

**Jeremy Miles AS/MS**  
Ysgrifennydd y Cabinet dros yr Economi, Ynni a'r Gymraeg  
Cabinet Secretary for Economy, Energy and Welsh Language



Llywodraeth Cymru  
Welsh Government

Eich cyf/Your ref  
Ein cyf/Our ref

Paul Davies AS  
Cadeirydd: Pwyllgor yr Economi, Masnach a Materion Gwledig

6 Mehefin 2024

Annwyl Paul,

Diolch am eich llythyr dyddiedig 8 Mai.

Amgaeaf gopi o Ddogfen Fframwaith Banc Datblygu Cymru Plc. Mae'r ddogfen hon yn nodi telerau'r cytundeb rhwng y Banc Datblygu a Llywodraeth Cymru er mwyn cefnogi perthynas adeiladol a chilir.

Yn gywir,

**Jeremy Miles AS/MS**  
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Cabinet Secretary for Economy, Energy and Welsh Language

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

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



Llywodraeth Cymru  
Welsh Government



# DEVELOPMENT BANK OF WALES PLC FRAMEWORK DOCUMENT

Effective from February 2021

## Summary

<b>Summary</b>	Development Bank of Wales Framework Document
<b>Version</b>	DBW v 1.11
<b>Date</b>	February 2021
<b>Location</b>	Welsh Government i-Share

## Revision History

Version	Date	Comment	By	Approved
1.1				
1.2	Oct '17	DBW Feedback incorporated	DBW	
1.3	13/12/17	Taking account of comments from Welsh Government Legal & Compliance Department	WG DBW Partnership Team	Rhidian Morgan
1.4	08/03/18	DBW Feedback incorporated	WG DBW Partnership Team	Rhidian Morgan
1.5	31/07/18	DBW Feedback incorporated, Corporate Governance tracked changes.	WG DBW Partnership Team	Rhidian Morgan
1.6	11/09/18	Governance and DBW comments incorporated	WG DBW Partnership Team	Rhidian Morgan
1.7	15/10/18	DBW Board comments incorporated	WG DBW Partnership Team	Rhidian Morgan
1.8	07/01/19	Document updated to reflect Ministerial changes – Cab Sec to Ministers	WG DBW Partnership Team	Rhidian Morgan
1.9	01/06/20	Document updated to reflect changes to Ministerial title, Partnership Team Responsibilities and meeting schedule. Changes made in consultation with DBW.	WG DBW Partnership Team	Jo Banks
1.10	10/11/20	Document updated – provision of summary for Annex 5 – Remuneration Protocol	DBW/WG DBW Partnership Team	Jo Banks
1.11		Document update – revisions to clarify DBW autonomy of decision-making.	DBW WG/Partnership Team	Jo Banks

## Governance Control

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<b>DBW Governance</b>	Judi Oates

# **The Welsh Ministers, Acting Through the Welsh Government**

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## 1. Interpretation

- 1.1 Any reference in this document to:
- 1.2 **'DBW PLC'** is to Development Bank of Wales PLC, Unit J, Yale Business Village, Ellice Way, Wrexham, LL13 7YL. Company number 04055414;
- 1.3 **'DBW Group'** is to DBW Plc and its subsidiary companies;
- 1.4 **DBW Subsidiaries** provide three strands of activity: (A) the Fund Management arm via DBW Managers Limited; (B) the Fund Holding arm via DBW Holdings Limited and (C) a service arm via DBW Services Limited. Each of which may have subsidiaries of their own.
- 1.5 **The Welsh Ministers<sup>1</sup>**: is the main decision making body of the Welsh Government. They are appointed by the First Minister of Wales and together with a Counsel General serve as the Cabinet. Welsh Ministers are accountable to the Senedd Cymru which is the legislative body in Wales.
- 1.6 **Minister for Economy, Transport and North Wales ("Minister")**: is the Minister to whom the First Minister of Wales has allocated primary responsibility for oversight of DBW PLC.
- 1.7 **Welsh Government**: is the Civil Service and non-political administration which supports the Welsh Ministers and is led by the Permanent Secretary. The Welsh Government is accountable to the First Minister and the Welsh Ministers. It supports the Welsh Ministers in delivering the Programme for Government.
- 1.8 **Partnership Team**: is part of the Minister for Economy, Transport and North Wales portfolio, and acts as the partnership team for the DBW PLC.

