3i Group plc

Annual report and accounts 2022

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For definitions of our financial terms used throughout this report, please see our Glossary on pages 216 to 218.

Disclaimer
The Annual report and accounts have been prepared solely to provide information to shareholders. They should not be relied on by any other party or for any other purpose.

The Strategic report on pages 1 to 95, the Directors' report on pages 97 to 128 and 140 to 146, and the Directors' remuneration report on pages 129 to 139 have been drawn up and presented in accordance with and in reliance upon English company law and the liabilities of the Directors in connection with those reports shall be subject to the limitations and restrictions provided by that law. This Annual report may contain statements about the future, including certain statements about the future outlook for 3i Group plc and its subsidiaries ("3i" or "the Group"). These are not guarantees of future performance and will not be updated. Although we believe our expectations are based on reasonable assumptions, any statements about the future outlook may be influenced by factors that could cause actual outcomes and results to be materially different.

Our purpose

We **generate attractive returns** for our shareholders and co-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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Chairman's statement

Driving sustainable growth in our portfolio companies

David Hutchison
Chairman

3i delivered an excellent result in FY2022, driven by organic growth and the effective implementation of buy-and-build strategies in our portfolio.

Overview

I am pleased to report that 3i delivered an excellent result in the financial year to 31 March 2022 ("FY2022"), my first year end as Chairman of the Group. The Group has a clear, consistent strategy that continues to be well executed, generating attractive and sustainable returns for shareholders.

Performance

The Group's total return for the year was £4,014 million (2021: £1,726 million). Net asset value ("NAV") increased to 1,321 pence per share (31 March 2021: 947 pence) and our total return on opening shareholders' funds was 44% (2021: 22%). This year's result highlights the resilience that the Group and our portfolios have demonstrated throughout the pandemic and our ability to generate growth organically and through value accretive acquisitions for our portfolio companies.

Market environment

The strength of the Group's FY2022 result has been achieved against a challenging macro-economic and uncertain geopolitical backdrop. The start of our financial year coincided with the initial phase of the global deployment of Covid-19 vaccines. Despite the emergence of new variants towards the end of 2021, the effectiveness of the vaccination programme and wider public health response resulted in reduced restrictions across many of the regions in which our portfolio companies operate. The resulting pick-up in economic activity gave rise to supply chain disruption and inflationary pressures. These pressures have been exacerbated since Russia's invasion of Ukraine with further increases in commodity prices, including energy and fuel. The Group has no direct exposure to Russia or Ukraine and across our portfolios the exposure is limited.

Dividend

Our dividend policy is to maintain or grow the dividend year on year, subject to balance sheet strength and the outlook for investment and realisation levels. In the year, we had a good level of investment activity across new, bolt-on and further investments, and also generated a significant cash inflow of over £1.2 billion from our portfolio companies. We also provided liquidity to two of our portfolio companies to support their recovery from the pandemic and have capacity to support other portfolio companies if required.

In line with the Group's policy and in recognition of the Group's financial performance, the Board recommends a second FY2022 dividend of 27.25 pence (2021: 21.0 pence), subject to shareholder approval, which will take the total dividend to 46.5 pence (2021: 38.5 pence).

Board and people

I would like to take this opportunity to thank Simon Thompson, my predecessor, for his stewardship of the Group over the last six years, particularly through the early stages of Covid-19 and for facilitating a smooth transition process.

As announced on 11 November 2021, Julia Wilson, Group Finance Director, will retire from her role and the Board after the AGM in June 2022 and will be succeeded by James Hatchley, who will also retain his current Group Strategy responsibilities. We have also promoted Jasi Halai, currently Group Financial Controller, to Chief Operating Officer. I would like to thank Julia for her outstanding contribution to the Group and the Board over her 16-year tenure and welcome James and Jasi to the Board. I am also delighted to welcome to the Board Peter McKellar, who succeeds me as Chairman of the Valuation Committee and Lesley Knox, who has been appointed as our Senior Independent Director.

> "The Group has a clear, consistent strategy that continues to be well executed, generating attractive and sustainable returns for shareholders."

Environmental, Social, and Governance ("ESG")

In 2021, ESG and in particular the impact of climate change, was of significant prominence for governments and businesses. We have recognised for some time its importance for our shareholders and investors and wider society and I am encouraged by the Group's progress during the year in implementing its sustainability agenda under the oversight of our newly formed ESG Committee.

Outlook

We have started FY2023 with strong momentum across the Group and our portfolio. The mitigation measures and growth strategies we have implemented since the start of the pandemic mean that we are well placed to adapt to the next phase of its evolution. The current geopolitical instability and the wider implications for the macro-economic environment remain a key focus for the Group and our portfolio companies, and while we are not immune, our portfolio is demonstrating its resilience and ability to generate growth.

The strength of our performance in FY2022 results from our strategy of investing in assets backed by long-term structural growth trends, supporting returns for our shareholders through the cycle.

