

# Corporate responsibility

## 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; and
- strive for continual improvement and innovation.

## Our approach

**Philosophy** As an international business operating in 14 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. It promotes awareness of these issues across the business through training and communication. It promotes the development of corporate responsibility policies, procedures and initiatives and monitors and reviews their operation.

3i is a constituent of the 2006 Dow Jones Sustainability Index.



Tony Brierley, Chairman of 3i's Corporate Responsibility Committee, is also a member of the Leadership Team of Business in the Environment, the environment programme of Business in the Community, a business-led charity whose purpose is to engage and support companies to improve the impact they have on society.

**Business** in the

**Community**

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 and a log of identified risks is reviewed and updated at meetings of the Committee and significant risks are reported to 3i's Risk Committee. The Committee reports regularly to the Board.

As Chairman of the Committee, Tony Brierley, has specific responsibility for 3i's environmental policies, leading the development of new initiatives and targets and reporting to the Board.

All employees have a responsibility to be aware of, and to abide by, 3i's policies and procedures which have been developed to guide staff and regulate the conduct of the day to day operations of the business. These policies and procedures include 3i's environmental, ethical and social policies, and are available to all employees through 3i's portal, a web-based knowledge system. Employees are encouraged to make suggestions to improve these policies and procedures.

#### As an investor

**Investment policy** 3i has a portfolio of over 1,000 investments in businesses across 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; and
- 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 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 may 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.

**Investment procedures** 3i has policies and procedures to reduce the risks of 3i investing in businesses which operate in an environmentally, ethically or socially unacceptable manner. Details of these policies and procedures may be found on 3i's website at [www.3igroup.com](http://www.3igroup.com). 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 more than 1,600 potential investments were considered and 58 new investments were completed. Over 1,500 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.

During the year, processes were put in place to monitor more closely the number of potential investments in respect of which detailed due diligence was undertaken, and the number of investments in the portfolio reviewed as part of 3i's portfolio management processes, where environmental, social or ethical issues were identified, the nature of the issues identified and action taken as a result. A summary of the results of this monitoring for the year to 31 March 2007 will be reported in the 2007 Corporate responsibility report.

**Relationship management** 3i's key relationships are with the companies in which it invests, together with the intermediaries, advisers 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 to 31 March 2006, market perception studies were undertaken in the UK, France, Germany, Spain and Sweden. As part of these studies, interviews were conducted with companies in which 3i has invested, potential companies for investment and with intermediaries and advisers with whom 3i deals as part of the investment process. The results of these studies have been used to refine the way 3i interfaces with the companies in which it invests and the markets in which it operates, and to develop further the training of 3i's investment executives.

### As a corporate

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

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

In accordance with 3i's core values, individual consultation with employees on matters affecting them, and fair and open communication, are a high priority. During the year, a confidential survey of all staff world-wide was undertaken by Ipsos MORI to ascertain the attitudes of staff towards 3i. 91% of staff participated in this survey. The survey revealed that 3i compared favourably with other leading companies, exceeding the "Ipsos MORI norm" (a database maintained by Ipsos MORI recording average scores achieved by companies against a range of frequently asked questions) in 15 of 21 categories. A high level of employee engagement was disclosed with an overall score of 84%. The survey also revealed high levels of satisfaction, with 90% of staff indicating that they had interesting work, 89% of staff referring to the good working atmosphere at 3i, and high levels of staff morale at 22 points above the Ipsos MORI Top Ten norm. The results of the survey were considered by the Board and senior management and subsequently shared and discussed with individual teams within the business and actions agreed as relevant and appropriate.

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.

### Our people

Employee engagement is the extent to which employees are committed to their role, their team and the Group and its objectives. How effectively they work as a result of this commitment and levels of retention are indicators of engagement.

3i supports the European Venture Philanthropy Association and was a founding sponsor in 2004.