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<sup>1</sup> the powers and functions under which DBW operate originated from the Welsh Development Agency Act 1975 are exercisable by the Welsh Ministers in accordance with paragraph 30, schedule 11 of the Government of Wales Act 2006

## **2 Introduction**

### The Framework Document

- 2.1 This Framework Document has been drawn up by the Partnership Team on behalf of Welsh Ministers, in consultation with the DBW. This Framework Document sets out the terms of an agreement between DBW plc and the Welsh Government to support constructive and clear relations between them. It does not create legal obligations on either party and legislative provisions take precedence over any part of this document. It should be read in conjunction with other key documents such as the Memorandum of Association and Articles of Association, which are signposted within the text. Copies of this Framework Document, together with any subsequent amendments, will be placed in the Library of the Senedd Cymru.
- 2.2 This Framework Document shall be reviewed from time to time by the Welsh Government and DBW jointly, but at no more than five yearly intervals. Nothing in this arrangement is intended to fetter the Welsh Governments discretion to exercise the functions vested in the Welsh Ministers regarding the DBW plc, which shall always be exercised reasonably and with appropriate consultation with the Board of Directors of DBW plc. This Framework Document has been signed and dated by the Welsh Government Additional Accounting Officer, Director General ESNR and by the Chief Executive Officer of DBW.

### Background to DBW

- 2.3 DBW plc was originally established as part of a policy desire to move away from direct grant assistance by developing an alternative model of economic development intervention known as Financial Engineering Instruments (FEIs). The purpose of FEIs is to enable public sector capital to be used on a commercial basis (through holding funds, venture capital and loan funds) and to stimulate the participation of private sector capital in order to increase the scale, effectiveness and efficiency of policy measures. They have three important attributes namely: they increase the sustainability of public investment, they have a leverage effect and they enable policymakers to make use of private sector skills and expertise.
- 2.4 The corporate structure of DBW plc and its subsidiary companies was designed to meet the requirements of the European Structural Funds and associated State aid requirements which enables the funding committed to the respective FEI to transfer from the entrusted entity to the delivery vehicle on a no aid basis.
- 2.5 The principal purpose of the DBW plc was to act as a development fund for small to medium enterprises and to further the economic and social development of Wales, as set out in its Memorandum of Association. Through the respective strands of its activities DBW plc seeks to extend access to finance for businesses in Wales by acting as a gap funder and co-investor. It will predominantly invest at commercial market rates for loans and equity under the Market Economy Operator Principle ("MEOP") and provide fund

management and other financial services at commercial rates and so will not displace the private sector.

- 2.6 **DBW plc** is the “entrusted” entity through which WG place funds to be invested and recollected. DBW plc on lends this funding to subsidiaries within the Fund Holding arm and they in turn invest funds in SME businesses. DBW plc also provides back office services such as IT, HR, marketing, accommodation to the DBW subsidiaries for which it receives fees. Its costs include salary, accommodation, IT and marketing services, audit, legal and other professional service fees.
- 2.7 **DBW Holdings Limited** is an intermediate holding company which holds the investment funds entrusted to DBW plc from WG. These funds are managed by one of two subsidiaries within the arm of DBW Managers Limited. These investments are generally made under the Market Economy Operator Principle (“MEOP”) at commercial market rates unless, by exception, a fund has a separate European Commission State Aid Notification (or equivalent post BREXIT). Funds operating under a State Aid Notification will be kept in separate subsidiaries from funds operating under MEOP.
- 2.8 **DBW Holdings subsidiaries** receive income in the form of loan interest payments, fees and gains from equity investments and costs in the form of fund management fees, audit and legal and investment provisions. In exceptional circumstances WG may wish DBW to hold grant funds under service contracts with WG (with WG making the decision on the grant approval). These grant funds will be held in separate subsidiaries from the MEOP funds. DBW does not have the powers to award grants.
- 2.9 **DBW Managers Limited** is an intermediate holding company which holds investments in its subsidiaries. DBW Managers Limited’s subsidiaries includes DBW FM Limited which provides fund management services to DBW Holdings’ subsidiaries in accordance with the intragroup exemption provided by the Financial Services & Markets Act (Regulated Activities Order) 2001. FW Capital Limited is authorised and regulated by the Financial Conduct Authority and it provides fund management services to Limited Partnerships with external investors. DBW Managers Limited sanction investments based on a framework of delegated authorities including an Investment Committee for larger investments. There will be no WG Officials amongst the members of the Investment Committee. DBW FM Ltd and FW Capital Ltd receive fees for the services they provide to the various funds they manage and costs in the form of salary, audit, legal, due diligence and services recharges from DBW plc. The fees or costs borne by the various general/carried interest partner subsidiaries are paid by the respective Limited Partnerships as part of the Limited Partnership Agreements.
- 2.10 **DBW Services Limited** is an intermediate holding company for subsidiaries that provide non-financial services for the Welsh Government such as an angel investment facilitation programme (Angels Invest Wales Limited) and an economic intelligence service (Economic Intelligence Wales Limited). These services are funded by the DBW Managers Limited arm.

