applicants. The scheme continues to work with those who need support most and provides an enhanced level of vulnerable customer case management to eligible applicants via an appointed case handler.

People

We continue to focus on inclusivity through our recruitment processes, reviewing the way in which we advertise to ensure it has the widest reach, through to training our people on unconscious bias and inclusivity. This includes monitoring the demographics of the organisation, comparing our statistics to the regions in which we operate to inform where we need to focus our efforts. In addition, we undertake annual surveys to ensure we listen to and act on feedback from our colleagues and maintain an environment where everyone can be themselves at work.

Over the course of the next 12 months we will continue to enhance our employer offer, building on the positive culture of the DBW group, ensuring it remains a great place to work and develop a career whilst also supporting our colleague's welfare. Tailored training will continue to be offered to all colleagues. This will cover group wide training for the business on areas such as FCAs Consumer Duty and ESG, as well as more detailed courses focused on individual career development. A refresh of our People strategy will be undertaken in the first half of the year encompassing our promise to our team and incorporating the refreshed brand and values.

In parallel to this we will roll out a number of new colleague focused initiatives including an updated employee recognition scheme.

The Development Bank has always been a highly flexible employer that has understood the importance of a healthy work/ life balance. We will continue to build on our experience of hybrid working over the next year and will conclude a review of hybrid working in Q1. From this we will identify recommendations to ensure we maximise the benefits for our colleagues and delivery of our objectives.

We will also continue to build on the success of previous digital transformation enhancements for people and development interfaces. A new performance management system which will provide a more streamlined and user friendly employee experience will be put in place by the end of Q4.



Research

Economic Intelligence Wales

Dirnad Economi Cymru
Economic Intelligence Wales



Economic Intelligence Wales is a research collaboration between

the Development Bank of Wales, Cardiff Business School, Bangor Business School, the Enterprise Research Centre and the Office for National Statistics. It collates and analyses data to create independent, robust and reliable insight to help better understand and improve the Welsh economy.

During 2023/24 there will be a significant ramping up of Economic Intelligence Wales activity including delivery of the following:

- Bespoke reports being produced by all three academic research partners covering areas including assessing the availability of early-stage equity in Wales and net zero carbon policies
- Production of the quarterly reports as well as an annual impact report
- Publication of the final bespoke report in a series evaluating the impact of the Wales-specific Covid-19 financial interventions

Proactive stakeholder and audience mapping and engagement work will continue this year, building on the traction we've achieved to date. This will include a series of joint events with FSB Wales aimed at Senedd Members. We will also explore the possibility of hosting or jointly hosting a research dissemination event to enable the research outputs to reach a wider audience.

Final evaluation of the Wales Business Fund

As December 2023 marks the end of the investment period for the £216m Wales Business Fund, we have commissioned a final evaluation of the Fund to be undertaken before the end of the calendar year.

This will consider performance of the fund, policy and economic context and an assessment of value for money. An evaluation steering group will oversee the work, made up of representatives from the Development Bank, the Welsh European Funding Office and the Welsh Government.

Equality Impact Assessment of the Development Bank of Wales

In parallel with the launch of the Development Bank in 2017/18 we undertook an Equality Impact Assessment (EIA) to take into account the needs and experiences of those accessing funding and support from the Development Bank of Wales.

This Assessment is now due to be reviewed and updated as we continue into the organisation's next strategic phase.

This will be completed by Q3 2023/24 with an enhanced scope to incorporate developments since the original assessment including; the socio-economic Duty, Wellbeing of Future Generations (Wales) Act, Welsh Government's Strategic Equality Plan, Anti-Racist Wales Action Plan and the impacts and after effects of the Covid-19 pandemic.

