

The background of the entire page features a close-up, slightly overlapping arrangement of several clear plastic water bottles. The bottles have blue screw-on caps. Some caps are facing upwards, showing their ribbed interior, while others are facing downwards. The lighting creates highlights and shadows on the curved surfaces of the bottles.

3i Group plc

# Sustainability report 2020



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## A guide to using this report

This interactive PDF is designed to help you easily navigate the report and find the information you are looking for. For optimal experience, it is recommended that this document is viewed in Adobe Acrobat Reader. Interactive functionality may not work when viewed in a web browser or other PDF readers.

Click on the dynamic links to access further relevant information within the report or online, and use the tabs at the top of the page to navigate between sections.

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## About this report

This report aims to provide the information that is material and relevant for our stakeholders to form a view on how 3i Group plc ('3i' or 'the Group') is performing on environmental, social and governance ('ESG') matters. There have been no significant changes from previous reporting periods in the material topics we are reporting on and no comparative information has been restated. The report relates to the financial year to 31 March 2020.

We have chosen to report in accordance with the Global Reporting Initiative ('GRI') standards.

 [Global Reporting Initiative](#) page 56

Please note that this document is electronic only and is not printed.

## Where else can you find sustainability information?

This report should be read in conjunction with our Annual report and accounts 2020 and with the Sustainability policies on 3i's website.

 [www.3i.com](http://www.3i.com)  
[www.3i.com/sustainability](http://www.3i.com/sustainability)

# Introduction

## Our purpose

Our purpose is to generate attractive returns for our shareholders and other investors by investing in private equity and infrastructure assets.

As proprietary capital investors we have a long-term, responsible approach.

We create value through thoughtful origination, disciplined investment and active management of our assets, driving sustainable growth in our investee companies.

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# Our business at a glance

Founded in 1945, 3i is an investment company with complementary businesses, Private Equity and Infrastructure, specialising in core investment markets in northern Europe, the UK and North America.

Our Private Equity and Infrastructure businesses manage a mix of proprietary and third-party funds. We generate a capital return from our proprietary capital investments, as well as fee income from the funds we manage on behalf of third parties. Scandlines is an investment held to generate cash income with the potential for further capital returns.

3i listed on the London Stock Exchange in 1994 and has no controlling shareholders.



 Our business model is described in detail in our Annual report

## Proprietary capital



- £6.6bn ■ Private Equity
- £1.1bn ■ Infrastructure
- £0.4bn ■ Scandlines

## Assets under management



- £8.8bn ■ Private Equity
- £4.4bn ■ Infrastructure
- £0.4bn ■ Scandlines

## Employees

**240**

from 22 different nationalities

## Offices

**8**

## Office

Office	Number of employees
London (head office)	151
Amsterdam	14
Frankfurt	18
Luxembourg	6
New York	23
Paris	21
Mumbai <sup>1</sup>	5
Singapore <sup>1</sup>	2

Data as at 31 March 2020

<sup>1</sup> We no longer make new investments in Asia, and our Mumbai and Singapore offices are responsible for managing our legacy portfolio in that region. At 31 March 2020, only 7 of our employees were located outside of Europe and North America and only c.1% of our AUM was invested outside of those regions.

# Message from the Chief Executive



“

We invest with the objective of generating attractive returns through the cycle for our shareholders and other investors. We aim to achieve this objective sustainably by behaving responsibly as an investor, an employer and as an international corporate citizen.

”

**Simon Borrows**  
Chief Executive

3i has built a strong reputation and track record as an investor by investing responsibly, managing its business and portfolio sustainably and by carrying out its activities according to high standards of conduct and behaviour. This has allowed us to earn the trust of our shareholders, other investors and investee companies, and to recruit and develop employees who share our values and ambitions for the future. We have achieved this through a relentless focus on upholding the highest levels of governance, both at 3i itself and in our investee companies.

Maintaining a strong reputation requires us to adopt a transparent approach to corporate reporting, including on our progress on driving the sustainability agenda through our operations and portfolio. We are committed to communicating in a clear, open and comprehensive manner and to maintaining an open dialogue with stakeholders.

This report is important in ensuring that transparency. It should be read in conjunction with our 2020 Annual report, which also contains our TCFD disclosures.



Download our  
Annual report

## Our sustainability strategy is defined by three key priorities

### 1 Invest responsibly

We believe that a responsible approach to investment will add value to our portfolio. Our Responsible Investment policy is embedded within our investment and portfolio management processes. It informs our investment decisions and our behaviours as a responsible manager of our assets. We are rigorous in assessing and managing sustainability-related risks in our portfolio. Equally, we are keen to invest in opportunities arising from the development of solutions to global sustainability challenges and to contribute to making the world more sustainable. We make a limited number of investments each year, allowing us to be very selective in our approach to new investment.

### 2 Recruit and develop a diverse pool of talent

Our people are our main asset and recruiting, retaining and developing our talent is one of our most important priorities. We promote an open communication culture and provide an inclusive and supportive working environment with opportunities for training and career development. We value diversity and our employees are recruited, promoted and rewarded on the basis of merit, ability and performance. We are an equal opportunities employer and prohibit all forms of unlawful or unfair discrimination.

### 3 Act as a good corporate citizen

We strive to embed responsible business practices throughout our organisation. We do this by having robust policies and processes in place and by promoting the right culture among our staff. We expect our employees to act with integrity, to be accountable for their behaviour, and to approach their roles with ambition, rigour and energy. All employees are evaluated annually against our values as part of our formal appraisal process.

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→ A good corporate citizen page 35

## Message from the Chief Executive continued

### Our approach to COVID-19

As we publish this report, many countries around the world are battling the COVID-19 pandemic. The policy response to limit the spread of the virus and contain the resulting economic damage is affecting many lives. Throughout this outbreak we have focused on protecting the wellbeing of our own employees and those of our portfolio companies. We have also supported our portfolio companies to ensure that they remain able to operate and contribute positively to the communities in which they operate.

While our primary focus is to generate attractive returns through the cycle for our shareholders, delivering attractive returns is not, in itself, sufficient, and we strive to achieve that by managing our business and portfolio activities sustainably, with due regard to the interest of all stakeholders involved. 3i's approach to the pandemic has been driven by the following priorities:

#### Protect the wellbeing of our employees

Our focus has been on keeping our employees safe, motivated and able to fulfil their roles effectively. All 3i offices have been closed in accordance with local restrictions and our employees have been working from home. We have been able to achieve the transition to remote working seamlessly by activating existing business continuity plans. Where required,

employees have been provided with additional equipment to work effectively from home. All business meetings have been held virtually and international travel has been cancelled.

Maintaining staff engagement has gained new importance while working remotely, and senior managers and team leaders have made a particular effort to keep staff informed through regular updates and virtual meetings. In recognition of the potential mental health consequences of working remotely through a prolonged period of lockdown, we have engaged a specialist mental health and wellbeing consultancy to run a series of webinars and virtual workshops on how to deal with issues like sharing spaces at home, having limited opportunity to go outdoors, general anxiety, working at home with young children or while home schooling older children, worrying about elderly relatives and living and working alone. The usual bi-weekly fitness and nutrition consultations available to London-based employees have been streamed live via a video conferencing service.

#### Support our portfolio operationally and financially

Our investment teams have been engaging actively with our portfolio companies in order to manage a range of operational issues and problems that have arisen as a result of COVID-19, including making sure that portfolio company employees remain safe and healthy and that our

portfolio companies are able to comply with evolving regulations in this area in all the regions they operate in.

The other key area of focus has, of course, been the liquidity and financial health of our portfolio companies. Because of the prudent management of our own balance sheet, we have the resources necessary to support the portfolio financially in this crisis should the need arise. For example, in April 2020 we provided an equity injection of €23 million to support Hans Anders, a value-for-money optical retailer with shops across the Benelux and Germany, which has been impacted significantly by the closure of its stores as a result of the pandemic. Ensuring that our portfolio companies remain financially sustainable through the crisis is the right thing to do over the long term for all stakeholders involved, including portfolio company employees, those of their supply chains, the communities in which they operate, as well as our own shareholders.

#### Support the communities in which we and our portfolio operate

We have increased our charity budget by approximately 35% to respond to the additional demands on the charities that we support arising as a result of the pandemic. We focus our charitable activities principally on the disadvantaged, the elderly, on young people and on education and therefore most of the charities that we support have played a key role in protecting a range of different vulnerable groups

from the worst impacts of the pandemic and of living under lockdown. The increase in the charity budget has also been used to fund COVID-19 focused donations to local charities chosen by our overseas offices. In addition, we have encouraged our employees to volunteer their time with nationally-sponsored schemes or with local charities to provide assistance to vulnerable groups throughout this difficult period.

Finally, we have set up a £5 million charitable fund to help alleviate the impact of COVID-19 by supporting charities and communities affected by the pandemic. Through this fund, we will focus our support on organisations helping the most vulnerable in those countries in which we and our portfolio companies operate.

We are proud of the hard work, ingenuity and community spirit displayed by our employees and those of our portfolio companies throughout this crisis. For 3i and many other businesses, the next 12 to 24 months will be among the most challenging periods historically in which to operate. Despite the difficulties we are likely to encounter, we do not intend to change our approach and will continue to conduct our business in accordance with our purpose and values, with a focus on the interests of the broader group of stakeholders that we serve.

#### Simon Borrows

Chief Executive  
May 2020

# Responsibilities and accountabilities

The Board of Directors as a whole is responsible for sustainability. It has adopted and promotes corporate values and Group standards which set out the behaviour expected of all employees in their dealings with shareholders, other investors, existing and potential portfolio companies, colleagues, suppliers and others who engage with 3i.

The Executive Directors and business and functional leaders (together, the 'Executive Committee') are responsible for ensuring compliance with 3i's corporate values and standards. Our values and corporate culture promote accountability and, together with our compliance, behaviour and environmental, ethical and social policies and procedures, they are designed to ensure consistent standards of conduct.

All employees are required to be aware of, and abide by, 3i's policies and procedures. These are available to all staff through the intranet portal and reinforced through regular training. Employees are encouraged to make suggestions to improve them.

## Our values



# Governance framework

The Board of Directors and its Committees review our approach to sustainability, corporate responsibility and related policies and address specific issues if they arise.

Day-to-day accountability for sustainability rests with executive management and, in particular, the Chief Executive. The Chief Executive has also established a number of committees to support him in overseeing and monitoring policies and procedures and to address issues if they arise.

Our governance framework is outlined opposite and more information is provided in our Annual report.



Board of Directors		Chief Executive	
Ownership and oversight of sustainability approach and policies		Day-to-day accountability for sustainability	
Principal Board Committees		Chief Executive Committees	
<b>Audit and Compliance Committee</b> Met six times in the year	<ul style="list-style-type: none"> <li>Financial reporting, risk and internal controls</li> <li>Oversees the assessment and management of ESG issues and risks, including those related to environmental legislation and regulation, climate change, governance and compliance and reputation, delegating day-to-day responsibility to the Chief Executive</li> <li>Oversees the approach to tax policy and strategy</li> </ul>	<b>Executive Committee</b> <i>Meets monthly</i> Assists the Chief Executive in managing the business	Sustainability responsibilities include: <ul style="list-style-type: none"> <li>Assisting the Chief Executive in setting the Group's strategy, including its sustainability aspects</li> <li>Human rights and employment legislation</li> <li>Employee incentives and remuneration</li> </ul>
<b>Remuneration Committee</b> Met seven times in the year	<ul style="list-style-type: none"> <li>Director and senior management remuneration and Group remuneration structure</li> <li>Oversees the implementation of fair remuneration for employees</li> </ul>	<b>Investment Committee</b> <i>Meets frequently as required</i> Acquisition, management and disposal of investments	Sustainability responsibilities include: <ul style="list-style-type: none"> <li>Implementation of the Responsible Investment policy</li> <li>Assessment and management of ESG risks and opportunities in the portfolio, including the management of risks resulting from COVID-19</li> <li>Due diligence of ESG risks and opportunities in the investment process</li> <li>Compliance with applicable ESG regulation in the portfolio (eg Modern Slavery Act, environmental regulations)</li> </ul>
<b>Nominations Committee</b> Met two times in the year	<ul style="list-style-type: none"> <li>Diversity and composition of the Board</li> </ul>	<b>Risk Committee</b> <i>Meets four times per year</i> Oversees the Group's risk management framework	Sustainability responsibilities include: <ul style="list-style-type: none"> <li>Oversight of the Responsible Investment policy</li> <li>Oversight of relevant environmental legislation and regulation</li> <li>Assessment of ESG risks for the Group and the portfolio</li> <li>Assessment of regulatory and compliance risks, including financial crime and bribery</li> <li>Assessment of operational risks, including cyber security and people risks and recently COVID-19</li> <li>Review of incident management, business continuity and disaster recovery plans</li> </ul>
<b>Valuations Committee</b> Met four times in the year	<ul style="list-style-type: none"> <li>Valuation policy</li> <li>Valuation of the investment portfolio</li> <li>Responsibilities includes the consideration of the valuation impact of sustainability-related matters</li> </ul>		

# External benchmarking

We believe that it is important to evidence our commitment to operating sustainably and to show how we are performing. Accordingly, we provide a wealth of relevant information to shareholders and other interested stakeholders.

## Sustainability indices

We have been a member of the Dow Jones Sustainability Europe Index and of the FTSE4Good Index Series since 2002 and 2011 respectively. In addition, 3i became a member of the Ethibel Sustainability Index ('ESI') Excellence Europe in September 2016 and was reconfirmed as a constituent of that index in May 2020.

🌐 [www.sustainability-indices.com](http://www.sustainability-indices.com)  
[www.ftse.com/products/indices/FTSE4Good](http://www.ftse.com/products/indices/FTSE4Good)  
[www.forumethibel.org](http://www.forumethibel.org)



## Tortoise Responsibility Index

The Responsibility100 Index is a ranking of the FTSE 100 companies on their commitment to key social, environmental and ethical objectives, inspired by the UN Sustainable Development Goals.

3i ranked 32nd in the March 2020 release of the Responsibility100 Index.

🌐 [www.tortoisemedia.com/intelligence/responsibility/](http://www.tortoisemedia.com/intelligence/responsibility/)

## CDP

CDP (formerly Carbon Disclosure Project) is an international, not-for-profit organisation providing a framework which enables businesses to disclose their greenhouse gas emissions and other metrics voluntarily. 3i has been making annual submissions to CDP since 2006.

3i's score in the 2019 CDP assessment was B.

🌐 [www.cdp.net](http://www.cdp.net)



## UN Principles of Responsible Investment

Since 2011, we have been signatories to the UN Principles for Responsible Investment. For more than a decade, we have been investing under a clear and comprehensive Responsible Investment policy which is embedded into our investment and portfolio monitoring processes.

🌐 [www.unpri.org](http://www.unpri.org)

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# A responsible investor

With fewer than 250 employees globally, 3i has a relatively small direct impact in terms of the environment and other sustainability issues. However, with assets under management of £13.6 billion, we have the influence and opportunity to have a greater positive impact through the decisions we make within our portfolio.

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# Our approach to responsible investment

We believe that a responsible approach to investment is a material lever for value creation in our portfolio.

In particular, we believe that:

- the effective assessment of ESG risks and opportunities has a positive effect on the value of our investee companies and of 3i Group itself;
- compliance with local laws and regulations may not be enough to meet global expectations, deliver value and enhance our reputation and licence to operate; and
- it is vital that we seek to identify all material ESG risks and opportunities through our due diligence at the point we invest and manage those risks and opportunities effectively during the period of 3i's investment.

We are uniquely well positioned to make a difference as a responsible investor:

- for more than a decade we have carried out our investment activities under our rigorous Responsible Investment policy, which is embedded in our investment and portfolio management processes. It informs our investment decisions and our behaviours as a responsible manager of our assets. We have also been signatories to the UN Principles of Responsible Investment since 2011;
- we have a medium to long-term investment horizon, typically buying majority or significant minority stakes in our portfolio companies and, since 2012, always being represented on their boards. We are therefore well placed to drive sustainable growth in our portfolio. This involves the continuous assessment, monitoring and management of ESG risks, as well as targeted investment through new or existing portfolio companies in opportunities arising from developments such as climate change regulation, changes to consumer preferences in response to environmental issues and the development of business solutions to global sustainability challenges; and
- we make a limited number of new investments each year, allowing us to be very selective in our approach to investment and to screen out companies that have an unsustainable impact on the environment and societies in which they operate.