David Hutchison
Chairman
11 May 2022

Performance highlights

1,321p
NAV per share
(31 March 2021: 947p)

44%
Total return on equity
(2021: 22%)

46.5p
Dividend per share
(2021: 38.5p)

Alternative Performance Measure ("APM")

3i prepares its statutory financial statements in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and in accordance with UK-adopted international accounting standards. However, we also report a non-GAAP "Investment basis" which we believe aids users of our report to assess the Group's underlying operating performance.

The Investment basis is an APM and is described on page 53. Total return, which is defined as Total comprehensive income for the year and net assets are the same under the Investment basis and IFRS and we provide a reconciliation of our Investment basis financial statements to the IFRS statements from page 54. Pages 50 to 52 are prepared on an Investment basis.

We assess our performance using a variety of measures that are not specifically defined under IFRS and are therefore termed APMs, these include: Gross investment return ("GIR") as a percentage of opening value, cash realisations, cash investment, operating cash profit, net (debt)/cash and gearing. These APMs are referred to throughout the report and their purpose, calculation and reconciliation to IFRS can be found on page 57.

At a glance

3i is an investment company specialising in Private Equity and Infrastructure. We focus on investment markets in northern Europe and North America.

Group

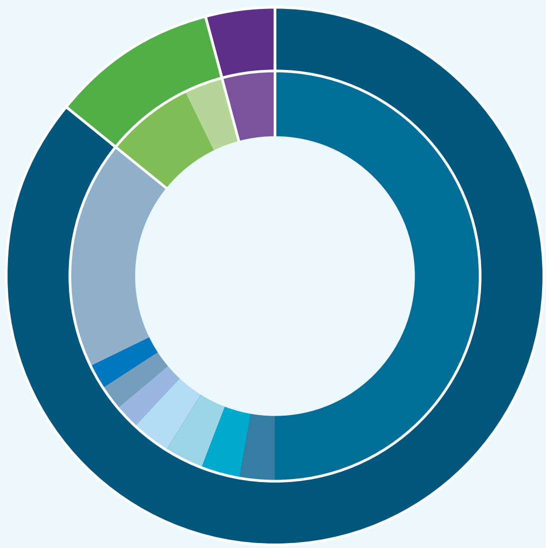
Proprietary capital value

£14,305m

(2021: £10,408m)

Top 10 investments and remaining portfolio value at 31 March 2022 (%)

Action	50
Cirtec Medical	4
Luqom	3
Tato	3
Q Holding	3
Hans Anders	2
Havea	2
Royal Sanders	2
Other Private Equity investments	17
3i Infrastructure plc ("3iN")	7
Other Infrastructure investments	3
Scandlines	4



Private Equity
£12.4bn

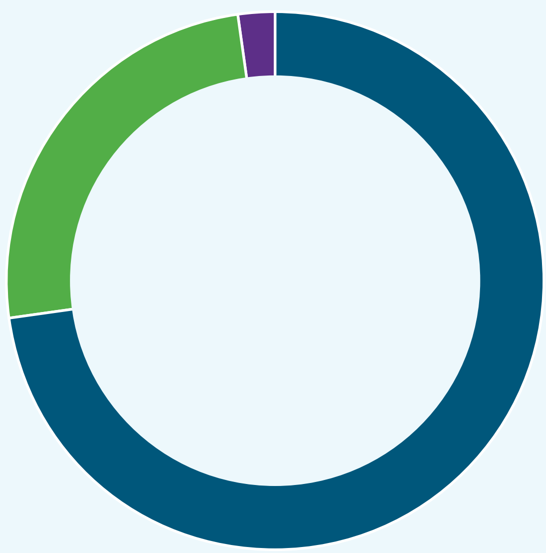
Infrastructure
£1.4bn

Scandlines*
£0.5bn

Total assets under management

£22.9bn

(2021: £16.9bn)



Private Equity
£16.7bn

Infrastructure
£5.7bn

Scandlines*
£0.5bn

* Scandlines is an investment held for its ability to deliver long-term capital returns while generating cash dividends.

Private Equity

Infrastructure

What we do

Private Equity: Our Private Equity business is funded principally from our proprietary capital, with occasional co-investors for selected assets. We have a principal focus of generating attractive capital returns in this business.

87%

With 87% of our proprietary capital invested in Private Equity, this business is the principal driver of our returns.

Infrastructure: Our Infrastructure business manages assets on behalf of third parties and 3i's proprietary capital, with the objective of earning fund management fees and portfolio income for the Group, as well as attractive capital returns.

£91m

of the Group's cash income was generated by our Infrastructure business in FY2022.

