



*The world is yours*

# Corporate Responsibility Report

for the year to 31 March 2004



# Our approach

## Philosophy

As an international business operating in 14 countries with around 750 employees worldwide, 3i aims to conduct its business in a socially responsible manner. It is committed to being a responsible member of the communities in which it operates and recognises the mutual benefits of engaging and building relationships with those communities. 3i believes that respect for human rights is central to good corporate citizenship. In everything 3i does, it aims to be commercial and fair, to maintain its integrity and professionalism and to respect the needs of shareholders, staff, suppliers, the local community and the businesses in which it invests.

3i endeavours to comply with the laws, regulations and rules applicable to its business and to conduct its business in accordance with established best practice in each of the countries in which it operates. Environmental, ethical and social responsibility issues and standards are also taken into consideration in every aspect of the business.

3i aims to be a responsible employer and has adopted corporate values and standards designed to help guide its employees in their conduct and business relationships. These values and standards are an integral part of 3i's culture.



## 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.

The Corporate Responsibility Committee (the "Committee"), comprising Tony Brierley, Company Secretary and Chairman of the Committee, Patrick Dunne, Group Communications Director, Charles Richardson, Manager of a UK portfolio management team, and Hans Middelthon, an investment executive in 3i's Oil and Gas team, considers and reviews environmental, ethical and social issues relevant to 3i's business and associated risks. It also monitors and reviews the operation of 3i's corporate responsibility policies and procedures.

Tony Brierley has specific responsibility for 3i's environmental policies, leading the development of new initiatives and targets and reporting to the Board. He is also a member of the Leadership Team of Business in the Environment.

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 new risks, monitor developing trends and best practice, and consider changes in 3i's business and culture. This risk matrix is reviewed and updated at each meeting of the Committee and significant risks are reported to 3i's Risk Committee. The Committee reports regularly to the Board.

All employees have a responsibility to be aware of, and abide by, 3i's environmental, ethical and social policies which are available to all staff through 3i's intranet. Employees are encouraged to make suggestions to improve processes and procedures.



# Environment

## The environment

As a financial services business employing around 750 employees worldwide, 3i's direct environmental impact is relatively low. 3i measures its own energy and resource usage where practicable and sets targets to achieve improvement. The principal benchmarks against which 3i measures its performance are for:

- CO<sub>2</sub> emissions; and
- recycling of paper and other materials.

3i also assesses the environmental standards of suppliers, through its procurement policy.



## In Kind Direct

During the year, 3i supported In Kind Direct, a UK charity which distributes manufacturers' surplus goods to other UK voluntary organisations. These include essentials such as toiletries and tools, office supplies and equipment, and household products and appliances, which might otherwise be disposed of in landfill sites. 3i was particularly pleased to support a charity which utilises surplus products in an environmentally efficient manner.



# As a corporate

## As an employer

3i's staff are fundamental to the success of its business. Accordingly, one of 3i's core values is to respect its staff and their needs.

Employees are organised in small teams and an environment 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. Periodically, internal communication surveys of employees are conducted for 3i by independent researchers.

3i has comprehensive behaviour policies to help ensure that employees treat their colleagues and others with courtesy and respect.

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.

## Health and safety

3i recognises 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. These policies and procedures are the responsibility of Michael Queen, the Finance Director.

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. 3i imposes rigorous standards on its staff and subcontractors and endeavours to ensure that the health, safety and welfare of its employees, visitors, customers, subcontractors' staff and the general public are not compromised.

3i's objective is not to have any reportable accidents or incidents. During the year to 31 March 2004, no reportable accidents or incidents occurred under UK Health and Safety regulations and no reportable accidents or incidents occurred under similar regulations outside the UK.

3i's health and safety procedures are independently reviewed annually. 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.

# As an investor

## Investment policy

3i has a portfolio of investments in over 1,800 businesses in Europe, Asia Pacific and the United States. As an investor, corporate governance is a priority and account is taken of environmental, ethical and social issues when making investment decisions. 3i believes it is important to invest in companies whose owners and managers act responsibly on environmental, ethical and social matters.

