



Corporate responsibility report

EXTRACT FROM 3i GROUP'S ANNUAL REPORT AND ACCOUNTS 2011

Corporate responsibility at 3i



Being a responsible investor and a responsible business is a vital part of achieving 3i's vision and strategy. A long-term approach to thinking on environmental, social and governance ("ESG") matters makes good business sense. We believe that companies with high standards on these issues are better run, are lower risk and easier to realise value from.

At 3i, we believe that being a responsible investor is integral to achieving our vision and strategy. Our goal is to be a top performer in the area, and to influence positively our portfolio companies where we can do so.

It is increasingly important to be aware of, and take into account, a broad spectrum of responsible investing issues, ranging from the imperative of global sustainability, to demands for greater transparency and accountability.

We also believe that businesses with high environmental, social and governance standards tend to be better run and have more sustainable business models than those that fail to take such issues into account.

In our industry, there is also a need to demonstrate that we have a responsible approach to investing which is integrated into our investment and other processes. Increasingly, our shareholders and fund investors are expecting this, as do our staff.

We are increasing our efforts to imbed and integrate our responsible investing approach into our investment and portfolio review processes on a consistent basis. We also continue to develop policies and tools, and build a network of leading advisers, that will assist our staff in making well-informed judgements.

You can see some of the results of this in the Corporate responsibility section of our Investor relations website, www.3igroup.com/cr

The following pages provide an update on our efforts and highlight our key achievements and the challenges that we face in our approach.

Michael Queen
Chief Executive

Organisation and governance

Board level

Brand and Values Committee

Chaired by 3i Chairman

Senior level

Investment Committee
Portfolio Committee
Operating Committee

Corporate Responsibility Committee

Chaired by General Counsel
and Company Secretary

Group Risk Committee

Chaired by
Chief Executive

Operational level

Implementation by staff with the support of in-house and external expertise

For more information, please go to 'Accountability' in the corporate responsibility ("CR") section of our Investor relations ("IR") website.

 For more information on the following, please go to:

Chief Executive's review **p7** →
Strategy and performance **p12** →

 For more information please go to:

www.3igroup.com/cr →
[/transparency](http://www.3igroup.com/cr/transparency) →

A responsible approach aligned to our business model

Increased focus on, and investment in our approach to responsible investing and related ESG matters during the year reinforces our business model and our brand. One of our values is to strive for continual improvement and innovation. During the year, in-depth research, with over 200 people across a wide range of groups, as part of our brand review, evidenced that 3i is seen as a highly responsible business and investor. It also highlighted the need for greater consistency and more effective communication with our portfolio on ESG issues.

The progress in each aspect of our business model in terms of responsible investing is shown below.

Core values and brand

Our core values underpin our brand and these are that in all our activities we will: be commercial and fair; respect the needs of our shareholders, investors, our people and the companies in which we invest; maintain our integrity and professionalism; and strive for continual improvement and innovation.