## DBW plc

- 2.11 **DBW is a Public Limited Company** whose share capital is £50,000 divided into shares of £1.00 each with 49,999 of these shares held by Welsh Ministers and one share held by the Chief Executive Officer of DBW.
- 2.12 The Minister for Business, Enterprise, Technology and Science approved the widening of the Finance Wales plc remit to include the power to invest in non-SME companies on 29<sup>th</sup> August 2012.
- 2.13 On 18<sup>th</sup> July 2017, the Welsh Government approved the business case for the transformation of Finance Wales into the Development Bank of Wales. Finance Wales plc changed its name to Development Bank of Wales plc with effect from 6<sup>th</sup> October 2017 to reflect the commensurate change in its emphasis and role. Related structural changes to the PLC, and the re-naming of some subsidiaries within the PLC, took effect on the same date. The diagram in **Annex 2** shows the corporate structure of the PLC. **Annex 3** contains the Financial Conduct Authority approval letter and conditions around DBW's use of the term 'bank'.

## Legal construct:

- 2.14 The Welsh Ministers and DBW recognise DBW is an 'entrusted entity' of the Welsh Ministers, for the purposes of the European Commission's Guidelines on State Aid to Promote Risk Finance Investments (2014/C 19/04). Accordingly, this Framework Document requires the Welsh Ministers and DBW to:
- a) Ensure a clear distinction and clear delineation between the 'entrusted entity' activities of DBW and of DBW Services Ltd and its subsidiaries on the one hand, and the financial intermediary and fund management activities carried out by DBW Holdings Ltd, DBW Managers Ltd and their respective subsidiaries on the other; and
  - b) Ensure any agreements between them accurately reflect the different roles carried out by different entities within the DBW Group.

The DBW Group has been structured in a way which ensures this delineation of activities. A corporate structure chart for the PLC can be found at **Annex 2**.

- 2.15 In terms of its relationship with Welsh Government some of the DBW PLC's activities will be covered under the "Teckal" principles incorporated into the Public Contracts Regulations 2015. DBW shall ensure the PLC complies with these Regulations to the extent applicable to it.
- 2.16 DBW will fund its operational requirements from the net revenue derived from the DBW PLC's fund holding and fund management activities as operated on a commercial basis in the market. DBW will not receive Grant in Aid or any direct revenue support from the Welsh Government to fund its operations.

## **3 Responsibilities, Roles and Duties**

## Powers and Duties of DBW PLC

- 3.1 DBW operates pursuant to the powers and functions provided by section 1(3) (b) and (d) and 1(7) (a), (b) and (d) of the Welsh Development Agency Act 1975 (as amended). These powers and functions were transferred to the Senedd Cymru under the Welsh Development Agency (Transfer of Functions to the Senedd Cymru and Abolition) Order 2005, with effect from 1<sup>st</sup> April 2006, and subsequently transferred to the Welsh Ministers by paragraph 30 of Schedule 11 of The Government of Wales Act 2006 ('GOWA'); such transfer being effected at the end of the 'initial period' as defined by GOWA, namely 26<sup>th</sup> May 2007.
- 3.2 DBW will operate in accordance with the Companies Act 2006, and all other statutory and regulatory requirements applicable to the activities it and the DBW PLC undertakes.
- 3.3 The DBW will comply with the standards, guidelines and governance principles applicable to public service organisations funded by the Welsh Government and notified to the DBW by the Welsh Government – including Managing Welsh Public Money and the Nolan Principles and the Well-being of Future Generations (Wales) Act (2015).
- 3.4 DBW will prepare and publish a Charter setting out the standards of behaviour and values its Board and staff are expected to adhere to when dealing with customers, their agents and other persons; and the standards of behaviour and values it expects such persons themselves to adhere to when dealing with the DBW. DBW will consult on the Charter and review and revise it as and when it considers appropriate.