3i aims to invest in companies which:

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

3i recognises that the most significant risks to 3i's short-term and long-term value arising 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 might affect the monetary value of that investment and, as a shareholder in that company, raise reputational issues for 3i. Although 3i does not have operational control over the companies in which it invests, it does have the opportunity to influence the behaviour of these businesses and encourages the development and adoption of good corporate governance. This is achieved 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 has clear procedures to reduce the risks of 3i investing in businesses which operate in an environmentally, ethically or socially unacceptable manner. 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.

Where, after an investment has been made, 3i becomes aware that an investee company is not operating in an acceptable way, 3i will seek to use its influence to encourage improvement. Where that is not possible, 3i will seek to divest itself of the investment.



## Training and development

Encouraging the continuous development of staff is important to 3i and its business. During the year, a revised training and development programme was launched for 3i staff. This programme includes courses on communications and presentations, working within a management matrix environment, coaching and mentoring, and networking and management skills. In addition, investment staff are required to complete an investment training programme on joining 3i and all staff are encouraged to attend external courses on subjects relevant to their roles within 3i. During the year, in addition to these external courses, approximately 300 employees attended 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 refresher training on a rolling two year basis. All relevant executives have received anti-money laundering training and, during the year, 3i delivered a refresher training presentation to all relevant executives.

A programme of role-play-based workshops across the business and regular articles in 3i's staff magazine are being used to raise awareness of corporate responsibility issues, to stimulate debate and provide employee training. During the year, nine workshops, covering 336 employees, were held in the UK. Workshops will be held in continental Europe, Asia Pacific and the US in the coming year. Following feedback from these workshops, a fact sheet, explaining 3i's approach to corporate responsibility and providing further information for staff, is being circulated.

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.

# Charity and community

## 3i's charitable policy

3i's charitable policy aims to support:

- causes based in the communities in which 3i has offices;
- 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 2004, approximately 32% of 3i's charitable donations were matching GAYE donations;
- charities relevant to its corporate activity, for example, 3i supports businessdynamics, a charity which aims to help young people understand business.

Charitable donations made in the UK in the year to 31 March 2004 amounted to £253,419, supporting a variety of different charities with donations ranging up to £35,000.



## RAM

3i's support of the Royal Academy of Music, sponsoring student scholarships and the Symphonia Orchestra, dates back to 1991. Unlike other international music schools, the academy relies on voluntary funding for all student scholarships.

We were delighted to give the students the opportunity to perform at a gala concert in Paris celebrating 3i's 20 years in France.



## Making a difference

Staff across 3i engage in a range of community support projects. The two examples above are of team away days in Frankfurt and London. One involved a council house makeover in Frankfurt and the other, decorating part of the Lorrimore Drop-In Centre in London, a day centre which provides support to people with mental health needs.



## Young Vic

The Young Vic theatre in London runs a scheme to enable children, otherwise denied the opportunity, to enjoy and be inspired by theatre. 3i has become an active participant in this scheme by donating £10,000.

# How are we doing?

## Performance and measurement

To assist it in benchmarking 3i's corporate responsibility performance, the Committee has had informal discussions with other companies and specialists in this area. 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
- Business in the Community Corporate Responsibility ("BitC"), an 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 placed top in its industry group on a global basis, an improvement on last year. The DJSI researchers commented that "3i is clearly positioned among the best in the financial services industry" (source: SAM Research Inc). 3i aims to continue to be included within this Index and to maintain its position in the next DJSI assessment.

3i participated in the second annual BitC Corporate Responsibility Index. 3i was included in the BitC's "Top 100 Companies that Count". 3i's performance score increased from 46.33% in the 2002 Index to 85.45% in the 2003 Index. 3i aims to continue to be included within this Index and to maintain its performance.

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.

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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. This process includes 360 degree feedback for all employees.

All 3i's offices are the subject of health and safety audits to ensure high standards are adopted on a consistent basis worldwide.

## 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 of 3i's policies and procedures for managing risks from corporate responsibility issues.

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



"3i is clearly positioned among the best in the financial services industry."



"It is a real achievement to be one of the Companies that Count."