**Training and development** 3i is committed to encouraging the continuous development of the skills of its staff with the objective of maximising the overall performance of the business. Emphasis is placed on work-based learning, with the provision of development opportunities supported by appropriate coaching and mentoring. This is supplemented by more formal training programmes, such as workshops to enhance the board management skills of 3i's investment staff. In addition, investment staff are required to complete an investment training programme on joining 3i, and professional services staff are supported in developing their functional specialisms through external courses, networks and forums. During the year, 185 employees attended internal 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 periodic refresher training. A programme of training is in place to discharge these obligations.

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, a programme of 20 staff workshops, covering all locations world-wide where 3i operates was completed. To follow up on this programme of employee engagement and training, sector-based workshops and training courses have now been developed for investment staff. The objectives of these workshops are to ensure that staff remain fully informed of 3i's corporate responsibility policies, to identify and raise awareness to specific sector or geographical issues and to gain input to the formulation of policy. During the year, two such workshops were held for investment executives in 3i's Oil and Gas and Healthcare sector teams respectively and further workshops are planned.

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. Details of these policies and procedures can be found on 3i's website at [www.3igroup.com](http://www.3igroup.com). A Health and Safety Committee has been established to oversee the application of 3i's health and safety policies and procedures and to consider health and safety risks across the business.

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. High standards of health and safety are applied to staff and sub-contractors and 3i endeavours to ensure that the health, safety and welfare of its employees, visitors, customers, sub-contractors' 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 2006, one minor reportable accident occurred under UK Health and Safety regulations. 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.

**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. Details of 3i's procurement policies may be found on 3i's website at [www.3igroup.com](http://www.3igroup.com).

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.

3i helped to found businessdynamics almost 30 years ago and has continued its support throughout this time. In 2005, over 86,000 students benefited from businessdynamics' programmes.



*Bringing business to life for students*

3i has continued its financial support to InKinddirect, a charity distributing manufacturers' surplus goods to voluntary organisations. InKinddirect not only helps reduce costs for charities but also helps the environment.



**Environment** As a financial services business employing approximately 740 employees world-wide, 3i's direct environmental impact is relatively low. However, 3i measures its own energy and resource usage where practicable and sets targets to achieve improvement. A benchmark against which 3i measures its performance is for CO<sub>2</sub> emissions associated with its office accommodation. During the year, steps were taken to improve the collection and accuracy of data used in support of this measure. As a result, office related CO<sub>2</sub> emissions generated in the year to 31 March 2005 have been reassessed at approximately 6,964 tonnes. Over the two years to 31 March 2007, 3i aims to reduce this total by 6%. In the year to 31 March 2006, CO<sub>2</sub> emissions attributable to office accommodation of approximately 6,763 tonnes were generated. Although this was only a small reduction, the year included only one month of 3i's occupation of new, more energy-efficient offices in London, expected to generate significant savings. 3i also aims to reduce the amount of waste generated per person per week and, where possible, to recycle paper and other office materials. This measure was also distorted by the move of 3i's head office, which generated a temporary increase in waste. Office items and equipment no longer required as a result of this move were, where possible and practical, either donated to charity via InKindirect or recycled.

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

#### Corporate responsibility issues and the environment

The principal benchmarks against which 3i measures its direct impact on the environment are for CO<sub>2</sub> emissions; and recycling of paper and other materials.

**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 2006, approximately 26% of 3i's charitable donations were matching GAYE donations;
- charities relevant to its corporate activity. For example, 3i founded and supports businessdynamics, a charity which aims to inspire young people to become involved in, and understand business.

Charitable donations made in the UK in the year to 31 March 2006 amounted to £390,570, supporting a variety of different charities with donations up to £35,000.

3i supports Community Links, an innovative inner-city charity running community-based projects in London. Founded in 1977, it now helps over 50,000 vulnerable people a year.



### 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. 3i was also recognised as one of the best companies on a global basis in respect of its codes of conduct, compliance and anti-crime measures. 3i aims to continue to be included within this Index.

In 2005 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 marketplace management. 3i aims to continue to be included within this Index.

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 maintains 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 in the application of 3i's internal 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.

**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, Ben Gales, an Associate in 3i's UK Venture Capital team and Michael Robinson, a Director responsible for 3i's SMI portfolio.