## DBW Board

- 3.5 **The DBW Board** will shape a strategic plan / corporate plan which identifies how the operations of the DBW Group will contribute toward the policy aims and goals as set out in the Programme of Government and as reflected in the Remit Letter issued by the Welsh Government (5 yearly basis).
- 3.6 **The directors of DBW** are appointed in accordance with the Companies Act 2006 and the Articles of Association of DBW.
- 3.7 In addition to the powers and duties of directors set out in the Companies Act 2006, the Articles of Association, the UK Corporate Governance Code and the Guidelines for Board Members, the role of the DBW Board is to:
  - provide effective leadership; defining and developing strategic direction and setting challenging objectives;
  - obtain assurance that all legal responsibilities are complied with and account is taken of Welsh Minister's remit;

- monitor performance to ensure the DBW PLC meets its aims, objectives and performance targets and ensure that the Minister and Partnership Team are kept fully informed of any changes that are likely to impact on the strategic direction of the DBW PLC or on the attainability of its targets, and of steps needed to deal with such changes;
- promote high standards of public finance and risk management and uphold the principles of regularity, propriety and value for money and the Nolan Principles and support the Chief Executive, as Accounting Officer, in ensuring the same throughout the DBW;
- Through the work of the DBW Nominations Committee, make senior executive and non-executive appointments to the DBW Board, including the Chair and Chief Executive Officer. DBW will inform the Director General of the Partnership Team's Division before appointing the Chair, the Chief Executive Officer and all other senior executive and non-executive appointments;
- ensure the PLC considers equality of opportunity when approving policies and making decisions.

3.8 The personal responsibility of the Chief Executive Officer as DBW PLC Accounting Officer in no way detracts from the duties of the DBW Board who have a duty to act in a way which promotes high standards of public finance, and for ensuring the DBW PLC's activities are conducted in an efficient and effective manner. However, it must ensure any instructions given to the Chief Executive Officer do not conflict with his/her duties as the DBW PLC Accounting Officer.

3.9 The DBW Board may delegate to DBW PLC staff responsibility for the administration of day-to-day management issues but it remains ultimately responsible and accountable for all those matters. DBW must maintain a list of matters which are reserved for decision by the DBW Board, as well as the framework of delegations approved by the Chief Executive Officer.

### DBW Chair

3.10 The Chair of the DBW Board:

- is accountable to the Senedd and to the Welsh Ministers for assuring high-quality corporate governance;
- is responsible for ensuring the DBW Board's policies and actions support the Ministers wider strategic policies, and its affairs are conducted with probity;
- Is responsible for ensuring the DBW Board, in reaching decisions, takes proper account of applicable statutory and financial management requirements and all relevant guidance including any relevant guidance provided by the Welsh Ministers;

- has oversight of the DBW Directors, including the performance of the Chief Executive; and,
- has the primary responsibility of leading the DBW Board in the successful performance of its functions.

3.11 Communications between the DBW Board and the Welsh Ministers shall, in the normal course of business, be conducted through the Chair. The Chair shall ensure that other Board members are kept informed of all such communications.

### Individual Directors

3.12 In undertaking their duties and responsibilities, DBW Directors shall comply at all times with both the Welsh Government's Code of Conduct for Board Members and the Guidelines for Board Members of DBW, and with all applicable rules relating to the use of public funds and conflicts of interest.

### DBW CEO

3.13 The DBW Chief Executive Officer is an executive director of the companies within the PLC and reports to the Chair of DBW.

