



# 3i Group plc

## Corporate responsibility report 2010

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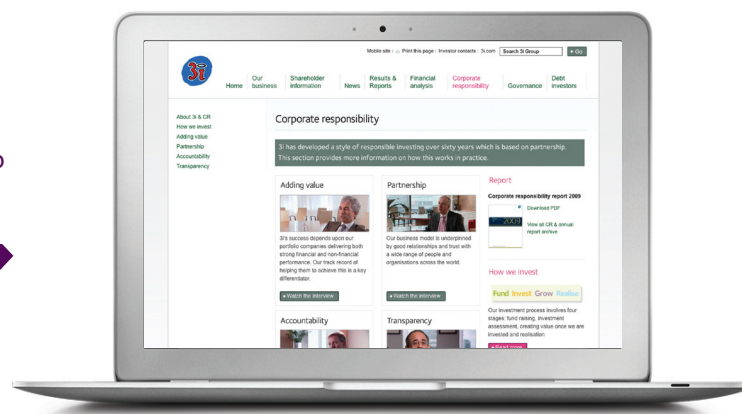
## Corporate responsibility at 3i

This report provides detailed information about 3i's approach to corporate responsibility ("CR") and our performance during the year. It supplements the CR section of our 2010 Annual report.

3i is an investor so this report looks at CR in the context of making and managing investments, as well as how 3i manages CR as a company in its own right.

For further information on our approach to CR, please visit the CR section of our Investor relations website

[www.3igroup.com/corporate-responsibility.html](http://www.3igroup.com/corporate-responsibility.html)



### CR Committee

Kevin Dunn	Company Secretary and Chairman of the Committee
Deepak Bagla	Director in 3i's India Infrastructure investment business
Douwe Cosijn	Head of Investor Relations
Patrick Dunne	Group Communications Director
Jan-Peter Onstwedder	Head of Risk
Tony Wang	Associate Director in 3i's Asia investment business
Phil White	Partner in 3i's Infrastructure business line

The Committee's membership reflects the balance of 3i's business with representation from a range of business line and Group activities.

### Contact us

For more information please contact Kevin Dunn at [KevinDunnCR@3i.com](mailto:KevinDunnCR@3i.com)

“The focus for our CR development this year has been on 3i as an investor. We have further strengthened our investment process and worked more closely with our portfolio companies to understand in more detail how they manage CR.”

Kevin Dunn Group Company Secretary and General Counsel

## Our approach

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- 3i’s approach to CR, both as an investor and a company, is commercially driven
  - An active approach to CR means more to 3i than simply retaining our licence to operate or reducing risk
  - We believe that our approach to CR provides genuine competitive advantage and helps maximise long-term returns
  - We also think it is important to review our approach to CR every year and to keep innovating in this important area
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## Our values

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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 shareholders, investors, our people and the companies in which we invest
  - maintain our integrity and professionalism
  - strive for continual improvement and innovation
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The following information illustrates our commitment to CR and provides detail on our CR performance.

3i's approach to CR in its investment activities must be seen in the context of 3i's business model described in the Annual report. This approach to CR is embedded in our investment processes and is an important aspect of how we invest.

#### CR in our investment activity

During the year, we significantly updated our global CR investment policies. These provide guidance and procedures for our investment teams to help them appraise CR issues in the companies in which we invest. Additionally, we conducted a review of a number of our largest portfolio companies to improve our understanding of how they manage CR in their businesses.

As an investor, we view CR from two perspectives; opportunity and risk. We believe that an active approach to CR has the potential to bring a wide variety of business benefits to our portfolio companies.

The most significant CR risks arising from our investment activity are likely to relate to environmental, ethical, governance and social issues. Failure to identify or manage these risks effectively not only has the potential to undermine the success of our portfolio companies, but also might compromise 3i's reputation. Identifying and managing these risks is therefore an important part of managing risk for 3i and doing so successfully has the potential to increase the value and attractiveness of our portfolio companies to others.

