

3i Group plc
Corporate responsibility report 2007



As included in our Annual report and accounts 2007

Corporate responsibility report

Core values: We believe that the highest standard of integrity is essential in business. In all our activities, we aim to:

- be commercial and fair;
- respect the needs of our shareholders, our staff, our suppliers, the local community and the businesses in which we invest;
- maintain our integrity and professionalism; and
- strive for continual improvement and innovation.



Our approach Philosophy

As an international business operating in 14 countries with over 750 employees world-wide, we aim to conduct our business in a socially responsible manner. We are committed to being a responsible member of the communities in which we operate and recognise the mutual benefits of engaging and building relationships with those communities. We believe that respect for human rights is central to good corporate citizenship.

In everything we do, we aim to be commercial and fair, to maintain our integrity and professionalism and to respect the needs of shareholders, staff, suppliers, the local community and the businesses in which we invest.

We aim to be a responsible employer and have adopted corporate values and standards designed to help guide our employees in their conduct and business relationships. These values and standards are an integral part of our culture.

We endeavour to comply with the laws, regulations and rules applicable to our business and to conduct our business in accordance with established best practice in each of the countries in which we operate. Environmental, ethical and social responsibility issues and standards are also taken into consideration in every aspect of the business.

Responsibilities and accountabilities

The Board as a whole is responsible for ethical standards. The executive Directors are responsible for ensuring compliance with 3i's corporate values and standards.



For further information on our approach to CR please visit www.3igroup.com/shareholders/cr

3i's Corporate Responsibility Committee ("the Committee") considers and reviews environmental, ethical and social issues relevant to 3i's business and reports regularly to the Board. It promotes awareness of these issues across the business through training and communication. It promotes the development of corporate responsibility policies, procedures and initiatives and monitors and reviews their operation.

The Committee, on behalf of the Board, identifies and assesses the significant risks and opportunities for 3i arising from social, ethical and environmental issues. A risk matrix methodology is used to identify and assess potential risks and their impact, monitor developing trends and best practice, and consider changes in 3i's business and culture. A Group-wide risk log is used to record identified risks and to monitor their management and mitigation. This log of identified risks is reviewed and updated at meetings of the Committee and significant risks are reported to 3i's Operational Risk Committee.

As Chairman of the Committee, Tony Brierley, has specific responsibility for 3i's environmental policies, leading the development of new initiatives and targets and reporting to the Board. The Committee's membership reflects the balance of 3i's business with representation from Europe, Asia and the US and from a range of business line and Group activities.

All employees have a responsibility to be aware of, and to abide by, 3i's policies and procedures which have been developed to guide staff and regulate the conduct of the day-to-day operations of the business. These policies and procedures include 3i's environmental, ethical and social policies, and are available to all employees through 3i's portal, a web-based knowledge system. Employees are encouraged to make suggestions to improve these policies and procedures.

Recognition for transparency

3i's Corporate responsibility report for 2006 was awarded top place at the UK 2007 Investor Relations Society Best Practice Awards in April 2007. The 2006 Annual report as a whole was one of four short-listed for the best Annual Report: Most Effective Communication FTSE 100 award.



3i is proud to be one of the BitC's "Top 100 Companies that count".



3i is a constituent of the 2007 Dow Jones Sustainability Index.

**As an investor
Investment policy**

3i has a portfolio of over 750 investments in businesses across Europe, Asia and the US. As an investor, corporate governance is a priority and account is taken of environmental, ethical and social issues when making investment decisions.

We believe it is important to invest in companies whose owners and managers act responsibly on environmental, ethical and social matters. We therefore aim to invest in companies which:

- respect human rights;
- comply with current environmental, ethical and social legislation;
- have proposals to address defined future legislation; and
- seek to comply with their industry standards and best practice.

We recognise that the most significant risks to 3i's short-term and long-term value from environmental, ethical and social matters arise from its investment business. If a company in which 3i has an investment acts irresponsibly on corporate responsibility issues, this may affect the monetary value of that investment and, as a shareholder in that company, raise reputational issues for 3i.