Research project

R&D intensive businesses and economic growth

Provider

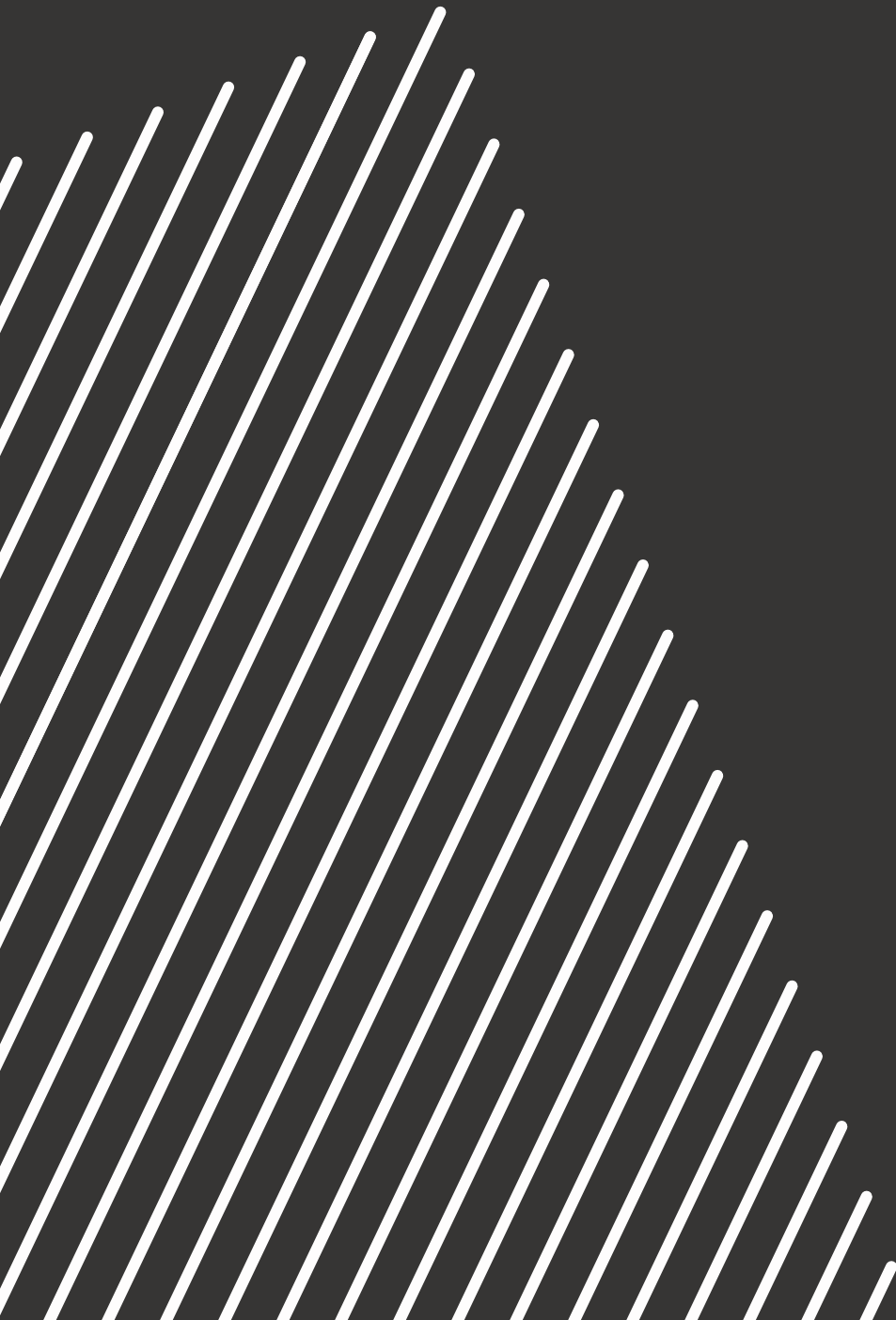
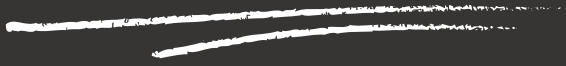
The Enterprise Research Centre

Summary

R&D-intensive businesses, including university spin-outs and other high-tech firms, are the key drivers of innovation and growth. They also have particular skill, capital and locational requirements to enable them to flourish. This report will examine the demographics of R&D-intensive businesses in Wales and the landscape in which they operate.

A review of existing data sources will be supported by interviews with businesses. Recommendations will be developed to enhance the growth and development of R&D-intensive businesses in Wales.

Subsidiaries



FW Capital is the Development Bank of Wales Group's FCA registered fund management arm. It currently operates from six offices across the North of England with 35 employees, including two dedicated fund directors who manage operations in the North West and North East of England. It also extends its operation into Wales as the delivery vehicle for the Wales Management Succession Fund.