A Group-wide review of our business needs and policies in relation to CR was conducted in 2008. This review identified the need for further development of our policy and accompanying operational procedures. This need was driven by several factors, including increased globalisation, 3i's own international growth, as well as a recognition that public expectations were growing at a time when the financial services sector was coming under greater scrutiny.

A new Group-wide CR policy was developed and rolled out across our investment business during the year. The main features of this new policy, to which all employees have online access, include:

- a single, short policy document with a clear overall corporate goal, supplemented by a set of broad aspirations and commitments;
- a set of new investment procedures for all stages in the investment process – fundraising, investment, growth and realisation;
- a series of guidance notes for investment teams, covering key issues and sectors, with links to case studies, international norms and standards and information about specific emerging markets; and
- clear arrangements for policy governance and accountability.

The policy, together with revised procedures, employee training and a new CR web-based portal, was designed to provide 3i employees with a clear framework, as well as the tools to think about and manage issues relating to CR throughout the investment process.

#### CR in our portfolio

During the year, a project was conducted to assess how 3i's portfolio companies are managing the most relevant CR issues for them. A sample of investments across a range of sectors, geographies and business lines was as part of the initial review.

The portfolio review was designed to benchmark how companies in the portfolio are managing their most relevant CR issues. The key issues that were benchmarked were environment, climate change, labour issues, human rights, business ethics and corruption, and finally, transparency. Each of these issues was assessed for materiality and level of engagement and a summary analysis prepared for each company.

The benchmarking exercise also considered the strength of the policies and systems that the company had in place to manage these issues as well as the strength of monitoring processes.

This project, through engagement with portfolio companies and 3i investment executives, has:

- increased awareness within 3i and within the companies of material CR issues;
- produced more examples of best CR practice that can be used by other portfolio companies; and,
- highlighted key risks and opportunities to strengthen portfolio companies' CR policies and processes.

3i intends to build on the work in this project and broaden and deepen its engagement with portfolio companies on CR issues.

### Summary of 3i CR policy

As a public and international company, 3i is committed to putting its core values into effect by investing responsibly and encouraging responsible business conduct among its portfolio companies. Our policy and procedures are designed to help employees understand and manage the impact they and our portfolio companies have on society and the environment, including any relevant ethical issues.

3i has set itself the overall goal of being a top performer in CR in its industry and a positive influence for sustainable social and environmental practices across its international investment portfolio.

New procedures have been adopted based on a simple CR materiality test for all investments, and a requirement for employees to demonstrate, throughout the life of the investment through to exit, that they have taken account of the issues and understand the value, opportunities and risks involved. By encouraging corporate learning and the sharing of good practice, we believe this process will be self-reinforcing.

Specifically, 3i is committed to:

#### 1. Human rights

Respect the protection of international human rights and avoid complicity in human rights violations.

#### 2. Labour/workplace rights

Uphold the right to freedom of association and collective bargaining; abolish child labour; eliminate forced and compulsory labour; and end employment discrimination.

#### 3. The environment

Take a cautious and responsible approach to the environment; promote compliance with environmental law, improvement in management standards and the sustainable management of natural resources; and help combat climate change by supporting the development of products and services that are environmentally beneficial.

#### 4. Anti-corruption

Avoid corruption in all its forms, including extortion and bribery, upholding compliance standards and integrity and complying with relevant anti-fraud and money-laundering regulations.

We see these aspirations as going beyond good corporate governance and compliance with local and other law. The policy is not just concerned with “doing no harm” or ethical business practices, but impinges on issues of wider trust and corporate reputation, which are critically important in the new global climate where there is greater public mistrust of the financial sector.

In this section, we provide commentary and detailed information on a range of different areas of corporate responsibility with respect to 3i itself, including:

- roles and responsibilities;
- sources of expertise;
- performance benchmarking and verification;
- staff training, diversity and culture;
- health and safety;
- procurement; and
- community and social enterprise.

The above include our two key non-financial performance measures – employee engagement and environmental impact.