Although we do not have day-to-day operational control over the companies in which we invest, we do have the opportunity to influence the behaviour of these businesses. We expect and encourage the companies in which we invest to take a responsible approach to the conduct and governance of their business and to put in place governance structures, policies and processes appropriate to the nature and scale of the business and the markets in which it operates. This is supported through the training of investment staff and non-executive Directors who are appointed to the boards of investee companies and the raising of awareness within investee companies of social, environmental and ethical issues. 3i is also active in promoting good governance in the private equity industry through the provision of tutors for courses run by the BVCA and the EVCA.

Investment procedures

We have policies and procedures to reduce the risks of investing in businesses which operate in an environmentally, ethically or socially unacceptable manner. Details of these policies and procedures may be found on 3i's website at www.3igroup.com.

When reviewing businesses for potential investment, investment executives are required to consider whether any corporate responsibility risks arise and, if any risks are identified, to follow 3i's corporate responsibility investment procedures. Depending on the nature of the risk identified and its seriousness, a condition precedent or post completion undertaking requiring that the situation be remedied may be required from the investee company or its management. Alternatively, it may be decided not to proceed with the investment.

All new investment opportunities are the subject of a process of filtering and review. When a potential new investment opportunity is first identified by an investment professional, it is added to the Company's work in progress list ("Work in Progress"). Following a preliminary appraisal of the potential investment opportunity, a decision is taken by the investment professional's local team as to whether the investment opportunity merits further work. At this stage the opportunity is reviewed in detail by a group of senior and experienced investment executives in the relevant business line (known as the "Partner Review"). If it is agreed through the Partner Review process that a particular investment opportunity should continue to be pursued, the Partner Review process will also agree what further in-depth analysis and due diligence should be undertaken.



The decision to continue to pursue a particular investment opportunity will be taken against a number of criteria and policies, including commercial, financial, sector, geographic, environmental, ethical and social considerations. Following a Partner Review, and providing the results of the detailed analysis and due diligence of the opportunity are positive, the investment opportunity will be submitted for formal approval. At this stage, any potential environmental, ethical or social issues in the investment opportunity will be formally identified and a decision taken against 3i's investment policies and procedures whether to proceed with the proposed investment, and if so, on what basis.

Over the year 1,054 potential new investments were placed in Work in Progress, 196 of which proceeded to a Partner Review and 62 new investments were approved and completed.

Where, after an investment has been made, we become aware that an investee company is not operating in an acceptable way, we will seek to use our influence to encourage improvement. Where that is not possible, we will seek to dispose of the investment. Over the course of the year, all existing investments in the portfolio were the subject of review.

Relationship management

Our key relationships are with the boards of the companies in which we invest, together with the intermediaries, advisers and consultants used to facilitate investment and portfolio management. We actively engage with these groups to benchmark our performance and improve our investment procedures and skills.

As a corporate As an employer

3i's staff are fundamental to the success of our business. An environment of mutual respect where staff are highly motivated around their work, where they have a strong commitment to deliver, and where retention is good are the standards we strive both to achieve and maintain.

Employees are organised in small teams and a spirit of co-operation is encouraged to ensure the highest standards of integrity and professionalism. In accordance with 3i's core values, individual consultation with employees on matters affecting them, and fair and open communication, are a high priority.

Our Chief Executive plans to meet separately with each team every year to listen to their views and insights and to share his vision and strategy for the business. In addition, his policy is to have a one to one meeting with each new joiner, regardless of organisational level.

A conference was also held in London for all 3i's staff world-wide. The objectives of this conference included reinforcing 3i's "One room: One firm" philosophy, emphasising that whilst 3i's 750 plus staff may work in many different locations and markets across the world, it operates as one firm with a strong culture working across borders and harnessing the knowledge and skills of its people from across the world.

Our people

Employee engagement is the extent to which employees are committed to their role, their team and the Group and its objectives. How effective and productive they are as a result of this commitment and levels of retention are indicators of engagement.

