

# Corporate responsibility report

## Core values:

we believe that the highest standard of integrity is essential in business. In all our activities, we aim to:

Be commercial and fair

Respect the needs of our shareholders, our staff, our suppliers, the local community and the businesses in which we invest

Maintain our integrity and professionalism

Strive for continual improvement and innovation

### Our approach

#### Philosophy

As an international business operating in 13 countries with over 700 employees world-wide, 3i aims to conduct its business in a socially responsible manner. It is committed to being a responsible member of the communities in which it operates and recognises the mutual benefits of engaging and building relationships with those communities. 3i believes that respect for human rights is central to good corporate citizenship.

In everything 3i does, it aims to be commercial and fair, to maintain its integrity and professionalism and to respect the needs of shareholders, staff, suppliers, the local community and the businesses in which it invests.

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

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

#### Responsibilities and accountabilities

The Board as a whole is responsible for ethical standards. The executive Directors are responsible for ensuring compliance with 3i's corporate values and standards.

The Corporate Responsibility Committee ("the Committee") considers and reviews environmental, ethical and social issues relevant to 3i's business and associated risks. It also monitors and reviews the operation of 3i's corporate responsibility policies and procedures. Tony Brierley has specific responsibility for 3i's environmental policies, leading the development of new initiatives and targets and reporting to the Board. He is also a member of the Leadership Team of Business in the Environment.

The Committee, on behalf of the Board, identifies and assesses the significant risks and opportunities for 3i arising from social, ethical and environmental issues. A risk matrix methodology is used to identify new risks, monitor developing trends and best practice, and consider changes in 3i's business and culture. This risk matrix is reviewed and updated at each meeting of the Committee and significant risks are reported to 3i's Risk Committee. The Committee reports regularly to the Board.

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

## As an investor

### Investment policy

3i has a portfolio of some 1,500 investments in businesses in Europe, Asia and the US. As an investor, corporate governance is a priority and account is taken of environmental, ethical and social issues when making investment decisions. 3i believes it is important to invest in companies whose owners and managers act responsibly on environmental, ethical and social matters.

3i aims to invest in companies which:

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

3i recognises that the most significant risks to 3i's short-term and long-term value arising from environmental, ethical and social matters arise from its investment business. If a company in which 3i has an investment acts irresponsibly on corporate responsibility

issues, this might affect the monetary value of that investment and, as a shareholder in that company, raise reputational issues for 3i.

Although 3i does not have operational control over the companies in which it invests, it does have the opportunity to influence the behaviour of these businesses and encourages the development and adoption of good corporate governance. This is achieved through the training of investment staff and non-executive Directors who are appointed to the boards of investee companies and the raising of awareness within investee companies of social, environmental and ethical issues. 3i is also active in promoting good governance in the private equity industry through the provision of tutors for courses run by the BVCA and the EVCA.

3i has procedures to reduce the risks of 3i investing in businesses which operate in an environmentally, ethically or socially unacceptable manner. When reviewing businesses for potential investment, investment executives are required to consider whether any corporate responsibility risks arise and, if any risks are identified, to follow 3i's corporate responsibility investment procedures. Depending on the nature of the risk identified and its seriousness,

a condition precedent or post completion undertaking requiring that the situation be remedied may be required from the investee company or its management. Alternatively, it may be decided not to proceed with the investment.

Over the year 1,500 potential investments were considered and 67 new investments were completed. 1,280 potential investments did not proceed for financial or commercial reasons (including, in some cases, for social, ethical or environmental considerations).

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

## Relationship management

3i's key relationships are with the companies in which it invests together with the intermediaries, advisors and consultants used to facilitate investment and portfolio management. 3i actively engages with these groups to benchmark its performance and improve its investment procedures and skills. During the year extensive market research and surveys of these groups were conducted in the UK, France and Germany. Formal investor relations surveys of institutional investors and investors in funds under 3i's management were also undertaken on 3i's behalf.

## As a corporate

### As an employer

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

Employees are organised in small teams and an environment of co-operation is encouraged to ensure the highest standards of integrity and professionalism.

The 3i portal provides staff with access to all of our corporate responsibility policies and information.



