



Corporate responsibility report

May 2017



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A guide to using this report

This interactive PDF is designed to help you easily navigate the report and find the information you are looking for.

Click on the dynamic links to access further relevant information within the report or online, and use the tabs at the top of the page to navigate between sections.

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About this report

This report aims to provide the information that is material and relevant for our shareholders and other stakeholders to form a view on how 3i Group plc ("3i") is performing on environmental, social and governance ("ESG") matters. There have been no significant changes from previous reporting periods in the material topics we are reporting on. The report relates to the financial year ending 31 March 2017. We are not restating data for previous years.

We have chosen to report in accordance with the Global Reporting Initiative ("GRI") standards. The implementation of the GRI framework was supported by a materiality assessment, which involved the review of a number of voluntary sustainability reporting initiatives such as the CDP (Carbon Disclosure Project) and RobecoSAM Sustainability Index, as well as the direct engagement with key stakeholders to determine the sustainability issues that are of concern to them.

 **46** Global Reporting Initiative

Where else can you find corporate responsibility information?

This report should be read in conjunction with our Annual report and accounts 2017 and with the Corporate responsibility policies on 3i's website.



www.3i.com
www.3i.com/corporate-responsibility

Introduction

Starting with capital of £15 million in 1945, 3i today is a leading international investor and manager focusing on private equity and infrastructure.

Our permanent capital is a distinct, competitive advantage. We use it to invest in opportunities where our active management approach, combined with our strong balance sheet, can create material value.

We are committed to achieving our investment objectives while behaving responsibly as an employer, as an investor and as an international corporate citizen. We take responsibility for our actions, carefully consider how others will be affected by our choices and ensure that our values and ethics are integrated into our formal business policies, practices and plans.

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Our business at a glance

3i is an investment company focused on Private Equity and Infrastructure, investing primarily in northern Europe and North America.

Our Private Equity and Infrastructure businesses manage a mix of proprietary and third-party capital.

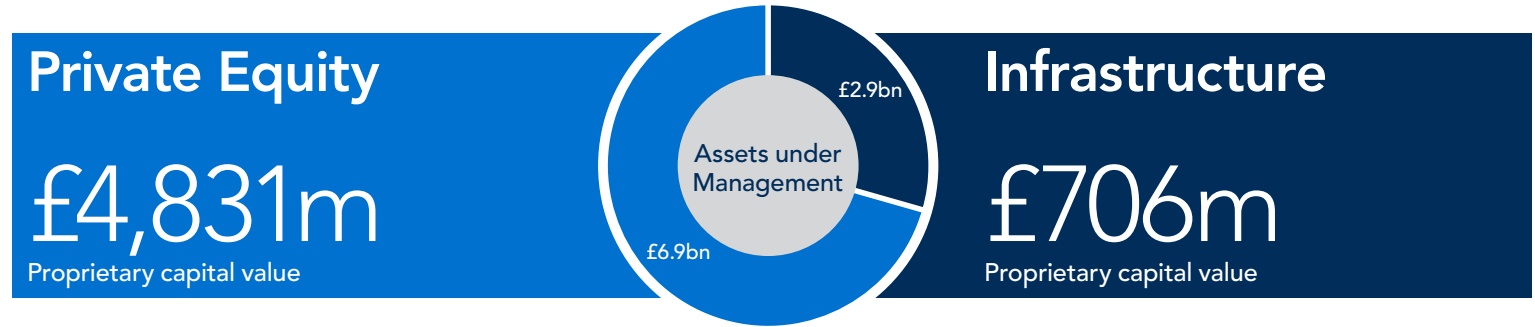
At 31 March 2017, we had 241 employees across nine offices: London (where our headquarters are based), Amsterdam, Frankfurt, Luxembourg, Madrid, Mumbai, New York, Paris and Singapore. We no longer make new investments in Asia, and our Mumbai and Singapore offices are responsible for managing our legacy portfolio in that region.

3i listed on the London Stock Exchange in 1994.

For more information on our business, please refer to our Annual report.



Download our Annual report



Activity

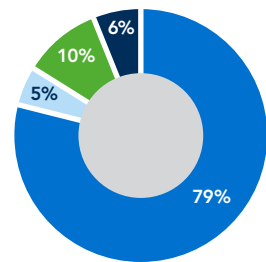
- Investment and asset management to generate capital returns
- Investing in companies typically with an Enterprise Value of €100m–€500m at acquisition in our core investment markets of northern Europe and North America
- Focused on three sectors: Consumer, Industrial and Business and Technology Services
- Portfolio of 37 unquoted assets and three quoted stakes

Activity

- Investment and asset management to generate capital returns and cash income
- Investment Adviser to 3i Infrastructure plc ("3iIN")
- Investing in economic infrastructure and greenfield projects in developed economies, principally in Europe
- Increasing fund management capability with the launch of two new managed funds in Europe and a new North America Infrastructure platform

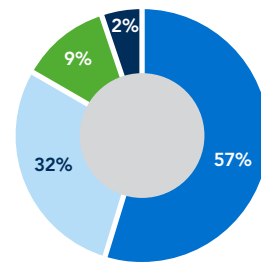
Investment profile – AUM

Breakdown by geography



- Northern Europe
- North America
- UK
- Other

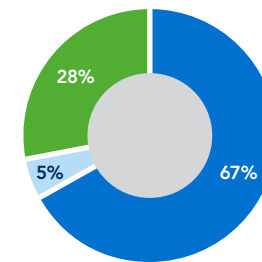
Breakdown by sector



- Consumer
- Industrial
- Business and Technology Services
- Other

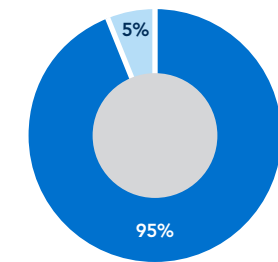
Investment profile – AUM

Breakdown by investment vehicle



- 3i Infrastructure plc
- India fund
- Partnership funds

Breakdown by geography



- Europe
- India

Message from the Chief Executive

Our business is to invest in private equity and infrastructure, with the objective of generating attractive returns for our shareholders and the investors in our funds.

Upholding high corporate responsibility standards is central to our reputation and, ultimately, to our ability to drive value from our investments, and therefore to our success as a business. A strong reputation is key to gaining and maintaining the trust of our shareholders, investors in our funds, investee companies, as well as the participants in our markets. It is also essential to recruiting and retaining high-calibre employees and building a strong network in our markets.

Maintaining our reputation requires an increasingly thoughtful approach, including greater transparency. We are committed to communicating both financial and non-financial performance in a clear, open and comprehensive manner and to maintaining an open dialogue with stakeholders. Accordingly, we welcome your feedback and suggestions on this important area.

Simon Borrows
Chief Executive
May 2017

Our corporate responsibility strategy is defined by three key priorities

1 Recruit and develop a diverse pool of talent	2 Invest responsibly	3 Act as a good corporate citizen
<p>Our people are our main asset and recruiting, retaining and developing our talent is one of our most important priorities. We promote an open communication culture and provide an inclusive and supportive working environment with opportunities for training and career development. We value diversity and our employees are recruited, promoted and rewarded on the basis of merit, ability and performance.</p>	<p>We believe that a responsible approach to investment will add value to our portfolio. Our Responsible Investment policy is embedded within our investment and portfolio management processes. It informs our investment decisions and our behaviours as a responsible and engaged asset owner and manager.</p>	<p>We strive to embed responsible business practices throughout our organisation. We do this by not only having robust policies and processes in place, but also by promoting the right culture. Our employees are expected to act with integrity, be accountable for their behaviour, and to approach their roles with ambition, rigour and energy. All employees are evaluated annually against our values as part of our formal appraisal process.</p>



Responsibilities and accountabilities

The Board is responsible for corporate responsibility ("CR"). It has adopted and promotes corporate values and Group standards which set out the behaviour expected of employees in their dealings with shareholders, fund investors, existing and potential portfolio companies, colleagues, suppliers and others who engage with 3i.

The Executive Directors and business leaders (together, the "Executive Committee") are responsible for ensuring compliance with 3i's corporate values and standards. Our values and corporate culture promote accountability, and, together with our compliance, behaviour and environmental, ethical and social policies and procedures, are designed to ensure consistent standards of conduct.

All employees are required to be aware of, and abide by, 3i's policies and procedures. These are available to all staff through the intranet portal. Employees are encouraged to make suggestions to improve them.

Our values



Governance framework

The Board and its committees review our approach to corporate responsibility and related policies and address specific issues if they arise.

Day-to-day responsibility rests with executive management and, in particular, the Chief Executive. The Chief Executive has also established a number of committees to support him in overseeing and monitoring policies and procedures and to address issues if they arise.

Our governance framework is outlined opposite and more information is provided in our Annual report.



Download our Annual report

Board – ownership and oversight of corporate responsibility approach and policies			
Principal Board committees			
<p>Audit and Compliance Committee</p> <ul style="list-style-type: none"> Financial reporting, risk and internal controls Oversees the assessment and management of ESG issues and risks, including environmental legislation and regulation, governance and compliance risks and reputational risks, delegating day-to-day responsibility to the Chief Executive 	<p>Remuneration Committee</p> <ul style="list-style-type: none"> Director and senior management remuneration and Group remuneration structure Oversees the implementation of fair remuneration for employees 	<p>Nominations Committee</p> <ul style="list-style-type: none"> Board appointments and size, diversity and composition of the Board 	<p>Valuations Committee</p> <ul style="list-style-type: none"> Valuation policy and investment valuations Considers the valuation impact of ESG-related matters
Chief Executive			
Chief Executive committees			
<p>Executive Committee</p> <p>Principal oversight body for management of the business</p> <p>CR responsibilities include:</p> <ul style="list-style-type: none"> Human rights and employment legislation Employee incentives and remuneration 	<p>Investment Committee</p> <p>Acquisition, management and disposal of investments</p> <p>CR responsibilities include the oversight of:</p> <ul style="list-style-type: none"> Management of ESG issues in the portfolio Due diligence of ESG issues in the investment process Compliance with applicable ESG regulation in the portfolio (eg Modern Slavery Act) 	<p>Risk Committee</p> <p>Oversees the Group’s risk management framework</p> <p>CR responsibilities include:</p> <ul style="list-style-type: none"> Responsible Investment policy Environmental legislation and regulation Assessment of ESG risks for the Group and the portfolio Assessment of regulatory and compliance risks, including financial crime and bribery Assessment of operational risks, including cyber security and people risks Regular review of incident management, business continuity and disaster recovery plans 	<p>Conflicts Committee</p> <p>Independent review of conflicts issues</p> <p>CR responsibilities include:</p> <ul style="list-style-type: none"> Assessment of all actual and potential conflicts of interest

External benchmarking

We believe that it is important to evidence our commitment to operating responsibly and to show how we are performing. Accordingly, we provide a wealth of relevant information to shareholders and other interested stakeholders.

Sustainability indices

We have been a member of the Dow Jones Sustainability Europe Index and of the FTSE4Good Index Series since 2001 and 2011 respectively. In addition, 3i became a member of the Ethibel Sustainability Index (ESI) Excellence Europe in September 2016 and was reconfirmed as a constituent of that index in March 2017.

 www.sustainability-indices.com
www.ftse.com/products/indices/FTSE4Good
www.forumethibel.org

MEMBER OF
Dow Jones Sustainability Indices
 In Collaboration with RobecoSAM 



CDP

CDP (formerly Carbon Disclosure Project) is an international, not-for-profit organisation providing a framework which enables businesses to disclose their greenhouse gas emissions and other metrics voluntarily. 3i has been making annual submissions to CDP since 2006.



