3i Tax Approach

FOR ACCOUNTING YEAR ENDED 31 MARCH 2020

Introduction

3i Group plc ("the Company") is an investment company which has two complementary businesses, namely Private Equity and Infrastructure. Its core investment markets are in Northern Europe and North America. The Company and its subsidiaries together comprise the "Group."

The Company's subsidiaries manage or advise the Company on its own balance sheet investments, as well as managing or advising funds for third party investors. This document, which has been reviewed by the Company's Board, sets out the Group's policy and approach to conducting its tax affairs and dealing with tax risk.

3i Group plc is an approved investment trust company

The Company is a member of the FTSE 100 and 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 company is a UK investment company which is required to meet a number of conditions set out in the UK tax rules in order to obtain, and thereafter maintain, its approved status. These conditions include, among others:

a) undertaking portfolio investment activity that aims to spread investment risk; and
b) that the Company's shares must be listed on an approved exchange.

If the conditions are met, certain profits of the company (broadly, its capital profits) are exempt from tax in the UK. For this reason, approved investment trust companies are particularly suitable as investment vehicles, because their tax status means that investors' investment returns do not suffer double taxation, once at the level of the investment trust company itself and then again in the hands of the investors. In other words, investors in the Company do not pay more tax than they would have incurred if they had been able to invest directly in the Group's underlying portfolio of investments.

The approved investment trust tax rules have existed in the UK tax code since the 1970s and were designed to allow investment trust companies to perform a number of important economic functions including:

a) encouraging investments and savings by providing individual and institutional investors with access to a professionally managed and diversified portfolio and
b) to help facilitate economic growth by providing funding for the underlying businesses in which investment trust companies invest

Tax strategy

Our approach to taxation

The Group has offices in eight countries across Europe, North America and Asia, and its local entities pay taxes in these countries in respect of their local activities.

Where Group entities generate fee income from managing or advising on investments on behalf of the Group or third party funds, that fee income is taxable in the jurisdiction in which the managing or advising entity is based. The Group's principal investment management and advisory entity, 3i Investments plc, is based in the UK.

The Group's approach to taxation is built on the following principles:

- To act lawfully and with integrity, including complying with all statutory obligations and disclosure requirements
- To maintain open and constructive relationships with HMRC and tax authorities worldwide
- To maintain the Company's approved investment trust status in order to safeguard the long term growth and value of the Company
- To work with industry bodies worldwide to establish a fair tax system that sustains economic growth and enhances the reputation of the industry in which the Group operates.

If the Group becomes aware of errors in submissions or procedures then these will be disclosed to the relevant tax authority as soon as reasonably practical.

Attitude towards tax planning and level of acceptable risk

The Group recognises that it has a responsibility to meet its taxation obligations in each of the jurisdictions in which its entities operate.

The Group's in-house tax team aims to ensure that the business complies with the investment trust company rules, thus ensuring that the Company's shareholders do not suffer double taxation on its investment returns.

The Group's main returns are capital profits which, under the investment trust rules, are exempt from tax. The investment trust rules and the economic intention behind those rules underpin the Group's tax approach.

The Group's appetite for tax risk is considered as part of each business decision, so that risks taken are consistent with the principles set out above. The Group's in-house tax team have direct access to the Private Equity and Infrastructure business teams across all geographical locations and are in regular contact with these teams in the Group's UK and overseas offices.

Approach of the Group to risk management & governance arrangements

On behalf of the board, the Finance Director has primary responsibility for the Group's tax strategy, control and management of tax risk, assisted by the Group Tax Director and the Group's UK based, in-house tax team.

The Board's Audit and Compliance Committee receives an annual update from the Group Tax Director as well as ad-hoc updates on legislative and other changes that may impact the business. Every year the Group's tax approach and principles are reviewed by the Audit and Compliance Committee in the context of the Group's wider risk and control framework.

The Group's key tax risks and how the Group manages these includes:

Risk	Risk management
Tax compliance and reporting risks Risks associated with compliance failures such as submission of inaccurate or late returns, the failure to submit claims and elections on time or where finance or operational systems and processes are not sufficiently robust to support tax compliance and reporting requirements.	• Use of a tax compliance management tool to monitor tax returns and payments across jurisdictions that the Group entities operate in. • Majority of the Group entities' tax compliance process is outsourced to high quality external advisors. • In-house tax team, based in London but with close relationships to all the Group's offices, comprised of experienced and qualified tax specialists. • Internal Audit – 3 year review cycle of processes and more frequently when significant changes occur. • Group Tax Director and Finance Director review and approve Senior Accounting Officer (SAO) obligations alongside the Group's advisors. Annual update on SAO incorporates any material items or rule changes.
Transactional risks Poor or sub-optimal investment and business decisions as a result of inappropriate consideration of potential tax consequences or where advice taken is not correctly implemented or there is a subsequent rule change.	• Investment Committee, of which the Finance Director is a member, ensures that tax is one of the factors considered in investment and significant business decisions. • In-house tax team assisted by high quality external advisors, as required, are involved in investment and business decisions. .
Reputational risk Beyond financial risks to the wider impact tax risk may have on our relationships with our stakeholders, including shareholders, other portfolio companies, tax authorities and the general public.	• Regular meetings between the Finance Director and Group Tax Director. • Executive Committee periodically updated on relevant tax rule changes impacting the business.
Uncertainty across regimes and behaviours Changes in the UK, EU and US tax regimes and working practices with international tax regimes. Tax management across many jurisdictions can involve areas of uncertainty arising from tax practice to technical tax interpretation.	• In-house tax team monitors tax regulatory requirements with input from high quality external advisors.

Relationship with HMRC

The Group's in-house tax team seeks to have a transparent and constructive relationship with HMRC through regular catch up meetings and correspondence, at or in which it discusses developments in the core business, as well as past, current and prospective tax issues affecting the Group.

The Group's in-house tax team also manages relationships with overseas tax authorities. The Group aims to apply its tax policies consistently across jurisdictions where possible.

The Group considers that the publication of the above tax strategy complies with its duty under paragraph 16 (2) of Schedule 19 to the Finance Act 2016.

Approach to tax policy in the Group's portfolio investments

The Group's portfolio companies are held as investments and are not part of the Group. As such, the directors and management of each portfolio company are responsible for managing their own tax affairs in the countries in which they operate. The Group encourages its portfolio companies to comply with their respective statutory obligations.