Alongside providing the Groups regulated fund management delivery capacity for both Wales and cross border activity, FW Capital forms a core part of the Group strategy creating direct benefit to Wales through:

Financial - Making a financial contribution to the Group to benefit Wales, as well as job creation in Wales for back-office support

Expertise - Widening the scope of the Group's investment activity and therefore increasing the knowledge base across the organisation

Fundraising - Successfully securing and delivering contracts on behalf of third parties, including the the British Business Bank

Key priorities for 2023/24 are:

Delivery - FWC is currently mandated to deliver 4 fund management contracts and is in due diligence stage for a further two. It has proven itself as a proactive, robustly governed and engaged delivery partner for its stakeholders over the 13 years it has been in operation and will continue to operate to these expected high standards. Over the course of 2023-24 FWC will continue to enhance its front and back-office support with particular focus on further embedding ESG credentials in fund delivery for both new and existing contracts.

Fundraising - Fundraising will be a major focus for FWC in 2023-24. It will continue its targeted fundraising plan looking to raise complementary funding to its existing product suite and consider bids for funding in new geographical areas. The British Business Bank Nations and Regions Investment Funds will be a key part of this, particularly as it looks to replace funds coming to the end of their life cycle in the North of England. In addition, it will also be looking at current and new investment partners to broaden its delivery offer, including through equity, a wider property offer and succession funding.

Recruitment - To successfully deliver on the above, FWC will leverage its clear growth ambitions to attract and retain high quality investment individuals building on the breadth of experience across DBW Group.

2023/24 key performance indicators

PERFORMANCE INDICATORS	TARGET
Northern Powerhouse Investment Fund	£17m
North East Property Fund	£10m
North East Commercial Property Fund	£3m
New fund contract mandates	Set in year



The Angels Invest Wales (AIW) programme continues in 2023/24 with an investor focused approach which will concentrate on embracing the strategic shift to angel 'syndicate' investing – an industry trend that has gathered pace post lockdown in cautious economic market conditions.

Following a successful year in 2022-23, the lead investor cohort and syndicates for the Wales Angel Co-investment Fund (WACF) grew with six new lead investors approved and will continue to expand this year, including the recently established Women Angels of Wales syndicate (WAoW).

The WAoW female only syndicate will receive combined AIW / British Business Bank (BBB) support to deliver a number of strategic objectives and expanded deal flow - prioritising female entrepreneur lead businesses in Wales and encouraging 'first time' female angel investors.

Specific operational priorities for AIW in 2023/24 are:

- Continuous improvement of our recently enhanced website and social media channels, to support client and investor recruitment.
- Continued appraisal of external funding support opportunities available to further enhance angel syndicates and investor development, building on current BBB and Innovate UK programme funding agreements.

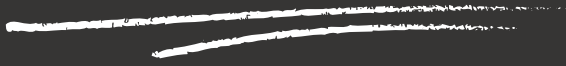
- Development of investment strategies that underpin deal flow in key growth sectors including fintech, SaaS, green industries and educational technology.

AIW will continue to deliver a programme of networking and investor development events that facilitate expanded investment activity and encourage development of angel investment best practice and awareness of legislative changes impacting the industry.

2023/24 key performance indicators

PERFORMANCE INDICATORS	TARGET
Investment facilitated	£3.25m (30 angel deals)
Formation of new fixed angel syndicates in Wales	5
Approval of fixed groups outside of Wales for WACF investment	3
Wales Angel Co-Investment Fund investment	£1.5m

Delivery



Our funds

Our funding offer has been developed to include cornerstone generalist funding supported by specialist funds focused on specific market gaps. The suite of products allows us to offer and manage a range of risk profiles and additional support, including grant elements in some instances, to drive activity in key areas for economic growth and employment.

In line with the robust fund governance and oversight commitments, over the course of 2023/24 we will complete the annual schedule of fund reviews which work to ensure there is ongoing assessment of continued market need as well as identifying continuous delivery learnings.

