

# Our business model

We aim to compound value by investing in mid-market companies to create a diverse portfolio with strong growth potential.

## Sectors

### Private Equity

-  Business & Technology Services
-  Consumer
-  Healthcare
-  Industrial Technology

### Infrastructure

-  Communications
-  Healthcare
-  Natural resources/Energy
-  Social Infrastructure
-  Transport/Logistics
-  Utilities



**+** PAGES 16-17  
Our thematic approach

## Key enablers of value

### Permanent capital

We aim to compound our proprietary capital value through conviction in our best investments and by deploying our capital in new mid-market companies. Our proprietary capital affords us a long-term investment horizon.

### A long-standing office network

We have had teams on the ground across the UK, continental Europe and the US for many decades, which have built strong networks within their local business communities.

### An expert and diverse team

Our international teams are formed of local people with great knowledge and experience of their geography and sector. We view diversity as a strength and a plurality of perspectives enhances our origination, value creation and decision making.

### Careful portfolio construction

We approach portfolio construction with great care, originating opportunities thematically and investing selectively in businesses that benefit from long-term structural growth trends.

### Active asset management

We engage with portfolio companies' management teams to manage risks and invest in initiatives that support long-term sustainable growth.

### Strong values and institutional culture

We promote a strong culture of integrity among our employees and embed that culture in our policies and processes.

### A strong brand and reputation

As an investment company with a history of over 75 years, our brand strength and long-term approach underpin our reputation as a responsible investor and business.

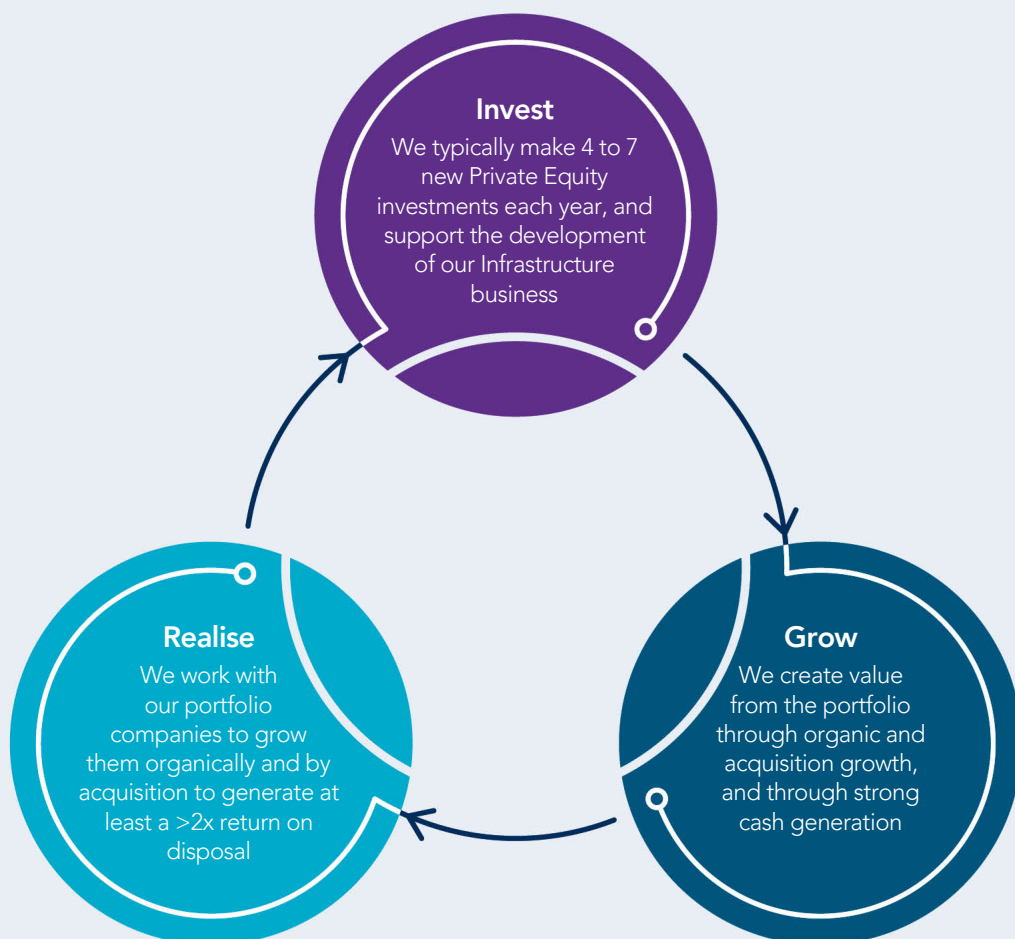
**+** PAGES 14-15  
Our long-term, responsible approach

Our business model continued

We cover our operating costs with income from our portfolio and from fund management fees generated by our Infrastructure business, thereby minimising the dilution of our capital returns.