In 2016, 3i was the winner of the "Most improved" award for CDP responders based in the UK, having improved its score from 94D in 2015 to A- (Leadership) in 2016.

 www.cdp.net



UN Principles of Responsible Investment

Since 2011, we have been signatories to the UN Principles for Responsible Investment. We also have a clear and comprehensive Responsible Investment policy which is embedded into our investment and portfolio monitoring processes.

 www.unpri.org



A responsible employer

We believe that the skills, capabilities and talents of our employees are vital to our success. Recruiting, retaining and developing our talent is one of our most important priorities. We work towards that objective by providing training and opportunities for career advancement, rewarding our employees fairly and by encouraging employees to give direct feedback to senior management.

With fewer than 250 employees, we benefit from an open culture of communication and a flat organisational structure. We are a meritocracy and our employees are recruited, promoted and rewarded on the basis of merit, ability and performance.

We recognise the importance of nurturing the wellbeing and satisfaction of our employees by providing a supportive working environment and a healthy work/life balance. Accordingly, we offer a variety of formal and informal benefits.

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Human rights

Whilst 3i does not have, nor needs, a formal human rights policy, our policies are nevertheless consistent with internationally-proclaimed human rights principles.

We comply fully with applicable human rights legislation in the countries in which we operate, for example covering areas such as freedom of association and the right to collective bargaining, equal remuneration and protection against discrimination.

Due to the small number and diverse functions of our employees, as well as the nature of our business, our employees are not, in practice, unionised and do not engage in collective bargaining.

3i is incorporated in the UK and has operations in nine countries across the world. For all matters relating to human rights, we comply with local laws, and if those laws provide lesser protection than UK law, we apply the principles enshrined in UK law.

We do not invest in businesses which make use of slavery, human trafficking, forced labour, compulsory labour and harmful child labour.

We aim to invest only in businesses which are committed to: respecting the human rights of their workers; maintaining safe and healthy working conditions; treating their employees fairly; upholding the right to freedom of association and collective bargaining; and respecting the health, safety and wellbeing of those adversely affected by their business activities.

We try to ensure that the businesses we invest in comply (among other things) with all applicable employee-related laws and, where appropriate, that they work towards meeting relevant international standards (such as the ILO Fundamental Conventions) where these are more stringent.

Modern Slavery Act

We published our statement on Modern Slavery for the financial year ending 31 March 2016 on our website in September 2016, and will update this statement in September 2017.

3i is committed to ensuring that:

- there is no slavery and human trafficking in any part of its business or supply chains; and
- the companies in which it invests are also committed to ensuring that there is no slavery or human trafficking in their business or supply chains.

3i has a suite of human resources policies and procedures covering areas including recruitment, vetting and performance management, family-friendly policies, equal opportunities and diversity, medical insurance and health screening, health and safety and flexible working, and appropriate processes to monitor their application. Summaries of a number of these policies can be found on our website.

 www.3i.com/corporate-responsibility/corporate-responsibility-policies

 Our Modern Slavery statement is available on our website

 **24** Modern Slavery risk in 3i's portfolio **40** Human rights and forced labour in 3i's supply chain



Equal opportunities and diversity

3i is an equal opportunities employer and opposes all forms of unlawful and unfair discrimination. We believe that a diverse and varied workforce is a great benefit to all and therefore we encourage this. We do not set specific diversity targets, but seek to create, through our culture and policies, a work environment that helps to bring out the best in any qualified person.


3i's Equal Opportunities and Diversity policy establishes that all 3i employees (temporary and permanent), contract workers and job applicants are treated fairly and are offered equal opportunity in selection, training, career development, promotion and remuneration.

Specifically, we aim to ensure that:

- we have access to the widest labour market and secure the best employees;
- people are selected, promoted and treated equally and according to merit, ability and performance;
- we have employment procedures and practices which do not discriminate on grounds of age, gender, marital status, gender reassignment, race, colour, nationality, ethnic or national origin, religion or religious belief, disability, sexual orientation, or any other legally protected category;
- we treat people with respect;
- we meet our statutory obligations under employment legislation;
- we communicate this policy and responsibilities for achieving fairness and equality to employees; and
- senior managers understand their responsibility for enforcing this policy and we all share responsibility for upholding it.

During the year, we recorded no incidents of discrimination.



 A summary of our Equal Opportunities and Diversity Policy is available on our website

Equal opportunities and diversity

Continued

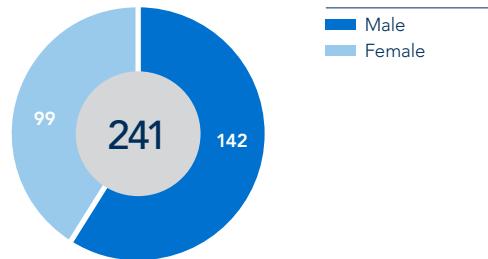
Gender diversity

Achieving better gender diversity is important to 3i and we believe we are making good progress in that respect, within the constraints of being a small organisation with modest staff turnover. Of the new hires we made during the year, 45% were female and 55% were male.

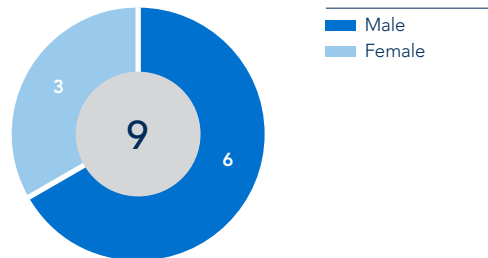
Diversity data

At 31 March 2017, 3i's total of 241 employees was broken down as follows.

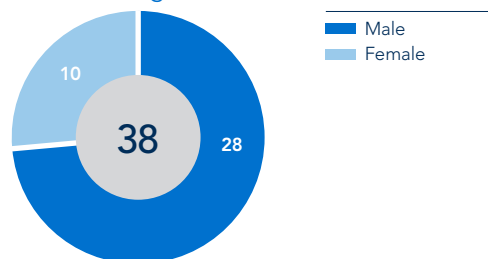
3i employees¹



3i Group plc Directors²



Senior managers³



¹ During the year 3i sold its Debt Management division, which employed approximately 50 people, to Investcorp, and closed its Stockholm operations. The average number of employees during the year was 281.
² Includes non-executive Directors who are not employees.
³ "Senior managers" excludes Simon Borrows and Julia Wilson (who are included as Directors of 3i Group plc) and includes 23 people who were directors of undertakings included in the consolidation, of whom 19 were male and 4 were female.

Level 20



In January 2017, Jennifer Dunstan, Partner, Head of Fund Investor Relations at 3i, took up the chairmanship of Level 20, which she co-founded in 2015 with 11 other senior women working in the private equity industry. Level 20 is a not-for-profit organisation focused on attracting more women to join and to succeed in private equity.

In 2015, women comprised about 5% of professionals employed in senior roles in the European private equity industry (according to Invest Europe, the European representative body for the industry). Fewer women than men enter the industry and only a small proportion progress to take on leadership roles. Level 20 believes that increased participation by women in the private equity industry, particularly in leadership positions, will lead to not only sustaining, but also improving, investment performance.

Level 20 is undertaking a range of initiatives, including a mentoring programme for women at all levels of seniority, putting on a range of educational and social events for the entire membership (in particular those under the age of 35) and forming a business school outreach programme. The organisation also encourages philanthropic activity through its support for Impetus-PEF, a charity that supports young people from disadvantaged backgrounds.

Level 20, which has attracted more than 700 individual members in Britain, is set to expand its activities across the continent with plans for committees in several major European cities. In addition, the organisation is also working with the Cambridge University Judge Business School to conduct a survey of career paths of both male and female private equity industry participants, the findings of which will be used to further develop programmes to help achieve the organisation's goals. Level 20 is funded by 38 private equity firms, which has enabled the recruitment of a full-time CEO to promote its initiatives.

Equal opportunities and diversity

Continued

Ethnic diversity

The McGregor-Smith review on “Race in the Workplace”, published on 28 February 2017, highlighted the underemployment and underpromotion of people of Black or Minority Ethnic (“BME”) backgrounds in UK businesses and makes the case for more inclusive organisations. The review noted that, while one in eight of the UK working age population in 2015 was from a BME background, BME individuals made up only 10% of the workforce and held only 6% of top management positions.

The review contained a number of wide-ranging recommendations, including one for listed companies and all businesses and public bodies with more than 50 UK-based employees to publish a breakdown of their UK-based employees by race and pay band, and to publish aspirational targets and report against these annually. These recommendations are not mandatory.

As at 31 March 2017, more than one in eight of 3i’s total UK employees were people with a BME background. In addition, the proportion of our employees with a BME background in mid- to higher salary brackets also exceeded the one in eight proportion.



Learning and development



Advancing our business goals depends on our ability to attract, retain and motivate smart people. We are therefore committed to providing our employees with the opportunities, experience and training to achieve their potential and grow their knowledge, skills and capabilities.

We encourage employees to take responsibility for their own development, working with their line managers to devise personal development plans to support the achievement of their individual aspirations, consistent with 3i's objectives.

Given the specialised nature of many of the roles in 3i, an emphasis is placed on work-based learning, with the provision of development opportunities supported by appropriate training and mentoring. This is supplemented by formal courses conducted both internally and externally and usually with a multinational group drawn from across the countries in which 3i operates.

During the year to 31 March 2017, we provided formal internal training on areas and skills including:

- Financial modelling
- Negotiation skills
- Presentation and communication skills
- Time management and organisation skills
- Business writing
- Board success
- Executive coaching

We also organised periodic induction days to welcome new joiners, with presentations from the Chief Executive and other senior executives on different areas of the business.

Key to personal development for all employees is a formal annual appraisal process, where performance is measured against agreed objectives and against 3i's values to inform decisions on remuneration, career development and future progression. All employees receive formal performance assessment and objective setting reviews with their managers annually and may receive informal reviews throughout the course of the year.

Recruitment and selection

Our Global Recruitment and Selection policy sets out a fair, open, consistent and effective process to attract and select high calibre candidates for positions which will maximise contribution to the business.

We recruit a small number of people in any given year. The number of new recruits in any year is highly variable and our employee turnover rate is low. As such, it is not always possible for us to implement initiatives such as recruitment targets per age group, gender and ethnicity.

Graduate scheme

We launched our new graduate recruitment scheme in 2015.

The scheme is designed to develop our next generation of world-class investment professionals and business leaders. We are a small organisation; however, we believe this programme is important in fostering a distinctive 3i culture. Our first five graduate analysts joined us in 2015, a further five joined us in September 2016 and a further three will join us in September 2017. The top performers on the programme are offered the opportunity to be fast-tracked directly into our investment business.

The programme involves rotations across our Private Equity and Infrastructure businesses, as well as the opportunity to work with senior management in our Strategy and Finance teams. Our graduates benefit from best-in-class technical training courses in corporate finance, valuation, financial modelling and accounting, coupled with practical business experience gained from working alongside our investment professionals, senior management and portfolio management teams. As a result, they acquire an excellent grounding in the investment world, as well as in strategy and finance, enjoying a great deal of responsibility at an early stage.

5

graduate analysts in each of 2015 and 2016

3

graduate analysts due to join us in 2017



Recruitment and selection

Continued

Meet one of our graduate analysts



Makani Bavya
3i Graduate Analyst
September 2015 intake

Bavya was born and brought up near Scunthorpe, in the north of England. She joined 3i's 2015 graduate intake after graduating in Politics, Philosophy and Economics at Warwick University.

Why did you choose to start your career with 3i's graduate programme?

When I was applying for graduate positions in 2015, 3i was one of only a few UK-based private equity firms offering a graduate programme, and I had at that stage already developed an interest in this industry.

The programme itself appealed to me for a number of reasons, including its rotational structure, offering graduate analysts the opportunity to gain exposure to different parts of the organisation and acquire a broad range of skills. For me this has included a six-month rotation in 3i's Amsterdam office, which was a great opportunity to gain some international experience. This is not something that is typically offered in investment banking or consulting graduate schemes.

What was it about 3i's culture that attracted you to the organisation?