World-wide conference

Our "One room: One firm" culture is key to our success and the value that we bring to the companies in which we invest. Although working across three continents in small highly-focused teams, with just over 750 employees it is feasible for 3i to bring all of our staff together in one room. Our 2006 conference, which was attended by over 700 staff, was a great success and one of the highest-rated sessions at the conference was on community involvement.

Every two years a comprehensive confidential employee survey of staff is conducted which includes a number of questions that have a proven correlation to employee engagement. The last survey was conducted in 2005/06. In order to monitor progress a "mini-survey" of the employee engagement questions only was conducted during the year. The response rate, at 78%, was high, with an overall average of the favourable responses to the questions of 87%. This was 3% higher than the average for the same questions in 2005/06. Not only are the individual scores significantly higher than the 2005 Ipsos MORI Top Ten norm (which was used to benchmark the full 2005/06 survey), but favourable scores of over 95% were recorded against the statements "I am always looking for ways to do my job better", "I am committed to helping 3i to achieve its objectives" and "I am proud to work for 3i".

3i has comprehensive behaviour policies to help ensure that employees treat their colleagues and others with courtesy and respect. 3i's Guide to Business Conduct sets out the rules and guidelines we expect all of our staff to follow with the objective of ensuring that we maintain professional standards in all aspects of the conduct of our business.

3i also has a whistle-blowing policy setting out procedures for staff to raise in confidence matters of concern, for an appropriate and independent investigation of such matters and, where necessary, for follow-up action.

Training and development

We are committed to encouraging the continuous development of our staff with the objective of maximising the overall performance of the business. Emphasis is placed on work-based learning, with the provision of development opportunities supported by appropriate coaching and mentoring. This is supplemented by more formal training programmes, such as workshops to enhance the board management skills of our investment staff. In addition, investment staff are required to complete an investment training programme on joining 3i, and professional services staff are supported in developing their functional specialisms through external courses, networks and forums. During the year, 306 employees attended internal training and development courses.

It is a legal and regulatory requirement that all executives involved in making or managing investment transactions receive anti-money laundering training and periodic refresher training. A programme of training is in place to discharge these obligations.



Environmental Awareness Day

In March 2007, an environmental awareness day was held for 3i's London-based staff to report our progress on reducing 3i's CO₂ emissions and to raise awareness on practical ways in which staff can help at work and at home. The event was also attended by the Chairman and other Directors. We are now considering ways to hold similar events across the 3i network in an environmentally sensitive way.

A programme of sector-based workshops and training courses has been developed for investment staff focusing on corporate responsibility. The objectives of these workshops are to ensure that staff remain fully informed of 3i's corporate responsibility policies, to identify and raise awareness to specific sector or geographical issues and to gain input to the formulation of policy. During the year, workshops were held for investment executives in 3i's software sector and Infrastructure and Asia investment teams and further workshops are planned. In March 2007 an Environmental Awareness Day was arranged for 3i's London-based staff around a screening of the Oscar-winning Al Gore film, "An Inconvenient Truth". The objectives of the day were to raise further the awareness of staff to climate change issues, to report on 3i's own carbon footprint and to discuss ways in which 3i and individual members of staff might take steps to reduce carbon emissions. Following the success of this event, further awareness days are being planned for other offices.

Training for Directors on corporate responsibility issues is achieved through a system of regular Board reporting and by Board presentations on relevant corporate responsibility issues.

Health and safety

We recognise that the promotion of health and safety at work is an essential function of staff and management at all levels. In an endeavour to achieve high standards, appropriate policies and procedures have been put in place. Details of these policies and procedures can be found on 3i's website at www.3igroup.com. Simon Ball as Finance Director, has overall responsibility for the implementation of 3i's health and safety policies and procedures. A Health and Safety Committee, chaired by the Company Secretary, Tony Brierley, has been established to oversee the application of these policies and procedures and to consider health and safety risks across the business.