3.14 The Chief Executive Officer is responsible as the Accounting Officer for DBW PLC ('DBW PLC Accounting Officer') as set out in 'Managing Welsh Public Money'.

### Accounting Officers / Relationship between DBW and Welsh Government Accounting Officers

3.15 The Principal Accounting Officer for the Welsh Ministers is the Permanent Secretary to the Welsh Government. The Principal Accounting Officer has responsibilities specified by HM Treasury and is accountable to The Senedd Cymru (through the Senedd Public Accounts Committee) and to the UK Parliament (through the House of Commons Committee on Public Accounts).

3.16 The Principal Accounting Officer for the Welsh Ministers is assisted in their duties by the Director General for Economy, Skills and Natural Resources Group, who they have designated as the Additional Accounting Officer ("AAO") and to whom they have delegated responsibility for the Division within which the Company's partnership team sit. An Accounting Officer Memorandum has been established between the Director General for ESNR as the designated Additional Accounting Officer for the Group and the DBW Chief Executive, ("Accounting Officer or AO") that sets out the responsibilities of the Chief Executive Officer of the DBW as its AO.

3.17 As DBW PLC Accounting Officer, the Chief Executive Officer is personally responsible for the proper stewardship of the public funds for which he or she has charge; for the day-to-day operations and management of the DBW PLC; and for ensuring compliance with the requirements of 'Managing Welsh Public Money'.

- 3.18 The Chief Executive Officer may be assisted in the exercise of his or her role by employees of the DBW PLC. The Chief Executive Officer may also delegate the day-to-day administration of these responsibilities to those employees but remains responsible and accountable under the terms of his/her Accounting Officer Memorandum
- 3.19 The Additional Accounting Officer for ESNR is responsible for making arrangements to satisfy himself or herself that the DBW has systems adequate to operate effectively, to a high standard of probity and to meet the standards set out in MWPM. The Accounting Officer of DBW and the Additional Accounting Officer for ESNR should meet biannually to discuss these arrangements.

### Welsh Ministers

- 3.20 Welsh Ministers have the right to appoint, and maintain in office, Welsh Government officials as shareholder representative(s) in an observer capacity to attend Board and Board Committee meetings of DBW.
- 3.21 The Welsh Government Observer will play no part in the decision-making process of any Board or Board Committees. A formal observer agreement detailing the role of the Welsh Government Observer has been created and signed by DBW and Welsh Government in accordance with Welsh Government guidance.
- 3.22 Welsh Ministers and Welsh Government officials shall take no part in day-to-day operational matters, commercial matters, or decision-making throughout the DBW Group. Specifically, no interference from WG on investment operations, as follows:
- a. Staffing and role allocation
  - b. Fund selection
  - c. Deal selection
  - d. Deal structure (e.g. loan or equity or mix)
  - e. Quantum invested
  - f. Timeframe of investment
  - g. Investment Pricing (DBW must operate funds under MEOP. Exceptionally, where DBW Group operates a fund under a separate State Aid approval (or equivalent post BREXIT), investments from these funds will be priced according to the State Aid approval and held in separate subsidiaries to funds investing under MEOP)
  - h. Sanction
  - i. Selling (exiting equity investments or loans)
  - j. Portfolio management and recovery of funds
  - k. Write offs under £3m (notifying WG if above value).
  - l. New fund bids (FW Capital)
  - m. Fund Management Contract pricing – these must be done at commercial market rates under MEOP.

n. Originating and negotiating fund proposals.