3i was founded in 1945 and has a strong, established brand and reputation. This emerged clearly during the interview process and in my market research.

The other aspect was 3i's co-operative and open culture. 3i has fewer than 250 employees, which means that you soon get to know everyone. It also means that the graduate analysts are an integral part of the team with real responsibilities and deliverables. The structure is non-hierarchical, which appealed to me strongly.

Have you enjoyed the programme so far? Has the reality of working at 3i matched your expectations?

So far, so good! Having my first rotation in the Amsterdam office was a challenge for me, adding the international element to the excitement of starting my professional career. That said, it helped me to grow both personally and professionally.

The programme itself has exceeded my expectations. The initial weeks of formal training were great to get us started and the "on the job" training we receive is invaluable. I have found that colleagues have been more than willing to give up their time to teach me what I need to know and I am very grateful for that. Importantly, the nature of the work we are given is not defined by our level of seniority. As graduate analysts we are given many opportunities to step up and take ownership of interesting work. I have worked with people at all levels within 3i and externally, from the Chief Executive and business heads to other graduate analysts. This is another of the positive consequences of working in small teams with few layers.

Finally, I would note that 3i has encouraged a healthy work/life balance and I am delighted to have been able to continue with my dance training, when some of my peers beginning other careers elsewhere have had to give up their hobbies!

Working at 3i

We recognise the importance of nurturing the wellbeing and satisfaction of our employees by providing a supportive working environment and a healthy work/life balance.

Formal benefits

The key benefits we offer to our UK employees include:

- Family-friendly benefits (including maternity and paternity leave, adoption leave, parental leave, shared parental leave, bereavement and compassionate leave)
- Private medical insurance and health screening
- Life insurance
- Long-term sickness insurance
- Retirement provisions
- Flexible working
- Stock ownership

Employees based outside London enjoy similar benefits, aligned with local custom and practice.

All of the benefits above are available to all full-time, part-time and fixed-term employees, with the exception of long-term sickness insurance, which is not available to fixed-term employees who instead receive a cash equivalent.

Wellbeing at work

Where possible and relevant, employees are provided with the tools to work remotely and, at the discretion of their managers, can work remotely and flexibly to manage personal or family commitments.

The health and wellbeing of our employees is important to us. We have provided on-site yoga classes and on-site massage (for a small charge) at our London office for a number of years. This year, we introduced the services of a personal fitness adviser for our London-based employees, bookable free of charge for one-on-one fitness and wellness advice sessions. He has also been hosting free twice-weekly fitness classes.

Remuneration

3i's employment policies are designed to provide a competitive reward package which will attract and retain high quality staff, whilst ensuring that the relevant costs remain at an appropriate level.

All employees receive a base salary. Annual variable incentives are linked to personal, as well as to broader 3i business achievements, together with considerations of overall affordability. For those members of staff receiving higher levels of annual variable incentive awards, a proportion of such awards is delivered in 3i shares, vesting over a number of years. The remuneration policy is approved by shareholders at least every three years and is reviewed regularly by the Board's Remuneration Committee.

Where appropriate, employees are eligible to participate in 3i share schemes to encourage their involvement in the performance of the business. Investment executives in the Private Equity business line may also participate in carried interest schemes, which allow executives to share in future profits on investments. Similarly, investment executives in the Infrastructure business line may participate in asset-linked and/or fee-linked incentive arrangements.

Employees participate in local state or company pension schemes as appropriate to local market practice.

Living wage

3i is an accredited London Living Wage Employer. This means that every member of staff based in London, including contracted maintenance and reception teams, earns a "living wage" which is an hourly rate higher than the UK minimum wage and is set independently, updated annually and based on the cost of living in London.

Outside of London, our overseas offices tend to employ only investment and professional services staff, as well as support staff, who are remunerated above applicable minimum or living wage requirements.



Working at 3i

Continued

Employee assistance

All UK-based employees (approximately two-thirds of the workforce) have access to a service that offers free, confidential telephone counselling on a range of personal and work-related issues and problems, as well as face-to-face counselling services. The service also provides legal and financial advice and other information and services and is run by Health Assured, an independent external service provider.

Employee engagement

Honest communication with our staff is important to us, and we therefore encourage a culture of open communication between our employees and senior management. We benefit from being a small organisation, operating in a relatively flat structure with few hierarchies. The members of our Executive Committee have an open-door policy and know most employees by name. We also encourage feedback from employees to senior management through more formal forums, including regular team meetings and off-sites to discuss our strategy, as well as through the annual appraisal process. Managers throughout 3i have a continuing responsibility to keep their teams informed of developments and to communicate financial results and other matters of interest.

We promote and facilitate the ownership of 3i shares among employees through variable compensation and share investment plans. We pride ourselves on the engagement and the sense of ownership we have fostered over the years, which has resulted in low unplanned turnover rates.

83%
Participation in UK SIP¹

10%
Unplanned employee turnover rate²

¹ Proportion of UK-based employees who subscribe to a Share Incentive Plan available to UK employees only.

² During the year, 3i sold its Debt Management division, which employed approximately 50 people, to Investcorp, and it closed its Stockholm operations. The impact of these changes on staff numbers is excluded from the calculation of unplanned employee turnover rate.

Health and safety

Our employees are engaged in low-risk activities. As such, our occupational ill health and accident rates are low. We are committed to improving our health and safety management continually through open communication and increasing awareness.

In particular, we ensure that:

- a health and safety management system is established, documented, implemented, maintained and communicated throughout the business. This system is reviewed periodically as appropriate, and at least annually;
- health and safety risks which may arise throughout 3i's global operations are identified, evaluated and controlled, to prevent injury and ill health;
- all health and safety incidents are reported and investigated promptly in order to prevent a recurrence;
- our global health and safety performance is reviewed on a regular basis; and
- 3i's employees and contracted partners participate actively in improving health and safety.

With approximately two-thirds of our employees based in our London office, we operate in accordance with the Health and Safety at Work etc. Act 1974 and all other applicable UK legislation. We adopt UK legislation and guidance globally, where practical, as a minimum benchmark for our health and safety standards, unless country-specific obligations exceed these requirements.

Health and safety is managed by our Property, IT and Procurement team, which reports to the Group Finance Director. The Head of Property, IT and Procurement oversees the governance of health and safety within the Group, ensuring that business decisions reflect relevant health and safety considerations at all levels, and reports to the Group Risk Committee.

We seek expert advice as necessary when determining health and safety risks and the measures required to mitigate them. We have retained the services of System Concepts, a specialist independent consultancy, to provide competent health and safety advice. Systems Concepts has a consultant based on site at 3i's London headquarters to provide practical support to the business.

Performance in FY2017

During the year to 31 March 2017, we had no RIDDOR ("Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013") reportable accidents and no cases of work-related ill health. We recorded two minor incidents, but neither of these resulted in lost working time.

We renewed our Tommy's Pregnancy at Work Accreditation Programme, which promotes the health of pregnant women in the workplace. As a member of the programme, our organisation is committed to supporting health during pregnancy. We have pledged to:

- provide a smoke-free workplace and suitable resting places;
- ensure that pregnant employees are allowed time to take antenatal appointments;
- conduct individual risk assessment tailored to each individual's needs; and
- provide guidance to both pregnant employees and their managers.

We also recognise the importance of providing opportunities such as flexible working for the wellbeing of all our employees.



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Wellbeing
at work

By investing in our employees' health and wellbeing we hope to increase job satisfaction and productivity and reduce absenteeism. We monitor absenteeism and undertake constructive return to work interviews with employees where appropriate, to enable us to support them better.

Most of our employees use display screen equipment ("DSE") as part of their day-to-day work. We undertake an assessment of every individual's workstation within the first few weeks of their employment, to assess potential risks and suggest appropriate remedies.

In 2012, we introduced an online training system module which educates employees to be aware of the risks of using computers, laptops and other devices including tablets and smartphones, and helps them to complete their mandatory risk assessment. This is complemented by ad hoc face-to-face ergonomic assessments in our London offices, and a telephone assessment service is available globally. Specialist ergonomic equipment is provided as required.

We reviewed our global health and safety standards and consult with our health and safety representatives across our offices to identify any gaps through self-audits and assist with any improvement required.



A summary of our Health & Safety policy is available on our website

A responsible investor

With fewer than 250 employees globally, 3i has a relatively small impact in terms of the environment and other corporate responsibility issues. However, with assets under management of approximately £10 billion we recognise that our decisions as an investor potentially matter to a broad range of people.

We are, therefore, committed to investing responsibly and believe that:

- the effective assessment of ESG matters has a positive effect on the value of our investee companies and of 3i Group itself;
- compliance with local laws and regulations may not be enough to meet global expectations, deliver value and enhance our reputation and license to operate; and
- it is vital that we seek to identify all material ESG risks and opportunities through our due diligence at the point we invest and effectively manage those risks and opportunities during the period of 3i's investment.

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UNPRI

Since 2011 we have been signatories to the UN Principles for Responsible Investment.

About the UNPRI

The United Nations-supported Principles for Responsible Investment Initiative ("UNPRI") is an international network of investors working together to put into practice six Principles for Responsible Investment.

The Principles are voluntary and aspirational. They offer a menu of possible actions for incorporating ESG issues into investment practices across asset classes. Responsible investment is a process that must be tailored to fit each organisation's investment strategy, approach and resources.

The UNPRI has quickly become the leading global network for investors to demonstrate publicly their commitment to responsible investment, to collaborate and learn with their peers about the financial and investment implications of ESG issues, and to incorporate these factors into their investment decision making and ownership practices.

As a signatory, we commit that we will:

Principle 1

Incorporate ESG issues into investment analysis and decision-making processes.

Principle 2

Be an active owner and incorporate ESG issues into our ownership policies and practices.

Principle 3

Seek appropriate disclosure on ESG issues by the entities in which we invest.

Principle 4

Promote acceptance and implementation of the Principles within the investment industry.

Principle 5

Work together with other signatories to enhance our effectiveness in implementing the Principles.

Principle 6

Report on our activities and progress towards implementing the Principles.

Our Responsible Investment policy

We have a clear and comprehensive Responsible Investment ("RI") policy which is embedded into our investment and portfolio monitoring processes. In our experience, companies with high ESG standards are typically better run, better at identifying and managing their business risks and generate better earnings growth. This policy sets out the businesses in which 3i will not invest, as well as minimum standards in relation to ESG matters which we expect new portfolio companies to meet, or to commit to meeting, over a reasonable time period. The policy applies to all our investments, irrespective of their country or sector.

Our RI policy has been integrated into our investment and portfolio management processes and procedures and is supported by detailed guidance notes, external advisers and dedicated internal resource.

3i commits to use its influence as an investor to promote a commitment in its investee companies to:

- comply, as a minimum, with applicable local and international laws and regulations and, where appropriate, relevant international standards (such as the IFC Performance Standards and the ILO Fundamental Conventions), where these are more stringent than applicable laws;
- mitigate any adverse environmental and social impacts and enhance positive effects on the environment, workers and relevant stakeholders; and
- uphold high standards of business integrity and good corporate governance.

3i's objectives as set out in the RI policy are to invest only in businesses which are committed to:

- a cautious and responsible approach to the environmental management of their business operations by making efficient use of natural resources and mitigating environmental risks and damage;
- respecting the human rights of their workers; maintaining safe and healthy working conditions for their employees and contractors; treating their employees fairly; upholding the right to freedom of association and collective bargaining; and respecting the health, safety and wellbeing of those adversely affected by their business activities;
- upholding high standards of business integrity, avoiding corruption in all its forms, and which comply with applicable anti-bribery, anti-fraud and anti-money laundering laws and regulations; and
- establishing clearly defined responsibilities, procedures and controls with appropriate checks and balances in company management structures.



Implementation of the RI policy and governance framework

3i's investment teams have day-to-day responsibility for ensuring that 3i's RI policy is implemented in their investment decisions and asset management processes.

