

Paul Davies AM
Chair, Economy Trade and Rural Affairs Committee
National Assembly for Wales
Cardiff Bay
Cardiff
CF99 1NA

10th March 2022

Dear Paul,

Annual report scrutiny - Development Bank of Wales

Thank you for the invitation to speak with the committee last month and for the opportunity to answer questions on the performance of the Development Bank and the strategic challenges and opportunities arising from the pandemic and economic recovery.

You have requested that I keep the committee updated with progress on three key issues raised during the session:

Wales Flexible Investment Fund

In the term of government Remit Letter for the Development Bank of Wales, the Minister set out his expectation that the Development Bank should identify options for the Wales Flexible Investment Fund to operate on an evergreen basis. This is a medium-term objective for the Development Bank and the Minister expects to review progress at the mid-term point of the fund in 2025/26. I would be pleased to update the committee on the outcome of this work in due course.

Greener jobs and decarbonisation

Supporting the Welsh Government's decarbonisation agenda will be a key priority for the Development Bank across this term of Government and we welcome the opportunity to provide a further update to the committee as plans progress.

Development Bank of Wales Plc

1 Capital Quarter, Tyndall Street, Cardiff CF10 4BZ
029 2033 8100 | info@developmentbank.wales | developmentbank.wales

Development Bank of Wales Plc 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 www.developmentbank.wales



Employee-owned businesses

Since 2017, the Development Bank has supported 57 companies with £21.5m of finance for management buy-outs including 1 employee ownership trust (EOT). Typically the management buy-outs that we fund, involve the owner of a business selling to the employed management team. This is promoted by Employee Ownership Wales as one employee ownership option alongside EOT's and Employee Share Schemes.

While EOT's have historically been relatively uncommon, changes to the tax benefits of this type of transaction have been driving growth steadily since 2014, largely driven by SME's. The Employee Ownership Association reported 576 EOT's across the whole of the UK which, while still a very small proportion of total business population, is a significant increase from 17 in 2014.

The team are currently working closely with Social Business Wales and the Wales Co-operative Centre on a dedicated campaign to promote employee buyouts as a viable option to owners who may be considering their succession options. Sufficient capital to support these transactions is readily available from existing funds and identifying businesses suitable for succession deals has been a key focus for our marketing and business development activity in recent years.

I look forward to further updating the committee on progress later this year,

Yours sincerely



Giles Thorley

Chief Executive