- 3.23 The Welsh Ministers acknowledge certain activities of the DBW PLC may be subject to the Financial Conduct Authority Rules (the “FCA Rules”) and/or other applicable laws or regulations, including the Companies Act 2006, and acknowledge if there is any conflict between this Framework Document and any of the FCA Rules or other applicable laws or regulations, any relevant FCA Rules and/or other applicable laws or regulations shall prevail.
- 3.24 The Welsh Government may, from time to time, carry out a review (or policy review) of the DBW PLC as they consider appropriate. Before commencing any such review, Welsh Government will consult the DBW Board on its terms of reference.
- 3.25 The First Minister has allocated primary responsibility for the oversight of DBW to the Minister for Economy, Transport and North Wales (“**Minister**”). The Minister generally exercises the functions of the Welsh Ministers in relation to the DBW PLC. The Minister sets the policy framework for the DBW PLC and is accountable to the Senedd Cymru for its activities.
- 3.26 Certain areas of the DBW PLC’s activities fall within the areas of responsibilities held by other Ministers, and they will engage accordingly with respect to their portfolios and policy objectives. These Ministers will set the policy framework for relevant aspects of the DBW PLC’s work and will be accountable to the Senedd Cymru for these activities of the DBW PLC.
- 3.27 The Welsh Ministers monitoring of the DBW PLC shall be strategic in nature and be carried out principally by means of:
- Senedd Committees role (see also Memorandum between AOs)
  - WG observer at DBW board and Audit and Risk Committee
  - Biannual meetings between Minister with portfolio responsibility for DBW and the Chair and CEO
  - Quarterly fund performance reports (as per normal commercial practice)
  - Ad hoc meetings on new fund development

#### Welsh Government’s DBW Partnership Team

- 3.28 The DBW Partnership Team within ESNR are the primary Welsh Government contact for the DBW (“the DBW partner team”). The partnership relationship will be strategic in nature and aspires to be mutually supportive and challenging.
- 3.29 The role of the Partnership Team includes providing a policy framework, which is driven by the prevailing Programme for Government. The DBW partner team will coordinate Welsh Government advice to the Minister on the discharge of their responsibilities in respect of the Corporate Plan and fund performance.
- 3.30 Officials of the DBW partner team will liaise with DBW officials regarding forward corporate planning, financial performance, and performance against

other agreed measures. The partner team will play a key role to enable the Additional Accounting Officer to discharge his or her responsibilities to ensure there is an appropriate system of control in operation in DBW. The partnership team will present their views to the Additional Accounting Officer at least once a year.

- 3.31 To enable the DBW partner team to fulfil its role, the DBW will:
- operate management, information and accounting systems that enable it to review in a timely and effective manner its financial and non-financial performance against the measures set out in the corporate and operational plans;
  - notify the DBW partner team of any changes that make achievement of objectives more or less difficult;
  - provide quarterly reports which set out the progress towards meeting fund performance targets and outcomes;
  - agree with the Partnership Team an annual Planning and Reporting schedule for the year.
  - It is noted that the reporting requirements for specific funds are set out in individual Funding Award Letters.

## **4 Financial Management and Resources**

### DBW Group Annual Report and Financial Statements

- 4.1 The statutory accounting and reporting requirements for DBW Plc and its subsidiaries are set out in the Companies Act 2006 ("CA06").
- 4.2 DBW plc shall produce an annual report and consolidated financial statements under International Financial Reporting Standards ("IFRS") for consolidation into the Welsh Government consolidated financial statements. DBW will work with WG to make sure that any additional disclosures required by the UK Government's Financial Reporting Manual ("FReM") are made in the annual report.
- 4.3 All annual reports and financial statements relating to all companies within the DBW Group be externally audited (see audit section).
- 4.4 DBW plc will produce its audited group financial statements in line with WG's reporting deadlines, which is normally 30<sup>th</sup> June, unless agreed otherwise. The audit opinion will be via a note from the external auditor as the final opinion will not be available until the annual report and financial statements are finished.
- 4.5 The DBW plc annual report and financial statements (including the full auditors' report) will normally be published 2 to 3 months after 30<sup>th</sup> June, within the reporting timeframe allowed by the CA06.
- 4.6 DBW plc will prepare audited financial statements for each subsidiary and limited partnership under the appropriate accounting standards (Financial Reporting Standard 101 or 102). These financial statements will be produced to the deadlines set out in CA06.

## Audit and Risk Committee

- 4.7 In accordance with the UK Corporate Governance Code, DBW plc will operate an Audit and Risk Committee (“ARC”). The ARC has primary responsibility for ensuring:
- the integrity of DBW plc ’s annual report and financial statements;
  - the effectiveness of risk management and internal controls;
  - the effectiveness of the internal and external audit processes; and
  - the DBW Group’s probity and whistle-blowing policies.
- 4.8 The ARC will provide an annual report to the ESNR Audit Risk and Assurance Committee on its work and confirms the adequacy of the audit arrangements and assurance given by the CEO in respect of governance, risk management and control arrangements.
- 4.9 The ARC reports to the Board on its activities and makes recommendations to the DBW plc Board.