Investment screening

All new investment opportunities which reach an advanced stage in 3i's internal investment process will be subject to a high-level review of their ESG risk profiles (including potential ESG opportunities) prior to commissioning extensive due diligence. For Private Equity investment opportunities, this review is carried out by an external specialist firm. For Infrastructure investment opportunities, this review is carried out by the 3i investment team using a bespoke questionnaire which has been designed to assess the potential investee company's existing policies and practices against the minimum standards and best practice guidance set out in 3i's RI policy.

In both cases, the exercise will typically result in recommendations as to which issues should be subject to more comprehensive due diligence and which issues should be progressed following completion of the investment. The recommendations are reflected in the investment team's internal investment papers which are reviewed by the 3i Investment Committee which considers the ESG risks and opportunities relevant to a particular investment opportunity as part of its overall investment decision.

Ongoing portfolio monitoring

Every six months, the Private Equity and Infrastructure investment teams carry out an ESG assessment of each of the companies in their respective portfolios as part of 3i's six-monthly portfolio monitoring process. This review is designed to reconfirm the ESG risk profile of the portfolio companies as their businesses evolve over time and to track the progress of previously identified ESG issues. Any material issues are discussed as part of the six-monthly review meeting and relevant actions points minuted, followed up by the investment teams and progress reviewed at the following six-monthly meeting.


A summary of the overall ESG risk profile of the Private Equity and Infrastructure portfolios is presented to the Group Risk Committee following the six-monthly portfolio monitoring meetings and the key themes discussed. An overview of the findings is also presented to the main 3i Group Board.

Modern slavery risk

As a responsible investor, 3i is committed, where it has influence, to ensuring that the companies in which it invests are themselves committed to ensuring that there is no slavery or human trafficking in their businesses or supply chains.

During FY2016, we commissioned KPMG to conduct a high-level desktop public records review of 30 portfolio companies (being those which are not directly subject to the Modern Slavery Act themselves) to identify whether any might have a higher risk of exposure to slavery or human trafficking. This review found no reports of, or references to, slavery in any of the 30 companies reviewed. Twelve were identified as operating in countries or sectors with an inherently higher risk of exposure to slavery and 10 of these companies are in 3i's residual India/Asia portfolio.



 Our Modern Slavery statement is available to download on our website

Opportunities from ESG-related investment themes

We do not manage thematic ESG funds and it is not in our strategy to do so.

Our ambition is to make a limited number of new Private Equity and Infrastructure investments each year, selected within our target sectors and geographies on the basis of their compatibility with our return and RI objectives.

However, we believe that investing responsibly and screening potential and existing investments for ESG indicators can bring about opportunities for new investment or further investment in our portfolio. In last year's Corporate responsibility report we highlighted the investments being made by Scandlines, a ferry operator in the Baltic sea and one of our largest Private Equity portfolio companies, in a cleaner fleet of vessels, and in particular in hybrid technology. These investments are value enhancing to 3i, its shareholders and fund investors, and at the same time have had, and will continue to have, a material positive effect on Scandlines' environmental impact.

In June 2016, Basic-Fit, one of our 2013 Private Equity investments, achieved a successful Initial Public Offering ("IPO") in which it raised new funds to sustain the international roll-out of its concept. Basic-Fit is the European leader in the "value-for-money" fitness market. Its vision is that everyone should have access to the health benefits of improved fitness, and it therefore offers access to state-of-the-art facilities with low-cost membership formulas that are shareable among family members.

In last year's report, we also profiled the investments made through a number of our Infrastructure investment vehicles in Offshore Transmission Owners, which own critical infrastructure connecting offshore wind farms to the onshore grid in the UK, and are therefore key to developing offshore wind power generation.

Renewable power generation remains one of the areas of focus for our Infrastructure business, as we seek to take advantage of opportunities arising from the transition to a low-carbon economy. In FY2017, 3i Infrastructure plc, for which 3i acts as Investment Adviser, made two investments in this sector: in Infinis, the leading generator of electricity from landfill gas in the UK, and in Valorem, a leading independent renewable energy development and operating company in France.



 26 Basic-Fit



 27 Valorem

Private Equity case study

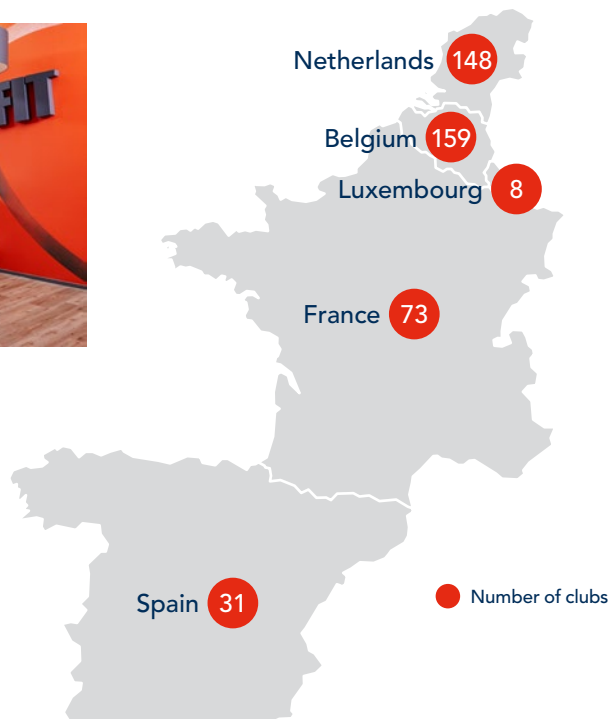
Basic-Fit

3i invested in Basic-Fit in November 2013, buying a majority of the shares. In June 2016 the business achieved a successful IPO on the Amsterdam stock exchange, raising new equity to fund its ambitious growth plans. 3i and funds have retained a 28% stake in the business following the IPO.



The European market leader in the “value-for-money” fitness market

With over 1.2 million members and 419 clubs, Basic-Fit is the European market leader in the “value-for-money” fitness market. It combines a flexible low-cost membership model with high-quality fitness equipment and technology, virtual and live group lessons and shareable family passes. The company is active in some of Europe’s most attractive markets, as shown in the map below:



Making fitness affordable for families

Basic-Fit’s vision is that everyone should have access to the benefits that fitness offers. Despite the proliferation of public health awareness campaigns, sedentary lifestyles and poor diets are taking their toll on public health.

Memberships are available in flexible formulas at a monthly cost of between €19.99 and €24.99 across its markets. Importantly, these passes:

- offer access to clubs across the entire network, with extended opening hours;
- are shareable among family members living at the same address; and
- offer free virtual classes.

Add-ons, including personal training sessions and live classes, are available for a reasonable additional fee. The format is consistent and has proven to be successful across geographies.

Health and safety for both staff and members is a key priority: its clubs offer state-of-the art equipment which is updated regularly and are staffed by qualified personnel, trained under the European Register for Exercise Professionals (“EREPS”) programme.

A blueprint for the future

Basic-Fit’s ambition is to continue to roll out its accessible format across Europe and, in the medium term, it expects to open around 100 clubs a year. Its international growth will be supported by low fitness penetration rates in some of Europe’s key markets, most notably France and Spain, as well as an underdeveloped low-cost fitness segment.

With growing scale benefits, Basic-Fit will be increasingly well placed to continue to contribute to improving public health across its markets.

1.2m
members

419
clubs

Infrastructure case study

Valorem

3i Infrastructure plc, an investment company advised by 3i, invested in Valorem, a leading independent developer of renewable energy in France, in September 2016.

3i Infrastructure plc ("3iN") holds a 28.5% interest in the business, with the balance of equity held by management and minority financial investors.

Valorem was founded in 1994 and is an independent renewable energy operator which develops, owns and operates onshore wind farms, as well as photovoltaic systems in France and internationally.

Valorem is one of the largest wind developers in France, having developed over 480MW of capacity over the last 10 years.

10

The 10 warmest years between 1880 and 2016 were all after 2005

73%

of France's electricity comes from nuclear power

50%

France plans to reduce the nuclear power share to 50% by 2025 through more renewable energy generation

The French shift in energy mix – spotting the market opportunity

Over the last decade, successive governments have publicly committed to reduce France's reliance on nuclear power, driven both by safety and cost reasons. Climate change and decarbonisation have also become increasingly important issues in France, especially in light of France's pivotal role in the United Nations COP 21 meeting held in Paris in 2015.

The French power market is currently experiencing a significant energy mix shift, to reduce dependency on nuclear.

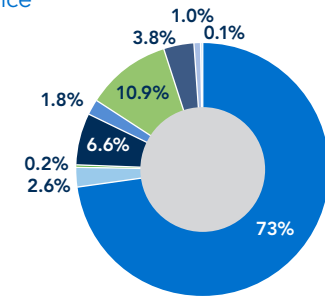
This shift is supported in law by the "Loi de Transition Energétique" (August 2015) which sets a number of quantitative objectives, including reducing the share of nuclear in electricity production from 73% to 50% by 2025 and increasing the share of renewable energy in the overall energy consumption to 23% by 2020 and to 32% by 2030.

Since 3iN's acquisition, the French government has committed to:

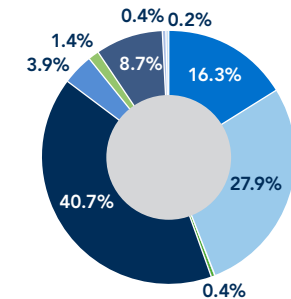
- continue to develop wind farms below 6 mats under a fixed CfD tariff (without volume limitation) and develop 1GW of wind auctions under CfD per annum; and
- develop 1GW of PV auctions per annum.

Electricity generation by source (2015)

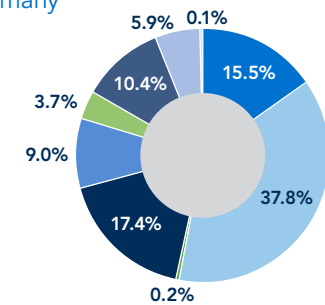
France



UK



Germany



Source: European Commission



Infrastructure case study

Valorem

The French wind sector – significant growth ahead

Despite abundant resources in wind, installed onshore wind capacity in France was only 10GW at the end of 2015, compared to 36GW in Germany and 28GW in Iberia.

The French national plan forecasts total wind capacity to increase to 15GW by 2018 and 26GW by 2023.

To date, the French wind sector has received relatively low subsidies and has benefited from a robust 15-year tariff regime, providing protection against power price variability.

Target wind capacity development in France

10GW

in 2015

15GW

by 2018

26GW

by 2023

A best-in-class wind developer – well placed to capture the opportunity

With in-house capabilities across the entire project cycle and a strong local footprint, Valorem is well positioned to benefit from this shift in energy mix. Led by its experienced management team, Valorem has a significant pipeline of projects at an advanced stage of development that it expects to convert into operating assets, with further projects at earlier stages to bring through the development process. In December 2016, it applied for permits and tariffs for over 450MW of its wind pipeline under the French 2016 subsidy regime.

The installed capacity continues to develop well. Since 3iN's investment, 57MW of Valorem-owned projects have been commissioned or have entered construction and will add to the 142MW in operation at the time of the acquisition. The pipeline remains healthy, with c. 150MW of projects at advanced development stage.