We are committed to evolving our approach to responsible investment continuously, and have an interdisciplinary sustainability project team devoted to that task. In FY2020, this team presented to the Board on a number of initiatives we are undertaking to improve our consideration of sustainability risks and opportunities within our investment and asset management processes.

We have also intensified the training and development of all staff on sustainability issues. In particular, during the year we organised training sessions on:

- **green/sustainable finance:** representatives of Rabobank hosted a webinar for our investment teams on developments in the integration of climate-related risks in their lending activities and shared their thinking on how they set and monitor ESG-related KPIs;
- **GHG emissions measurement and reporting for our portfolio companies:** representatives of Carbon Intelligence, our sustainability partner, hosted a webinar for all staff on the strategic importance of GHG footprinting and educated our teams on the practical steps to improve the measurement and reporting of relevant data in our portfolio companies; and

- **the climate crisis:** representatives of Deloitte led a seminar focused on the environmental and societal implications from the increase in global temperatures, on how the world is responding to this challenge, the evolution of stakeholder expectations and the impact on the role of an investor.

In addition, the development of our portfolio sustainability strategy is an important agenda item for our Private Equity and Infrastructure annual staff conferences.

# Our Responsible Investment policy

We have a clear and comprehensive Responsible Investment ('RI') policy which is embedded into our investment and portfolio monitoring processes. In our experience, companies with high ESG standards are typically better run, better at identifying and managing their business risks and opportunities for growth and generate better earnings growth.

This policy sets out the businesses in which 3i will not invest, as well as minimum standards in relation to ESG matters which we expect new portfolio companies to meet, or to commit to meeting over a reasonable time period.

The policy applies to all our investments, irrespective of their country or sector.

Our RI policy has been integrated into our investment and portfolio management processes and procedures and is supported by detailed guidance notes, external advisers and dedicated internal resource.

3i commits to use its influence as an investor to promote a commitment in its investee companies to:

- comply, as a minimum, with applicable local and international laws and regulations and, where appropriate, relevant international standards (such as the IFC Performance Standards and the ILO Fundamental Conventions), where these are more stringent than applicable laws;
- mitigate any adverse environmental and social impacts and enhance positive effects on the environment, workers and relevant stakeholders; and
- uphold high standards of business integrity and good corporate governance.

## Objectives of our RI policy

3i's objectives as set out in the RI policy are to invest only in businesses which are committed to:

### The environment

A cautious and responsible approach to the environmental management of their business operations by making efficient use of natural resources and mitigating environmental risks and damage.

### Fair and safe working conditions

Respecting the human rights of their workers; maintaining safe and healthy working conditions for their employees, contractors and suppliers; treating their employees fairly; upholding the right to freedom of association and collective bargaining; and respecting the health, safety and wellbeing of those affected by their business activities.

### Business integrity

Upholding high standards of business integrity, avoiding corruption in all its forms, and compliance with applicable anti-bribery, anti-fraud and anti-money laundering laws and regulations.

### Good governance

Establishing clearly defined responsibilities, procedures and controls with appropriate checks and balances in company management structures.

# Our RI policy and the Sustainable Development Goals

Our RI policy pre-dates the publication of the United Nation's Sustainable Development Goals ('SDGs') and was therefore not designed to align with that framework. In practice, however, we believe our approach aligns with the achievement of the goals through:

## Systematic screening

The systematic pre-investment screening of opportunities, which ensures that we only invest in companies that commit to adopting a responsible approach to the environment, to respecting the rights of their workers and to engaging fairly with all stakeholders.

## Investment in growth

Our emphasis on generating returns by driving long-term, sustainable growth in our portfolio companies, creating value through investment in innovation, international expansion and buy-and-build acquisitions, while considering the interests of all stakeholders.

## Strong governance

Our engaged management of portfolio companies through active participation on their boards and in strategy-setting, supported by our influence as majority or significant minority shareholders, combined with our emphasis on upholding the highest levels of governance at 3i itself and in the companies that we invest in.

# Governance framework and implementation of the RI policy

The Board of Directors is responsible for the RI policy, for ensuring it is implemented across the organisation and for the review and approval of any material changes.

The Investment Committee is responsible for the implementation of the RI policy, and for ensuring that it is executed in a meaningful way by 3i's investment teams in all investment and portfolio management processes.

The management of ESG risks and opportunities is key to driving value from our investments. We therefore have robust processes in place to ensure that these are adequately assessed and acted upon.

## Investment screening

All new investment opportunities that reach an advanced stage in 3i's investment process are subject to a high-level review of their ESG risk profiles and potential ESG opportunities prior to commissioning comprehensive due diligence. For Private Equity investment opportunities, this review is carried out by an external specialist firm. For Infrastructure investment opportunities, the investment team will be responsible for the assessment early in the process and will consider appointing a specialist if required for further due diligence.

In both cases, the exercise will typically result in recommendations as to which issues should be subject to more comprehensive, 'deep-dive' due diligence pre-investment and which should be progressed post-investment. Our main contribution is in the area of governance where we aim to ensure that the potential investee company's management team contains the talent, knowledge and experience necessary to manage the particular risks facing that company, including the relevant ESG risks.

The key findings from the high-level review are summarised in the body of the investment paper along with the results of any 'deep-dive' due diligence. The material due diligence issues (including ESG risks and opportunities) are considered by the Investment Committee, which may raise questions with the investment team and/or require further work to be done as part of its overall investment decision.

## Ongoing portfolio monitoring

Every six months, our investment teams carry out detailed reviews of each of their portfolio companies. These reviews are typically attended by members of the Investment Committee, which includes the Group Finance Director and Group Strategy Director and is chaired by the Chief Executive, as well as by senior members of the investment teams and some Directors. The reviews in March of each year include a detailed ESG assessment which seeks to track progress in relation to existing, identified ESG risks as well as identifying potentially new and emerging risks and opportunities. This assessment was significantly enhanced last year as part of our broader portfolio sustainability project.

Any material ESG issues are discussed at the six-monthly review meeting and relevant action points are minuted, followed up by the investment teams and reviewed at the following six-monthly meeting.

In addition to the company specific actions identified we use the data collected through this assessment to:

- identify key trends and opportunities across the portfolio on which to build;
- enhance our decision making process for new investments; and
- provide a positive feedback loop to further develop and enhance our management of future ESG risks.

## Risk management

The 3i Board has delegated day-to-day responsibility for risk management to the Chief Executive who is assisted by the Group Risk Committee ('GRC') which includes the heads of 3i's Private Equity and Infrastructure businesses. The GRC maintains the Group's risk review, which identifies the principal risks and new and emerging risks facing 3i as well as the associated mitigating actions and key risk indicators. The risk review is updated quarterly.

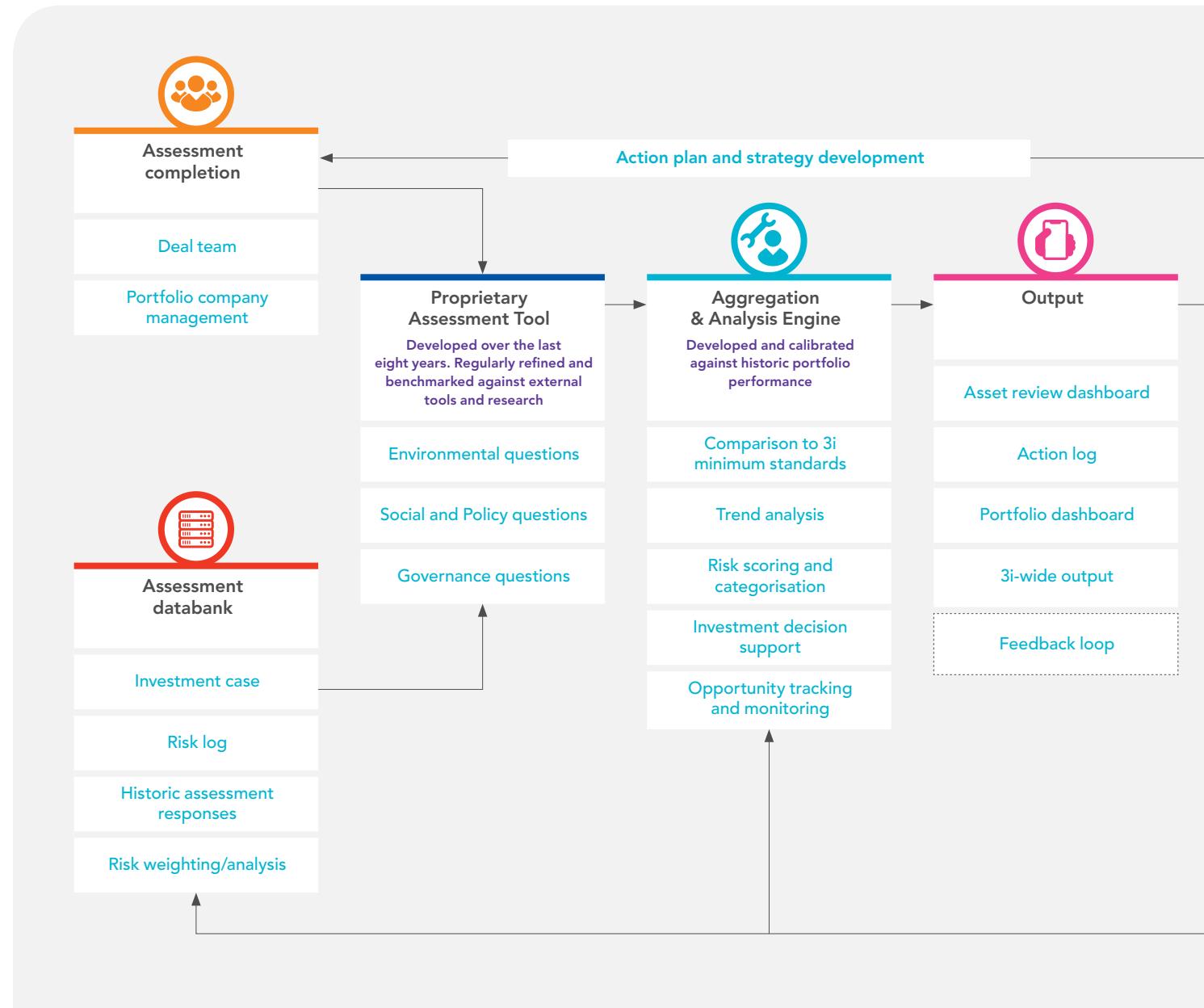
Following the six-monthly portfolio review, detailed reports are prepared by the Private Equity and Infrastructure businesses and the managers of Scandlines, which summarise the short, medium and long-term ESG risk profiles and trends across their respective portfolios as well as detailed summaries of the specific ESG risks and opportunities relevant to each material portfolio company and any material ESG incidents in the period. The reports are presented to the GRC by the Private Equity and Infrastructure businesses and the managers of Scandlines and an overview of the findings is presented to the Board.

# Our ESG assessment tool

Developed over a number of years, and subject to annual review and refinement, our proprietary ESG assessment tool provides a framework for our investment teams to consider the inherent ESG risks and opportunities in each new investment under assessment and to develop detailed, company specific, remediation and value creation plans. Following the completion of an investment, the ESG assessment is revisited every six months for each of our portfolio companies as part of our regular monitoring.

Last year, the assessment tool was expanded and its scope updated to look more deeply at the policies, procedures and targets that our portfolio operates with. As a result of this more granular review we have identified a number of themes across the portfolio which will allow us better to manage the various sub categories of ESG risks. We have also focused our investment teams on a number of new value creation opportunities which can be explored. Among these is the development of a circular economy for plastic materials, which led us to organise a Plastics Roundtable in June 2019 which brought together a number of a portfolio companies active at different stages of the plastics lifecycle and representatives of leading fast-moving consumer goods companies.

In March 2020 this assessment also included a detailed survey of the activities undertaken by each portfolio company to measure its environmental impact (eg GHG emissions, waste production), with a view to putting in place consistent protocols and procedures across the portfolio to improve the accuracy and comparability of the data that we receive.



# Opportunities from sustainability-related challenges

Our ambition is to make a limited number of new Private Equity and Infrastructure investments each year, selected within our target sectors and geographies on the basis of their compatibility with our return objectives. We do not manage thematic ESG funds and we have no plans to do so, but we have long believed that good ESG performance is an integral part of good investment performance.

We believe that investing responsibly and screening potential and existing investments for ESG indicators can help us to manage risks, but importantly also to bring about opportunities for new or further investment in our portfolio. We invest in businesses that benefit from sustainable growth trends, and many of our businesses already make significant contributions towards finding solutions to sustainability-related challenges, or making a positive impact on the themes highlighted by the UN SDGs.

## Private Equity

We have been developing an expertise in outsourced medical device manufacturing, completing two investments in this sector over the past six years: in Q Holding and Cirtec Medical. Technological developments are opening up increasing opportunities to treat life threatening illnesses or chronic conditions with interventional or implantable medical devices. The use of such devices results in better patient outcomes than traditional drug therapies or invasive surgeries, resulting in fewer side effects and shorter recovery times. The development and use of such devices is therefore increasingly important in the context of a global ageing population and the growing prevalence of chronic diseases driven by poor lifestyle choices and diets, and by deprivation. We have continued to support both Cirtec and Q Holding through a number of bolt-on acquisitions.

We have been investing in a number of businesses connected to the drive towards decarbonisation in the automotive industry. One such investment was in ATESTEO (invested in 2013 and realised in 2017), a market leader in independent automotive drivetrain testing services. ATTESTEO developed the first endurance test of a complete hybrid drivetrain in 2008. During our period of ownership, we supported investments that led to a more than five-fold increase in the share of e-mobility as a percentage of ATTESTEO's total testing business, which reached c.25% at the time of exit.

## Infrastructure

Our Infrastructure business is heavily exposed to opportunities arising from climate change. We previously profiled the investments made through a number of our Infrastructure investment vehicles in Offshore Transmission Owners, which own critical infrastructure connecting offshore wind farms to the onshore grid in the UK, and are therefore key to the roll-out of offshore wind power generation.

Renewable power generation remains one of the areas of focus for our Infrastructure business, as most countries across the world try to increase the proportion of renewables in their electricity generation mix. In FY2017, 3i Infrastructure plc ('3iN'), an infrastructure investment company managed by 3i, made two investments in this sector: in Infinis, the leading generator of electricity from landfill gas in the UK, and in Valorem, a leading independent renewable energy development and operating company in France. In FY2018, 3iN funded Infinis' acquisition of Alkane Energy, an independent power generator from both coal mine methane and reserve power operations and the largest generator from coal mine methane in the UK.



→ Our Plastics Roundtable is profiled on pages 18 and 19 of this report



→ Our investment in Havex is profiled on pages 20 and 21 of this report



→ 3iN's investment in ESVAGT is profiled on page 22 of this report

## Opportunities from sustainability-related challenges continued

In FY2019 3iN also invested in Attero, a Dutch company which owns two energy from waste plants, two sorting and pre-treatment facilities, six anaerobic digestion facilities, seven composting facilities and 10 landfill sites. As an important player in the recycling of plastics in Europe, Attero can also make a significant contribution to the development to a circular economy for plastics.

The installed capacity across these three businesses is now 993MW. This is set to grow as we have a long pipeline of new potential generating capacity for future development.

Increasing the importance of renewable power generation within the overall power generation mix requires the development of broader, supporting infrastructure. ESVAGT, a company in which 3iN invested in 2015, is a leading provider of emergency rescue and response vessels and related services to the offshore energy industry in and around the North Sea and the Barents Sea and the market leader in the fast growing segment of service operation vessels for the offshore wind industry. The further development of services for the offshore wind industry is a key plank of our investment case for ESVAGT and this segment is forecast to contribute c.55% of ESVAGT's 2020 proforma EBITDA compared to c.16% at the time of acquisition in 2015. The investment in ESVAGT is profiled on page 22.