The purpose of 3i's health and safety policy is to enable all members of 3i's staff to go about their everyday business at 3i's offices in the expectation that they can do so safely and without risk to their health. High standards of health and safety are applied to staff and sub-contractors and we endeavour to ensure that the health, safety and welfare of our employees, visitors, customers, sub-contractors' staff and the general public is not compromised.

Our objective is not to have any reportable accidents or incidents. During the year to 31 March 2007, no reportable accidents occurred under UK Health and Safety regulations or under similar regulations outside the UK.

As a member of Tommy's Pregnancy Accreditation Programme, 3i complies with criteria for pregnancy management, geared towards creating a positive environment for parents-to-be in the workplace.

Procurement

We have developed policies and procedures relating to the purchasing of goods and services for use by the business. These policies and procedures must be followed by all staff. As far as possible, we will work only with suppliers who support our aim to source products responsibly. Suppliers that exploit child or "sweated labour", that disregard social legislation and basic health and safety provision, that "pirate" the intellectual property of others or that wilfully and avoidably damage the environment will be avoided. Details of 3i's procurement policies may be found on 3i's website at www.3igroup.com.

We aim to have a collaborative relationship with our suppliers and, wherever possible, when problems arise with a supplier's performance or behaviour, will work with the supplier concerned to help them meet our requirements.

Environment

As a financial services business employing approximately 750 employees world-wide, 3i's direct environmental impact is relatively low. However, we measure our own energy and resource usage where practicable and set targets to achieve improvement. A benchmark against which we measure our performance is for CO₂ emissions associated with our office accommodation. Our previously published objective has been to reduce CO₂ emissions attributable to office accommodation by 6% over the two years to 2007, from approximately 6,964 tonnes of office related CO₂ emissions generated in the year to 31 March 2005. Following an independent assessment by CarbonNeutral against the World Business Council for Sustainable Development greenhouse gas protocol, CO₂ emissions attributable to office accommodation in the year to 31 March 2007 have been assessed at 5,110 tonnes; a reduction of 26.6% over the two year period to 31 March 2007.

Corporate responsibility issues and the environment

The principal benchmarks against which 3i measures its direct impact on the environment are for CO₂ emissions; and recycling of paper and other materials.

This was achieved largely as a result of a move to more energy efficient offices in London. For the future, 3i's objective is to become carbon neutral over the course of the three years to 31 March 2010.

We assess the environmental standards of suppliers and, through our procurement policy and our purchasing choices, will favour products showing clear environmental advantages unless there are significant reasons for not so doing.



As an active and committed participant in the promotion of sustainable technologies, 3i sees opportunities to form partnerships and make investments in forward-thinking businesses and SFC is one example.

SFC Smart Fuel Cell AG

Location: Germany

Website: www.sfc.com

Fuel cells have long been recognised as alternative power sources. However, their promise has been slow to materialise into real products.

In 2004, SFC was the world's first company to introduce a fully commercialised fuel cell to the market. Today the company is one of the international market leaders in mobile and portable fuel cells in a power range from 10 to 250 W, selling several thousand fuel cells per year into a wide range of applications in leisure and industrial markets. Fuel cells made by SFC are providing electrical energy globally. These are used in recreational vehicles, yachts, holiday homes, traffic monitoring systems, observation stations, light electric vehicles and other applications. A product by SFC was also the first fuel cell ever to be installed as original equipment in a vehicle. It powers the electrical system in the Hymer 5 Class RV.

SFC, which employs 75 people, is already developing portable fuel cells weighing less than 1kg.



The Passage

Following the move of our London office to Victoria in 2006, 3i identified The Passage, a locally based charity focused on helping homeless people back into employment, as one which had high local impact. We quickly formed a relationship with The Passage and are now providing financial and other support.

Bridges Ventures

3i is proud to be a founding investor in Bridges Ventures, a privately-owned UK venture capital company with a social mission. Bridges was founded in 2002, since when it has made equity investments in 24 businesses employing 700 people, almost 200 of whom came out of unemployment.