Secure access to capital from multiple sources

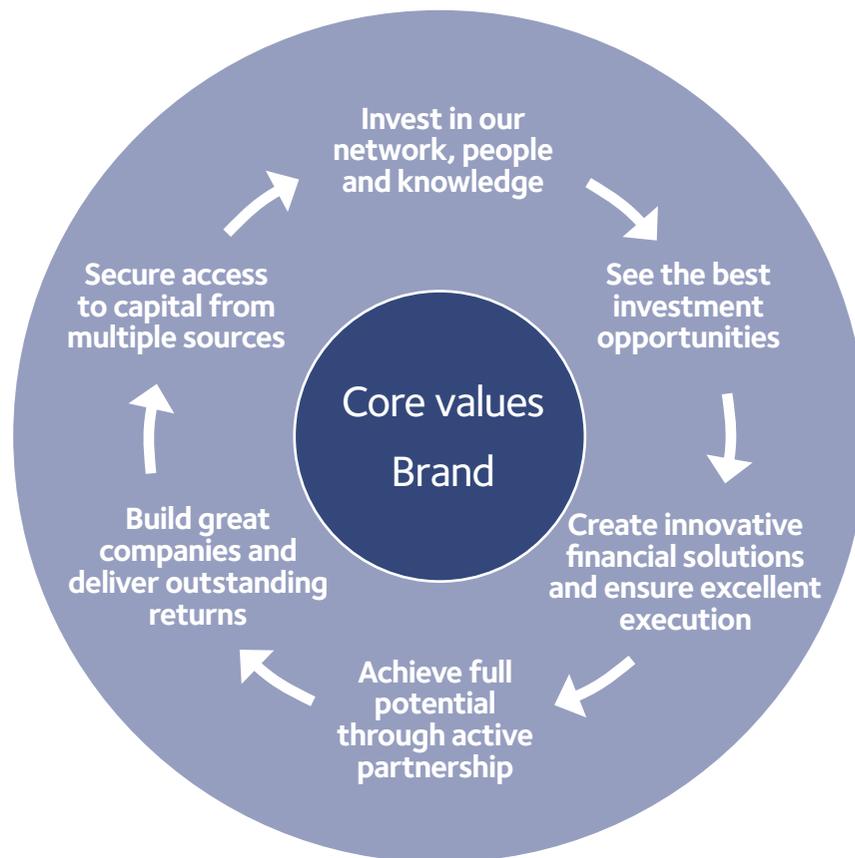
Our annual Corporate Governance event with shareholders, individual engagements with the investors in our funds, and our round table discussions with the wider investment community have provided useful input to developing our approach.

Invest in our network, people and knowledge

Further investment in our "One 3i" and Training Board initiatives continued our focus on the retention and engagement of highly qualified and appropriately competent employees. This is central to 3i being both a responsible company and investor.

See the best investment opportunities

We have invested time and resources in seeking earlier and greater visibility of material ESG matters in our investment processes.



Build great companies and deliver outstanding returns

We are developing a more explicit responsible investment approach for each stage of the investment lifecycle, and integrating a deeper analysis of the materiality and management of ESG matters in our portfolio company review process.

Achieve full potential through active partnership

Increased training and improved tools for our investment professionals on a range of ESG topics is being developed in order to create greater awareness and capability, as well as helping to identify opportunities for enhanced financial returns.

Create innovative financial solutions and ensure excellent execution

As part of our increased training and awareness on ESG issues, there is a focus on transparency and on good governance.

Achieving our strategy through being a responsible investor and business

To invest

We aim to ensure that all of our investment processes take ESG matters into account in a consistent, systematic and timely manner. Our belief is that in doing so, we will make higher quality investment decisions.

Key achievements

A strategic review of our responsible investment approach resulted in a decision to refresh our responsible investment policy. We are developing a more explicit approach to managing ESG impacts throughout the investment process and across our business, which we will roll out across the Group in the year to 31 March 2012. This will include new and refreshed tools and resources to support our teams in consistently identifying and managing ESG impacts throughout the investment process, as well as providing training to staff.

Our approach is being informed by internationally recognised standards.

A responsible investment webinar for 3i investment professionals re-emphasised and raised awareness of the business case for managing ESG risks and opportunities.

Key challenges

There are three key challenges in this area. The first is to achieve consistency across our business lines, sectors and geographies. The second relates to the ability to perform timely due diligence in a competitive environment. Finally, we need to gain access to sufficient information early in the investment process.

For more information, please go to 'How we invest', 'Adding value as an investor' and 'Accountability as an investor' in the CR section of our IR website.

To grow our business

We will continue to focus on protecting and growing the value of our portfolio through the effective management of ESG risks and the identification of value enhancing opportunities arising from ESG trends. Opportunities for our portfolio companies may include new products and services or markets, improvements to their supply chains, or simply improving operational effectiveness.

Key achievements

An independent review of our portfolio was commissioned to highlight ESG related opportunities to reduce risk and to enhance value. Guidance was also provided to 71 portfolio companies to assist them in their preparations for the implementation of the 2010 UK Bribery Act.

A sustainability workshop for 39 Chief Financial Officers of portfolio companies raised awareness on the business case for sustainability, and explored best practice in integrated ESG reporting and anti-bribery and anti-corruption programmes.

Portfolio company review processes were revised to integrate a deeper analysis of the materiality and management of ESG risks and opportunities.