£20m

Wales Tech Seed Fund

Equity funding for technology start-ups

£216m

Wales Business Fund

Generalist equity and debt funding

£50m

Wales Tourism Investment Fund

Funding for strategic tourism projects

£62.5m

Wales Stalled Sites Fund

Unlocking property development opportunities

£25m

Wales Management Succession Fund

Funding buy-out opportunities

£25m

Rescue and Restructuring Fund

Turnaround funding for SMEs

£8m

Wales Angel Co-investment Fund

Co-investment with angel syndicates

£12.5m

Local Energy Fund

Supporting local renewable energy projects

£32.5m

Wales Micro Loan Fund

Supporting sub £50k investment needs

£40m

Self Build Fund

Supporting individuals to custom build their own homes

£55m

Wales Property Development Fund

Residential property funding

£55m

Commercial Property Fund

Funding development of commercial space

£500m

Wales Flexible Investment Fund

Generalist equity and debt fund including delivery of the **Green Business Loan Scheme**

£721m

Help to Buy - Wales Scheme

Supporting home ownership across Wales

Investment principles

Our delivery of funding to businesses is directed by six core investment principles. Our role centres on catalysing action in businesses and co-investors to generate impact on economic development in Wales. Our activity must minimise private sector displacement and ensure an economic return - both socially and financially. We continually analyse investment performance across our funds to identify best practice and shared learnings to optimise ongoing returns. This draws on expertise across our in-house teams including finance, risk, business

analysis and investment delivery.

We continue to learn, monitor and engage on the implementation of the Subsidy Control Regime which came into force on the 4th January 2023, to ensure compliant delivery across our product types.

By December 2023, we will register the Rescue and Restructuring Fund under this new regime as a Subsidy Scheme of Interest/Particular interest, in line with the transitioning timelines from its current European State Aid registration.

The **six core principles** of the Development Bank's 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, and that 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 support.
- 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.

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 Strategy 2021

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.

Operational

Welsh Language (Wales)

Measure 2011 – Bilingual outputs and communications, supporting the ambition for a million Welsh speakers by 2050.

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.

Anti Racist Wales Action Plan

Strategic Equality Plan 2020-2024 The Development Bank will its equality objectives align with the ambitions of this Plan.

Economy

Economic mission –

Provision of rapid and agile funding, in the fulfilment of economic policy.

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

Regional economic frameworks – Support to delivery programmes as identified.

Manufacturing Action Plan – helping to develop a resilient and high value manufacturing sector.

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

Responsible business

We are committed and engage purposefully to ensure Environmental, Social and Governance compliance across all of our operations. We lead through the actions we take and are accountable for the decisions we make. We align our ESG compliance with the following external best practice.

Partnership for Carbon Accounting Financials (PCAF)



PCAF

An industry led partnership to facilitate transparency

and accountability of the financial industry to the Paris Agreement. We have committed to disclose our financed emissions and are currently targeting to do this from the financial year 31 March 2024 onwards. Our intention is to disclose emissions for our entire portfolio, which includes FW Capital and we are currently working through the 31 March 2023 disclosure as a test run alongside our external auditors.

Principles of Responsible Investing (PRI)



Principles for Responsible Investment

The worlds leading proponent of responsible

investment, PRI encourages investors to use responsible investment to enhance returns and better manage risks. As a UN PRI signatory, DBW Group acknowledges that we incorporate ESG considerations into our investment decisions, promote the importance of ESG to our investees and seek adequate disclosure of ESG issues by the entities in which we invest.

Investing in Women Code



INVESTING IN WOMEN CODE

The Investing in Women Code is a commitment by

financial services firms to improving access to tools, resources and finance for women entrepreneurs. We became signatories to the Code in summer 2021 and completed our first annual data return in January 2023.

Business in the Community



The Prince's Responsible Business Network

Business in the Community works with a network of business to grow responsible business

practices, uniting their efforts for greater social and environmental impact in our communities. We have quarterly meetings with our Business in the Community account manager who supports and challenges us to improve our responsible business credentials and impact. We also have access to responsible business events and networking opportunities.

Prompt Payment Code



The prompt payment code is a voluntary code of practice which sets standards for payment

practices between organisations of any size and their suppliers. As a signatory to the Code, we've committed to paying suppliers on time, giving clear guidance to suppliers, as well as adopting and encouraging best practice.