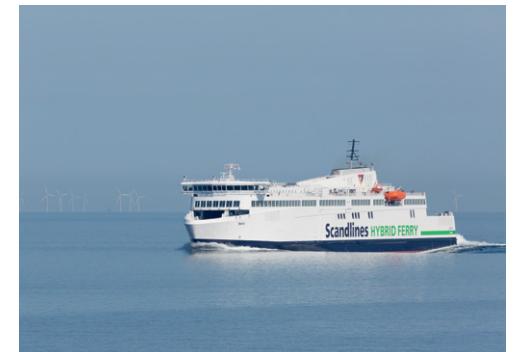
The development of more sustainable cities and communities is also an area we have been researching. In May 2019, 3iN completed an investment in Joulz, a Dutch company which, among other services, also designs, installs, leases and maintains medium voltage electricity infrastructure and charging infrastructure for electric vehicles. This is a growing business for Joulz, which 3iN is supporting, notably through the acquisition, announced in April 2020, of GreenFlux's electric vehicle charging station business, with over 3,000 charging points across the Netherlands.

### Scandlines

In our 2016 Sustainability report we profiled the investments made by Scandlines, a ferry operator in the Baltic sea and one of our largest portfolio companies, in a cleaner fleet of vessels, and in particular in hybrid propulsion and sulphur emissions reduction technology. 3i, as a significant shareholder in Scandlines, encouraged these investments, and six out of Scandlines' eight ferries have hybrid propulsion technology and all are equipped with state-of-the art scrubbers to reduce particulates emissions. Scandlines continued to invest in its fleet in 2019, as it installed new thrusters on one of the ferries operating its Puttgarden-Rødbøy route and prepared the fitting of a custom-made, 30-metre high rotor sail on another of its ferries, to harness wind power and provide supplementary propulsion while reducing CO<sub>2</sub> emissions. 3i is supportive of these investments and of Scandlines' ambition to make its Puttgarden-Rødbøy route a zero-emissions crossing in the foreseeable future.



 Our responsible investment case studies are available on our website



# Portfolio Plastics Roundtable

In June 2019 3i held a Plastics Roundtable, bringing a number of portfolio companies together to discuss the challenges involved in the design, use and recycling of plastic packaging and any opportunities arising from the development of potential solutions to the issue of plastic waste. Representatives of WP, Havea Group, Royal Sanders, Action, Attero, and HERAmpiente attended the event as well as experts from two major fast-moving consumer goods companies. All of these companies operate at different stages of the plastics lifecycle and contribute significantly towards the development of a sustainable circular economy.



## The challenge

Plastic materials have developed a negative reputation due to very low recycling rates and their leakage in the environment. Unfortunately, alternatives to plastics are not always sustainable. Ensuring the responsible use of this important material therefore requires a coordinated response from everyone involved in the lifecycle of plastics, increasing the number of products made from recycled materials or, where this is not feasible, designing products that can be processed efficiently to maximise material recovery through waste management and recycling.

If managed correctly plastics compare favourably from a sustainability perspective with other available alternatives like glass, metal and paper, which can have extensive production processes that incur higher greenhouse gas emissions rates.

Governments throughout the world are developing strategies to tackle the environmental impact of plastic materials and have taken steps to promote a circular economy and reduction of single-use plastic packaging as well as committing to recycling targets. For instance, the EU proposed a recycling target of 55% for plastics by 2030, the achievement of which will require the development of a strong circular economy throughout Europe.

Private label and contract manufacturing producer of personal care products



Waste treatment and processing facilities



Manufacturer of natural healthcare and cosmetics products



Supplier of plastic packaging solutions



General merchandise discount retailer



Waste treatment and disposal



## Portfolio Plastics Roundtable continued

### The opportunity

The plastics circular economy model encourages the manufacture of re-usable plastics materials and increased recycling efforts.

Our Plastics Roundtable gave our portfolio companies a forum to discuss their circular economy strategy and to share valuable ideas for innovative solutions to this challenge. We will ensure that this knowledge sharing continues over time, as our portfolio companies continue to innovate in this field, creating synergies over time.

The findings of this roundtable were also discussed at our annual portfolio company Chairmen and CEO forum to raise awareness and ambition across the portfolio.

#### Product manufacturers

Manufacturers are expected to

- Increase their use of recycled and sustainable packaging
- Redesign products to increase the life of packaging (eg refill models)

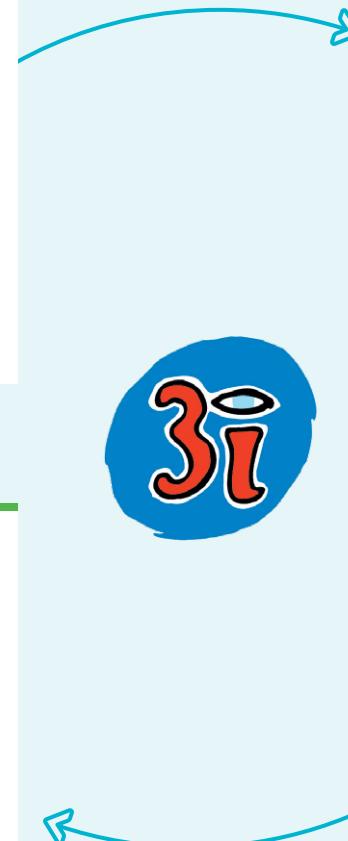
Havea and Royal Sanders are working with packaging manufacturers to develop products in refillable packaging and increase the use of recycled materials.



#### Packaging manufacturer

Investment in new packaging designs and technologies is an essential part of the change. There is an increased focus on producing recyclable plastic packaging.

WP is investing in R&D to increase its use of recycled materials in the packaging it produces for its customers and to design good quality recyclable and re-usable materials.



#### Retailer

Retailers need to consider the sustainability of product and transit packaging.

The use of recyclable materials becomes increasingly important, as well as a reduction in single-use plastic.

Action has implemented a responsible packaging policy, recycles its transit packaging and has banned the sale of single-use plastic products in its shops.



#### Waste management and recycling

The sustainable circular economy will bring increased demand for waste management and recycling technologies and capacity.

Attero and HERAmpiente, our waste management portfolio companies, are developing more efficient ways of sorting plastic waste from other waste and more innovative recycling solutions.



# Private Equity case study – Havea

Headquartered in France, Havea is a leader in the natural consumer healthcare industry in Europe. It manufactures, designs and distributes a wide range of products from functional and natural food supplements, to natural personal care products for babies and women in its world-class plant in France.

Its key brands include Aragan, Vitarmonyl, Dermovitamina, Biolane and Naturé-Moi.

There is a growing global consumer trend towards natural healthcare and personal care products. This is driven by multiple factors, including:

- an increasing awareness of the issues posed by the use of certain synthetic chemicals in some products;
- a desire for accountability and transparency in ingredients, packaging and sourcing;
- a rising incidence of allergies; and
- an ageing population and the promotion of healthy lifestyles and nutrition by health authorities.

As consumers become more informed and aware, they increase their consumption of natural and organic products that contain fewer potentially harmful ingredients and are more sustainable, in terms of sourcing, manufacture and packaging.

3i's consumer and healthcare teams have devoted significant time to understanding the drivers of this important shift in consumer preferences and are supporting its development through our 2017 investment in Havea.

## A supportive shareholder

3i has supported Havea's development since it first invested, notably through a number of bolt-on acquisitions, which have increased the business's critical mass and its ability to develop and market more sustainable products.



2017 France

Designer and distributor of premium pharmaceutical food supplements



2018 France

Natural food supplement laboratory specialising in ophthalmic solutions



2019 Italy

Develops and commercialises medicated skincare and natural food supplements

## Private Equity case study – Havea continued

### Sustainability is at the core of Havea's business

#### Safe products

Havea has best-in-class in-house R&D capabilities, working on all aspects of product development.

The business operates in a highly regulated environment with strict health, safety, health and quality standards under the European Food and Safety Agency ('EFSA'), which checks all products and validates their health claims.

#### Sustainable, ethically sourced ingredients

Havea recently implemented a raw materials sourcing policy, to ensure that all ingredients are ethically sourced from sustainable sources, where possible from France (to reduce its carbon footprint).

In compliance with EFSA guidelines, the business uses organic ingredients in most of its formulations (eg 95-100% of ingredients for Biolane and Naturé-Moi).

All controversial ingredients (eg paraben, alcohol, titanium dioxide) are banned from its products.

#### Sustainable packaging

Havea is progressively replacing existing packaging with sustainable packaging made from bioplastic, cardboard and other recycled materials, and using vegetable-based ink. It is also introducing eco-refills for its shower gels.

All of the packaging for Biolane, Naturé-Moi and Vitavea products is recyclable and includes guidelines for recycling.

#### State-of-the-art production facilities in France

A significant part of Havea's products is manufactured in France in state-of-the-art facilities, with a strong focus on employee engagement and wellbeing.

#### Reducing environmental footprint

Havea is on a journey to reduce the environmental footprint of its operations through:

- energy-efficiency upgrades to its headquarters and production facilities (using 100% of renewable energy and recycled paper);
- the reformulation of certain products to reduce their overall environmental impact and introduction of biodegradable personal care products (eg wipes); and
- increased waste management and recycling.



# Infrastructure case study – ESVAGT

3i Infrastructure plc ('3iN'), an investment company for which 3i acts as Investment Manager, invested in ESVAGT in 2015.

**ESVAGT is a leading provider of emergency rescue and response vessels ('ERRVs') and related services to the offshore energy industry in the North and Barents Seas and the market leader in the fast growing segment of service operation vessels ('SOVs') for the offshore wind industry.**

ESVAGT is an innovative operator in the offshore wind sector, with its highly specialised vessels providing maintenance support to this fast growing segment. ESVAGT's SOVs provide full time accommodation to wind farm engineers, allowing safe and efficient conduct of continuous maintenance programmes which maximise electricity generation from turbines, improving overall uptime, and ensuring operational robustness of the wind farms for the long term. This is increasingly important for the offshore wind industry as operators are focused on their ability to lower the total cost of energy produced in order to reduce dependency on Government support schemes.

**SOV and ERRV share of earnings over time %**



## The offshore wind opportunity

During 3iN's ownership, we have supported the company on its journey to become the market leader in the offshore wind segment with approximately a 40% market share today.

The offshore wind segment is forecast to contribute almost 55% of ESVAGT's 2020 proforma earnings compared to around 16% at the time of acquisition in 2015. ESVAGT is well positioned to benefit from the continued rapid growth in offshore wind development in the North Sea, where almost 30 new wind farms are forecast to come online in the next five years.

## ESVAGT is investing in becoming a low emission operator

Transitioning to a low to zero-emission world requires engagement from everyone involved in the energy sector. ESVAGT started its accelerated journey towards becoming a low emission operator when we acquired the business in 2015. The management team has also set challenging targets for its future operations, aiming to be carbon neutral by 2035 and emissions-free by 2050. ESVAGT has a number of initiatives to reduce its impact on the environment and to support local communities.

For example:

- the business has started to offset its emissions by encouraging employee engagement around sustainability through large scale tree-planting projects and recycling incentives where the proceeds from waste disposal will fund projects in local communities;
- ESVAGT is developing battery and hybrid technologies, including using low emission bio fuels, for its vessels that will not only be better for the environment but also reduce the overall cost for the company; and
- ESVAGT, Siemens Gamesa and Ørsted are together developing a drone-based solution for the delivery of spare parts and tools from a vessel to an offshore wind turbine. This will reduce fuel consumption and improve the overall operation offshore.

Offshore wind will play an important role in the ongoing energy transition and it will continue to drive our growth strategy for ESVAGT.

# Modern slavery risk in 3i's portfolio

As a responsible investor, 3i commits to invest in companies that are committed to ensuring that there is no slavery or human trafficking in their businesses or supply chains.

3i's approach to modern slavery in the context of its investment portfolio is incorporated within its RI policy, which is described in detail in this document. 3i's policy has, for some time, been to avoid investing in certain businesses which we view as unethical, including those which do not respect the human rights of their workers. We published our statement under the Modern Slavery Act for FY2019 in September 2019 and an updated statement for FY2020 will be published in September 2020.

With particular regard to modern slavery, one of the specific objectives set out in our RI policy is that 3i will only invest in businesses which are committed to:

- respecting the human rights of their workers;
- maintaining safe and healthy working conditions for their employees and contractors;
- treating their employees fairly;
- upholding the right to freedom of association and collective bargaining; and
- respecting the health, safety and wellbeing of those adversely affected by their business activities.



 Our Modern Slavery statement is available on our website

3i specialises in its core investment markets in northern Europe, the UK and North America, which have a relatively low potential risk of slavery according to the Global Slavery Index ('GSI').

Our Modern Slavery Statement includes detailed information on 3i's assets under management and portfolio turnover by geography. For the year ended 31 March 2019, 97% of 3i's AUM was in northern Europe and North America, while 92% of portfolio turnover was generated in those regions.

However, we are aware that many of the companies we invest in have operations and/or supply chains based outside northern Europe and North America, including in countries which have a relatively higher potential risk of slavery according to the GSI. These risks are assessed for each portfolio company in our six-monthly detailed portfolio company reviews.

For example, in relation to certain relevant portfolio companies (eg retail companies with supply chains in Asia) there is an increased focus on the extent to which:

- the company has a supply chain policy/code of ethics in place;
- who at board level has responsibility for monitoring supply chain issues;
- the extent to which supply chain audits are carried out, and by whom; and
- whether there have been any material issues in the supply chain in the past 12 months.

Any material issues identified are discussed during the meeting, any relevant action points are minuted, followed up by the investment teams and reviewed at the following six-monthly meeting.

We will continue to monitor our portfolio in relation to slavery and human trafficking through our portfolio company reviews.

# A responsible employer

The skills, capabilities and expertise of our employees are key to our success. We therefore prioritise recruiting, retaining and developing our talent. We provide training and opportunities for career advancement, reward our employees fairly and recognise the importance of nurturing the wellbeing and satisfaction of our employees by providing a supportive working environment and a healthy work/life balance.

With fewer than 250 employees, we benefit from a flat organisational structure, which supports an open communication culture and direct feedback to senior managers is actively encouraged. We are a meritocracy and our employees are recruited, promoted and rewarded based on merit.

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# Human rights

Whilst 3i does not have, nor need, a specific human rights policy, our policies are nevertheless consistent with internationally-recognised human rights principles such as the UN Global Compact.

We comply fully with applicable human rights legislation in the countries in which we operate, for example covering areas such as freedom of association and the right to collective bargaining, equal remuneration and protection against discrimination.

Due to the small number and diverse functions of our employees, as well as the nature of our business, our employees are not, in practice, unionised and do not engage in collective bargaining. We do not procure services from nor invest in businesses which make use of slavery, human trafficking, forced labour, compulsory labour or harmful child labour.

## Modern Slavery Act

We published our statement on Modern Slavery for the financial year ending 31 March 2019 on our website in September 2019, and will update this statement in September 2020.

3i is committed to ensuring that:

- there is no slavery or human trafficking in any part of its business or supply chains; and
- the companies in which it invests are also committed to ensuring that there is no slavery or human trafficking in any part of their businesses or supply chains.

3i has a suite of human resources policies and procedures covering areas including recruitment, vetting and performance management, family-friendly policies, equal opportunities and diversity, medical insurance and health checks, health and safety and flexible working, and appropriate processes to monitor their application. Summaries of a number of these policies can be found on our website.

 [www.3i.com/sustainability/sustainability-policies](http://www.3i.com/sustainability/sustainability-policies)

 Our Modern Slavery statement is available on our website

 Modern slavery risk in 3i's portfolio page 23

 Human rights and forced labour in 3i's supply chain page 46



# Equal opportunities and diversity

3i is an equal opportunities employer and prohibits unlawful and unfair discrimination.