### Roles and responsibilities

- The Board as a whole is responsible for corporate responsibility.
- The Executive Directors are responsible for ensuring compliance with 3i's corporate values and standards.
- The Corporate Responsibility Committee ("the Committee") considers and reviews corporate responsibility issues relevant to 3i's business, reports regularly to the Board and promotes awareness of these issues across the business through training and communication.
- The Committee promotes the development of corporate responsibility policies, procedures and initiatives, and monitors and reviews their operation.
- The Committee identifies and assesses the significant risks and opportunities for 3i arising from corporate responsibility issues.
- A Group-wide risk log is used to record identified risks and to monitor their management and mitigation.
- The log of identified risks is reviewed and updated at meetings of the Committee and significant risks are reported to 3i's Operational Risk Committee. There is a detailed description of risk management at 3i in our 2010 Report and accounts.
- The Chairman of the Committee, Kevin Dunn, has specific responsibility for 3i's corporate responsibility 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.

## Sources of expertise

In addition to the Corporate Responsibility Committee, 3i is able to draw upon a wide range of sources of internal and external expertise on corporate responsibility issues. These include 3i's professional services and investment teams, who have specialised knowledge on specific issues, sectors and markets, as well as 3i's advisers and Business Leaders Network.

3i's scale, international reach and network also provide access to leading international consultancies on environmental, ethical and social issues for a wide variety of purposes from compliance to creating value in portfolio companies. Our portfolio companies themselves are a rich source of knowledge and through our Active Partnership programme and other means we encourage experience sharing.

3i has been a member of the Dow Jones Sustainability World Index ("DJSI") since 2002 and the Business in the Community Corporate Responsibility Index since 2003. 3i has also been reporting to the Carbon Disclosure Project for the past two years.



In 2009, 3i again participated in the annual Business in the Community's ("BitC") Corporate Responsibility Index and was included in BitC's "Top 100 Companies that Count". In particular, the integration of our CR principles and management into our investment processes was recognised.



As a private equity business with fewer than 500 employees world-wide, 3i has a relatively small footprint on many CR issues. However, we recognise that our sustained success and our reputation for being a good corporate citizen means taking our corporate responsibilities seriously.

Being focused on the mid market, operating internationally, and as one of the few publicly listed private equity firms, 3i is differentiated within its industry and has been actively involved in the evolution of the CR agenda for many years. Indeed, 3i was a founder member of Business in the Community over 25 years ago.

Throughout our history we have been actively involved in supporting the development of the industry through its formal associations and other activity. Our current Management Committee contains a former chairman of the BVCA, as well as two former chairmen of the EVCA.

3i is compliant with the Walker Guidelines on disclosure for private equity firms and their portfolio companies. More detailed information on 3i's approach to transparency can be found in our online Reporting centre.

## Training and development

As a people business, 3i is committed to developing its staff. In response to another challenging year, improvements have been made to continue to support 3i's business strategies, and its employees.

A training board was set up in September 2009 to keep employee development at the top of 3i's agenda. Chaired by Michael Queen, the training board has global representatives from different deal expertise and Group functions, and has been an important driver for the forthcoming strategic agenda for Learning and Development. Personal development has taken a higher priority and the inclusion of the personal development form in the appraisal process will provide full visibility of individual needs so these can also be met.

Significant progress has been made into the research of alternative development methods. Promotion of the online resource supplied by Ashridge Business School resulted in increased "distance learning" across the Group. A pilot course was delivered at 3i's head office on how to get the best out of informal learning, and this will be rolled out to the rest of the offices.

In addition to this, internal courses were delivered to 25% of employees largely on communication and impact skills. With the continued focus on portfolio management, a Value Management through the Board course, dealing with NXD challenges, was also delivered this year.

IT training for existing and new employees is undertaken on a regular basis, as is training for accounting and other systems. A new health and safety e-learning course was launched on Display Screen Equipment.

It is a legal and regulatory requirement that all executives and Management Committee are involved in making or managing investment transactions receive anti-money laundering training and periodic compliance refresher training. During the year, all staff sat and passed two e-based compliance courses on the Life of a fund (Financial Crime), Treating people fairly and Confidentiality (data sharing). Regular reports are provided to Board Directors on legal and regulatory issues, to ensure they are appraised of the latest relevant developments.