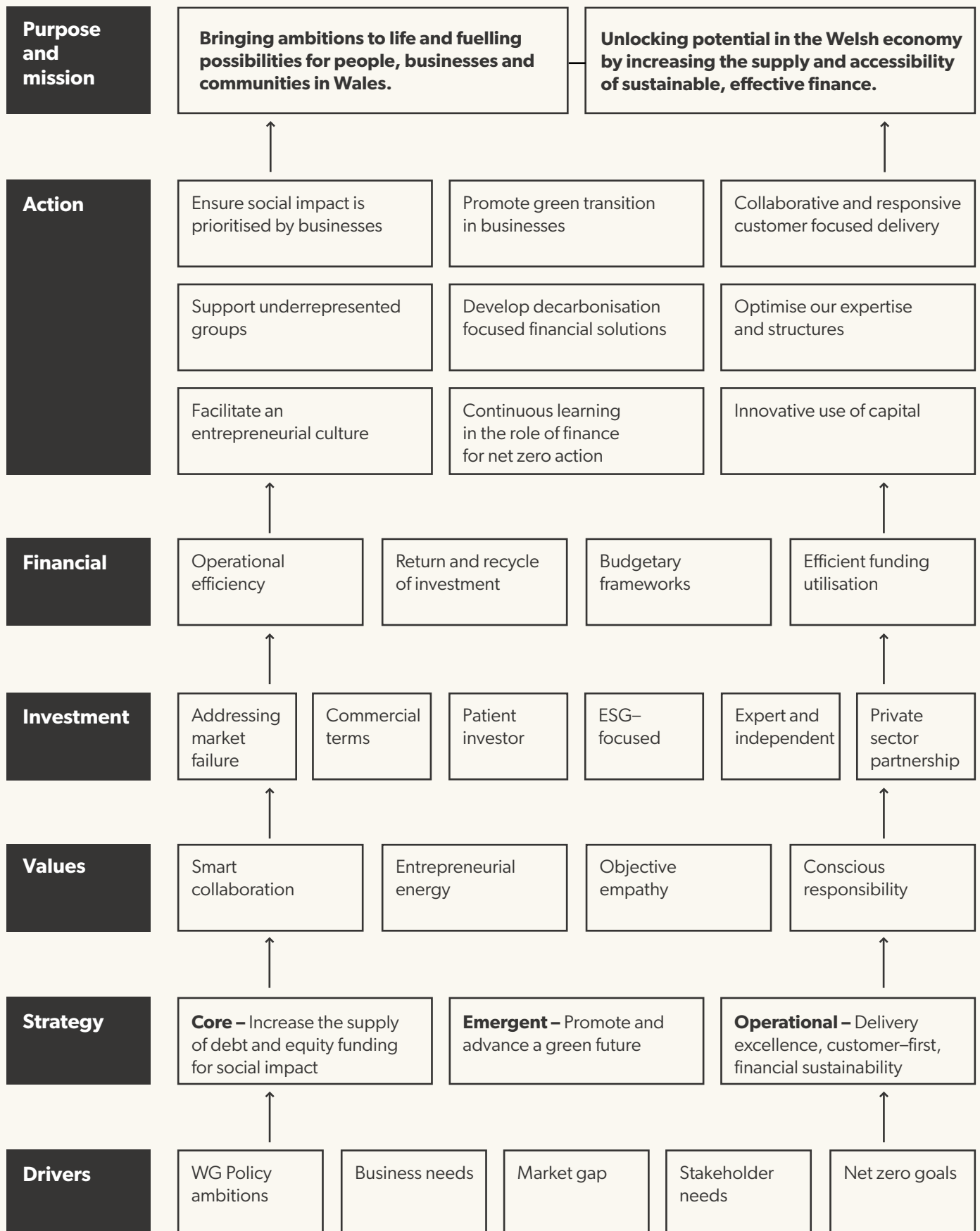
Chwarae Teg FairPlay Employer



Through our ongoing participation in the FairPlay Employer benchmarking services, with data

coming via annual surveys of colleagues, we can strengthen our employer brand which supports colleague engagement and retention.

Strategy outline



bancdatblygu.cymru

developmentbank.wales



UNDEB EWROPEAIDD
EUROPEAN UNION



Llywodraeth Cymru
Welsh Government

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

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.