ENTERPRISE EDUCATION TRUST

Bringing you Blue Skies, businessdynamics, NFTE and Achievers International

3i helped to found EET (formerly businessdynamics) 30 years ago and has continued to support its work in inspiring school children to get involved in business ever since. Over 90,000 pupils took part in EET programmes in 2006.

Charity and community

3i's charitable policy aims to focus on:

- the disadvantaged, young people and education in the communities in which we have offices. Charities are supported on the basis of their effectiveness and impact;
- charitable activities of staff. 3i matches donations made by UK staff under the Give As You Earn scheme ("GAYE") and the proceeds of staff fundraising efforts. In the year to 31 March 2007, 25% of 3i's charitable donations were matching GAYE donations;
- charities relevant to our corporate activity. For example, 3i founded and supports the Enterprise Education Trust, a charity now in its 30th year, which aims to inspire young people to become involved in, and understand business.

Charitable donations made in the year to 31 March 2007 amounted to £429,409, supporting a variety of charities with donations up to £35,000.

Performance and measurement

The Committee has overseen the formulation and implementation of corporate responsibility investment procedures, implemented appropriate risk management procedures and set strategic targets and objectives for corporate responsibility.

3i's performance is measured against two indices:

- the Dow Jones Sustainability World Index ("DJSI"), a global index which tracks the financial performance of leading companies in terms of corporate sustainability; and
- the Business in the Community ("BitC") Corporate Responsibility Index, which aims to benchmark environmental, ethical and social performance and encourage sustainable development.

3i has again been selected as a constituent of the DJSI during the year and was leader of its industry group on a global basis.

We were also recognised as one of the best companies on a global basis in respect of our codes of conduct, compliance and anti-crime measures. We aim to continue to be included within this Index.

The Corporate Responsibility Committee

The Corporate Responsibility Committee comprises Tony Brierley, Company Secretary and Chairman of the Committee, Denise Collis, Group Human Resources Director, Patrick Dunne, Group Communications Director, Douwe Cosijn, Head of Investor Relations, Albert Xu, an Investment Director in 3i's Asia investment business, Hans Middelthon, an Investment Director in 3i's Oil and Gas team, Ben Gales, a Director in 3i's US Venture Capital team and Michael Robinson, a Director responsible for 3i's SMI portfolio.

In 2006 we again participated in the annual BitC Corporate Responsibility Index and were included in the BitC's "Top 100 Companies that Count". In particular, the integration into the business of our corporate responsibility principles and risk management processes relating to corporate responsibility issues were recognised. We aim to continue to be included within this Index.

Each of 3i's business unit and department heads is required to confirm on an annual basis that their operating procedures, including investment procedures, are consistent with 3i's standards and controls and that these procedures are operating in practice.

3i's performance management appraisal process reviews the performance of individual members of staff against agreed objectives and the knowledge, skills and behaviours expected by 3i. All 3i's offices are the subject of health and safety audits to ensure high standards are adopted on a consistent basis world-wide.

During the year, at the invitation of 3i's Chairman, Baroness Hogg, 3i's major shareholders met with the Chairman, the Chairmen of the Audit and Compliance Committee and the Remuneration Committee and the Company Secretary to discuss matters of corporate governance and corporate responsibility relevant to 3i and its shareholders.

Audit and verification

The Committee is responsible for monitoring the operation of 3i's corporate responsibility policies and procedures. The identification and management of corporate responsibility risks is integral to the ongoing operational processes of 3i's business units and functions. 3i's internal audit function carries out periodic independent reviews of risks and related controls in this area, including compliance with 3i's corporate responsibility investment procedures.

The Committee may also supplement internal review processes with external reviews where necessary. The Committee is not aware of any material breaches in the application of 3i's internal policies and procedures for managing risks from corporate responsibility issues.

The disclosures in this Corporate responsibility report are the subject of a process requiring each statement made to be verified.