## Employee engagement

### Employee survey

3i regularly surveys its staff to measure employee engagement, to understand how they feel about topical issues within the Company, as well as to give all staff the opportunity to provide confidential feedback. The method of survey alternates each year between a comprehensive telephone survey and a web-based poll. Core questions are included each time to evaluate how our performance is changing year on year.

Following last year's web-based survey, a comprehensive telephone poll survey was conducted this year by Ipsos MORI, which was open to all staff. It was conducted in January and February 2010. The previous comprehensive survey was held in 2008.

The response rate for the 2010 survey was high with 96% of employees participating in the survey, significantly greater than last year's web-based poll in 2009 (56%). 3i's web-based polls traditionally achieve lower response rates than telephone surveys (2008: 92%). The 2010 poll was conducted following a highly turbulent time in our markets and for the company, with staff numbers falling from 739 at 31 March 2008 to 488 at 31 March 2010.

The results for this key non-financial performance measure were encouraging in that the overall employee engagement score was stable at 74% (2008: 83%) over the previous year. Advocacy, which has traditionally been high at 3i, remained so at 82%, although it was lower than in 2008 (90%). 81% of staff taking part said that they were proud to work for 3i. The survey also highlighted some areas for improvement, including the communication of strategy and organisational change. The results of the survey were communicated to staff in March 2010 and a number of actions have been taken as a result.

### Results of the 2010 employee survey

Measuring employee engagement and giving employees an opportunity to give feedback is a key objective for 3i. Every second year, 3i employees world-wide take part in a confidential telephone survey conducted by Ipsos MORI. In the intervening years, as in 2009, staff are given the chance to give feedback via an electronic questionnaire as part of an internally run process.

#### Highlights

- A response rate of 96%
- An employee engagement score of 74%
- 81% of staff are proud to work for 3i
- High employee advocacy, with 82% of those surveyed saying they would speak highly of 3i
- High commitment to helping 3i achieve its objectives (94%)

#### Areas for improvement

- As with any survey of this nature, there were a number of detailed or specific issues relating to particular parts of the business
- Only 57% of employees feel valued and recognised for the work that they do
- Qualitative feedback also suggested that there was room to improve communication of strategy

#### Action

- The results were communicated to all staff in March
- All issues relating to specific parts of the business have been communicated and are being followed up
- Our increased commitment to communication with staff will address the other areas for improvement



## Environment

As a financial services business employing less than 500 employees worldwide, 3i's direct environmental impact is relatively low. The principal benchmarks against which 3i measures its direct impact on the environment are for CO<sub>2</sub> emissions and waste.

Our relatively minor environmental footprint also means a relatively small cost saving associated with reducing our resource use or waste generation. While cost savings are always attractive, the business case for addressing environmental issues at 3i derives more from the importance our employees attach to working for a responsible company. With this in mind we set ourselves environmental targets for all our UK offices for April 2009/10 and have monitored these on a quarterly basis.

Target	Progress March 2010
95% of our water to be self bottled or dispensed filtered drinking water	Achieved
50% of our walk-in cold room space to be fitted with energy saving devices	Achieved
100% of take away food containers to be biodegradable	Achieved
Recycle 100% of our used cooking oil	Achieved
Recycle 100% of confidential waste paper	Achieved
Participate in at least one environmental awareness campaign a year	Achieved
Power to be turned off to 100% of unused space	Achieved
Sign memorandum of understanding regarding green initiatives with the Landlords of Palace Street	Achieved

## CO<sub>2</sub> emissions

In addition to the above targets, in 2007 the Board set an objective to be carbon neutral by 2010. To achieve this we have chosen to retire carbon credits from the EU ETS scheme via a UK government assured scheme. In line with this target, we have improved the measurement and modelling of our carbon emissions and reduced the energy intensity of our operations.

## Basis of emissions measurement

In the year to 31 March 2010, we worked with a specialist adviser, the Edinburgh Centre for Carbon Management ("ECCM"), to evaluate our greenhouse gas emissions. We also refined our modelling to include updated UK government CO<sub>2</sub> equivalent ("CO<sub>2</sub>e") emissions factors, most notably the CO<sub>2</sub> factor for UK grid electricity generation. This information has improved our understanding, control and reporting of emissions.