Key challenges

Given the nature of our business, we have varying degrees of influence with the management teams of our portfolio on ESG matters. We also need to ensure that the tools and training provide the right resource and capability to assist our staff and portfolio companies in identifying and managing ESG issues and opportunities.

For more information, please go to 'How we invest' and 'Adding value as an investor' and 'Accountability as an investor' in the CR section of our IR website.

Build on our reputation

Our priority is to maintain and build on our reputation as a responsible investor, employer and partner, with a strong record of performance. Accountability and transparency are fundamental to gaining access to capital, as is a record of delivering value to those we work with, whether investors in our funds, or portfolio management teams.

Key achievements

We held 3i's Corporate Governance event for shareholders to disclose and generate feedback on our approach to being a responsible business and investor. Interviews were also conducted through our brand review with shareholders, investors in funds, thought leaders and portfolio companies on 3i's performance as a responsible business and investor.

Two round table discussions were hosted by 3i, in partnership with Business in the Community ("BitC"), on responsible investment in private equity with the wider investment community, to disclose and generate feedback on our approach.



External benchmarking

	2010	2009	2008
Dow Jones Sustainability Index (DJSI)	Score: 62%	Score: 61%	Score: 63%
Carbon Disclosure Project	Disclosure Score: 43%	CDLI: 51%	CDLI: 61%
Business in the Community (BitC) CR Index	Score: 81% Silver (2011)	Score: 80% Silver	Score: 78% Bronze

As a founder member of BitC over thirty years ago, 3i is proud to have maintained its ranking in the 2011 BitC CR Index. We have also maintained our ranking in the DJSI. However, our disclosure score from the Carbon Disclosure Project was lower this year, and we will be taking steps to understand where and how we can improve.

Key challenges

There are two key challenges in this area. The first is to ensure that 3i continues to be well regarded as a responsible business. The second relates to the need to respond to higher expectations and demands for information from a growing number of groups.

For more information, please go to 'Accountability' and 'Transparency' in the CR section of our IR website.

To maintain a 'One 3i' culture

Ensuring that 3i is an attractive place to work requires investment in staff, our internal communications and our brand. We believe that investing in these areas will foster a strong and unified culture. This is best illustrated by our "best team for the job" approach, which aims to harness the skills and knowledge of our teams from around the world.

Key achievements

We achieved high scores in our annual Employee engagement survey, including on pride in working for 3i and commitment to helping 3i achieve its objectives. We also received numerous constructive suggestions for improvement from our staff.

Our entire suite of training programmes has been refreshed and communicated to all staff.

As a responsible business, we have engaged our staff through a series of initiatives on a range of topics, including reducing our environmental footprint, through local initiatives to reduce waste. Our investment staff are also being given responsible investment objectives for the financial year to 31 March 2012.

	2010	2009	2008
Employee engagement	Score: 86%	Score: 83%	Score: 74%

Employee engagement is a composite measure.

The Board has recently formed a Brand and Values Committee, which is chaired by the Company's Chairman. It comprises non-executive Directors and senior management. The Committee will provide guidance, counsel and oversight on a range of matters pertaining to the Group's reputation, brand and values, and its approach as a responsible investor and a responsible business.

Challenges

The challenges in this area are to ensure that sufficient emphasis, investment and time are spent on training and development. We also need to constantly strive for consistency, given the diversity of 3i's operations and differing cultural norms.

For more information, please go to 'Adding value as a company' and 'Partnership as an investor' in the CR section of our IR website.

Our priorities for the year ahead

We recognise that we have more to do in this area, and have identified the following priorities for the year ahead:

- training and awareness programmes for all staff on anti-bribery and 3i values;
- ensuring that our revised investment procedures are finalised, communicated across 3i, and supported by appropriate training and resources;
- enhancing our monitoring and reporting to include meaningful KPIs with respect to ESG matters in our portfolio;
- using the results of our existing portfolio review on bribery and wider environmental, social and governance matters to engage with portfolio management teams and assist them in achieving improvements; and
- to develop the remit of the Brand and Values Committee and use that Committee to good effect.

For more information on the following topics, please go to 'Adding value as a company' in the CR section of our IR website.

- People
- Direct environmental impact
- Community