480MW

developed over the last 10 years


450MW

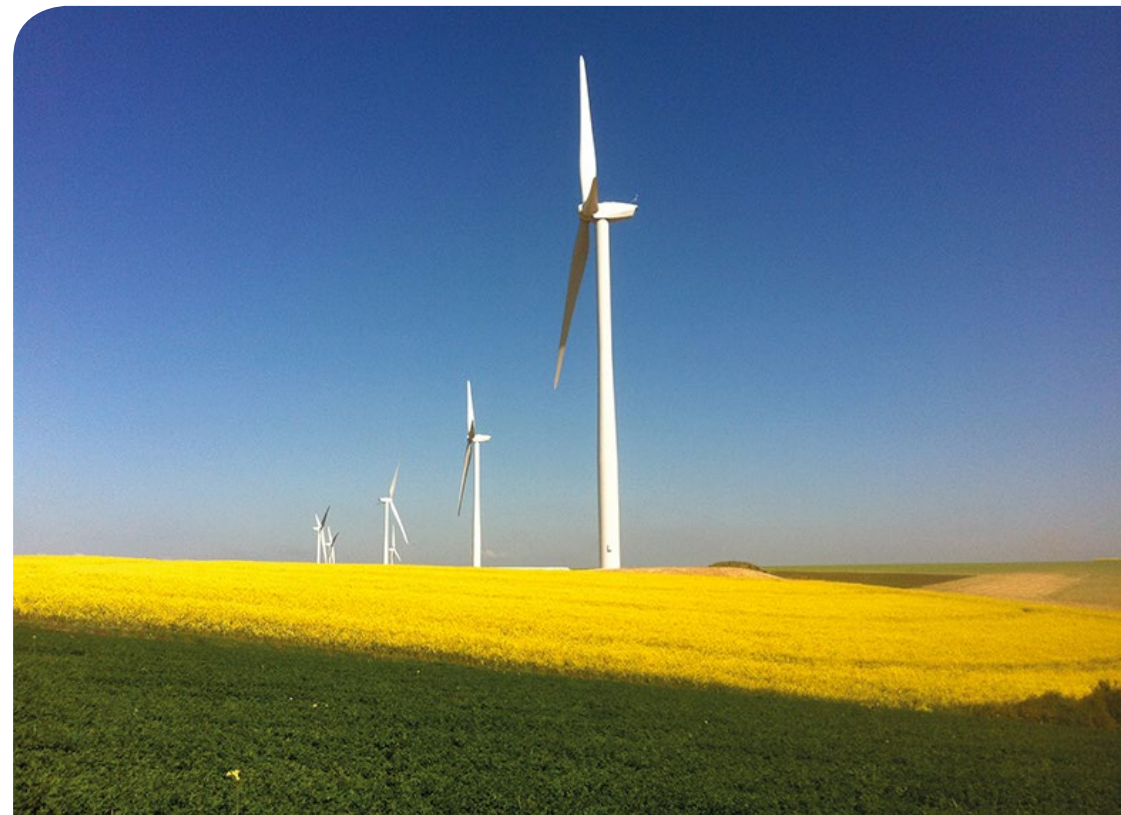
of secured pipeline

The solar opportunity

Similar to wind, France benefits from strong solar resources, but installed solar PV capacity remains low, with only 6.2GW at the end of 2015, compared to 36.9 GW in Germany. Solar PV capacity is expected to increase from 6.2GW in 2015 to 8.0GW in 2020.

Valorem has been awarded 4 projects under the CRE3 auction, totalling 24MW of owned capacity with a tariff ranging from €75/MWh to €80/MWh. It also has 100MW of PV projects at various development stages that will be submitted in future tenders.

 www.valorem-energie.com/en/



A good corporate citizen

We strive to embed responsible business practices throughout our organisation. Good corporate citizenship is achieved not only by having robust policies and processes in place, but also by promoting the right values and culture within our organisation.

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Standards of conduct and behaviour

The required standards of conduct and behaviour are promoted and enforced through a comprehensive suite of policies and procedures which, together with our compliance manual and our values, constitute our code of conduct.

Employees must be familiar with, and understand, the obligations and restrictions that apply to them and must confirm in writing, on an annual basis, that they are in compliance.

We review the compliance with our established standards of conduct and behaviour periodically through our Audit and Compliance Committee, which conducts an annual review of risk and internal control effectiveness and through our Compliance team, which reviews all compliance policies each year.



Compliance

As an investment manager and adviser, a number of 3i's activities require regulatory authorisation, licensing and/or registration. Several of 3i's subsidiaries are therefore regulated by the Financial Conduct Authority and, where applicable, by relevant local non-UK authorities, including the US Securities and Exchange Commission. For more information, please refer to the "Statutory and corporate governance section" of the Annual report.

The FCA principles of conduct

As an FCA regulated entity, 3i is subject to the FCA's principles of conduct, according to which a firm must:

Integrity	Conduct its business with integrity.
Skill, care and diligence	Conduct its business with due skill, care and diligence.
Management control	Take reasonable care to organise and control its affairs responsibly and effectively, with adequate risk management systems.
Financial prudence	Maintain adequate financial resources.
Market conduct	Observe proper standards of market conduct.
Customers' interests	Pay due regard to the interests of its customers and treat them fairly.
Communications with clients	Pay due regard to the information needs of its clients and communicate information to them in a way that is clear, fair and not misleading.
Conflicts of interest	Manage conflicts of interest fairly, both between itself and its customers and between a customer and another client.
Customers: relationships of trust	Take reasonable care to ensure the suitability of its advice and discretionary decisions for any customer who is entitled to rely upon its judgement.
Clients' assets	Arrange adequate protection for clients' assets when it is responsible for them.
Relations with regulators	Deal with its regulators in an open and cooperative way, and disclose to the appropriate regulator appropriately anything relating to the firm of which that regulator would reasonably expect notice.

Compliance

Continued

Compliance manual

Our compliance manual applies to all employees. We provide below a brief description of the key areas covered by our compliance manual, given their relevance for our industry and their associated risks.

Financial crime and market abuse

Financial crime poses a reputational and legal risk and is an area of focus for regulators and law enforcement agencies globally. As a regulated business, 3i must maintain systems and controls for countering these risks.

3i's financial crime policy (which applies to permanent and temporary employees, as well as to independent contractors working at 3i) covers offences involving money laundering, terrorist financing, bribery, market abuse and fraud. 3i will not engage in and is committed to preventing these offences.

The compliance manual provides employees with access to 3i's policies and resources including:

- detailed anti-money laundering procedures; and
- checklists to aid in the identification, verification and screening of customers and potential customers.

3i's Group Compliance team provides real-time advisory support to 3i's business lines in the application of its anti-money laundering and screening policies and procedures.

In addition, 3i has policies and procedures to guide employees on:

- personal transactions;
- managing inside information; and
- dealing with conflicts of interests.

Anti-bribery policy


3i has an anti-bribery policy which applies to all those who work for, act on behalf of or represent 3i.

3i's anti-bribery policy requires high standards of ethical behaviour in all our business interactions. Accordingly, we will not offer, pay or accept bribes. In addition to detailed provisions, the policy also requires the exercise of good judgement and common sense.

3i is not aware of any breaches of its anti-bribery policy by its employees.

3i is also committed to working only with third parties whose standards are substantively consistent with its own. This includes our intermediaries and advisers.

As part of our approach to responsible investment, we expect businesses in which we invest to operate in compliance with all applicable laws and regulations including, in particular, applicable anti-bribery, anti-fraud and anti-money laundering laws and regulations.

 A summary of our Anti-bribery policy is available on our website

Gifts and inducements

3i's gifts and inducements policy provides that our employees may not receive, pay or provide any inducement which would impair their or our duty to act honestly, fairly and in accordance with the best interest of our customers.

In particular, employees must never offer or receive gifts or hospitality if this may improperly influence a business decision, impair independence or judgement or create a sense of obligation, or a conflict of interest or if there is a risk it could be misconstrued or misinterpreted by others as a bribe. Gifts or hospitality may only be offered or received where there is a clear and legitimate business purpose.

Charitable donations in 3i's name must be approved by the Chief Executive and follow the principles set out in 3i's anti-bribery policy.

Political donations

3i's policy is not to make political contributions whether to political parties, political organisations or election candidates. In line with this policy, in the year to 31 March 2017, no donations were made to political parties or organisations, or independent election candidates, and no political expenditure was incurred.

Conflicts

Our conflicts of interest policy and associated procedures are designed to enable all relevant employees to identify actual or potential conflicts of interest and to manage them appropriately, including by reference to regulatory obligations. The overriding principle is that we will treat our customers fairly and, should conflicts of interest arise, we will manage them fairly in accordance with our conflict procedures.

We have a Conflicts Committee which considers specific and potential conflicts as they arise, and also oversees 3i's general approach to conflict management.

Compliance

Continued

Compliance training

Our policies and procedures are communicated and enforced through periodic training and auditing. Our compliance team develops various e-learning modules, frequently followed by an assessment. These include:

- general training on 3i's key policies and procedures, including:
 - anti-money laundering;
 - anti-bribery;
 - personal transactions;
 - managing inside information;
 - dealing with conflicts of interests; and
 - gifts and hospitality;
- financial crime;
- anti-bribery; and
- preventing market abuse.

All employees, including executive committee members, must complete these modules periodically. All new joiners are required to complete all four modules within two months of joining.

Data protection and cyber resilience

3i's data protection policy reflects the requirements of general European data protection legislation, supplemented or adapted as necessary for local regulatory requirements.

3i is committed to protecting the personal data of its staff and clients and using it in an appropriate manner. We recognise that we must notify data subjects of the fact that we process their personal data and the specific purposes for which we do so.

Our policy requires our employees to:

- consider all personal data as confidential and treat it in accordance with 3i's policies and procedures for safeguarding confidential information;
- use personal data only for the purpose for which it has been provided and in the proper course of their duties as a 3i employee; and
- review the personal data held on 3i's systems at least annually to ensure it is up-to-date and delete any personal data that is no longer required.

There have been no complaints concerning breaches of customer privacy and losses of customer data in the year.

3i maintains an Information Security Management System that:

- ensures that risks to the confidentiality, integrity and availability of information are managed to an acceptable level using a standard risk management framework;
- protects information from accidental or intentional damage, loss, unauthorised disclosure or modification;
- provides secure and reliable information to enable 3i employees to conduct their job effectively; and
- ensures compliance with legal and statutory obligations.

We are reviewing our data protection policy in the light of the General Data Protection Regulation which will come into effect in May 2018.

Cyber resilience has been a particular focus of 3i, both in terms of 3i's own systems and those of its portfolio companies.

3i's cyber resilience is overseen by the Group Risk Committee and managed on a day-to-day basis by the Group IT team. Non-executive governance is provided by the Group Audit and Compliance Committee. In 2015, 3i engaged KPMG to conduct an independent cyber threat assessment to: (i) identify and prioritise the cyber threats faced by 3i; and (ii) assess the effectiveness of 3i's existing security capabilities and controls. The key recommendations from the KPMG review have been addressed. 3i's Internal Audit team (supplemented by appropriate external expertise) carries out regular reviews of 3i's cyber resilience processes and procedures.

In addition, 3i rolled out a cyber resilience training course for all staff and refreshed information security policies and incident management processes. 3i's Internal Audit team also carried out a more general assessment of 3i's overall business resilience, including an assessment of key supplier dependencies, to identify areas of potential vulnerability and provide recommendations for improvement. The findings from the reviews by KPMG and 3i's Internal Audit team were discussed at the Group Risk Committee and their recommendations are being implemented across the business.

In relation to its portfolio companies, 3i actively promotes cyber resilience as a key component of the corporate governance programme through its representatives on the boards of its portfolio companies. For example, 3i engaged an external firm of cyber security specialists to conduct non-intrusive reviews of the cyber resilience of its key portfolio companies' systems. The resulting reports were discussed with the management teams of the relevant portfolio companies and specific actions agreed where appropriate. Cyber resilience is one of the governance topics reviewed at the six-monthly business reviews of 3i's portfolio companies which are conducted as part of 3i's regular asset management and portfolio monitoring programme. Cyber resilience was also on the agenda at a two-day technology workshop organised by 3i for the CIOs of its key Private Equity and Infrastructure portfolio companies.