We believe that a diverse and varied workforce is a great benefit to the organisation. Although we do not set specific diversity targets, we seek to create, through our culture and policies, a work environment that helps to bring out the best in our employees.

3i's Equal Opportunities and Diversity policy establishes that all 3i employees (temporary and permanent), contract workers and job applicants are treated fairly and are offered equal opportunity in selection, training, career development, promotion and remuneration. Specifically, we aim to ensure that:

- we have access to the widest labour market and secure the best employees for our needs;
- people are selected, promoted and treated equally, enabling us to maximise potential to the benefit of individuals and 3i;
- we have employment procedures and practices which do not discriminate on grounds of age, marital status, gender, gender identity, gender reassignment, sexual orientation, race, colour, nationality, ethnic or national origin, religion or religious belief, disability, sensitive medical conditions, pregnancy or maternity, social background, political opinion, trade union membership, or any other legally protected category;
- we treat all those with whom we come into contact with respect;
- we meet, as a minimum, our statutory obligations regarding employment legislation;

- we communicate the Equal Opportunities and Diversity policy and responsibilities for achieving fairness and equality; and
- senior managers understand their responsibility for enforcing this policy and we all share responsibility for upholding it.

To reinforce our commitment to equal opportunities, our line managers have received training on unconscious bias, focused on raising awareness of the attitude and behaviours associated with a range of important line manager activities, such as performance management, team leadership and, where relevant, recruitment activity. The HR team continues to challenge all teams on their unconscious biases within these processes.

This year, 3i partnered with Pearn Kandola to explore cultural intelligence with our Group Finance team. The workshop was designed to equip the team with practical cultural intelligence that they could apply when working with colleagues from different cultural backgrounds, and focused on providing knowledge about how cultures vary around the world, the ability to be mindful of their own cultural values, and insights into how they need to adapt their behaviour in order to demonstrate cultural intelligence.

During the year, we recorded no incidents of discrimination.



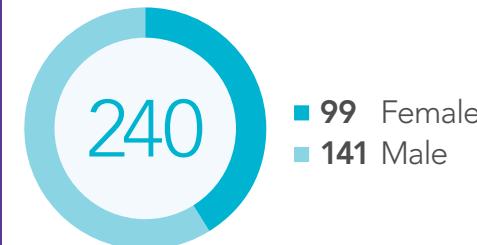
## Equal opportunities and diversity continued

### Gender diversity

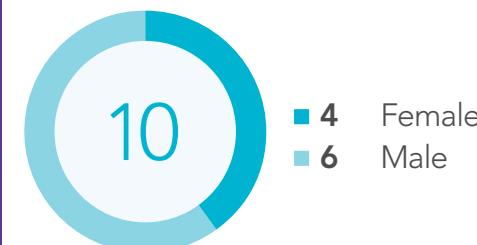
Achieving better gender diversity is important to 3i and we believe we are making reasonable progress in that respect, within the constraints of being a small organisation with modest staff turnover. Of the 30 new hires we made during the year, 43% were female and 57% were male.

At 31 March 2020, 3i's total of 240 employees was broken down as follows:

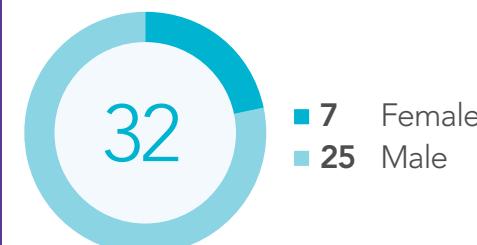
#### 3i employees



#### 3i Group plc Directors<sup>1</sup>



#### Senior managers<sup>2</sup>



<sup>1</sup> Includes non-executive Directors who are not 3i employees.

<sup>2</sup> Senior managers excludes Simon Borrows and Julia Wilson, our Chief Executive and Group Finance Director, who are included as Board members. The measure includes those who have responsibility for planning, directing or controlling the activities of the Company or of a strategically significant part of the Company, or are Directors of the undertakings included in the consolidation.

### Ethnic diversity

The McGregor-Smith review on 'Race in the Workplace', published on 28 February 2017, highlighted the under-employment and under-promotion of people of Black or Minority Ethnic ('BME') backgrounds in UK businesses and made the case for more inclusive organisations.

The review noted that, while one in eight of the UK working age population in 2015 was from a BME background, BME individuals made up only 10% of the workforce and held only 6% of top management positions. The review contained a number of wide-ranging recommendations, including one for listed companies and all businesses and public bodies with more than 50 UK-based employees to publish a breakdown of their UK-based employees by race and pay band, and to publish aspirational targets and report against these annually. These recommendations are not mandatory.

As at 31 March 2020, more than one in eight of 3i's total UK employees were people with a BME background. In addition, the proportion of our employees with a BME background in mid to higher salary brackets also exceeded the one in eight proportion.

### Social diversity

We are committed to promoting social diversity in the workforce. In 2018, we began a partnership with Career Ready, a social mobility charity based across the UK, that connects employers with schools and colleges to provide disadvantaged young people with mentors, internships, masterclasses and employer-led activities that prepare them for the world of work.

3i takes part in the mentoring programme which supports young people aged 16 to 18 who lack the opportunities, professional networks and confidence to find their undiscovered talents.

In the current 2019/2020 academic year, 11 3i employees are volunteering as mentors, meeting their mentees for an hour per month for up to 12 months. Face-to-face mentoring meetings have had to stop because of the social distancing measures imposed to mitigate the impact of COVID-19 in the UK, and all students mentored by 3i employees have been offered the option to be mentored through virtual meetings and phone calls.

# Learning and development

Advancing our business goals depends on our ability to attract, retain and motivate smart people. We are therefore committed to providing our employees with the opportunities, experience and training to achieve their potential and grow their knowledge, skills and capabilities.

We encourage employees to take responsibility for their own development, working with their line managers to devise personal development plans to support the achievement of their individual aspirations, consistent with 3i's objectives.

Given the specialised nature of many of the roles in 3i, an emphasis is placed on work-based learning, with the provision of development opportunities supported by appropriate training and mentoring. This is supplemented by formal courses conducted both internally and externally and usually with a multinational group drawn from across the countries in which 3i operates.

During the year to 31 March 2020, we provided formal internal training on areas and skills including:

- financial modelling;
- negotiation skills;
- presentation and communication skills;
- influencing around change;
- anti-bullying and harassment;
- emotional skills (resilience and leadership);
- business writing;
- board success; and
- executive coaching.

We also organised periodic induction days to welcome new joiners, with presentations from the Chief Executive and other senior executives on different areas of the business.

As all of our offices have been closed in accordance with local restrictions as a result of the COVID-19 pandemic, we have maintained the opportunity for learning and development through the extensive use of webinar and virtual meetings.

Key to personal development for all employees is a formal annual appraisal process, where performance is measured against agreed objectives and against 3i's values to inform decisions on remuneration, career development and future progression. Employees are encouraged to make use of the online facility to obtain 360-degree feedback as part of this process. All employees receive formal performance assessment and objective setting reviews with their managers annually and may receive informal reviews throughout the course of the year.



# Recruitment and selection

Our Global Recruitment and Selection policy sets out a fair, open, consistent and effective process to attract and select high calibre candidates who will maximise contribution to the business.

We recruit a small number of people in any year. The number of new recruits varies from year to year and our employee turnover rate is low. As such, it is not practically possible for us to implement meaningful initiatives such as recruitment targets per age group, gender and ethnicity.

## Graduate scheme

We launched our graduate recruitment scheme in 2015. The scheme is designed to develop our next generation of trusted investment professionals. We are a small organisation; however, we believe this programme is important in fostering a distinctive 3i culture. We are committed to recruit from a diverse pool of candidates and have selected candidates of eight different nationalities and from 16 universities.

The top performers on the programme are offered the opportunity to be fast-tracked directly into our investment business. The programme involves rotations across our Private Equity and Infrastructure businesses, as well as the opportunity to work with senior professionals in our Strategy, Investment Support and Investor Relations teams.

Our graduates benefit from best-in-class technical training courses in corporate finance, valuation, financial modelling and accounting, coupled with practical business experience gained from working alongside our investment professionals and senior management teams. As a result, they acquire an excellent grounding in the investment world, as well as in strategy and finance, enjoying a great deal of responsibility at an early stage.

The graduate programme continues to add value to our business and many of the participants have joined 3i permanently and are now integral members of our investment teams.

## Graduate scheme

# 20

graduate analysts joined us between 2015 and 2019

# 3

graduate analysts to join us in 2020

# 8

nationalities

# 16

universities



## Recruitment and selection continued

### Meet our 2019 graduate analyst cohort

Our 2019 cohort was recruited from a diversity of backgrounds. Nine months into their 30-month programme, they have each started their second rotation.

**Alex Dischler**

Nationality: French, German  
Alma mater: ESCP Europe Paris, Cass Business School London

**What attracted you to 3i?**

"The strong reputation within the investment industry as well as the firm's international reach."

**Laura Goksch**

Nationality: German  
Alma mater: London School of Economics, University of Auckland

**What do you hope to achieve from the graduate programme?**

"I hope to gain a diverse skill set from my rotations, to be exposed to challenging situations and work with some of the most experienced professionals in the industry."

**Siham Idhammou**

Nationality: French  
Alma mater: Bocconi, HEC, École Polytechnique

**What did you enjoy most about your first rotation?**

"I really enjoyed working with extremely smart and driven people, in an environment that fosters collaboration and individual creativity every day."

**Claudio Ossanna**

Nationality: Italian  
Alma mater: Università Cattolica del Sacro Cuore, HEC

**What was the best thing about the initial classroom-based training you received?**

"3i provided an extensive, fully-fledged graduate training programme despite the comparatively small size of the class. This allowed for strong interaction with the instructor and a faster learning experience, with a focus on financial modelling."

# Working at 3i

We recognise the importance of nurturing the wellbeing and satisfaction of our employees by providing a supportive working environment and a healthy work/life balance.

## Formal benefits

All employees from across our office locations enjoy a broad range of formal benefits aligned with local custom and practice and often enhanced relative to the statutory minimum. Our HR team periodically reviews the policies and legal requirements of our international offices to ensure they are competitive and compliant with local practices. In the UK, where over 60% of our employees are based, the benefits we offer include:

- family-friendly benefits (including maternity and paternity leave, adoption leave, shared parental leave, parental leave, bereavement and compassionate leave);
- private medical insurance and health checks;
- life insurance;
- long-term sickness insurance;
- pension contributions;
- flexible working, including remote working, flexible hours and job sharing; and
- share ownership.

All of the benefits above are available to all full-time, part-time and fixed-term employees, with the exception of long-term sickness insurance, which is not available to fixed-term employees who instead receive a cash equivalent.

## Maternity and paternity leave

In line with its objective of promoting equality and diversity, 3i's policy is to support employees before and after the birth or adoption of a child. Maternity, adoption and paternity leave are available to all eligible full and part-time employees and meet at least the statutory minimum requirements. The summary opposite refers to our UK policies, however employees based outside of the UK enjoy similar benefits, aligned with local legislation.

## Shared parental leave

3i has developed a clear and accessible Shared Parental Leave ('SPL') policy in the UK for eligible mothers, fathers, partners (including same sex) and adopters to choose how to share their time off work after their child is born or placed for adoption. SPL at 3i is remunerated at 100% of salary for the first six weeks; thereafter, statutory shared parental pay will apply up to week 37 of the SPL. All other benefits remain in place for the duration of the SPL. Employees based outside the UK enjoy similar benefits, aligned with local custom and legislation.

## Parental leave

Most of our employees are entitled to parental leave in line with local legislation.

## Maternity and adoption leave

<b>Time off and leave</b>	<ul style="list-style-type: none"> <li>• 52 weeks of maternity or adoption leave, regardless of length of service</li> </ul>
<b>Maternity pay</b>	<ul style="list-style-type: none"> <li>• 100% of monthly basic salary for the first 18 weeks of the maternity or adoption leave</li> <li>• Statutory maternity or adoption pay between week 18 and week 39 of the maternity or adoption leave</li> </ul>
<b>Other benefits</b>	<ul style="list-style-type: none"> <li>• Full entitlement to other benefits, including holiday entitlement, pension, death and disability benefits and private medical insurance</li> <li>• Shared parental leave for a period of 50 weeks (after the first two weeks from birth or adoption)</li> </ul>
<b>Return to work</b>	<ul style="list-style-type: none"> <li>• Right to return to the same job</li> <li>• Company open to requests for flexible working, subject to business requirements allowing it</li> </ul>

## Paternity leave

<b>Eligibility</b>	<ul style="list-style-type: none"> <li>• Biological father of a child, or mother's husband or partner (including same sex), or spouse or partner (including same sex) of the adopter</li> </ul>
<b>Length of leave</b>	<ul style="list-style-type: none"> <li>• Up to two consecutive weeks' leave</li> <li>• Does not have to be taken straight after birth or adoption, but must be completed within 56 days of birth or adoption</li> </ul>
<b>Paternity pay</b>	<ul style="list-style-type: none"> <li>• No changes to normal salary</li> </ul>
<b>Other benefits</b>	<ul style="list-style-type: none"> <li>• No changes to other benefits</li> <li>• Shared parental leave for a period of 50 weeks (after the first two weeks from birth or adoption)</li> </ul>

## Working at 3i continued

### Wellbeing at work

We adopt a holistic approach to employee wellbeing.

### Flexible working

Employees across our international network are provided with the tools to work remotely and can work flexibly to manage personal or family commitments. Flexible working options include remote working, flexible hours and job sharing.

### Physical health

3i promotes the physical wellbeing of its employees. For example, in the UK we provide our employees with annual medical insurance. All UK employees also qualify for annual health checks.

In addition to this, we provide the services of a personal fitness and nutrition adviser for our London-based employees, bookable free of charge for one-on-one fitness, nutrition and broader wellness advice sessions. He also hosts twice-weekly fitness and pilates classes that are free to employees. As we write this report, this service is being streamed to employees via video conferencing facilities, as employees work from home during the COVID-19 outbreak.

### Mental health and employee assistance

We place increasing importance on employees' mental wellbeing. One of the members of the HR team is a mental health first aider, trained to identify the signs and symptoms of mental ill health and provide help on a first aid basis.

All UK-based employees (over 60% of the workforce) have access to an Employee Assistance Programme that offers free, confidential telephone counselling on a range of personal and work related issues and problems, as well as face-to-face counselling services. The service also provides legal and financial advice and other information and services and is run by Health Assured, an independent external service provider. Employees who are members of the UK private medical insurance, for which 3i covers premiums, have access to up to 10 sessions of psychological support without a requirement for General Practitioner referral.

In recognition of the fact that one in four people experience mental health issues each year, this year 3i partnered with a specialist mental health and wellbeing consultancy to run a series of workshops providing a basic understanding of mental health, how to develop and strengthen it, and how to spot the early warning signs that indicate an individual may be struggling. These workshops will form the foundation of a new mental health and wellbeing programme at 3i, with further workshops for employees with people

management responsibilities scheduled to take place in the coming months and more in-depth training for 20 employees to become 'mental health champions'. Mental health champions will have the knowledge, awareness and confidence to support anyone who is experiencing poor mental wellbeing or mental ill health at work.

To support our employees while working remotely during the COVID-19 outbreak, we have engaged a specialist mental health and wellbeing consultancy to run a series of webinars and virtual workshops on how to deal with issues like sharing spaces at home, having limited opportunity to go outdoors, general anxiety, working at home with young children or while home schooling older children, worrying about elderly relatives and living and working alone.

### A supportive working environment

In support of our core values, we aim to establish and uphold high standards of behaviour and conduct. This means, amongst other things, that employees are to treat colleagues and others with courtesy and respect. Harassment and bullying of colleagues is unacceptable and is an issue that we take extremely seriously and are committed to providing further guidance and support on.

In line with this commitment, this year we ran workshops for all UK employees to ensure that as a business we are equipped with the information and skills to deal with bullying and harassment, and to ensure we have a culture where people feel comfortable raising issues and concerns

in the knowledge they will be dealt with appropriately. The workshops were led by a specialist adviser focused on bullying, harassment and sexual misconduct, and an employment lawyer and Partner at Hogan Lovells, an international law firm.

