



Disclosure under MIFIDPRU 8.6 (Remuneration policy and practices)

For the period 1 April 2022 to 31 March 2023

3i Investments plc (“3i Investments” or “the firm”) is required to make the following remuneration disclosures pursuant to the FCA’s Prudential sourcebook for MiFID Investment Firms (“MIFIDPRU”). 3i Investments plc is classified under MIFIDPRU as a small and non-interconnected MIFIDPRU investment firm.

These disclosures are reviewed and updated on an annual basis and published on 3i Group plc’s website following publication of its annual report and accounts. These disclosures will be updated more frequently if required following significant changes to the business of 3i Group plc. This document has not been verified independently.

Remuneration Policy

3i’s business model is based substantially on human capital, and therefore our reward arrangements are designed to meet the objectives of recruitment, development, incentivisation, recognition (for responsibility, effort, behaviours and performance), and retention – in addition to providing alignment with shareholders’ interests, and promoting sound and effective risk management.

Our reward arrangements fall into 4 broad categories, with salary being a fixed component of remuneration and the rest being variable:

1. Salary

This represents (together with our fairly limited fixed benefits) the base pay for the job. Each year we consider whether to adjust salaries based on a number of factors including affordability, (geographical/sectoral/functional) salary inflation rates, changes in the jobholders’ responsibilities, and relative personal performance.

2. Annual bonus

The ratio between annual fixed and variable reward varies with type and seniority of role. The size of the 3i Group annual bonus pool is determined by the 3i Group plc Remuneration Committee based on the 3i Group’s performance against a balanced scorecard of financial and non-financial metrics considered in the wider context of risk, compliance, market and other relevant factors (including retention needs and any concerns raised by the Directors of Group Compliance and Internal Audit).

The amount paid to individual jobholders is largely based on individual performance including, where relevant, performance against the 3i Group’s mandatory management, risk and investment objectives for relevant staff. Alignment with 3i Group’s stakeholders is promoted by requiring that key risk takers (as well as those receiving larger bonuses) receive a significant proportion of any annual bonus in deferred form (including deferred shares) to ensure continued exposure to the economic performance of 3i Group plc and its share price, and thereby discourage short-term risk-taking behaviours.

3. Performance Share Awards

The long term incentive arrangements for 3i Group plc's executive directors, and certain professional services staff, take the form of performance share awards. These awards are subject to performance conditions which are measured over a 3 year period. (The Remuneration Committee reserves its right to reduce the percentage which performance awards vest if, for example, it does not feel that performance against the specified metrics is a fair reflection of the underlying financial performance of the 3i Group.) Any shares which do performance-vest after 3 years are released to the executive directors after a further 2 year holding period (other participants' awards are released immediately) during which time they continue to be exposed to share price movements and risk of forfeiture. By extending the release of such awards from 3 to 5 years, we aim to further discourage short-termism, enhance alignment and aid retention. The vesting schedule was set to taper rewards in after shareholder return needs are met (implying no "rewards for failure"), and to cap rewards once compound returns reach either 18% p.a. on an absolute basis, or upper quartile performance when compared against the FTSE 350 (implying no "extra rewards for excessive risk taking").

Shareholding Targets

The share ownership retention policy requires affected staff to build up over time, and thereafter maintain, a shareholding in 3i Group plc's shares equivalent to at least:

- three times gross salary for the Chief Executive;
- two times gross salary for the Finance Director;
- one and a half times gross salary for all other members of the Executive Committee; and
- one times gross salary for staff designated as "partners" in the 3i Group's businesses.

Requiring a significant amount to be held in the form of 3i Group plc shares ensures continued exposure to the economic performance of the 3i Group and its share price which is intended to further discourage short-termism in behaviours.

4. Incentives Linked to Specific Business Areas/Products/Assets

Our investment professionals participate in a wide range of incentive arrangements, some of which are designed to reflect reward structures in the wider private equity industry, much of which is based on unquoted partnership structures (or similar vehicles). Most of these arrangements are based on a share of cash-to-cash profits, or of fee/cash receipts; and some have been operated in conjunction with some form of co-investment requirement whereby participants are required to put some of their own money at risk of forfeiture alongside monies from external investors and / or from the 3i Group's balance sheet. These features are designed to ensure that our arrangements promote alignment and sound and effective risk management.

The carried interest and co-investment arrangements operated in connection with our private equity investments are particularly important to the effective incentivisation and alignment of our investment staff. (It should be noted that, although such arrangements do not constitute remuneration, they are treated as such under MIFIDPRU.) These arrangements are designed (where applicable) in collaboration with investors and are intended to align investment team behaviours with the interests of those whose funds they deploy. This alignment is promoted by the cash to cash nature of the arrangements, which ensure that rewards are typically only paid out of the realised cash profits on a pool of investments after a specified rate of return has been achieved. In other words, the entire amount originally invested in a pool of assets has to be recovered in cash and a specified hurdle return rate achieved, before the investment team receive any carry. The fact that these arrangements predominately operate with respect to pools of assets means that they are normally very long term in nature, and typically take around 5 years to start paying out, meaning that successful vintages act as significant retention mechanisms for the benefit of the firm and its clients.

As can be seen from the above summaries, we aim to ensure that the features of our reward arrangements support alignment with stakeholders and promote sound and effective risk management.

In order to minimise conflicts of interest, and therefore risk, each of the following groupings has distinctly different incentive arrangements:

- i. Chairman of the 3i Group plc board and its non-executive directors;
- ii. 3i Group plc executive directors (currently the Chief Executive, Group Finance Director and Chief Operating Officer);
- iii. The jobholder who is “General Counsel, Company Secretary & Head of HR”;
- iv. Other Executive Committee members (who are investment staff);
- v. Other investment staff;
- vi. Heads of Compliance and Internal Audit; and
- vii. Other professional services / support staff.

Remuneration Committee

During the year to 31 March 2023, the 3i Group plc Remuneration Committee comprised Ms C McConville (Chair from June 2020), Ms C J Banzsky, Mr D A M Hutchison, Ms L M S Knox and Mr P A McKellar. All the current members of the Committee are independent non-executive Directors.

The Committee considers remuneration matters and determines, on behalf of the board of 3i Group plc, the specific remuneration packages and co-investment and carried interest arrangements for those individuals within its mandate, including those staff who are material risk takers under MIFIDPRU. The Committee uses Deloitte LLP to provide independent opinions on all remuneration topics. The Committee’s terms of reference, which are regularly reviewed and updated, are available at www.3i.com.

Quantitative Disclosures

For the financial year to 31 March 2023, the total amount of remuneration awarded to all staff was £200m, of which £45m comprised the fixed component of remuneration, and £155m comprised the variable component.