Compliance

Continued

Public policy

Although 3i will not participate directly in party political activity, it may engage in policy debate on subjects of legitimate concern to 3i, its staff and the communities in which it operates. This is done principally through industry representative bodies such as the British Private Equity and Venture Capital Association and Invest Europe, where 3i might contribute to the formulation of their policy positions, although from time to time we may engage directly with government and regulatory bodies on matters of particular and direct importance to 3i and its businesses. Lobbying must only be undertaken with the prior approval of a member of the Executive Committee and in a manner that is lawful and adheres to 3i's values.

Whistle blowing

Our whistle blowing policy forms an integral part of our culture of openness, transparency and fairness. Where any employee discovers information which they believe shows malpractice or wrongdoing within 3i, under most circumstances they will raise concerns with their line manager, who will pass this information to the appropriate Executive Committee member.

Should this route not be suitable, then the employee may approach one of the following individuals who have been designated to provide impartial advice on the appropriate course of action to follow:

- Director, Group Compliance
- Director, Internal Audit
- Group Legal Counsel & Company Secretary

Alternatively, employees may express their concerns on a completely confidential basis through an independent "hotline" service provided by Expolink, an independent, external party.



Approach to taxation

3i's approach to taxation is built on the following principles:

- to act lawfully and with integrity;
- to maintain open and transparent relationships worldwide with tax authorities;
- to maintain the UK approved investment trust status to safeguard the long-term growth and value of the Company; and
- to work with industry bodies worldwide to establish a fair system to sustain growth and reputation for our industry at all levels.

3i has offices in nine countries across Europe, North America and Asia. These entities pay taxes in the countries in which they operate in respect of their local activities.

Approved investment trust status

3i Group plc has operated in the UK as an approved investment trust company since its listing on the London Stock Exchange in 1994.

An approved investment trust is a UK investment company which is required to meet certain conditions set out in the UK tax rules to obtain and maintain its approved status. This allows certain profits of the company, broadly its capital profits, to be exempt from tax in the UK. The conditions required to be met by the company include, among others:

- a requirement for the company to undertake portfolio investment activity that aims to spread investment risk; and
- for the company's shares to be listed on an approved exchange.

A large part of 3i's profits are in the form of investment returns (mainly capital profits) which are not taxable in the UK as a result of 3i operating as an approved investment trust company.

Approved investment trust companies are particularly suited for use as investment vehicles, as their tax status allows them to ensure that investors do not suffer double taxation of their investment returns, once at the level of the investment vehicle and then again in the hands of the investors. In other words, investors do not pay more taxes than they would have incurred if they had been able to invest directly in the underlying portfolio of investments.

The approved investment trust tax rules have been in the UK tax code since the 1970s, in recognition of the fact that these type of investment companies perform an important economic function, by:

- allowing individual and institutional investors access to a professionally managed, diversified portfolio, encouraging investments and savings; and
- providing funding for the businesses in which they invest, facilitating economic growth.

Tax strategy

New UK rules requiring large businesses to publish their UK tax strategy have been recently introduced. 3i will publish any additional required information by 31 March 2018.

Environment

3i has fewer than 250 employees worldwide and has a relatively low environmental impact.

We operate from a network of nine offices across the world, however approximately two-thirds of our employees are based in our London office. All our offices are leased.

We are, nevertheless, committed to minimising our environmental impact and to improving our environmental performance wherever possible. We have an Environmental Management System ("EMS") that is proportionate to the operational scale and environmental risk profile of our business.

Our strategy is to:

- meet the requirements of applicable environmental legislation;
- minimise waste and maximise recycling;
- work with our landlords to ensure the energy efficiency of our offices;
- include environmental considerations in our procurement processes;
- measure our carbon footprint annually, and publish the results in our reports and on our website; and
- report to two external publicly disclosed benchmarking indices and use our performance in these benchmarking indices to assess and improve future performance; this year we have chosen the CDP and the RobecoSam Dow Jones Sustainability Index.

While our direct environmental impact is small, our materiality assessment and associated stakeholder engagement identified that the integration of environmental issues into our investment processes is important.

 20 A responsible investor



Environment

Continued

Minimising our direct environmental impact

While our direct operations have a modest impact on the environment, we address our emissions related to energy use, waste and travel proactively. Our key initiatives for the year in relation to energy, waste and travel are outlined below.

Energy consumption

To reduce our energy consumption, we have undertaken work to ensure all lights, computers and other equipment are powered off when not in use during extended periods of time, including at night and at weekends. In 2016 we installed energy efficient LED lighting in our London office, replacing all halogen lighting. During the year, we also replaced our data centre hardware, significantly reducing energy consumption. We report annually in our CDP response on completed and planned energy efficiency projects and the resulting energy savings.

We are rolling out an employee engagement initiative to encourage environmentally responsible behaviours. We also continue to develop our data collection system to allow us better to quantify the savings made following the implementation of these measures.

Energy Savings Opportunity Scheme (“ESOS”) compliance

We undertook an energy audit in August 2015 as part of our ESOS assessment for our London office and we implemented the key findings from the report, including installing more energy efficient LED lighting and encouraging employees to switch off desktop equipment to reduce our energy consumption.

ESOS is a mandatory energy assessment scheme for organisations in the UK that meet the qualification criteria. The scheme is administered by the UK Environment Agency. Organisations that qualify for ESOS must carry out ESOS assessments every four years. These assessments are audits of the energy used by these organisations’ buildings, industrial processes and transport to identify cost-effective energy saving measures. Organisations must notify the Environment Agency by a set deadline that they have complied with their ESOS obligations. The deadline for the next compliance period is 5 December 2019. We will therefore proactively commission our external environmental audit in 2018 to prepare for compliance.

Travel

We rationalised our business travel through a set of clear guidelines and approvals which we rigorously adhere to. We offset the carbon generated through taxi journeys with the principal taxi supplier in London.

In London, we work in partnership with our landlord to encourage employees to cycle to work by providing secure cycle racks, changing and shower facilities.

In addition, the majority of our meeting rooms are equipped with audiovisual and teleconferencing solutions and employees are encouraged to make use of these and reduce travel where appropriate.

Paper usage

We use 100% recycled paper across our print solutions. We successfully implemented a Secure Print technology system in FY2016, which typically reduces paper consumption by 15%.

Waste management

In our main location in London, we work with our landlord, Land Securities, to minimise waste from our operations, and help recycle as much waste as possible.

We recycle paper, plastic and cans and have put in place a recycling scheme for our redundant computer hardware. Our providers offer on-site secure data destruction and recycling services in compliance with the Waste Electric and Electronic Equipment Regulations 2013. Details of waste from 3i’s operations in FY2017 are as follows:

Waste disposal method	Weight
Recycling	1,693.1 tonnes
Landfill	898.5 tonnes

Information provided by the waste disposal contractor.

Environment

Continued

Emissions performance

During the year to 31 March 2017, our measured Scope 1 and 2 greenhouse gas ("GHG") emissions (location-based) totalled 959.8 tCO₂e. Our Scope 3 emissions totalled 3,027.2 tCO₂e.

Our Scope 1 and 2 (location-based) emissions are equivalent to 3.4 tCO₂e per full-time equivalent employee, based on an average of 281 employees during the year (2016: 4.0 tCO₂e; average of 276 employees).

Overall, our Scope 1 and 2 (location-based) emissions decreased by 13% in the year driven principally by a cleaner fuel mix in electricity generation in the UK. We have also chosen to report voluntarily on our Scope 3 indirect emissions, which were 5% lower in the year due to a decrease in business travel.

We quantify and report our organisational GHG emissions in alignment with the World Resources Institute's Greenhouse Gas Protocol Corporate Accounting and Reporting Standard and in alignment with the new Scope 2 Guidance, which is the most significant update to the Corporate Standard since its inception. We have reported on our Scope 3 indirect emissions using the GHG Protocol Corporate Value Chain (Scope 3) Standard.

We consolidate our organisational boundary according to the operational control approach, which includes all our offices. We have adopted a materiality threshold of 5% for GHG reporting purposes.

The GHG sources that constitute our operational boundary for the year to 31 March 2017 are:

- Scope 1: natural gas combustion within boilers and fuel combustion within leased vehicles;
- Scope 2: purchased electricity and heat consumption for our own use; and
- Scope 3: business travel, waste generation, the supply and treatment of water, and paper purchases.

In some cases, where data is missing, values have been estimated using either extrapolation of available data or data from the previous year as a proxy.

The Scope 2 guidance requires that we quantify and report Scope 2 emissions according to two different methodologies ("dual reporting"): (i) the location-based method, using average emissions factors for the country in which the reported operations take place; and (ii) the market-based method, which uses the actual emissions factors of the energy procured.

For the calculation of emissions using the location-based method, we have used the UK Government 2016 Conversion Factors for Company Reporting in order to calculate the tonnes of carbon dioxide equivalent ("tCO₂e") emissions from corresponding activity data. Measuring emissions using tCO₂e allows different GHG emissions to be reported using a common unit; for any quantity and type of greenhouse gas, tCO₂e signifies the tonnes of carbon dioxide which would have the equivalent global warming impact. The UK Government 2016 Conversion Factors for Company Reporting are calculated using average grid energy mix for the year for each country rather than the energy mix associated with our specific electricity tariffs.

When quantifying emissions using the market-based approach, we used a supplier-specific emission factor where possible. Where contractual information was unavailable to calculate emissions using the market-based method, a residual mix conversion factor was used to calculate emissions. Where residual mix emission

factors were not available, the location-based grid emission factor was used.

Whilst we have a very low footprint on the environment, we are committed to reducing it further. In our London office, which accounts for 80% of our overall electricity consumption, we purchase all of our electricity from 100% renewable sources. The dual reporting of our emissions demonstrates the impact that procuring energy from suppliers with cleaner energy mixes has on our greenhouse gas emissions, as reflected in our lower Scope 2 market-based emissions figure.

Third-party verification

We have engaged Carbon Credentials Energy Services Ltd for the independent third-party verification of direct and indirect carbon dioxide equivalent emissions provided to the CDP to a reasonable level of assurance. This verification exercise was performed to the ISO 14064-3 standard.

Scope emissions data			
Scope	FY16/17	FY15/16	Year-on-year change
1 (tCO ₂ e)	191.0	252.4	-24%
2 location-based (tCO ₂ e)	768.8	854.2	-10%
2 market-based ¹ (tCO ₂)	174.8	544.4	-68%
3 (tCO ₂ e)	3,027.2	3,180.9	-5%

¹ Emissions from the consumption of electricity outside the UK and emissions from purchased electricity calculated using the market-based approach using supplier-specific emission factors are reported in tCO₂ rather than tCO₂e due to the availability of emission factors.

Sustainable procurement

3i's supply chain consists predominantly of the procurement of professional services from blue chip organisations in the markets in which we operate (predominantly Europe and North America), and which therefore are at lower risk of exposure to ESG-related issues.

3i's principal facilities management supplier, Sodexo, holds an ISO 14001 certification and, through its Better Tomorrow Plan, is reducing the environmental impact of the activities it undertakes on behalf of clients such as 3i.

We have developed policies and procedures in relation to services received from third-party providers. As far as possible, we will only work with suppliers who support our aim to source products and services responsibly. We aim to have a collaborative relationship with our service providers and, wherever possible, will work with them when problems or issues arise to help them meet our requirements. We monitor ESG issues with key suppliers and ask for progress reports on a regular basis.

Where appropriate, we ask potential suppliers to provide a statement detailing the existence of any policies or commitments with regards to the following areas. This includes the details of any accreditation of participation in corporate responsibility indices or associations:

- workplace – labour rights, equal opportunities, occupational health and safety;
- environment – green policies and practices;
- marketplace – advertising and marketing ethics; and
- community – charities, participation in local communities.

Suppliers are also asked to confirm that they have adequate anti-bribery and corruption controls in place, in line with applicable legislation.



Sustainable procurement

Continued

Human rights and forced labour in 3i's supply chain

We published on our website our slavery and human trafficking statement in the relation to FY2016 in September 2016 and will update this statement for FY2017 in September 2017.