### Grievance procedure

All of 3i's offices comply with local legislation governing grievance procedures.

The UK office has a formal Grievance policy, which applies to all full and part-time employees, which outlines the steps that employees can take to raise complaints or concerns and have these addressed by the Company.

The UK Grievance policy outlines the sequence of informal and formal steps in the assessment and resolution of the grievance.

### Compulsory redundancies

3i has not had a programme of compulsory redundancies affecting a material number of employees since 2012. Since then, we have had some redundancies associated with the closure of our offices in Spain and Sweden, and other occasional redundancies due to local reorganisation.

In no year since 2012 have redundancies affected more than 5% of our employees.

## Working at 3i continued

3i's London-based employees at risk of redundancy are offered comprehensive outplacement services with an external service provider. This involves one-to-one consulting with a dedicated career coach, the opportunity to be part of a job search work team, access to a range of learning events, to an online career portal and to an office space with IT facilities and support. The support is provided for a period ranging between two and six months. Some employees outside of London are offered a similar service, based on local custom and practice.

### Remuneration

3i's employment policies are designed to provide a competitive reward package which will attract and retain high quality staff, whilst ensuring that the relevant costs remain at an appropriate level.

3i's Remuneration policy is influenced by 3i's financial and other performance conditions and other market practices in the countries in which it operates. All employees receive a base salary and are also eligible to be considered for a performance-related annual variable incentive award. For members of staff receiving higher levels of annual variable incentive awards, a proportion of such awards is delivered in 3i shares, vesting over a number of years.

The Remuneration policy is approved by shareholders at least every three years and is reviewed regularly by the Board's Remuneration Committee.

Where appropriate, employees are eligible to participate in 3i share schemes to encourage their involvement in the performance of the business. Investment executives in the Private Equity business line may also participate in carried interest schemes, which allow executives to share in future profits on realised investments. Similarly, investment executives in the Infrastructure business line may participate in asset-linked and/or fee-linked incentive arrangements.

Employees participate in local state or company pension schemes as appropriate to local market practice.

### Living wage

3i is an accredited London Living Wage Employer. This means that every member of staff based in London, including contracted maintenance and reception teams, earns at least a 'living wage' which is an hourly rate higher than the UK minimum wage and is set independently, updated annually and based on the cost of living in London.

Outside of London, our overseas offices tend to employ only investment and professional services staff, as well as support staff, who are remunerated above applicable minimum or living wage requirements.

### Employee engagement

Honest communication with our staff is important to us, and we therefore encourage a culture of open communication between our employees and senior management.

We benefit from being a small organisation, operating in a relatively flat structure with few hierarchies. The members of our Executive Committee have an open-door policy and know most employees by name. We also encourage feedback from employees to senior management through more formal forums, including regular team meetings and off-sites to discuss our strategy, as well as through the annual appraisal process. Managers throughout 3i have a continuing responsibility to keep their teams informed of developments and to communicate financial results and other matters of interest. Maintaining staff engagement has gained new importance while working remotely during the COVID-19 outbreak, and senior managers and team leaders have made a particular effort to keep staff informed through regular updates and virtual meetings.

The Board of Directors typically holds one of its meetings every year in one of our offices outside London. This provides an opportunity for non-executive Directors to meet the local teams, often in a more informal setting. Non-executive Directors are also invited to attend our semi-annual portfolio company reviews.

These important meetings provide the non-executive Directors with an insight into how our investment business operates and into our culture. Employees also enjoy this opportunity to interact with the Board.

The Chairman aims to visit all our major international offices on a two-year rolling cycle and engages with all employees during these visits.

We promote and facilitate the ownership of 3i shares among employees through variable compensation and share investment plans. We pride ourselves on the engagement and the sense of ownership we have fostered over the years, which are reflected in low employee turnover rates.

**87%**

Participation  
in UK SIP<sup>1</sup>

**9%**

Unplanned employee  
turnover rate

<sup>1</sup> Proportion of UK-based employees who subscribe to a Share Incentive Plan available to UK employees only.

# Health and safety

Our employees are engaged in low-risk activities. As such, our occupational ill health and accident rates remain low. We are committed to the continual improvement of our health and safety management through regular performance reviews, the testing of procedures, open communication and increasing awareness.

We operate in accordance with the Health and Safety at Work etc Act 1974 and all other applicable UK legislation. We adopt UK legislation and guidance globally, where practical, as a minimum benchmark for our health and safety standards, unless country-specific obligations exceed these requirements.

## Our health and safety priorities

We ensure that:

- a health and safety management system is established, documented, implemented, maintained and communicated throughout the business. This system is reviewed periodically as appropriate, and at least annually;
- health and safety risks which may arise throughout 3i's global operations are identified, evaluated and controlled, to prevent injury and ill health;
- all health and safety incidents are reported and investigated promptly in order to prevent a recurrence;
- our global health and safety performance is reviewed on a regular basis; and
- 3i's employees and contracted partners participate actively in improving health and safety.

We regularly review our global health and safety standards and consult with our health and safety representatives across our offices to identify opportunities for improvement.

## Responsibilities and outcomes

Our Property, IT and Procurement team, which reports to the Group Finance Director, manages health and safety. The Head of Property, IT and Procurement oversees the governance of health and safety within the Group, ensuring that health and safety is considered in business decisions at all levels, and reports to the Group Risk Committee.

We seek expert advice as necessary when determining health and safety risks and the measures required to mitigate them. We have retained the services of System Concepts, a specialist independent consultancy, to provide competent health and safety advice. System Concepts has a consultant based on site at 3i's London headquarters to provide practical support to the business.

During the year to 31 March 2020, we had no RIDDOR ('Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013') reportable accidents, and no work related accidents or cases of work related ill health were reported.

## Our approach to health and safety during the COVID-19 outbreak

Our focus has been on keeping our employees safe, motivated and able to fulfil their roles effectively while also following local requirements and guidance.

All 3i offices have been closed in accordance with local restrictions and our employees have been working from home. We have been able to achieve the transition to remote working seamlessly by activating existing business continuity plans. Where required, employees have been provided with additional equipment to work effectively from home. All business meetings have been held virtually and international travel has been cancelled.

We have also implemented a range of measures designed to improve the mental and physical health and wellbeing of our employees while working from home. These are described on page 32.

# A good corporate citizen

We strive to embed sustainable and responsible business practices throughout our organisation. We have robust policies and processes in place and actively promote the right values and culture within our organisation.

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# Standards of conduct and behaviour

3i's required standards of conduct and behaviour are promoted and enforced through a comprehensive suite of policies and procedures which, together with our compliance manual and our values, constitute our code of conduct.

Our focus on conduct was an important part of our implementation of the FCA's Senior Managers and Certification Regime and all employees have a mandatory conduct objective against which they are assessed. 3i employees must be familiar with, and understand, the obligations and restrictions that apply to them and must confirm in writing, on an annual basis, that they are in compliance. We review compliance with our established standards of conduct and behaviour periodically through a combination of the work of our Internal Audit and Compliance teams, overseen by the Board's Audit and Compliance Committee, which also conducts an annual review of risk and internal control effectiveness. Our Compliance team reviews all compliance policies each year.



# Compliance

As an investment manager and adviser, a number of 3i's activities require regulatory authorisation, licensing and/or registration. Several of 3i's subsidiaries are therefore authorised and regulated by the Financial Conduct Authority and, where applicable, by relevant local non-UK authorities, including the US Securities and Exchange Commission and the Luxembourg Commission de Surveillance du Secteur Financier, and must behave according to their principles for business.



 For more information, please read the Governance section of our Annual report

## Compliance manual

Our compliance manual applies to all employees. We provide below a brief description of some of the key areas covered by our compliance manual, given their relevance for our industry and their associated risks.

## Financial crime and market abuse

Financial crime poses a reputational and legal risk and is an area of focus for regulators and law enforcement agencies globally. As a regulated business, 3i must maintain systems and controls for countering these risks. 3i's Financial Crime policy covers offences involving money laundering, terrorist financing, economic sanctions, bribery and corruption, market abuse and fraud. 3i will not engage in and is committed to preventing these offences.

The compliance manual provides employees with access to 3i's policies and resources including:

- detailed anti-money laundering procedures; and
- checklists to aid in the identification, verification and screening of customers and potential customers.

3i's Group Compliance team provides real-time advisory support to 3i's business lines in the application of its anti-money laundering and screening policies and procedures. In addition, 3i has policies and procedures to guide employees on:

- personal transactions;
- managing inside information; and
- dealing with conflicts of interests.

## Anti-bribery policy

3i has an Anti-bribery policy which applies to all those who work for, act on behalf of or represent 3i. 3i's Anti-bribery policy requires high standards of ethical behaviour in all our business interactions. Accordingly, we will not offer, pay or accept bribes. In addition to detailed provisions, the policy also requires the exercise of good judgement and common sense.

3i is not aware of any breaches of its Anti-bribery policy by its employees.

We are also committed to working only with third parties whose standards are substantively consistent with our own. This includes our intermediaries and advisers. As part of our approach to responsible investment, we expect businesses in which we invest to operate in compliance with all applicable laws and regulations including, in particular, applicable anti-bribery, anti-fraud and anti-money laundering laws and regulations.

## Gifts and inducements

3i's Hospitality, Gifts and Inducements policy provides that our employees may not receive, pay or provide any inducement which would impair their or our duty to act honestly, fairly and in accordance with the best interest of our customers.

In particular, employees must never offer or receive gifts or hospitality if this may improperly influence a business decision, impair independence or judgement or create a sense of obligation, create a

 A summary of our Anti-bribery policy is available on our website

conflict of interest or if there is a risk it could be misconstrued or misinterpreted by others as a bribe. Offering or receiving gifts or hospitality to or from third parties is prohibited unless there is a clear and legitimate business purpose and, where they arise in connection with our investment activities, are designed to enhance the quality of service to our clients.

Charitable donations in 3i's name must be approved by the Chief Executive and follow the principles set out in 3i's Anti-bribery policy.

## Political donations

3i's policy is not to make political contributions, whether to political parties, political organisations or election candidates. In line with this policy, in the year to 31 March 2020, no donations were made to political parties or organisations, or independent election candidates, and no political expenditure was incurred.

## Conflicts

Our Conflicts of Interest policy and associated procedures are designed to enable all relevant employees to identify actual or potential conflicts of interest and to manage them appropriately, including by reference to regulatory obligations. The overriding principle is that we will treat our customers fairly and, should conflicts of interest arise, we will manage them fairly in accordance with our conflict procedures.

We have a Conflicts Committee which considers specific and potential conflicts as they arise, and also oversees 3i's general approach to conflict management.

## Compliance continued

### Compliance training

Our policies and procedures are communicated and enforced through periodic training and auditing. Our compliance team develops various e-learning modules, frequently followed by an assessment. These include:

- a general training module on 3i's key policies and procedures, including:
  - anti-money laundering;
  - anti-bribery;
  - personal transactions;
  - managing inside information;
  - dealing with conflicts of interests; and
  - gifts and hospitality;
- financial crime;
- anti-bribery;
- preventing market abuse;
- preventing tax evasion; and
- regulatory conduct rules.

These e-learning modules are rolled out annually (save for the preventing tax evasion course which is rolled out periodically). All employees, including Executive Committee members, must complete these modules. All new joiners are required to complete all six modules within two months of joining.

### Data protection

3i's Data Protection policy reflects the requirements of general European data protection legislation, supplemented or adapted as necessary for local regulatory requirements.

3i is committed to protecting the personal data of its staff, customers and contacts and using it in an appropriate manner. We recognise the rights afforded to individuals by data protection legislation and that we must notify data subjects of the fact that we process their personal data and the specific purposes for which we do so.

Our policy requires our employees to:

- comply with the key data protection principles;
- treat personal data in accordance with 3i's policies and procedures for safeguarding confidential information; and
- use personal data only for the purpose for which it has been provided and in the proper course of their duties as a 3i employee.

3i maintains an Information Security Management System that:

- ensures that risks to the confidentiality, integrity and availability of information are managed to an acceptable level using a standard risk management framework;
- seeks to protect information from accidental or intentional damage, loss, unauthorised disclosure or modification;
- provides secure and reliable information to enable 3i employees to conduct their job effectively; and
- ensures compliance with legal and statutory obligations.

### Cyber resilience

We focus on cyber resilience both in terms of 3i's own systems and those of its portfolio companies.

3i's cyber resilience is overseen by the Group Risk Committee and managed on a day-to-day basis by the Group IT team. Non-executive governance is provided by the Group Audit and Compliance Committee and operational governance is provided by 3i's Chief Information Security Officer, Group IT team and Internal Audit team (which carries out regular reviews of 3i's cyber resilience processes and procedures). The 3i Cyber Security Review Board continues to meet monthly to discuss cyber security issues and to review the cyber risk register and dashboard of relevant cyber key performance indicators.

3i runs a periodic cyber resilience e-learning course for all staff and continued its 'phishing' email programme to test and monitor 3i staff's 'click-rate' and to promote increased practical awareness of the risks associated with phishing emails. 3i also tested its Cyber Security Incident Response Plan and updated its overall business resilience strategy and governance framework.

In response to the COVID-19 pandemic, and in keeping with relevant government and health authority advice, all 3i employees are at the time of writing working remotely. All remote workers have full access to 3i's IT systems, which continue to be fully supported by the Group IT team and its managed service providers.

In relation to its portfolio companies, 3i continues actively to promote cyber resilience as a key component of the corporate governance programme through its representatives on the boards of its portfolio companies. 3i continues to use an external firm of cyber security specialists to conduct non-intrusive reviews of the cyber resilience of its key portfolio companies' systems. The resulting reports are discussed with the management teams of the relevant portfolio companies and specific actions agreed where appropriate. In some cases where the cyber maturity of a new portfolio company is deemed to be in its early stages, we ensure that a cyber security review is carried out and that the necessary controls and procedures are implemented across the organisation.

Cyber resilience is one of the governance topics reviewed at the six-monthly business reviews of 3i's portfolio companies which are conducted as part of 3i's regular asset management and portfolio monitoring programme. If any incidents occur, appropriate information is shared throughout our investment teams to promote our understanding of this evolving risk. We also ensure that developments and best practice are shared across the portfolio with relevant members of portfolio company management teams.

In September 2019 we held a roundtable for many of our portfolio companies' Chief Information Officers which also included a session on cyber security.

## Compliance continued

### Public policy

Although 3i will not participate directly in party political activity, it may engage in policy debate on subjects of legitimate concern to 3i, its staff and the communities in which it operates. This is done principally through industry representative bodies such as the British Private Equity and Venture Capital Association and Invest Europe, where we might contribute to the formulation of their policy positions, although from time to time we may engage directly with government and regulatory bodies on matters of particular and direct importance to 3i and its businesses. Lobbying must only be undertaken with the prior approval of a member of the Executive Committee and in a manner that is lawful and adheres to 3i's values.

### Whistle blowing

Our Whistle Blowing policy forms an integral part of our culture of openness, transparency and fairness. Where any employee discovers information which they believe shows malpractice or wrongdoing within 3i, under most circumstances they will raise concerns with their line manager, who will pass this information to the appropriate Executive Committee member.