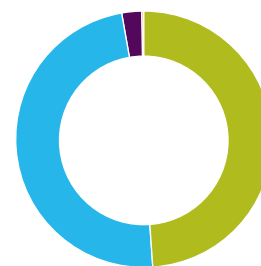
ECCM calculated our emissions by multiplying data provided for particular activities by emission factors; for example, an emission factor is used to convert litres of petrol consumed into the amount of CO<sub>2</sub> emitted at tailpipe. The emission factors used in the assessment are taken from guidelines of the UK Department for Environment, Food and Rural Affairs (Defra) and other recognised sources.

The results from the different activities have been calculated to provide an estimate of carbon related emissions for the activities of the Company for the specified year, representing the Company's annual carbon footprint. This report covers the six Kyoto gases, expressed in carbon dioxide equivalents, or CO<sub>2</sub>e.

In the year to 31 March 2010, our reported emissions were 7,232 CO<sub>2</sub>e (t/yr), down approximately 15% from the 2009 data. This decrease is largely explained by our work in this area, particularly reducing energy usage and ensuring our data is accurate. The climate change impact assessment chart outlines this amount as a percentage of each emission type.

## 3i global operations – Breakdown of emissions by source (%)

Premises	49.0
Business travel	48.3
Company owned vehicles	2.6
Other	0.1



In the forthcoming year, we will continue to endeavour to reduce our energy use and have set targets to help us achieve this which can be found on 3i's CR pages at [www.3igroup.com](http://www.3igroup.com).

## Waste

In addition, our overall waste usage in the UK has also decreased:

Waste Year to 31 March	Landfill waste	Recyclable waste
2008	83 tonnes	51 tonnes
2009	55 tonnes	51 tonnes
2010	26.3 tonnes	31 tonnes

We have also reduced our waste globally:

Waste Year to 31 March	Landfill waste	Recyclable waste
2008	136 tonnes	85 tonnes
2009	170 tonnes	66 tonnes
2010	68 tonnes	54 tonnes

## Working with stakeholders

We work with our contractors and service providers on an ongoing basis to identify ways in which we can reduce our environmental impact. In addition, we have been working with the landlords (Land Securities) of our largest office, 16 Palace Street London, with the aim to improve the environmental impact of our occupancy and services. During 2009 we signed a Memorandum of Understanding with Land Securities which aims to facilitate collaboration between the landlord and its occupants in order to improve the sustainability and reduce the environmental footprint of buildings and premises. The Memorandum of Understanding has been developed from best working practice guidance set out by the Green Lease Working Group formed by the Better Building Partnership to drive improvement in the environmental performance of existing commercial properties.

## Health and safety

Promotion of health and safety at work is an essential responsibility of staff and management at all levels. John Tracey, as Chairman of the Health and Safety Committee, has overall responsibility for the implementation of 3i's health and safety policies and procedures. This Committee oversees the application of these policies and procedures and considers health and safety risks across the business.

The purpose of 3i's health and safety policy, which is set out below, 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 subcontractors and we endeavour to ensure that the health, safety and welfare of our employees, visitors, customers, contractors' staff and the general public are not compromised.

## Key objectives of our Occupational Health and Safety ("OH&S") policy:

- to identify, evaluate and control risks;
- to maintain an OH&S management system;
- to ensure all incidents are reported and investigated in a timely manner;
- to set annual objectives and targets; and
- to ensure that 3i employees are informed of and engaged in the process of improving OH&S.

We have set targets for achievement and these are published on our website. Our overall objective is not to have any reportable accidents or incidents.

During the year to 31 March 2010, no reportable accidents occurred under UK Health and Safety regulations or under similar regulations outside the UK. We also achieved all other targets we set for the year.

## Procurement

We have developed environmentally conscious policies and procedures relating to the purchasing of goods and services. As far as possible, we will work only with suppliers who support our aim to source products responsibly and we exclude suppliers who use child or forced labour, disregard social legislation and basic health and safety provisions, or wilfully and avoidably damage the environment.