A large majority of 3i's suppliers (64% by spend in the financial year ending March 2016), are professional advisers and consultants who are engaged to advise 3i on potential investments, divestments, and other matters in relation to our portfolio and various corporate matters and, as such, are considered to be at "low risk" of human rights violations.

In 2016, we worked with our procurement partner Proxima to conduct an assessment of our supply chain in order to understand our compliance requirements under the Modern Slavery Act.

We carried out a high-level risk-based analysis of 3i's top 200 suppliers and identified four whom we have classified as higher risk suppliers either in terms of the nature of the goods or services supplied, or the countries in which they operate.

We have been in contact with each of these higher-risk suppliers to understand in more detail: (i) the extent to which each supplier is itself required to publish a statement under the Modern Slavery Act; and (ii) the steps which each supplier is taking to mitigate the risks associated with slavery and human trafficking in their respective businesses and supply chains. We will continue to monitor the risk profile of our suppliers.

During the year, we amended our standard request for proposal document issued to suppliers when we procure goods or services to include specific language relating to the Modern Slavery Act.

In our standard RFP, we ask suppliers:

- to confirm whether they are required to produce a slavery and human trafficking statement under section 54 of the Modern Slavery Act;
- to supply a copy of such statement if applicable, or, if a statement has not yet been published, to provide a timetable for publication;
- if the supplier is not subject to the provisions of the Modern Slavery Act, to confirm whether they have in place an anti-slavery and human trafficking policy and, if so, supply a copy the policy;
- if no such policy is in place, to provide details of the steps the organisation has taken or is currently taking to ensure that slavery and human trafficking are not taking place in their business or supply chains.

The same level of confirmation is required under a self-assessment questionnaire that key suppliers are required to submit annually.

Our Supplier Relationship Management model includes specific Modern Slavery Act indicators, designed to ensure that Modern Slavery Act and other human rights-related issues (among others) are addressed regularly as part of our ongoing monitoring of these suppliers and that progress against any remedial action is assessed on a regular basis.



Our Modern Slavery Act statement is available for download on our website

Prompt Payment Code

3i is a signatory to the Prompt Payment Code. The Code encourages and promotes best practice between organisations and their suppliers. Signatories to the Code commit to paying their suppliers within clearly defined terms, and to ensuring there is proper process for dealing with any issues that may arise. Budget holders are reminded of their responsibility under the Code at least annually when the budget is approved.

Prompt Payment Code

Approved Signatory

www.promptpaymentcode.org.uk
administered by the Institute of Credit Management on behalf of B2B

Community

Success in our business relies on being able to recruit, motivate and retain a talented group of professionals, drawn from a diverse and representative background. We believe that diverse teams drawn from different sectors of society have a broader outlook and are better equipped to originate attractive investment opportunities and manage our portfolios. We therefore focus our charitable activities on the disadvantaged, on young people and on education, aiming to equip young people from all backgrounds with the tools and opportunities to pursue a successful career.

The charities we partner with are supported on the basis of their effectiveness and impact. We also support staff giving and sponsorship through matching donations.

Our charitable giving for the year to 31 March 2017 totalled £288,000, including:

- Give as you Earn – in the UK, we promote the Give As You Earn scheme, administered by the Charities Aid Foundation. 3i's matching of employee donations totalled £47,000 through this scheme in the year.
- Matching donations – 3i has a policy of matching the amount raised by UK staff through sponsorship by family and friends of their fundraising efforts for UK-registered charities. 3i contributed £17,000 in matching donations in the year to 31 March 2017.

3i supports the following charities

Community Links

Community Links is an east London charity, running a wide range of community projects for over 5,000 people every year. Based in Newham, one of the most deprived boroughs in London, Community Links has 40 years of experience working with local people to support children, young people, adults and families.

Last year, Community Links held over 3,300 advice sessions across debt, housing and employment matters; helped 1,934 young people attain qualifications; supported over 1,000 local people through their community hubs and helped 848 people onto employment programmes. Furthermore, through their Health Awareness and Cancer Prevention projects, the charity reached 18,690 people helping them take control of their wellbeing and act early to prevent future problems.

In addition to our regular contribution to this charity, 3i's London-based employees have been contributing to the Community Links Christmas Toy Appeal for a number of years and donated 135 presents to the charity's 2016 appeal.



The appeal resulted in the collection of 18,000 presents which meant:

- 3,500 children received a Christmas stocking filled with gifts to open on Christmas morning.
- 300 children enjoyed a Christmas party with music, games and a visit from Father Christmas and attended a live pantomime show with their families.
- 45 families received a Christmas food hamper.

Community

Continued

Historic Royal Palaces

Historic Royal Palaces is an independent charity that looks after the Tower of London, Hampton Court Palace, the Banqueting House, Kensington Palace, Kew Palace and Hillsborough Castle.

3i helps fund the Learning and Engagement Programme, which aims to take adults, families, young people and children on a learning journey of discovery. The programme consists of a number of elements including the Explorer Families Programme, the Explorer Schools programme and the Uncover Programmes for Adults.

During 2016, Historic Royal Palaces ran its flagship project, "Time Explorers Challenge", which offered primary school classes from across London the opportunity to take part in a free, deep engagement, cross-curricular project inspired by Queen Victoria's childhood in Kensington.



The programme started with continual professional development days for teachers, where they gained new historical knowledge and were taught tips and techniques for teaching history in imaginative ways. These teachers created a project plan and brought their classes on a free trip to Kensington Palace. During the trip, the pupils met a character from the past, handled objects, took part in role-play activities and visited Queen Victoria's bedroom. The children and teachers used this on-site learning experience as a springboard for a cross-curricular project back at school, for which prizes were awarded following the schools' submission of their project entries. The project culminated in a week-long celebration for the winning schools. 3,151 children took part in the Time Explorers Challenge and the celebration event provided 350 children with the opportunity to experience traditional Victorian sports and to meet the young Queen herself.

In 2015/16, Historic Royal Palaces saw a significant rise in the numbers of school children participating in various activities at Kensington Palace to 10,390 from 5,062 in the previous academic year.



 www.hrp.org.uk

National Youth Orchestra of Great Britain



For almost 70 years, the vision of the National Youth Orchestra of Great Britain ("NYO") has been to be the most inspirational orchestra for young people in the UK. This vision begins and ends with an unshakeable belief in the limitless potential of Britain's teenage musicians.

Young musicians discover the benefits of collaborating with a vast group of like-minded people, in the process gaining skills and friendships that last a lifetime.

Furthermore, being a member of the NYO enables the 164 teenagers from diverse backgrounds across the country to develop as confident and imaginative leaders who take responsibility and inspire other young people through performances and creative workshops.

Last year, NYO's Inspire programme provided an exceptional opportunity to 215 state-educated musicians from around the country who lack opportunities to advance their playing. At the heart of the programme is the power of peer inspiration and learning. Through in-depth workshops, rehearsals and public performances, these events offer state-educated musicians the opportunity to develop their ensemble playing skills, meet enthusiastic musicians from across the country and work closely with NYO musicians and tutors in a friendly and creative environment.

During the year, NYO also recorded "The Planets" and "Also sprach Zarathustra" for Chandos Recordings, which marked the first commercial recording the orchestra has made in over 10 years.

In addition to 3i's financial contribution to the NYO, 3i employees and their families have been showing their support by attending a number of concerts and rehearsals, including in April and August 2016 and January 2017.



 www.ny.org.uk

Community

Continued


The Passage

The Passage, which is based very near to our London office, has a high impact on the local community. 3i funds The Passage's Employment, Training and Welfare Rights ("ETWR") team, which provides homeless and insecurely housed people with support to find a way back into employment and explore training and educational options.

During the year, the charity's ETWR team was very busy supporting 367 homeless or insecurely housed men and women who visited the department on 2,691 occasions, representing an increase of 9% on 2015. Clients spent 533 sessions looking for work on the internet and 60 sessions preparing for their Construction Skills Certification Scheme card examinations. 127 clients found a job (an increase from 67 in 2015) across a variety of industries including catering, cleaning, construction, engineering, hospitality and security.

A number of our employees and their partners attended The Passage's annual fundraising concert, A Night Under The Stars, at the Royal Festival Hall, in October 2016.




 www.passage.org.uk

Snowdon Trust

Snowdon Trust provides grants to physically disabled and sensory impaired students studying in the UK, in further or higher education, or those training towards employment.

These grants help cover additional costs that students incur as a result of their disability and which available statutory funding does not cover. Costs include vital support such as sign language interpreters, people to take notes, computers, specialist software, wheelchairs or special accommodation and equipment.



 www.snowdontrust.org

SNOWDON

TRUST

About 100 grants are awarded each year, ranging from £250 to £3,000. In addition to giving financial grants, the trust also takes an active interest in individuals, offering encouragement to students during their studies and beyond. The charity also aims to keep disability issues on the agenda of the Government and institutions.

Bridges Fund Management

3i is proud to be a founding investor in Bridges Fund Management (previously Bridges Ventures), a privately-owned UK venture capital company with a social mission. Its strategy is to focus exclusively on opportunities where investments can generate attractive investor returns through helping to meet pressing social or environmental challenges, for example, backing businesses that generate jobs in underserved areas or building environmentally friendly care homes for the elderly to sustain an ageing population.

Bridges currently manages over £800 million across three fund types: Sustainable Growth Funds, Property Funds and Social Sector Funds.


Bridges
Fund Management

 www.bridgesfundmanagement.com

Transparency and stakeholder engagement

The Board recognises that effective communication is integral to building stakeholder value.

As a publicly listed company, we operate within a framework of formal legal and regulatory disclosure requirements, as well as meeting the high expectations for transparency of our shareholders, fund investors, employees and the media.

We are committed to communicating both our financial and non-financial performance in a clear, open and comprehensive manner. Our objective is to present a balanced and understandable assessment of our position, highlighting the key risks to which we are exposed in our day-to-day activities.

The Group Communications and Investor Relations teams have day-to-day responsibility for communications with key stakeholders and, together with the Group Secretarial team, they ensure that 3i meets all relevant disclosure obligations.

Stakeholder	Material issues	Communication
Employees	<ul style="list-style-type: none"> • Attracting and retaining talent • Fostering a supportive working environment • Remuneration 	<ul style="list-style-type: none"> • Comprehensive staff portal • Regular team meetings and off-sites hosted by executive management and team leaders
Shareholders and potential investors	<ul style="list-style-type: none"> • Financial performance and returns • Awareness of strategy and implementation • Access to Executive Management • Transparency • ESG performance 	<ul style="list-style-type: none"> • Annual General Meeting • Two investor presentations • Annual and half-yearly reports • Quarterly performance updates • Corporate responsibility report • Comprehensive Investor Relations website • Regular meetings with executive management and Investor Relations team • Regular email and telephonic communications
Fund investors	<ul style="list-style-type: none"> • Financial performance and returns • Awareness of strategy and implementation • Access to key investment professionals • Transparency • ESG performance • Alignment with 3i 	<ul style="list-style-type: none"> • Quarterly reporting produced in line with the Invest Europe Investor Reporting Guidelines and including ESG performance updates • Annual investor meetings • Fund Advisory Board meetings held on an annual or semi-annual basis as required • Regular and ad hoc meetings and telephone calls with Fund Investor Relations team and relevant investment professionals • Regular email communications • Access to a web-based investor portal used to host and distribute Investor correspondence
Investee companies	<ul style="list-style-type: none"> • Support for strategy and implementation • Alignment with 3i as key shareholder • Executive remuneration 	<ul style="list-style-type: none"> • Engagement with investee companies formally at board level and informally on an ongoing basis • Regular chairman, CEO and CFO forums to share best practice and experience