## Value creation

We manage our balance sheet conservatively. We maintain a tight grip on operating costs and cover these with fund management fees and portfolio income.



## Who benefits

### Shareholders

Our model is capable of delivering mid-teen returns to shareholders through the investment cycle

**36%**

Total return on opening shareholders' funds

**53.0p**

Dividend per share

**0.5%**

Operating costs as a percentage of our FY2023 AUM

### Portfolio companies

We work in close partnership with our portfolio companies to provide expertise and support, enabling them to grow sustainably and to contribute to the communities in which they operate

### Our people

Our people are our most important resource. We foster the professional development and wellbeing of our employees

## Our long-term, responsible approach

As proprietary capital investors, we have a long-term, responsible approach. We aim to compound value through thoughtful origination, disciplined investment and active asset management of our portfolio, driving sustainable growth in our investee companies. Our success is founded on the expertise and diverse perspectives of our employees. We promote a culture of integrity across the organisation.

## Responsibility and sustainability are material levers for value creation

Our responsible approach to investment and portfolio management is an integral part of our business model. It is based on four pillars:

### 1. Long-term stewardship

Thanks to our permanent capital we have a medium to long-term investment horizon. We have majority or significant minority stakes in our core portfolio companies and are represented on their boards. We therefore have the influence to drive long-term, sustainable growth in our portfolio.

### 3. Careful portfolio construction

We approach investment origination and portfolio construction with great care, with a focus on resilience across the cycle. We make a limited number of new investments each year, sourced from sectors and geographies where we have built a strong track record, in-house expertise and comprehensive networks.

### 2. Thematic origination

We invest in businesses that benefit from structural growth trends. Our approach is flexible and can be adapted to take into account market developments and regulatory, policy, societal or environmental changes. For example, over the last few years we have backed businesses that have invested in the energy transition, the achievement of a more sustainable consumption model through a circular economy, improved health and wellbeing and the digital transition, all of which can contribute to delivering positive change over the long term.

### 4. Assessment and management

We screen investment opportunities against our Responsible Investment policy and embed an assessment of ESG risks and opportunities across our investment, portfolio management and value creation processes. We have been signatories to the UN Principles for Responsible Investment since 2011.

“  
We invest in businesses that we believe will benefit from structural trends likely to support long-term, sustainable growth.”

+ PAGES 16-17  
Our thematic approach  
+ PAGES 42-66  
Sustainability

Our long-term, responsible approach continued

## Our people are our priority

Our success is based on the recruitment, development and retention of a capable and diverse team.

We provide training and opportunities for career advancement and reward our employees fairly. We recognise the importance of the satisfaction and wellbeing of our employees and support them by creating a healthy workplace and with tools to improve their mental and physical health. We benefit from a non-hierarchical organisational structure, which underpins a culture of open communication.

We employ a team of 249 people from 26 countries and value highly the diversity of perspectives that this brings. We cultivate an inclusive environment for existing and prospective employees which respects, involves and leverages diverse talent for greater organisational good. We support a number of initiatives aimed at improving gender, ethnic and social diversity at 3i and on an industry-wide basis.

**+** PAGES 42-66  
Sustainability

**249**

employees

As at 31 March 2023

**26**

nationalities

## Strong values and institutional culture

3i was founded in 1945 with the objective of providing growth capital to post-war Britain. The responsibility which came with that purpose still guides our behaviour today.

We promote a strong culture of integrity among our employees and embed that culture in our policies and processes. We expect all employees to act with integrity, accountability and a careful ownership mindset and to approach their roles with ambition, rigour and energy.

Our corporate values are approved by the Board and the Executive Committee sets the tone and leads by example. We evaluate all employees annually against our corporate values.

**+** PAGES 94-158  
Governance

**+** PAGES 42-66  
Sustainability

### Our shared values



#### Ambition

- Focus on generating value for all our stakeholders
- Strive for excellence and continuous improvement

#### Accountability

- Personal and collective responsibility for protecting and enhancing 3i's assets and reputation
- An ownership mentality in managing costs, resources and investments
- An aversion to building hierarchy

#### Rigour and energy

- Clarity of vision supported by practical execution
- Thorough analysis leading to clear decision-making and effective implementation
- High levels of energy, a strong work ethic and effective team working

#### Integrity

- Doing "the right thing" even when difficult
- Relationships built on trust, candour and respect

## Our thematic approach

We adopt a thematic approach to origination and portfolio construction, backing businesses that benefit from structural trends which can support long-term sustainable growth.