In accordance with 3i's core values, individual consultation with employees on matters affecting them, and fair and open communication, are a high priority. During the year, 3i held an all-staff conference. The objectives of that conference were: to ensure that all staff understood 3i's vision, strategy and the challenges ahead; and to unify staff across business lines, geographies and job roles. In preparation for that conference, interviews were conducted by an independent consultant with over 100 employees to ascertain employees' satisfaction with, and concerns about, 3i. Following the conference, a further survey of all employees was conducted. The issues raised have been considered by executive management and, as and where appropriate, action taken.

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

3i also has a whistle blowing policy setting out procedures for staff to raise in confidence matters of concern, for an appropriate and independent investigation of such matters and, where necessary, for follow-up action.

#### Training and development

Encouraging the continuous development of staff is important to 3i and its business. 3i's training and development programme includes courses on communications and presentations, working within a management matrix environment,

coaching and mentoring, and Board management skills. In addition, investment staff are required to complete an investment training programme on joining 3i and all staff are encouraged to attend external courses on subjects relevant to their roles within 3i. During the year, in addition to these external courses, approximately 270 employees attended training and development courses.

It is a legal and regulatory requirement that all executives involved in making or managing investment transactions receive anti-money laundering training and refresher training on a rolling two year basis. All relevant executives have received anti-money laundering training accordingly.

A programme of role-play-based workshops across the business and regular articles in 3i's staff magazine are used to raise awareness of corporate responsibility issues, to stimulate debate and provide employee training. During the year, seventeen workshops, covering approximately 240 employees, were held in the UK, continental Europe, Asia and the US. Following feedback from these workshops, a fact sheet, explaining 3i's approach to corporate responsibility and providing further information for staff was circulated.

Training for Directors on corporate responsibility issues is achieved through a system of regular Board reporting and by Board presentations on relevant corporate responsibility issues.

#### Health and safety

3i recognises that the promotion of health and safety at work is an essential function of staff and management at all levels. In an endeavour to achieve high standards, appropriate policies and procedures have been put in place. These policies and procedures are the responsibility of Simon Ball, the Finance Director.

The purpose of 3i's health and safety policy is to enable all members of 3i's staff to go about their everyday business at 3i's offices in the expectation that they can do so safely and without risk to their health. 3i imposes rigorous standards on its staff and subcontractors and endeavours to ensure that the health, safety and welfare of its employees, visitors, customers, subcontractors' staff and the general public are not compromised.

3i's objective is not to have any reportable accidents or incidents. During the year to 31 March 2005, no reportable accidents or incidents occurred under UK Health and Safety regulations and no reportable accidents or incidents occurred under similar regulations outside the UK.

As a member of Tommy's Pregnancy Accreditation Programme, 3i complies with criteria for pregnancy management, geared towards creating a positive environment for parents-to-be in the workplace.



#### The Corporate Responsibility Committee

The Corporate Responsibility Committee, comprises Tony Brierley, Company Secretary and Chairman of the Committee, Denise Collis, Group Human Resources Director, Patrick Dunne, Group Communications Director, Douwe Cosijn, Head of Investor Relations, Albert Xu, an Investment Director in 3i's Asia investment business, Hans Middelthon, an investment executive in 3i's Oil and Gas team, and Ben Gales, an Associate in 3i's UK Venture Capital team.

Tony Brierley  
Company Secretary

**Procurement**

3i has developed policies and procedures relating to the purchasing of goods and services for use by the business. These policies and procedures must be followed by all staff. As far as possible, 3i will work only with suppliers who support 3i's aim to source products responsibly. Suppliers that exploit child or "sweated labour", that disregard social legislation and basic health and safety provision, that "pirate" the intellectual property of others or that wilfully and avoidably damage the environment will be avoided. 3i aims to have a collaborative relationship with its suppliers and, wherever possible, when problems arise with a supplier's performance or behaviour, will work with the supplier concerned to help them meet 3i's requirements.

**Environment**

As a financial services business employing approximately 740 employees world-wide, 3i's direct environmental impact is relatively low. 3i measures its own energy and resource usage where practicable and sets targets to achieve improvement. The principal benchmarks against which 3i measures its performance are for:

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

In the year to 31 March 2005, 3i generated CO<sub>2</sub> emissions of approximately 9,500 tonnes. Over the two years to 31 March 2007, 3i aims to reduce these emissions

by 6%. Progress against this target will be reported in the accounts for the year to 31 March 2006.

In the year to 31 March 2005, 3i generated an average of 5.8 kgs of waste per person per week in the UK, of which approximately 50% was recycled.

3i also assesses the environmental standards of suppliers, through its procurement policy and its purchasing choices will favour products showing clear environmental advantages, unless there are significant reasons for not so doing.