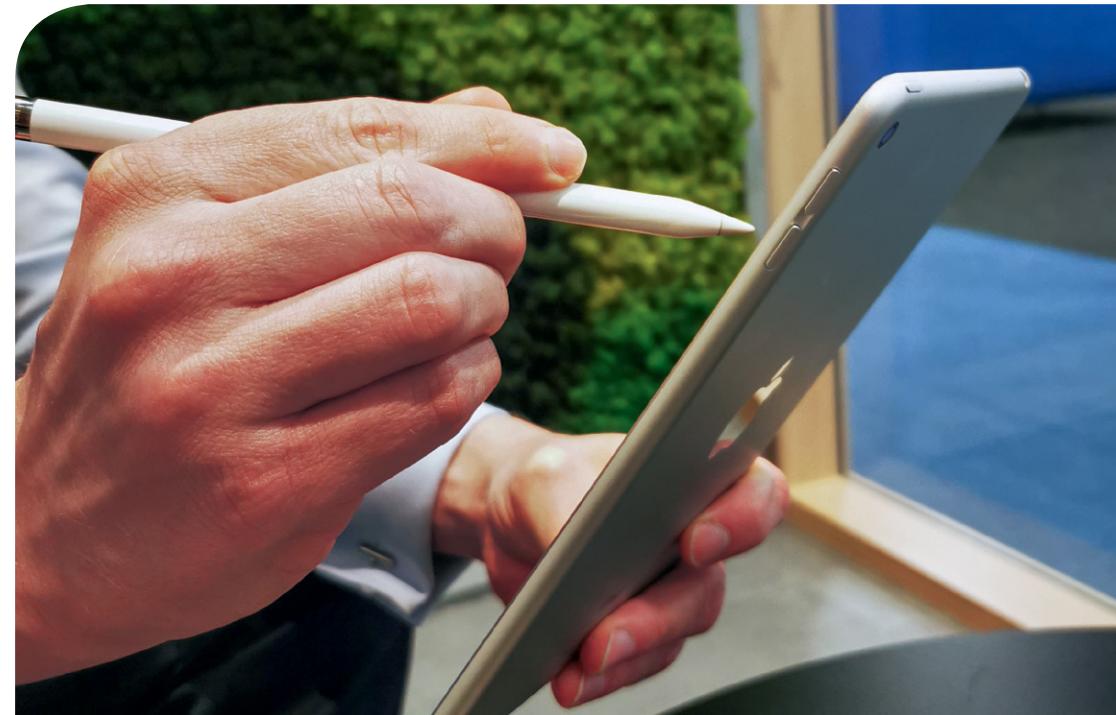
Should this route not be suitable, then the employee may approach one of the following individuals who have been designated to provide impartial advice on the appropriate course of action to follow:

- Director, Group Compliance;
- Director, Internal Audit; or
- Group Legal Counsel & Company Secretary.

Alternatively, all employees across our eight office locations may express their concerns on a completely confidential and anonymous basis through an independent 'hotline' service provided by Expolink, an independent, external party.

Our policies are clear that there should be no fear of reprisal or victimisation or harassment for whistle blowing.

There were no incidents of whistle blowing in the year.



# Approach to taxation

3i'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 UK HMRC and tax authorities worldwide;
- to maintain 3i's approved investment trust status to safeguard the long-term growth and value of 3i; and
- to work with industry bodies worldwide to establish a fair system that sustains economic growth and enhances the reputation for the industry in which the Group operates.

3i 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.

## Approved investment trust status

3i Group plc 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 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:

- undertaking portfolio investment activity that aims to spread investment risk; and
- 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:

- encouraging investments and savings by providing individual and institutional investors with access to a professionally managed and diversified portfolio; and
- facilitating economic growth by providing funding for the underlying businesses in which investment trust companies invest.

## Tax Strategy

In compliance with rules applicable to large UK businesses, 3i publishes its Tax Strategy on its website and this is kept under regular review.

 Our Tax Strategy is available on our website

# Environment

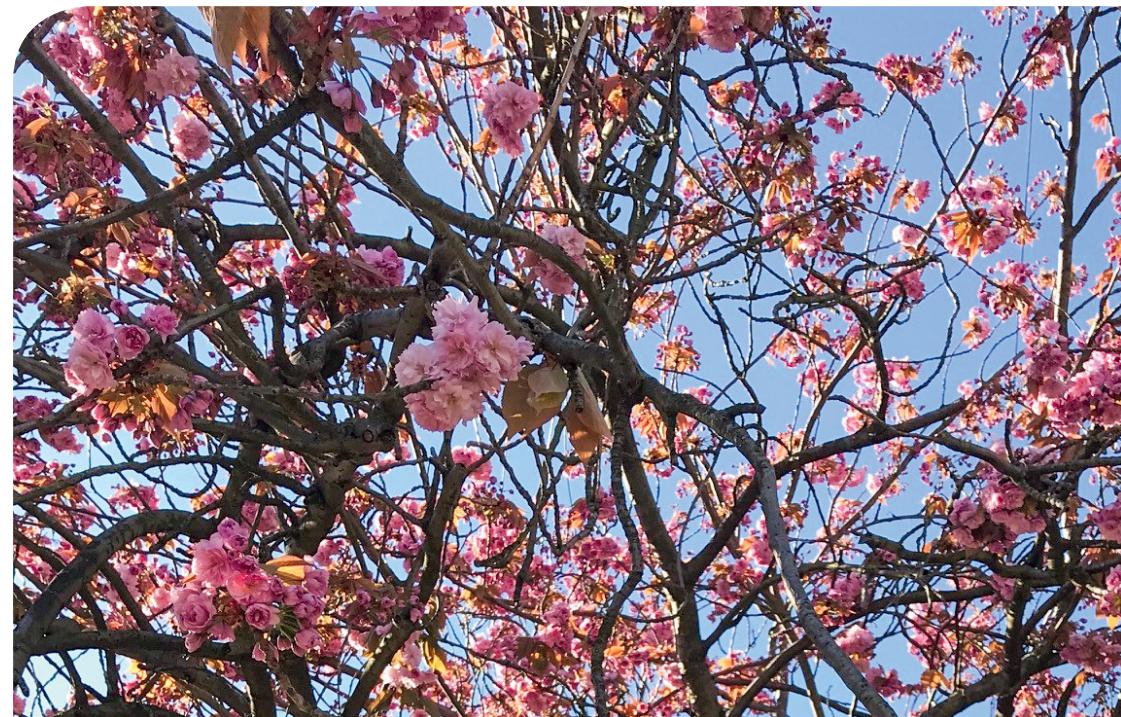
3i has fewer than 250 employees worldwide and has a relatively low environmental impact.

We operate from a network of eight offices across the world, with the majority of our employees based in our London office. All our offices are leased. We are, nevertheless, committed to minimising our environmental impact and to improving our environmental performance wherever possible. We have an Environmental Management System that is proportionate to the operational scale and environmental risk profile of our business. We use the precautionary principle to manage environmental risk for our business and our portfolio proactively.

Our strategy is to:

- meet the requirements of applicable environmental legislation;
- minimise waste and maximise recycling;
- work with our landlords to ensure the energy efficiency of our offices;
- include environmental considerations in our procurement processes;
- measure our carbon footprint annually, and publish the results in our Annual and Sustainability reports and on our website; and
- report to two external publicly disclosed benchmarking indices and use our performance in these benchmarking indices to assess and improve future performance; we choose the CDP and the S&P Dow Jones Sustainability Index.

While our direct environmental impact is small, our materiality assessment and associated stakeholder engagement identified that the integration of environmental issues into our investment processes is important. Our approach to responsible investment and to sustainability is described elsewhere in this report.



## Environment continued

### Minimising our direct environmental impact

While our direct operations have a modest impact on the environment, we address our emissions related to energy use, waste and travel proactively.

#### Energy consumption

To reduce our energy consumption, we have undertaken work to ensure all lights, computers and other equipment are powered off when not in use during extended periods of time, including at night and at weekends. Our London office was refurbished in FY2020. The refurbishment included the installation of new LED light fittings, which can achieve 50% electrical energy efficiency improvement compared with the previous LED fittings. The new lights produce less heat, resulting in the use of less energy to cool the office space. The new fittings will last longer (a lifespan of c.70,000 hours) and, unlike the previous fittings, will continue to operate at 100% output until they fail, reducing waste materials over time.

Our London and Luxembourg offices, which account for over 81% of our electricity consumption, procure electricity from 100% renewable sources. Where we have control, we plan to switch the energy supplier of our other offices to renewable sources in due course.

We report annually in our CDP response on completed and planned energy efficiency projects and the resulting energy savings. We also continue to develop our data collection system to allow us better to quantify the savings made following the implementation of these measures.

#### Energy Savings Opportunity Scheme ('ESOS') compliance

ESOS is a mandatory energy assessment scheme for organisations in the UK that meet the qualification criteria. The scheme is administered by the UK Environment Agency. Organisations that qualify for ESOS must carry out ESOS assessments every four years. These assessments are audits of the energy used by these organisations' buildings, industrial processes and transport to identify cost-effective energy saving measures. Organisations must notify the Environment Agency by a set deadline that they have complied with their ESOS obligations.

We undertook an energy audit in October 2019 as part of our ESOS assessment for our London office. We lease part of a building owned and managed by Landsec and have limited control over the energy efficiency of the structure. However, the ESOS assessment identified a number of potential energy saving areas, which we will implement over the next few years.

These are relatively modest in scope:

Recommendation	Impact
Introduce energy management techniques, like gaining building users' commitment to save energy, allocating responsibility for energy use to a specific person (champion), setting targets for energy use and monitoring them.	Medium
Review the air conditioning energy performance report and seek to implement any outstanding recommendations for action.	Low
Seek to minimise the simultaneous operation of heating and cooling systems.	Low
Engage experts to assess the location of condensers and their cleansing regime and propose recommendations to improve effectiveness and energy efficiency.	Low

Our next assessment will be due in four years.

#### Travel

We rationalised our business travel through a set of clear guidelines and approvals which we rigorously adhere to. In London, we work in partnership with our landlord to encourage employees to cycle to work by providing secure cycle racks, changing and shower facilities.

The majority of our meeting rooms are equipped with audiovisual and teleconferencing solutions and employees are encouraged to make use of these, reducing travel where appropriate.

The video conferencing facilities in our London office were improved further as part of the office refurbishment in FY2020.

As at the date of this report, all international business travel for staff has been cancelled in response to government guidelines to mitigate the impact of COVID-19. We will reassess the policy as the relevant guidelines change.

## Environment continued

### Paper usage

We use 100% recycled paper across our print solutions in our London and New York offices, and FSC approved paper elsewhere. During the year we successfully rolled out Microsoft Office 365 which facilitates the sharing and editing of documents online through a variety of mobile devices, significantly reducing the need for printing documents.

### Waste management

In our main location in London, we work with our landlord, Landsec, to minimise waste from our operations, and help recycle as much waste as possible. Non-recyclable waste from our London office is sent to an Energy from Waste site, where it is incinerated to generate electricity.

We recycle paper, plastic, glass, cans and organic waste and have put in place a recycling scheme for our redundant computer hardware. Our providers offer on-site secure data destruction and recycling services in compliance with the Waste Electric and Electronic Equipment Regulations 2013.

Over the past few years we have implemented a number of initiatives in our London office to further reduce office waste:

- we upgraded the waste recycling facilities to better align them with the recycling activity carried out by our landlord's waste management supplier and carried out an awareness campaign to encourage full use of these facilities;
- we made re-usable take-away coffee cups available to all employees. These cups can be used externally and brought back to the office for cleaning;
- we installed dispensers of filtered still and sparkling water, eliminating the purchase of bottled sparkling water for staff and replacing an average of c.1,850 500ml bottles of sparkling water per month;
- we introduced new compostable cups and lids for use in our coffee shop, replacing an average of c.2,700 non-recyclable cups and lids per month; and
- we made metal cutlery available in our kitchen hubs to reduce the use of plastic cutlery.

Details of waste from 3i's operations in FY2020 are as below.

Waste disposal method	Weight
Recycled waste – mixed	51.2 tonnes
Recycled waste – paper	5.2 tonnes
Combustion	12.6 tonnes
Anaerobic digestion	15.6 tonnes
Landfill – mixed	22.3 tonnes

Information provided by the waste disposal contractor.



## Environment continued

### Emissions performance

During the year to 31 March 2020, our measured Scope 1 and 2 greenhouse gas ('GHG') emissions (location-based) totalled 604.5 tCO<sub>2</sub>e. This is equivalent to 2.5 tCO<sub>2</sub>e per full time equivalent employee, based on an average of 242 employees (2019: 2.6 tCO<sub>2</sub>e; 240 employees). Overall our Scope 1 and 2 emissions decreased by 3.4% in the year.

We have also chosen to report voluntarily on our Scope 3 indirect emissions, which totalled 6,045 tCO<sub>2</sub>e in FY2020. The FY2020 calculation is significantly larger than FY2019 as we have chosen to include the emissions related to purchased goods and services and is therefore not comparable with last year's disclosure.

We quantify and report our organisational GHG emissions in alignment with the World Resources Institute's Greenhouse Gas Protocol Corporate Accounting and

Reporting Standard and in alignment with the Scope 2 Guidance. We consolidate our organisational boundary according to the operational control approach, which includes all our offices. We have adopted a materiality threshold of 5% for GHG reporting purposes. The GHG sources that constituted our operational boundary for the year to 31 March 2020 are:

- **Scope 1:** natural gas combustion within boilers and fuel combustion within leased vehicles;

- **Scope 2:** purchased electricity and heat consumption for our own use; and
- **Scope 3:** purchased goods and services, fuel-and-energy related activities, waste generated in operations, business travel and employee commuting.

In some cases, where data is missing, values have been estimated using either extrapolation of available data or data from the previous year as a proxy.

The Scope 2 Guidance requires that we quantify and report Scope 2 emissions according to two different methodologies ('dual reporting'): (i) the location-based method, using average emissions factors for the country in which the reported operations take place; and (ii) the market-based method, which uses the actual emissions factors of the energy procured.

Whilst we have a relatively low footprint on the environment, we are committed to reducing it further. As noted earlier, in our London and Luxembourg offices, which account for over 81% of our overall electricity consumption, we purchase our electricity from 100% renewable sources. Although the options for energy efficiency improvements for our offices are limited, we are assessing whether it is possible to switch to renewable tariffs in our remaining offices where we do not currently purchase all of our electricity from 100% renewable sources.

### Scope

	FY2020 (tCO <sub>2</sub> e)			FY2019 (tCO <sub>2</sub> e)		
	UK	Rest of world	Total	UK	Rest of world	Total
1	122.6	28.6	151.2	125.4	16.8	142.2
2 – location-based	327.8	125.5	453.3	360.4	123.2	483.6
2 – market-based	–	129.4	129.4	–	126.7	126.7
1 & 2 (location-based)	450.4	154.1	604.5	485.8	140.0	625.8
1 & 2 (market-based)	122.6	158.0	280.5	125.4	143.5	268.9
3	N/A	N/A	6,045	N/A	N/A	3,545

During the year to 31 March 2020, our total fuel and electricity consumption totalled 2,399 MWh, of which 81% was consumed in the UK. The split between fuel and electricity consumption is displayed below.

### Energy consumption

	FY2020 (MWh)			FY2019 (MWh)		
	UK	Rest of world	Total	UK	Rest of world	Total
Electricity	1,282	311	1,593	1,273	294	1,567
Fuels <sup>1</sup>	667	139	806	763	54	817

<sup>1</sup> Natural gas and transportation fuels (petrol and diesel).

### Third-party verification

Our emissions have been verified to a reasonable level of assurance by Carbon Intelligence according to the ISO 14064-3 standard.

# Sustainable procurement

3i's supply chain consists predominantly of the procurement of professional services from blue chip organisations in the markets in which we operate (mainly Europe and North America), and which therefore are at lower risk of exposure to ESG-related issues.

3i's principal facilities management supplier, Sodexo, holds an ISO 14001 certification and, through its Better Tomorrow 2025 Plan, is reducing the environmental impact of the activities it undertakes on behalf of clients such as 3i.

## Our approach to procurement

We have developed policies and procedures in relation to services received from third-party providers. As far as possible, we will only work with suppliers who support our aim to source products and services responsibly. We aim to have a collaborative relationship with our service providers and, wherever possible, will work with them when problems or issues arise to help them meet our requirements.

We monitor ESG issues with key suppliers and ask for progress reports on a regular basis. Where appropriate, we ask potential suppliers to provide a statement detailing the existence of any policies or commitments with regards to the following areas. This includes the details of any accreditation of participation in sustainability indices or associations:

- **workplace** – labour rights, equal opportunities, occupational health and safety;
- **environment** – green policies and practices;
- **marketplace** – advertising and marketing ethics; and
- **community** – charities, participation in local communities.

