

Giles Thorley  
CEO  
Development Bank of Wales

12 June 2024

Dear Giles,

### **Development Bank of Wales inquiry: further follow up**

Following our scrutiny sessions with the Bank and the Cabinet Secretary on 24 April, the Committee wrote to the Cabinet Secretary to ask, in the interests of transparency and to assist our inquiry, to receive a copy of the framework document he referred to in the meeting, which governs the relationship between the Bank and the Welsh Government, and provides the foundation for it. The letter was published as a paper to note at our 22 May meeting.

The Cabinet Secretary has now responded and provided a copy of the framework document, which we will publish in due course.

When you gave evidence to the Welsh Affairs Committee (WAC) on 28 February, the Committee Chair asked Bank representatives about the relationship between the Bank and Welsh Government, and investment decision-making, specifically in that case relating to the defence industry. In response the Bank's Investment Director, Hansard states:

*"Rhian Elston: The guidance that is in our document is: are there any reputational issues that we need to consider or are there any ESG considerations that we need to bring into mind? So there isn't a blanket thing that we cannot support the defence sector, and we have supported business in that area. It is about us making an assessment when the deal comes in: what do they do? Are there any concerns?"*

*We will sometimes refer that to the Welsh Government, [our italics] but we have examples where we have supported the supply chain there, because my view is it is still an important sector within Wales. There are a number of companies that do very well and employ a lot of people as the result of being within that supply chain, so it is not a no."*

Having had sight of the Framework document, we note that this does not specifically refer to how ESG (Environmental, Social and Governance) considerations and reputational risks are managed and how matters are referred to the Welsh Government, although we note that ESG considerations are referred to extensively in the Bank's Annual Report for 2022-23, including the section relating to the Bank's Risk Management framework.

It would be helpful in finalising the Committee's reporting for this inquiry to have clarification of the document that was being referred to in the WAC evidence above. Page 2 of the Framework document notes that it was amended in 2021 with "revisions to clarify DBW autonomy of decision-making". Therefore, did an earlier version of the Framework document contain that information, or indeed is there an additional document that governs how matters of ESG and reputational risk are managed as part of the relationship between the Bank and the Welsh Government?

I look forward to your early response to clarify this issue for the Committee.

Kind regards,



**Paul Davies MS**

Chair: Economy, Trade and Rural Affairs Committee

We welcome correspondence in Welsh or English