**Charity and community**

3i's charitable policy aims to support:

- causes based in the communities in which 3i has offices;
- charitable activities of staff. 3i matches donations made by UK staff under the Give as You Earn scheme ("GAYE") and the proceeds of staff fundraising efforts. In the year to 31 March 2005, approximately 23% of 3i's charitable donations were matching GAYE donations;
- charities relevant to its corporate activity, for example, 3i supports businessdynamics, a charity which aims to help young people understand business.

Charitable donations made in the UK in the year to 31 March 2005 amounted to £343,986, supporting a variety of different charities with donations up to £58,000.

**How are we doing?**

**Performance and measurement**

The Committee has overseen the formulation and implementation of corporate responsibility investment procedures, implemented appropriate risk management procedures and set strategic targets and objectives for corporate responsibility.

3i's performance is measured against two indices:

- the Dow Jones Sustainability World Index ("DJSI"), a global index which tracks the financial performance of leading companies in terms of corporate sustainability; and
- the Business in the Community ("BitC") Corporate Responsibility Index, which aims to benchmark environmental, ethical and social performance and encourage sustainable development.

3i has again been selected as a constituent of the DJSI during the year and was placed in the top of its industry group on a global basis. The DJSI researchers commented that "3i's sustainability performance is clearly positioned among the best in the industry. This is illustrated through 3i's strong capabilities in embracing corporate sustainability from strategic planning and implementation to monitoring and reporting. In the economic dimension, 3i sets industry best practice with its outperformance in risk and crisis management and scorecards/measurement systems." (source: SAM Research Inc)

<p>1</p> <p>European Venture Philanthropy Association</p> <p>1. 3i was a founding sponsor of the European Venture Philanthropy Association in 2004.</p>	<p>2</p> <p>Business in the Community</p> <p>2. 3i is proud to be one of BitC's "Top 100 Companies that Count".</p>	<p>3</p> <p>Member of Dow Jones Sustainability Indexes</p> <p>3. 3i is a constituent of the 2005 Dow Jones Sustainability Index.</p>	<p>4</p> <p>InKinddirect<sup>®</sup> a registered charity founded by HRH The Prince of Wales</p> <p>4. 3i has continued its financial support to In Kind Direct, a charity distributing manufacturers' surplus goods to voluntary organisations.</p>
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3i aims to continue to be included within this Index and to maintain its performance in the next DJSI assessment.

In 2004, 3i again participated in the annual BitC Corporate Responsibility Index. 3i was included in the BitC's "Top 100 Companies that Count" and was recognised for its outstanding performance in the area of corporate strategy (that is, how a company's activities influence its values and principles, how these are addressed through risk management, the development of policies and responsibilities held at a senior level in the company). 3i aims to continue to be included within this Index and to maintain its performance.

Each of 3i's business unit and department heads is required to confirm on an annual basis that their operating procedures, including investment procedures, are consistent with 3i's standards and controls and that these procedures are operating in practice.

3i's performance management appraisal process reviews the performance of individual members of staff against agreed objectives and the knowledge, skills and behaviours expected by 3i. This process includes 360 degree feedback for all employees.

All 3i's offices are the subject of health and safety audits to ensure high standards are adopted on a consistent basis world-wide. 3i's health and safety procedures are also independently audited by the British Safety Council

to evaluate the health and safety management system. 3i achieved a four star rating as a result of this evaluation process.

#### Audit and verification

The Committee is responsible for monitoring the operation of 3i's corporate responsibility policies and procedures. The identification and management of corporate responsibility risks is integral to the ongoing operational processes of 3i's business units and functions. 3i's internal audit function carries out periodic independent reviews of risks and related controls in this area, including compliance with 3i's corporate responsibility investment procedures.

The Committee may also supplement internal review processes with external reviews where necessary. The Committee is not aware of any material breaches of 3i's policies and procedures for managing risks from corporate responsibility issues.

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



Four examples of 3i's support for the local community near its offices in London.

1. 3i supported children and parents from local schools taking part in the 2004 Thames Festival.

2. In partnership with The Old Vic theatre, 3i enabled over 1,300 children to take part in pantomime workshops, and attend performances.

3. 3i continued its support for businessdynamics, which inspires young people to become involved in business.

4. Members of 3i staff support a voluntary reading initiative at a local school. (Models were used in this image.)