We aim to have a collaborative relationship with our suppliers and, wherever possible, when problems arise with a supplier's performance or behaviour, we will work with the suppliers concerned to help them meet our requirements.

### Community and social enterprise

Our charitable activities are concentrated on young people, education and the disadvantaged in the communities where we have offices. Charities are supported on the basis of their impact and effectiveness.

We are supportive of employees who volunteer for charitable work or become trustees of charities.

Our charitable giving for the year to 31 March 2010 totalled £407,490 (2009: £483,750). We match employees' fundraising and in the UK we promote the Give As You Earn scheme, administered by the Charities Aid Foundation. In the year to 31 March 2010, this accounted for donations of £105,163 – 26% of 3i's charitable donations (2009: 27%).

#### The Passage

When 3i moved its head office to Victoria, it identified The Passage as a charity in the local community which had a high impact. Its objective is to help homeless people back into employment and, since 2007, 3i has supported its education, training and employment project.

During the past year, many 3i staff have become actively engaged with The Passage by sitting on the finance and fundraising committees and an employee has been appointed as treasurer to the charity. Staff have also provided their skills and expertise on IT, procurement and management information, organised clothing collections and introduced volunteers. In addition, 3i staff were involved with promoting "A Night Under the Stars" concert – an annual fundraising event for The Passage.



#### GOONJ

We have continued to fund the "School to School" project managed by GOONJ in India. The aim of this programme is to bridge the gap in resources between urban and rural schools. Surplus educational materials are redistributed to underprivileged schoolchildren and 3i's support has benefited 12,000 children.



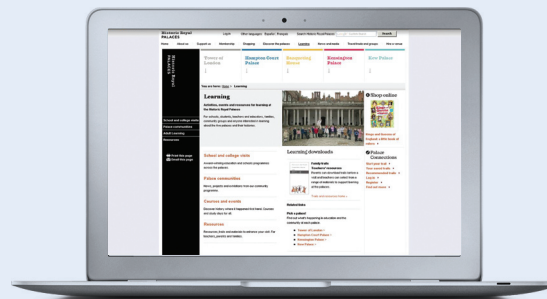
#### Community Links

We supported a programme, run by Community Links in east London, giving children and young people the opportunity to participate and influence the services provided by the charity. Projects included: developing leadership skills; empowering young people to become social reporters; launching a website and producing a film about child poverty.



**Education at Historic Royal Palaces**

3i's funding for the Historic Royal Palaces contributed towards its pilot work in schools and funded an outreach and community youth worker based at Kensington Palace. This has enabled the charity to extend its work with local communities and a programme of educational events, focusing on the heritage of the palace, was developed for disadvantaged young people.



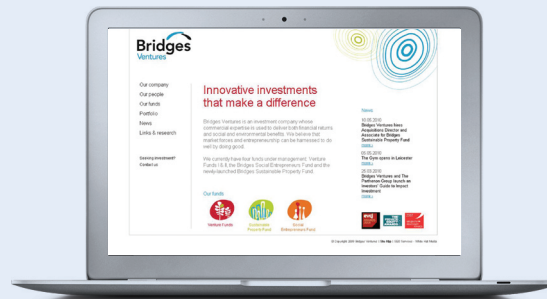
**Enterprise Education Trust**

The Enterprise Education Trust (EET), founded by 3i over 30 years ago, provides programmes to increase children's knowledge of business, bridging the gap between school and work. Each year, over 90,000 14–19 year olds benefit from the education programmes. 3i has supported EET every year since its foundation.



**Bridges Ventures**

3i was a founding investor in Bridges Ventures, a private investment company with dedicated social and/or environmental goals. We have also supported the Bridges Social Entrepreneurs Fund, an initiative to address the funding gap for social enterprises.



**European Venture Philanthropy Association – EVPA and Asia Venture Philanthropy Network – AVPN**

3i is a founding member of the European Venture Philanthropy Association (EVPA), which was formed to promote venture philanthropy in Europe. We are also supporting The Asia Venture Philanthropy Network (AVPN), a venture philanthropy organisation in Asia Pacific.