## External Audit

- 4.10 DBW Group will procure its own appropriately experienced external auditors under the OJEU (or equivalent post BREXIT). DBW Group will rotate its external auditors in accordance with best practise outlined in the UK Corporate Governance Code.
- 4.11 DBW Group will ensure that any non-audit services provided by the external auditor are appropriate and fees above a defined limit will require prior approval by the DBW Group’s Audit and Risk Committee.
- 4.12 DBW plc shall provide to the Auditor General for Wales, as the Welsh Government’s external auditor, such assistance, information or explanations as he or she reasonably requests in the discharge of his/her responsibilities.

## Internal Audit

- 4.13 DBW plc will procure its own appropriately experienced internal auditors under the OJEU (or equivalent post BREXIT). The internal auditors will generally work to a three year internal audit work plan to enable them to issue an opinion as to the adequacy of DBW Group’s governance, risk management and control arrangements. This opinion will be included the DB Group’s annual report.
- 4.14 DBW Group will rotate its internal auditors in accordance with best practise outlined in the UK Corporate Governance Code.
- 4.15 DBW’s internal auditors will perform their audit methodology in alignment with the Public Sector Internal Audit Standards (“PSIAS”).

- 4.16 The three year and annual internal audit work plan will be agreed in advance with the DBW Group Audit and Risk Committee.
- 4.17 All internal audit reports will be shared with the DBW Group Audit and Risk Committee for consideration.

#### Delegations

- 4.18 DBW will operate in line with delegations featured in **Annex 4**.

#### Operating Funds

- 4.19 Funding agreements for each fund will identify the types of product that can be used in association with each fund.
- 4.20 DBW will operate within the confines of award of finance and associated documentation.

#### Borrowings

- 4.21 In light of the borrowing restrictions on Welsh Ministers, DBW Group shall not borrow externally money without the prior written consent of the Minister. Where there is borrowing from a third party funder, DBW is responsible for the day to day management of the DBW Group's relationship with that funder.

#### Guarantees and Indemnities

- 4.22 DBW will ensure no member of the DBW Group shall, give any guarantee or indemnity, provide any letter of comfort or deliberately incur any other contingent liability, in each case for the benefit of a third party (i.e. someone other than DBW or a member of the DBW Group) outside of funding agreements with Welsh Ministers.

## **5 General Management**

#### Freedom of information

- 5.1 DBW will adopt the Model Publication Scheme 2012 (or as revised) produced by the Welsh Information Commissioner.

#### DBW and Senedd Cymru

- 5.2 The DBW through its Accounting Officer (AO) is accountable to the Senedd for the efficient use of public resources. The Senedd Public Accounts Committee (or possibly the House of Commons Committee of Public Accounts) may invite the AO as a witness to give evidence on external audit reports, DBW annual reports and accounts at a Committee Hearing. The Chair, the AO or, where appropriate, members of DBW's staff will give written or oral evidence to Committees of the Senedd when invited to do so. The Senedd has the power to require any member of the Board or staff of DBW to attend a Senedd Cymru committee meeting.

## Plenary Questions

- 5.3 The Welsh Ministers are not accountable through Plenary Questions for the operations of DBW; where a Plenary Question relates to operational matters, the Ministerial reply will indicate this is the case and arrange for the Question to be passed to the DBW. Plenary questions to the Welsh Ministers may, however, seek information about matters for which the Welsh Ministers have a specific power or duty.
- 5.4 The Welsh Ministers may also answer Plenary Questions where information is sought about matters for which the Welsh Government has a general policy responsibility, which the Welsh Ministers cannot answer fully without assistance from DBW. In particular, Plenary Questions may seek statistical information from the Welsh Ministers about the nature and value of investments undertaken by DBW or what is happening in the financial market or specific challenges that face SMEs in Wales. In these circumstances, the Welsh Ministers may seek information from DBW to enable them to respond to such questions.