### Value-for-money and discount

The last few years have been characterised by significant shocks, including the Covid-19 pandemic and Russia's invasion of Ukraine. These have had profound consequences on the global economy and have resulted in higher inflation, higher interest rates, pressure on corporate margins, challenges to supply chains and energy security and lower growth.

Our portfolio plays to this theme through our focus on value-for-money and discount, as we expect consumers' focus on value to increase as a result of growing economic uncertainty.

Value-for-money has long been one of the winning themes in our Private Equity portfolio. **Action** has grown from its Dutch home market to a pan-European business with operations in 11 countries by providing a good quality and surprising assortment of products at very low prices. **nexeye**, an optical retailer, is winning market share by offering private label and branded products at average price points below its major competitors.

**Royal Sanders**, a private label and contract manufacturer of personal care products, is growing strongly thanks to its differentiated product offering to a range of customers, including value retailers. **Dutch Bakery**, a group specialising in home bake-off bread and snack products, benefits from similar dynamics. It differentiates itself through the breadth of its product offering, which enables retailers to develop a structurally attractive home bake-off category. Both Royal Sanders and Dutch Bakery are emerging as consolidators in fragmented markets.

**VakantieDiscounter** is an online travel agency which has performed resiliently in a difficult consumer environment through its focus on affordable holidays.

**+ PAGES 22-24**  
Action



### Energy transition, energy security and resource scarcity

The response to the climate and environmental emergencies is a defining theme of our time.

The transition to a more sustainable consumption model and the development of solutions to tackle global warming and climate change, as well as the more recent challenges to energy security, will provide investment opportunities for many decades.

We have exposure to the renewable energy and waste management and recycling sectors through our Infrastructure business, with investments in companies such as **Infinis** and **Valorem**, which generate renewable energy, and **Attero** and **HERAmbiente**, which sort and recycle waste and generate power from waste that cannot be recycled. Our Infrastructure business is also invested in **ESVAGT**, which provides service operation vessels to the offshore wind industry.

A number of our Private Equity portfolio companies are making significant investments in the circular economy theme either by adapting their business models or by offering products or services which directly support a circular model. For example, **WP** is investing in the development of packaging that is easily recyclable and made with greater use of recycled materials. A core pillar of **Evernex's** customer proposition is to repair, reuse and recycle IT equipment, reducing waste and emissions. **Mepal** makes innovative products for storing and serving take-away food and drink, which can help to reduce food waste and the usage of single-use packaging.

**+ PAGE 49**  
Evernex



## Our thematic approach continued

## Digitalisation, automation and big data

Business is increasingly mobile and data driven, facilitated by increasing connectivity and automation and focused on simplifying processes and the customer experience.



Technology is developing rapidly and changing business operating models across sectors. Digitalisation is part of daily life, permeating all spheres of human activity and interactions. It is also intertwined with climate change and a precondition to many of the available decarbonisation pathways.

We have been careful to select investments that benefit from this megatrend, while avoiding areas likely to be impacted by disruption. In our Private Equity portfolio, **MAIT** provides SMEs with IT solutions that focus on process optimisation and digitalisation. **xSuite** provides accounts payable process automation applications. **Evernex** maintains IT equipment that is critical for customers' business continuity. **Luqom**, **YDEON**, **VakantieDiscounter** and **Konges Sløjd** operate in growing online consumer niches and can benefit from the ongoing shift to the online channel.

We have a growing exposure to this trend in our Infrastructure portfolio through **DNS:NET**, which is rolling out a fibre-to-the-home network in the Berlin area; through **Tampnet**, an offshore communications network operator in the North Sea and Gulf of Mexico; and through **Global Cloud Xchange**, a global data communications services provider and owner of one of the world's largest private subsea fibre optic networks.

**+** PAGES 29 and 37  
xSuite and GCX

## Demographic and social change

Ageing populations are projected to cause great social disruption in our investment markets.

Increasing life expectancy and reduced birth rates in most of our core markets are resulting in an ageing and often declining population. These structural, long-term trends are causing profound changes in consumer behaviour and preferences, and in the development of policy responses to meet the challenges of greater longevity and the prevalence of age-related chronic illness.

The healthcare investments in our Private Equity portfolio, including **Cirtec Medical**, an outsourced medical device manufacturer, as well as **SaniSure** and **ten23 health**, which provide products and services to the life sciences industry, have developed their businesses to provide solutions to the disruption caused by demographic shifts and by scientific breakthroughs making more advanced treatments possible.

We also have exposure to this trend in our Infrastructure portfolio through **lonisos**, which provides cold sterilisation services to the medical and pharmaceutical industries, amongst others.

**+** PAGE 32  
Cirtec