Suppliers are also asked to confirm that they have adequate anti-bribery and corruption controls in place, in line with applicable legislation and that they comply with the Modern Slavery Act, where relevant.

## Due diligence on proposed suppliers

Our Procurement policy requires that an appropriate level of due diligence be conducted on prospective suppliers before they are appointed or any expenditure is committed. The nature of the due diligence conducted is to be determined on a case-by-case basis by our procurement team, however, as a general rule, our Procurement policy suggests that:

- integrity due diligence must be conducted on prospective suppliers that are considered to be at a high risk of bribery and corruption;
- due diligence on information/data security (including cyber security) must be conducted if confidential 3i data will be processed or held by the supplier;
- due diligence on human rights policies, equal opportunity policies and employment policies, with particular focus on the provider's commitments on the use of child or forced labour in their operations or supply chain must be conducted where Group procurement deems there is a risk of non-conformity with 3i's approach; and
- a thorough evaluation of business resilience must be undertaken that will include the financial performance of the supplier, insurance cover, evidence of accreditation, of contingency planning and third-party dependencies.



## Sustainable procurement continued

### **Human rights and forced labour in 3i's supply chain**

We published on our website our slavery and human trafficking statement in relation to FY2019 in September 2019 and will update this statement for FY2020 in September 2020.

A large majority of 3i's suppliers (71% by spend in the financial year to March 2019) were professional advisers and consultants engaged to advise 3i on potential investments, divestments, and other matters in relation to our portfolio and various corporate matters and, as such, are considered to be at 'low risk' of human rights violations. A further 19% of our procurement spend in FY2019 was on rent and other office costs, including computers and IT. Our Modern Slavery Act statement shows that our top 10 suppliers by spend represented c.97% of total supplier spend, and that c.95% of total 3i supplier spend was in Europe and North America. Only 2% of our total supplier spend was in India, which is at higher risk of modern slavery according to the Global Slavery Index 2018. Of this spend in India, however, 77% was accounted for by our outsourcing contract with Infosys, which we consider to be a lower risk supplier in terms of modern slavery. Infosys is a New York Stock Exchange-

listed global consulting and IT services company. Infosys was recognised by the Top Employer Institute in 2019 for excellence in employment practices and its employee stock option programme created some of India's first salaried millionaires.

3i continues to include specific Modern Slavery Act wording in its standard request for proposal document which it issues to potential suppliers when it procures the supply of goods and services. In addition, 3i continues to use a supplier relationship management tool to help monitor the performance of certain of its existing significant suppliers. Specific Modern Slavery Act language has been included in this tool to ensure that Modern Slavery Act issues are addressed regularly as part of 3i's ongoing monitoring of these particular suppliers.

### **Prompt Payment Code**

3i is a signatory to the Prompt Payment Code. The Code encourages and promotes best practice between organisations and their suppliers. Signatories to the Code commit to paying their suppliers within clearly defined terms, and to ensuring there is proper process for dealing with any issues that may arise. Budget holders are reminded of their responsibility under the Code at least annually when the budget is approved.

### **Payment practices reporting**

Reporting on Payment Practices and Performance Regulations came into force in the UK for all reporting periods beginning 1 April 2017. The regulations require large companies and LLPs to report on their payment practices, policies and performance on a half-yearly basis. The reports are published on a Government website and are publicly available. 3i is fully compliant with these regulations.



# Community

We focus our charitable activities principally on the disadvantaged, on the elderly, on young people and on education.

The charities we partner with are supported on the basis of their effectiveness and impact. We also support staff giving and sponsorship through matching donations.

Our charitable giving for the year to 31 March 2020 totalled £700,000, including:

- Give-As-You-Earn: in the UK, we promote the Give-As-You-Earn scheme, administered by the Charities Aid Foundation. 3i's matching of employee donations totalled £58,000 through this scheme in the year.
- Matching donations: 3i has a policy of matching the amount raised by staff through sponsorship by family and friends of their fundraising efforts for registered charities. 3i contributed £32,000 in matching donations in the year to 31 March 2020.

In addition, during the year our London-based staff undertook various fundraising activities in support of some of the charities we partner with. These included holding a Big Tea event in support of Independent Age; organising a charity day which raised £20,000; and arranging a gift collection

for Community Links' Christmas Toy Appeal and Foodbank Appeal. A number of 3i's staff also took part in street collections for both The Passage and Church Homeless Trust during the year and, in December 2019, 40 members of our Finance, Tax and Treasury team volunteered at The Passage where they helped decorate the Resource Centre with tinsel and Christmas trees, put together hundreds of food parcels to be given to clients in temporary accommodation, tidied up the clothing store and helped out in the kitchen.

## Our community activities in response to the COVID-19 outbreak

We have increased our charity budget by approximately 35% for FY2021 to respond to the additional demands on the charities that we support arising as a result of the pandemic. Most of the charities that we support have played a key role in protecting a range of different vulnerable groups from the worst impacts of the pandemic and of living under lockdown. The increase in the charity budget has also been used to fund COVID-19 focused donations to local charities chosen by our overseas offices.

In addition, we have encouraged our employees to volunteer their time with nationally-sponsored schemes or with local charities to provide assistance to vulnerable groups throughout the pandemic. We also agreed to match our employees' charitable donations during the month of April.

Many of our portfolio companies are also contributing their expertise or making donations of goods or money to mitigate the impact of the pandemic. For example:

- **AESSEAL plc**, a subsidiary of AES Engineering Ltd, a manufacturer of mechanical seals and support systems, has provided 2,000 face visors free of charge to its local hospital. It has used its global subsidiary network to assist a group of hospitals in the Hallam area, pro bono, to source PPE. It is also offering free support to the National Health Service and its customers in the set-up of thermal imaging cameras which will reduce the risk of those with a high temperature being at work; and
- **Ionisos**, a leading owner and operator of cold sterilisation facilities servicing the medical, pharmaceutical and cosmetics industries, is participating in a charitable effort in Spain to manufacture 70,000 surgical masks, co-ordinated by the Association of Fashion Creators of Spain.

## Community continued

### 3i supports the following charities:

#### Community Links

Community Links is a social action charity which finds new solutions to old problems and delivers them with the whole community. Based in Newham, one of the most deprived boroughs in London, Community Links works across Advice, Digital Skills, Youth & Employment, Health and policy & Learning to take a holistic approach to communities that are ready for everything.

Last year, Community Links provided advice sessions across welfare support, debt, legal advice, housing, and employment matters to over 3,000 clients; supported 833 young people at risk of exclusion and mental health challenges through the transition from primary to secondary school; provided food packages to 843 families through their weekly emergency food support service; held 484 community based conversations on the topic of youth violence and trained 18 community advocates in Manchester and London to have conversations with young people.

In addition to 3i's regular contribution, in FY2020 our London-based employees continued their support of the Community Links Christmas Toy Appeal, donating both money and presents to the charity's 2019 appeal which helped 2,290 local children with gifts. Our London-based staff also donated food and other items to the Community Links Foodbank Appeal.



[www.community-links.org](http://www.community-links.org)



#### Historic Royal Palaces

Historic Royal Palaces ('HRP') is an independent charity that looks after the Tower of London, Hampton Court Palace, the Banqueting House, Kensington Palace, Kew Palace and Hillsborough Castle and Gardens.

Its cause is, 'To help everyone explore the story of how monarchs and people have shaped society, in some of the greatest palaces ever built.' In support of this, the charity runs a public engagement programme to enable adults, families, young people and children to participate in immersive, high quality activities and programmes onsite, offsite and online, with 3i helping to fund the Learning and Engagement Programme.

During 2019, HRP invited over 5,000 pupils from disadvantaged backgrounds to participate in the 'Victoria, Woman and Crown' programme which complemented the History and English and Art, Design and Textiles curriculums, ran The Kensington Palace Writers project, in partnership with the National Literacy Trust, which included a training day for teachers and involved 300 children visiting the Palace, and engaged with community group leaders from 50 organisations, welcoming over 3,000 people to the Palace, and a further 2,000 people to some of HRP's other sites.



[www.hrp.org.uk](http://www.hrp.org.uk)

## Community continued

### National Youth Orchestra of Great Britain

The National Youth Orchestra ('NYO') of Great Britain is among the world's leading orchestras composed exclusively of teenagers.

As well as working together in the orchestra, the teenagers are also encouraged to inspire other young musicians, through the NYO Inspire programme which provides free opportunities to Grade 6-8 teenage musicians to develop their orchestral playing through in-depth workshops, rehearsals and public performances. Of the 164 musicians, 53 have gained their places having progressed through NYO Inspire, demonstrating the impact and success of this programme.

The orchestra was very busy during 2018/2019 holding three residencies followed by nine performances across the UK, two NYO Inspire Days in London and Sheffield, two NYO Play the School residencies in London and Nottingham, allowing thousands of school children to experience classical music for the first time, and an NYO Inspire Orchestra residency followed by an NYO Inspire Orchestra Tour to a number of secondary schools.

The NYO Inspire programme has a strong focus on state school and Black and Ethnic Minority musicians, who are under-represented in the sector.



[www.nyo.org.uk](http://www.nyo.org.uk)

### The Passage

The Passage, based near our London office, is a homelessness charity in Westminster whose services have a high impact on the local community.

3i supports The Passage's Client Development team which provides clients with life skills and helps them to end their homelessness by returning to work. Support includes computer training, literacy and numeracy classes, help with CVs and finding jobs, and financial and welfare rights advice. The Passage operates the largest Resource Centre in the UK and received 37,455 visits in the last year.

During the year, the team helped 82 clients into employment across a variety of industries including catering, cleaning, warehousing and software and set up 32 mentoring relationships with local employers; supported 89 clients into private rented accommodation; supported 59 clients living in destitution with accommodation and sustenance; provided counselling to 342 clients; and gave legal advice to 68 clients.

In addition to our financial donations, 3i's staff have also supported The Passage in other ways over the past year; a number of employees attended The Passage's annual concert, Night Under The Stars, and the annual Christmas Carol Service at Westminster Abbey. In December 2019, 40 3i volunteers rolled up their sleeves to help The Passage get ready for Christmas by decorating the Resource Centre with tinsel and Christmas trees, putting together hundreds of food parcels to be given to clients in temporary accommodation, tidying up the clothing store and helping out in the kitchen.



**THE PASSAGE**  
to ending homelessness

[www.passage.org.uk](http://www.passage.org.uk)

## Community continued

### Snowdon Trust

Snowdon Trust provides grants to physically disabled and sensory impaired students studying in the UK, in further or higher education or training towards employment.

These grants help to cover the additional costs that students incur as a result of their disability and which available statutory funding does not cover. About 100 grants are awarded each year, ranging from £250 to £3,000. The charity also aims to keep disability issues on the agenda of the Government and institutions and has been instrumental in getting statutory support for disabled postgraduate students increased.

The Snowdon Masters Scholarship Programme gives a small number of students the financial support and encouragement to help them excel in a Masters degree course. The charity awarded 14 new Snowdon Masters Scholarships to students starting in autumn 2019 studying subjects including Music Composition, Law, Theology, Fine Art, Architecture, Theoretical Physics, Politics, Biology, Sports and Health Science and Disability Design Innovation.

**SNOWDON**

**TRUST**

[www.snowdontrust.org](http://www.snowdontrust.org)

### Re-engage (formerly Contact the Elderly)

Re-engage is a national charity dedicated to tackling loneliness and social isolation amongst older people living in the UK.

Its mission is to empower older people to make new social connections and break out of the cycle of isolation. Supported by a network of volunteers, the charity works within local communities organising regular social gatherings for older people, aged 75 and over, who live alone.

Re-engage groups are a real lifeline of friendship for the older guests, many of whom have little or no contact with family or friends. Last year, the charity helped over 8,500 older guests across the UK through over 900 groups, supported by more than 14,500 volunteers.

3i's London team raised funds for Re-engage during their charity day in July 2019.



**Reengage**

[www.reengage.org.uk](http://www.reengage.org.uk)

## Community continued

### Independent Age

Independent Age exists to make the UK a better place to grow old for everyone.

The charity aims to understand the issues faced by elderly people, campaign for change, and provide support people can rely on, from clear and simple guides on benefits and entitlements, to providing a free helpline and a network of volunteers helping beat loneliness and isolation across the UK.

Over the past year, Independent Age supported 1.3 million people through distributing 4 million guides and online resources, responding to 69,000 enquiries to its helpline and making a total of 61,000 volunteer friendship calls and visits to those who are lonely.

In addition to 3i's regular contribution, in October 2019 the 3i London office took part in Independent Age's Big Tea fundraiser, raising £750 including 3i's matching donation, and the London team raised funds for Independent Age on their charity day in July 2019.



## Community continued

### Bridges Fund Management

3i is proud to be a founding investor in Bridges Fund Management (previously Bridges Ventures), a privately-owned UK venture capital company with a social mission.

Its strategy is to focus exclusively on opportunities where investments can generate attractive investor returns through helping meet pressing social or environmental challenges, such as backing businesses that generate jobs in underserved areas or building environmentally friendly care homes for the elderly to sustain an ageing population. Bridges currently manages over £800 million across three fund types: Sustainable Growth Funds, Property Funds and Social Sector Funds.

### Career Ready

Since 2002, Career Ready has connected employers with schools and colleges to provide young people aged 14-18 with mentors, internships, masterclasses, and employer-led activities that prepare them for the world of work.

In 2019, its network of 5,000 volunteers from 1,000 employers helped to transform the lives of 69,000 young people in 500 schools and colleges.

3i takes part in the mentoring programme which supports young people aged 16 to 18 who lack the opportunities, professional networks and confidence to find their undiscovered talents.

In the current 2019/2020 academic year, 11 3i employees are volunteering as mentors, meeting their mentees for an hour per month for up to 12 months. Face-to-face mentoring meetings have had to stop because of the social distancing measures imposed to mitigate the impact of COVID-19 in the UK, and all students mentored by 3i employees have been offered the option to be mentored through virtual meetings and phone calls.



 [www.careerready.org.uk](http://www.careerready.org.uk)

### Church Homeless Trust

Church Homeless Trust helps people who are homeless by giving them grants to meet their particular needs.

Grants are given to homeless people of all ages, backgrounds, nationalities and faiths. Although the grants are small, they make a life changing difference to homeless people who have very little money, but are desperate to rebuild their lives and find a permanent home. Church Homeless Trust also works with partners across England to reach homeless people who need help and offers accommodation in winter night shelters at Christmas time.

In addition to these activities, Church Homeless Trust also provides basic living expenses for asylum seekers who are destitute due to not being allowed to work or claim benefits.



Last year, Church Homeless Trust supported 600 people to move into their own permanent home with a resettlement grant, provided over 800 welcome packs containing basic items such as towels, toiletries, clothing and basic food items to new arrivals coming into hostels with nothing, provided personal grants to 250 people to enable them to receive ID papers or clothing and transport costs to apply for jobs, provided 157 people with work related training and work experience through their Back to Work Programme, arranged professional counselling for 87 people and offered therapeutic activities including horticultural therapy, expressive arts and gym memberships to 385 homeless people.

3i's London team raised funds for Church Homeless Trust during their charity day in July 2019.

# Transparency and stakeholder engagement

The Board recognises that effective communication is integral to building stakeholder value.

As a publicly listed company, we operate within a framework of formal legal and regulatory disclosure requirements, as well as meeting the high expectations for transparency of our shareholders, fund investors, employees and the media.

We are committed to communicating both our financial and non-financial performance in a clear, open and comprehensive manner.

Our objective is to present a balanced and understandable assessment of our position, highlighting the key risks to which we are exposed in our day-to-day activities.

The Group Communications and Investor Relations teams have day-to-day responsibility for communications with key stakeholders and, together with the Group Secretarial team, they ensure that 3i meets all relevant disclosure obligations.