Transparency and stakeholder engagement

Continued

Stakeholder	Material issues	Communication
Equity and debt analysts	<ul style="list-style-type: none"> Financial performance and returns ESG performance Transparency Access to Executive Management 	<ul style="list-style-type: none"> Two investor presentations Annual and half-yearly reports Quarterly performance updates Comprehensive Investor Relations website Regular communications with Investor Relations and Treasury teams Annual General Meeting
Rating agencies	<ul style="list-style-type: none"> Financial performance and returns Balance sheet strength 	<ul style="list-style-type: none"> Comprehensive Investor Relations website Annual meetings with the Group Finance Director and Treasury team Annual and half-yearly reports Quarterly performance updates Tailored presentations
Media	<ul style="list-style-type: none"> Transparency and clear communication Access to management 	<ul style="list-style-type: none"> Open and transparent approach with the media Proactive press programmes for executive management Press releases on material developments including investments and realisations and product development Comprehensive website hosting press releases and other resources such as videos, factsheets and case studies
Government and regulatory bodies	<ul style="list-style-type: none"> Compliance with relevant rules and regulations Engagement on relevant issues and regulatory developments 	<ul style="list-style-type: none"> Active participation in policy forums Response to engagement on regulatory matters Membership of industry consultative bodies, eg British Venture Capital Association and Invest Europe
Suppliers	<ul style="list-style-type: none"> Conduct and standards of employment Service provision Management of costs 	<ul style="list-style-type: none"> Central procurement team Standardised procedures Procurement policy available on our website
Communities	<ul style="list-style-type: none"> Positive contribution to the communities and society in which we operate Minimise adverse environmental impact 	<ul style="list-style-type: none"> Environmental Management System proportionate to the operational scale and environmental risk profile of the business Comprehensive Responsible Investment policy Charitable activities focused on the disadvantaged, young people and education Give-as-you earn scheme and employee donations matching

The Walker Review

In 2007, in response to the growing debate about the role of private equity in the UK, the British Venture Capital Association ("BVCA") suggested a review to examine ways in which levels of disclosure in companies backed by the UK private equity industry could be improved.

The review was led by Sir David Walker, who consulted widely and invited representations from within the private equity industry, other financial institutions, pension funds and the investment community, as well as more broadly with portfolio companies, trade unions and employer representatives. 3i actively supported the review, with involvement from the Chairman.

3i also endorsed the voluntary code which resulted in the "Guidelines for Disclosure and Transparency in Private Equity", which was published in November 2007. Sir David Walker's recommendations with respect to reporting for private equity firms and their relevant portfolio companies were on a "comply or explain" basis. An overview of the guidelines together with the ninth annual report of the Private Equity Reporting Group (which monitors and reports on the UK private equity industry's conformity with the guidelines) at December 2016 can be found at <http://privateequityreportinggroup.co.uk/>

The only 3i portfolio companies which met the criteria set out in the guidelines and were included in the ninth annual report were Anglian Water Group (held principally within the 3i Infrastructure plc portfolio) and Infinis, acquired by 3i Infrastructure plc during the financial year.

Global Reporting Initiative

Due to increasing requests from stakeholders for relevant and comparable sustainability information, we have chosen to report in accordance with the Global Reporting Initiative (“GRI”) standards.

<u>Global Reporting Initiative</u>	<u>46</u>
<u>Materiality assessment</u>	<u>47</u>
<u>GRI content index</u>	<u>48</u>
<u>Contacts</u>	<u>51</u>

Materiality assessment

In 2017, with the support of Carbon Credentials, our sustainability partner, we conducted a materiality assessment to identify the GRI indicators that are relevant to us and our stakeholders and that we should report on. As part of this assessment, we reviewed the reporting requirements of voluntary sustainability reporting initiatives such as the CDP (formerly the Carbon Disclosure Project), FTSE4Good and the Dow Jones Sustainability Index, and engaged with our key stakeholders to understand which sustainability issues are of concern to them.

Review of reporting requirements

3i has been reporting information about its management of climate change issues through the CDP Climate Change programme since 2006, and has been a member of the Dow Jones Sustainability Indices and of the FTSE4Good Index Series since 2001 and 2011 respectively. The table below shows the themes identified as relevant by these organisations and benchmarks, based on our sector and the countries of operation.

Stakeholder engagement

Our stakeholder mapping exercise highlighted 3i's key stakeholders as its employees, existing and potential shareholders, existing and potential fund investors, portfolio companies, policymakers and regulators.

Our stakeholder engagement focused on these groups; we sent out quantitative surveys to understand the level of stakeholder concern regarding a wide range of sustainability issues (based on our review of current sustainability reporting requirements) and interviewed a number of key internal and external stakeholders.

This qualitative and quantitative analysis, combined with the analysis of our ordinary-course engagement, allowed us to select a number of material GRI sustainability indicators and disclosures against which we report.

The most material indicators, ranked in terms of their perceived importance to the business and stakeholders, are listed opposite.

Indicator	Type
1 Anti-crime and corruption	Economic/governance
2 Business ethics	Economic/governance
3 Socially responsible investment	Social
4 Economic performance	Economic/governance
5 Cyber security	Economic/governance
6 Equal remuneration	Social
7 Tax	Economic/governance
8 Diversity, discrimination and equal opportunities	Social
9 Social criteria in procurement	Social
10 Employee satisfaction and wellbeing	Social
11 Health and safety	Social
12 Climate-related financial risk	Environmental
13 Employee benefits	Social
14 Training	Social
15 Transition to a low-carbon economy	Environmental

Environment	Social	Governance
<ul style="list-style-type: none"> • Business risks and opportunities • Engagement with supply chain on climate change • Environmental reporting 	<ul style="list-style-type: none"> • Talent attraction and retention • Human capital development • Human rights and community • Social supply chain • Controversial issues, dilemmas in lending/financing 	<ul style="list-style-type: none"> • Corporate governance • Risk management • Anti-corruption and anti-crime • Codes of Conduct • Compliance

GRI content index

GRI standard title	Disclosure number	Disclosure title	Page number/link	Fully reported
General Disclosures	102-1	Name of the organisation	CR 02 AR 99	Fully reported
	102-2	Activities, brands, products, and services	CR 03-04 AR 08-13	Fully reported
	102-3	Location of headquarters	CR 04	Fully reported
	102-4	Location of operations	CR 04	Fully reported
	102-5	Ownership and legal form	CR 04 AR 95-99	Fully reported
	102-6	Markets served	CR 04 AR 08-13	Fully reported
	102-7	Scale of the organisation	CR 04 AR 08-13	Fully reported
	102-8	Information on employees and other workers	CR 09-18	Fully reported
	102-9	Supply chain	CR 39-40	Fully reported
	102-10	Significant changes to the organisation and its supply chain	CR 39-40	Fully reported
	102-11	Precautionary principle or approach	CR 37	Fully reported
	102-12	External initiatives	CR 08 CR 21	Fully reported
	102-13	Membership of associations	CR 08	Fully reported
	102-14	Statement from senior decision-maker	CR 05 AR 04-06	Fully reported
	102-16	Values, principles, standards and norms of behaviour	CR 06 CR 29-34	Fully reported
	102-18	Governance structure	CR 07 AR 59-66	Fully reported
	102-40	List of stakeholder groups	CR 44-45 CR 47	Fully reported
102-41	Collective bargaining agreements	CR 10	Fully reported	

Legend

AR: 3i Group Annual report and accounts 2017 (<http://www.3i.com/investor-relations/results-and-reports/reports/2017>)

CR: 3i Group Corporate responsibility report 2017 (<http://www.3i.com/investor-relations/results-and-reports/reports/2017>)

ABP: 3i Group's Anti-bribery policy (<http://www.3i.com/~media/Files/G/Group-3i/documents/3i-global-anti-bribery-policy-dec-2015.pdf>)

GRI content index

Continued

GRI standard title	Disclosure number	Disclosure title	Page number/link	Fully reported
	102-42	Identifying and selecting stakeholders	CR 47	Fully reported
	102-43	Approach to stakeholder engagement	CR 47	Fully reported
	102-44	Key topics and concerns raised	CR 47	Fully reported
	102-45	Entities included in the consolidated financial statements	AR 143-147	Fully reported
	102-46	Defining report content and topic boundaries	CR 47	Fully reported
	102-47	List of material topics	CR 47	Fully reported
	102-48	Restatements of information	CR 02	Fully reported
	102-49	Changes in reporting	CR 02	Fully reported
	102-50	Reporting period	CR 02	Fully reported
	102-51	Date of most recent report	CR cover	Fully reported
	102-52	Reporting cycle	CR 02	Fully reported
	102-53	Contact point for questions regarding the report	CR 51	Fully reported
	102-54	Claims of reporting in accordance with the GRI Standards	CR 02 CR 46-47	Fully reported
	102-55	GRI content index	CR 48-50	Fully reported
	102-56	External assurance	CR 38	Fully reported
Economic performance	201-1	Direct economic value generated and distributed	AR 30-37	Fully reported
	201-2	Financial implications and other risks and opportunities due to climate change	CR 25-28	Fully reported
Anti-corruption	205-1	Operations assessed for risks related to corruption	CR 32 ABP	Fully reported
	205-2	Communication and training about anti-corruption policies and procedures	CR 32-33	Fully reported
	205-3	Confirmed incidents of corruption and actions taken	CR 32	Fully reported
Emissions	305-1	Direct (Scope 1) GHG emissions	CR 38*	Fully reported
	305-2	Energy indirect (Scope 2) GHG emissions	CR 38*	Fully reported
	305-3	Other indirect (Scope 3) GHG emissions	CR 38*	Fully reported

* Verified externally

Legend

AR: 3i Group Annual report and accounts 2017 (<http://www.3i.com/investor-relations/results-and-reports/reports/2017>)CR: 3i Group Corporate responsibility report 2017 (<http://www.3i.com/investor-relations/results-and-reports/reports/2017>)ABP: 3i Group's Anti-bribery policy (<http://www.3i.com/~media/Files/G/Group-3i/documents/3i-global-anti-bribery-policy-dec-2015.pdf>)

GRI content index

Continued

GRI standard title	Disclosure number	Disclosure title	Page number/link	Fully reported
	305-4	GHG emissions intensity	CR 38*	Fully reported
	305-5	Reduction of GHG emissions	CR 38*	Fully reported
Supplier environmental assessment	308-1	New suppliers that were screened using environmental criteria	CR 39	Partially reported
Employment	401-1	New employee hires and employee turnover	CR 12 CR 18	Fully reported
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	CR 17	Fully reported
	401-3	Parental leave	CR 17	Fully reported
Health and safety	403-4	Types of injury, occupational diseases, lost days and absenteeism, and number of work related fatalities.	CR 19	Fully reported
Training and education	404-2	Programmes for upgrading employee skills and transition assistance programmes	CR 14-16	Fully reported
	404-3	Percentage of employees receiving regular performance and career development reviews	CR 14	Fully reported
Diversity and equal opportunity	405-1	Diversity of governance bodies and employees	CR 12-13	Fully reported
Non-discrimination	406-1	Incidents of discrimination and corrective actions taken	CR 11	Fully reported
Forced labour	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	CR 10 CR 13 CR 24 CR 40	Fully reported
Human rights assessment	412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	CR 24	Fully reported
Supplier social assessment	414-1	New suppliers that were screened using social criteria	CR 40	Fully reported
Customer privacy	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	CR 33	Fully reported
Product portfolio	FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	CR 25	Fully reported
Active ownership	FS10	Percentage and number of companies held in the institution's portfolio with which the reporting organisation has interacted on environmental or social issues	CR 22-24	Fully reported

* Verified externally

Legend

AR: 3i Group Annual report and accounts 2017 (<http://www.3i.com/investor-relations/results-and-reports/reports/2017>)CR: 3i Group Corporate responsibility report 2017 (<http://www.3i.com/investor-relations/results-and-reports/reports/2017>)ABP: 3i Group's Anti-bribery policy (<http://www.3i.com/~media/Files/G/Group-3i/documents/3i-global-anti-bribery-policy-dec-2015.pdf>)

Contacts

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