## Correspondence from Members of the Senedd / Senedd Cymru

- 5.5 Where a Senedd Member (MS) seeks information from DBW on matters for which it is responsible - whether directly or in a Plenary Question passed to the Chief Executive by the Welsh Ministers - the Chief Executive or a senior officer acting on their behalf will reply in the agreed timescales (17 working days).
- 5.6 In no circumstances will DBW, in replying to correspondence from MS, provide access to confidential information unless the relevant parties have provided explicit written consent to provision of that access.
- 5.7 Similar arrangements will apply to the handling of any questions from members of the UK Parliament.

## Reward and Remuneration protocol / Pay and Conditions of Service

- 5.8 A Reward and Remuneration protocol shall be maintained between the Minister and DBW and renewed every 3 years. A summary of the Reward and Remuneration Protocol is included at **Annex 5**.
- 5.9 The pay protocol is a set of principle rather than a statement of actual payments or pay rates in recognition that parent body is public sector.
- 5.10 The Reward and Remuneration Protocol shall lay out the parameters within which DBW will set the remuneration, pensions and other benefits it proposes to pay/provide to DBW Group staff over the following 3 year period. The Reward and Remuneration Protocol must be fully-costed, and be shown to be affordable both during the period to which it relates and in future years.

## Business Planning Framework

- 5.11 As the majority of targets are set through the funding arrangements for each fund or service DBW will receive a Remit letter at minimum every 5 years which will

set out the broad policy objectives of the Government in order to inform future fund/service areas. The remit letter will make distinction between DBW Plc and subsidiaries of DBW Plc where those subsidiaries operate with full autonomy of decision making. The remit letter will be set in the context of contractual agreements between WG and DBW.

- 5.12 Following publication by the Welsh Government of its Programme for Government, DBW will develop its Corporate Plan for the period covered by the prevailing Programme for Government (which is normally five years). Progress against the targets contained within the Corporate Plan will be updated annually in the Operational Plan.
- 5.13 DBW PLC will consult with WG on corporate plan on public policy points prior to its publication.
- 5.14 The Operational Plan is a DBW document with the primary purpose of setting out the combined objectives and targets for the organisation for the coming year. It brings together the funds and services targets, as set out in the funding and service contracts, for the coming year adjusted for performance to date and market demand. This, alongside other corporate and operational objectives as agreed by the Board, will form the basis of the performance management process for the DBW Group. The Chair and CEO will present the Operational Plan, including annual targets and organisational developments to the Additional Accounting Officer and Minister at their respective meetings. As the funds and services have been previously agreed through the funding contracts, the plan is presented for information purposes with any performance issues covered by the WG Partner Team.

#### Welsh Minister's Funds

- 5.15 Any proposal to establish a new Fund shall include details of prevailing benchmarked fund management and fund holding fees in order to ensure it can be operated in accordance with relevant State aid requirements (or subsequent requirements) where appropriate.
- 5.16 DBW will be entitled to retain any net income generated within the DBW PLC from fund management fees, fund holding fees and any other operational activities, as agreed by Welsh Government, and use it to fund DBW PLC operations. DBW is entitled to retain and carry-over any such income held as cash from time to time to ensure there is sufficient working capital within the DBW PLC to cover operations.
- 5.17 Where the DBW has funds for a specific purpose, those funds cannot be used for a different purpose without the prior written consent of the Welsh Ministers.
- 5.18 Any fund holding and fund management fees will be negotiated with the funding provider as part of the development of the fund.

#### Fees

5.19 DBW will periodically commission an independent review on the general approach to fees to ensure DBW is operating in line with the market.

Branding

5.20 DBW will work to ensure that DBW Group's relationship with the Welsh Government is recognised appropriately through the use of the Welsh Government's sponsor brand mark.

Communications

5.21 DBW will consult with Welsh Government Press Office on relevant press notices or promotional materials/activity.

Complaints

5.22 The Partnership Team and DBW will have in place a complaints handling process to respond to complaints received by WG regarding DBW and will follow appropriate escalation processes.

The terms of this Framework Document were approved by the Minister for Economy, Transport and North Wales on 12<sup>th</sup> February 2021

Signed..... Additional Accounting Officer,  
Director General Economy, Skills and Natural Resources, Welsh Government

Dated.....

Signed.....Chief Executive Officer,  
Development Bank of Wales plc

Dated.....