Stakeholder	Material issues	Communication
<b>Employees</b>	<ul style="list-style-type: none"> <li>• Attracting and retaining talent</li> <li>• Fostering a supportive working environment</li> <li>• Remuneration</li> </ul>	<ul style="list-style-type: none"> <li>• Comprehensive staff portal</li> <li>• Regular team meetings and off-sites hosted by executive management and team leaders and periodic engagement with the Board</li> <li>• Regular all-staff updates by email</li> </ul>
<b>Shareholders and potential investors</b>	<ul style="list-style-type: none"> <li>• Financial performance and returns</li> <li>• Awareness of strategy and implementation</li> <li>• Access to Executive Management</li> <li>• Transparency</li> <li>• ESG performance</li> </ul>	<ul style="list-style-type: none"> <li>• Annual General Meeting</li> <li>• Two investor presentations and regular capital markets seminars</li> <li>• Annual and half-yearly reports and quarterly performance updates</li> <li>• Sustainability report</li> <li>• Comprehensive Investor Relations website</li> <li>• Regular meetings with executive management and Investor Relations team</li> <li>• Chairman and SID available for meetings</li> <li>• Regular email and telephone communications</li> <li>• CDP and DJSI submissions</li> </ul>
<b>Fund investors</b>	<ul style="list-style-type: none"> <li>• Financial performance and returns</li> <li>• Awareness of strategy and implementation</li> <li>• Access to key investment professionals</li> <li>• Transparency</li> <li>• ESG performance</li> <li>• Alignment with 3i</li> </ul>	<ul style="list-style-type: none"> <li>• Quarterly reporting produced in line with the Invest Europe Investor Reporting Guidelines and including ESG performance updates</li> <li>• Annual investor meetings</li> <li>• Fund Advisory Board meetings held on an annual or semi-annual basis as required</li> <li>• Regular and ad hoc meetings and telephone calls with Fund Investor Relations team and relevant investment professionals</li> <li>• Regular email communications</li> <li>• Access to a web-based investor portal used to host and distribute investor correspondence</li> <li>• UNPRI submission</li> </ul>
<b>Investee companies</b>	<ul style="list-style-type: none"> <li>• Support for strategy and implementation</li> <li>• Alignment with 3i as key shareholder</li> <li>• Executive remuneration</li> </ul>	<ul style="list-style-type: none"> <li>• Engagement with investee companies formally at board level and informally on an ongoing basis</li> <li>• Regular chairman and CEO forums to share best practice and experience</li> </ul>

## Transparency and stakeholder engagement continued

Stakeholder	Material issues	Communication
<b>Equity and debt analysts</b>	<ul style="list-style-type: none"> <li>• Financial performance and returns</li> <li>• ESG performance</li> <li>• Transparency</li> <li>• Access to Executive Management</li> </ul>	<ul style="list-style-type: none"> <li>• Two investor presentations and regular capital markets seminars</li> <li>• Annual and half-yearly reports and quarterly performance updates</li> <li>• Comprehensive Investor Relations website</li> <li>• Regular communications with Investor Relations and Treasury teams</li> <li>• Annual General Meeting</li> </ul>
<b>Rating agencies</b>	<ul style="list-style-type: none"> <li>• Financial performance and returns</li> <li>• Balance sheet strength</li> </ul>	<ul style="list-style-type: none"> <li>• Comprehensive Investor Relations website</li> <li>• Annual meetings with the Group Finance Director and Treasury team</li> <li>• Annual and half-yearly reports and quarterly performance updates</li> <li>• Tailored presentations</li> </ul>
<b>Media</b>	<ul style="list-style-type: none"> <li>• Transparency and clear communication</li> <li>• Access to management</li> </ul>	<ul style="list-style-type: none"> <li>• Open and transparent approach with the media</li> <li>• Proactive press programmes for executive management</li> <li>• Press releases on material developments including investments and realisations and product development</li> <li>• Comprehensive website hosting press releases and other resources such as videos, factsheets and case studies</li> <li>• Use of LinkedIn, Twitter and YouTube social media channels to disseminate 3i and portfolio news</li> </ul>
<b>Government and regulatory bodies</b>	<ul style="list-style-type: none"> <li>• Compliance with relevant rules and regulations</li> <li>• Engagement on relevant issues and regulatory developments</li> </ul>	<ul style="list-style-type: none"> <li>• Active participation in policy forums</li> <li>• Response to engagement on regulatory matters</li> <li>• Membership of industry consultative bodies, eg British Venture Capital Association and Invest Europe</li> </ul>
<b>Suppliers</b>	<ul style="list-style-type: none"> <li>• Conduct and standards of employment</li> <li>• Service provision</li> <li>• Management of costs</li> </ul>	<ul style="list-style-type: none"> <li>• Central procurement team</li> <li>• Standardised procedures</li> <li>• Procurement policy available on our website</li> <li>• Supplier relationship management tool and regular meetings</li> </ul>
<b>Communities</b>	<ul style="list-style-type: none"> <li>• Positive contribution to the communities and society in which we operate</li> <li>• Minimise adverse environmental impact</li> </ul>	<ul style="list-style-type: none"> <li>• Environmental Management System proportionate to the operational scale and environmental risk profile of the business</li> <li>• Comprehensive Responsible Investment policy</li> <li>• Charitable activities focused on the disadvantaged, young people and education</li> <li>• Give-as-you earn scheme and employee donations matching</li> </ul>

## Transparency and stakeholder engagement continued

### The Walker Review

In 2007, in response to the growing debate about the role of private equity in the UK, the British Venture Capital Association ('BVCA') suggested a review to examine ways in which levels of disclosure in companies backed by the UK private equity industry could be improved.

The review was led by Sir David Walker, who consulted widely and invited representations from within the private equity industry, other financial institutions, pension funds and the investment community, as well as more broadly with portfolio companies, trade unions and employer representatives. 3i actively supported the review, with involvement from the Chairman.

3i also endorsed the voluntary code which resulted in the 'Guidelines for Disclosure and Transparency in Private Equity', which was published in November 2007. Sir David Walker's recommendations with respect to reporting for private equity firms and their relevant portfolio companies were on a 'comply or explain' basis.

An overview of the guidelines together with the twelfth annual report of the Private Equity Reporting Group (which monitors and reports on the UK private equity industry's conformity with the guidelines) at December 2019 can be found at [www.privateequityreportinggroup.co.uk](http://www.privateequityreportinggroup.co.uk)

The only 3i portfolio companies which met the criteria set out in the guidelines and were included in the twelfth annual report for the year to 31 December 2019 were Infinis, held within the 3i Infrastructure plc portfolio, and East Surrey Pipelines, held within 3i Managed Infrastructure Acquisitions LP, one of the funds managed by 3i's Infrastructure business.

# Global Reporting Initiative

Due to increasing requests from stakeholders for relevant and comparable sustainability information, we have chosen to report in accordance with the Global Reporting Initiative ('GRI') standards.

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# Materiality assessment

In 2017, with the support of Carbon Intelligence, our sustainability partner, we conducted a materiality assessment to identify the GRI indicators that are relevant to us and our stakeholders and that we should report on. As part of this assessment, we reviewed the reporting requirements of voluntary sustainability reporting initiatives such as the CDP (formerly the Carbon Disclosure Project), FTSE4Good and the Dow Jones Sustainability Index, and engaged with our key stakeholders to understand which sustainability issues are of concern to them.

## Review of reporting requirements

3i has been reporting information about its management of climate change issues through the CDP Climate Change programme since 2006, and has been a member of the Dow Jones Sustainability Indices, of the FTSE4Good Index Series and of the Ethibel Sustainability Index ('ESI') Excellence Europe index since 2001, 2011 and 2016 respectively. The table below shows the themes identified as relevant by these organisations and benchmarks, based on our sector and the countries of operation.

## Stakeholder engagement

Our stakeholder mapping exercise highlighted 3i's key stakeholders as its employees, existing and potential shareholders, existing and potential fund and other investors, portfolio companies, policymakers and regulators.

Our stakeholder engagement focused on these groups; we sent out quantitative surveys to understand the level of stakeholder concern regarding a wide range of sustainability issues (based on our review of current sustainability reporting requirements) and interviewed a number of key internal and external stakeholders. This qualitative and quantitative analysis, combined with the analysis of our ordinary-course engagement, allowed us to select a number of material GRI sustainability indicators and disclosures against which we report.

The most material indicators, ranked in terms of their perceived importance to the business and stakeholders, are listed opposite. We will aim to renew our materiality assessment every five years, or sooner in the event of a material change in strategy.

Indicators covered	Type
<b>1 Anti-crime and corruption</b>	Economic/governance
<b>2 Business ethics</b>	Economic/governance
<b>3 Socially responsible investment</b>	Social
<b>4 Economic performance</b>	Economic/governance
<b>5 Cyber security</b>	Economic/governance
<b>6 Equal remuneration</b>	Social
<b>7 Tax</b>	Economic/governance
<b>8 Diversity, discrimination and equal opportunities</b>	Social
<b>9 Social criteria in procurement</b>	Social
<b>10 Employee satisfaction and wellbeing</b>	Social
<b>11 Health and safety</b>	Social
<b>12 Climate-related financial risk</b>	Environmental
<b>13 Employee benefits</b>	Social
<b>14 Training</b>	Social
<b>15 Transition to a low-carbon economy</b>	Environmental

## Themes identified as material to our stakeholders

Environment	Social	Governance
<ul style="list-style-type: none"> <li>Business risks and opportunities</li> <li>Engagement with supply chain on climate change</li> <li>Environmental reporting</li> </ul>	<ul style="list-style-type: none"> <li>Talent attraction and retention</li> <li>Human capital development</li> <li>Human rights and community</li> <li>Social supply chain</li> <li>Controversial issues, dilemmas in lending/financing</li> </ul>	<ul style="list-style-type: none"> <li>Corporate governance</li> <li>Risk management</li> <li>Anti-corruption and anti-crime</li> <li>Codes of Conduct</li> <li>Compliance</li> </ul>

# GRI content index

GRI standard title	Disclosure number	Disclosure title	Page number	Fully reported
<b>General disclosures</b>	102-1	Name of the organisation	SR 02 AR IFC	Fully reported
	102-2	Activities, brands, products, and services	SR 03–04 AR 02–03, 10–11	Fully reported
	102-3	Location of headquarters	SR 04	Fully reported
	102-4	Location of operations	SR 04	Fully reported
	102-5	Ownership and legal form	SR 04 AR 113–114	Fully reported
	102-6	Markets served	SR 04 AR 02–03, 10–11	Fully reported
	102-7	Scale of the organisation	SR 04 AR 02–03	Fully reported
	102-8	Information on employees and other workers	SR 04, 24–34 AR 76–78	Fully reported
	102-9	Supply chain	SR 45–46	Fully reported
	102-10	Significant changes to the organisation and its supply chain	SR 45–46	Fully reported
	102-11	Precautionary principle or approach	SR 41	Fully reported
	102-12	External initiatives	AR 67–69 SR 09	Fully reported
	102-13	Membership of associations	SR 09, 39	Fully reported
	102-14	Statement from senior decision-maker	SR 05–06 AR 05, 06–09	Fully reported
	102-16	Values, principles, standards and norms of behaviour	SR 07 AR 48, 36–39, 60	Fully reported
	102-18	Governance structure	SR 08 AR 74–117	Fully reported
	102-40	List of stakeholder groups	SR 53–54 AR 70–73	Fully reported
	102-41	Collective bargaining	SR 25	Fully reported

## Legend

AR: 3i Group Annual report and accounts 2020 (<http://www.3i.com/investor-relations/report-library/2020>)  
 SR: 3i Group Sustainability report 2020 (<http://www.3i.com/sustainability/sustainability-reports-library/2020>)  
 ABP: 3i Group's Anti-bribery policy (<http://www.3i.com/sustainability/sustainability-policies>)

## GRI content index continued

GRI standard title	Disclosure number	Disclosure title	Page number	Fully reported
<b>General disclosures</b>	102-42	Identifying and selecting stakeholders	SR 53–54, 57	Fully reported
continued	102-43	Approach to stakeholder engagement	SR 53–54, 57	Fully reported
	102-44	Key topics and concerns raised	SR 57 AR 70–73	Fully reported
	102-45	Entities included in the consolidated financial statements	AR 160–164	Fully reported
	102-46	Defining report content and topic boundaries	SR 57	Fully reported
	102-47	List of material topics	SR 57	Fully reported
	102-48	Restatements of information	SR 02	Fully reported
	102-49	Changes in reporting	SR 44	Fully reported
	102-50	Reporting period	SR 02	Fully reported
	102-51	Date of most recent report	SR cover	Fully reported
	102-52	Reporting cycle	SR 02	Fully reported
	102-53	Contact point for questions regarding the report	SR 61	Fully reported
	102-54	Claims of reporting in accordance with the GRI Standards	SR 02, 56–57	Fully reported
	102-55	GRI content index	SR 58–60	Fully reported
	102-56	External assurance	SR 44	Fully reported
<b>Economic performance</b>	201-1	Direct economic value generated and distributed	AR 35–47	Fully reported
	201-2	Financial implications and other risks and opportunities due to climate change	AR 68–69 SR 16–22	Fully reported
<b>Anti-corruption</b>	205-1	Operations assessed for risks related to corruption	SR 37 ABP	Fully reported
	205-2	Communication and training about anti-corruption policies and procedures	SR 37–38	Fully reported
	205-3	Confirmed incidents of corruption and actions taken	SR 37	Fully reported
<b>Emissions</b>	305-1	Direct (Scope 1) GHG emissions	SR 44*	Fully reported
	305-2	Energy indirect (Scope 2) GHG emissions	SR 44*	Fully reported
	305-3	Other indirect (Scope 3) GHG emissions	SR 44*	Fully reported
	305-4	GHG emissions intensity	SR 44*	Fully reported
	305-5	Reduction of GHG emissions	SR 44*	Fully reported

\* Verified externally.

Legend

AR: 3i Group Annual report and accounts 2020 (<http://www.3i.com/investor-relations/report-library/2020>)

SR: 3i Group Sustainability report 2020 (<http://www.3i.com/sustainability/sustainability-reports-library/2020>)

ABP: 3i Group's Anti-bribery policy (<http://www.3i.com/sustainability/sustainability-policies>)

## GRI content index continued

GRI standard title	Disclosure number	Disclosure title	Page number	Fully reported
Supplier environmental assessment	308-1	New suppliers that were screened using environmental criteria	SR 45–46	Partially reported
Employment	401-1	New employee hires and employee turnover	SR 27, 33	Fully reported
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	SR 31–33	Fully reported
	401-3	Parental leave	SR 31	Fully reported
Health and safety	403-4	Types of injury, occupational diseases, lost days and absenteeism, and number of work related fatalities	SR 34	Fully reported
Training and education	404-2	Programmes for upgrading employee skills and transition assistance programmes	SR 28–30	Fully reported
	404-3	Percentage of employees receiving regular performance and career development reviews	SR 28	Fully reported
Diversity and equal opportunity	405-1	Diversity of governance bodies and employees	SR 26–27	Fully reported
Non-discrimination	406-1	Incidents of discrimination and corrective actions taken	SR 26	Fully reported
Forced labour	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	SR 12, 23, 25, 46	Fully reported
Human rights assessment	412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	SR 23, 25, 45–46	Fully reported
Supplier social assessment	414-1	New suppliers that were screened using social criteria	SR 45–46	Fully reported
Customer privacy	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	SR 38	Partially reported
Product portfolio	FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	SR 16–22 AR 175–176	Fully reported
Active ownership	FS10	Percentage and number of companies held in the institution's portfolio with which the reporting organisation has interacted on environmental or social issues	AR 175–176 3iN AR	Fully reported

### Legend

AR: 3i Group Annual report and accounts 2020 (<http://www.3i.com/investor-relations/report-library/2020>)  
 SR: 3i Group Sustainability report 2020 (<http://www.3i.com/sustainability/sustainability-reports-library/2020>)  
 3iN AR: 3i Infrastructure plc's Annual report 2020 ([www.3i-infrastructure.com/investors/reports/2020](http://www.3i-infrastructure.com/investors/reports/2020))

# Contacts

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