Target markets

Private Equity: Our Private Equity business invests in companies typically with an enterprise value of €100 million to €500 million at acquisition in our core investment markets of northern Europe and North America. Our teams invest in the following sectors:

- Consumer
- Healthcare
- Industrial Technology
- Business & Technology Services

Infrastructure: Our Infrastructure business invests across a broad range of economic infrastructure businesses and operational projects in Europe and North America, in sectors adjacent to:

- Utilities
- Transport/Logistics
- Communications
- Natural resources/Energy
- Social infrastructure
- Healthcare

Value creation

Private Equity: Our Private Equity team creates value through buying well and active asset management, supporting strategies that deliver strong earnings growth in our portfolio. We typically achieve this through various strategies including international expansion and buy-and-build.

Infrastructure: Our Infrastructure team creates value by identifying the best investment opportunities and then working in close partnership with our portfolio companies to deliver sustainable growth.

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Read more about Private Equity in our case studies

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Read more about Infrastructure in our case studies

Chief Executive's statement

3i delivered an excellent result in FY2022

Simon Borrows
Chief Executive

3i delivered an excellent result in FY2022, driven by a resilient portfolio, carefully constructed and positioned in sectors benefitting from long-term structural growth. Our Private Equity and Infrastructure investment teams deployed capital selectively and innovatively across several new, further and bolt-on investments and we capitalised on favourable market conditions to return significant cash to the Group.

Against a backdrop of geopolitical tensions and macro-economic uncertainty, we enter the next financial year with a diversified portfolio that has good momentum and is well positioned to generate attractive, sustainable returns for our shareholders.

We continued to deliver against our long-term strategy and objectives in FY2022, generating a total return on shareholders' funds of £4,014 million, or 44% (2021: £1,726 million, or 22%), ending the year with a NAV per share of 1,321 pence (31 March 2021: 947 pence). The Group and its portfolio have navigated the various challenges of the last few years very effectively and the strength of the 3i team and processes, together with the quality of the current investment portfolio, have ensured sustained growth and dividends for shareholders. Throughout the pandemic, rigorous monitoring and active management of our portfolio enabled us to respond quickly to developments in the wider environment and to implement mitigating actions. This is important also in the context of Russia's invasion of Ukraine. The Group has no direct exposure to Russia or Ukraine, and the exposure across the portfolio is limited but, where it exists, we are actively working on options to deal with the situation in the short term.

A combination of pent-up demand and record levels of uninvested capital continue to drive competition and aggressive pricing for private market assets. We have maintained price discipline and remained flexible, selective and innovative in deploying our capital. During the year, we completed six new investments in Private Equity and three in Infrastructure. Bolt-on acquisitions enable our portfolio companies to increase their scale, customers, capabilities and access new markets and have been fundamental to our value creation strategy across both of our portfolios.

In FY2022 we completed a total of 15 bolt-on acquisitions, including two transformational acquisitions for our Private Equity portfolio companies and a number of further investments within our Infrastructure portfolio. Our permanent capital is a distinct advantage in allowing us flexibility in our investment holding periods. We are under no pressure to accelerate exits before assets have reached their full potential. We will, of course, capitalise on favourable exit and refinancing market conditions when they arise. Across the Group, we received over £1.2 billion of cash primarily via portfolio company realisations, refinancings and dividends in the year.

Private Equity performance

Our Private Equity portfolio consists of companies across northern Europe and North America with international operations across four sectors: Business & Technology Services; Consumer; Healthcare; and Industrial Technology. In the year to 31 March 2022, it generated a Gross Investment Return ("GIR") of 47% (2021: 30%), predominately driven by performance, with 93% of our portfolio companies by value growing their adjusted earnings in the 12 months to December 2021. We remained consistent on our long-term view on multiples, with multiple increases contributing just 6% to Private Equity GIR.

Action

Our largest Private Equity portfolio company, Action, is a leading non-food discount retailer operating in ten countries across Europe. Action delivered a very strong result for its financial year ending 2 January 2022, generating sales growth of 23% and operating EBITDA of €828 million, 36% ahead of the previous year. This performance was achieved notwithstanding Covid-19 restrictions and store closures that affected Action in six out of 12 months in 2021, as well as widespread global supply chain disruptions and inflationary pressures.

2021 was a record year in terms of store openings for Action, as the business added 267 stores. Action's simple and repeatable format, selling good quality but inexpensive products across 14 different categories, remains highly successful in both its established and newer markets. Action is seeing strong trading from seven pilot stores in Italy, opened in 2021, and four pilot stores in Spain, opened in early 2022. The group now has over 2,000 stores across 10 countries and plenty of expansion potential in existing and adjacent countries.

“Since our restructuring in June 2012, we have focused on investing our proprietary capital to deliver sustainable growth and long-term compounding of value from our portfolio companies. This strategy has been executed well by our international investment teams and through the tight central control of the Group’s Investment Committee.”

An effective end-to-end supply chain is critical to Action’s growth strategy and, in 2021, Action strengthened its distribution infrastructure with the addition of two new distribution centres (“DCs”), in Bratislava, Slovakia and in Bieruń, Poland, and opened a new hub in Wroclaw, Poland. Action’s DC network has the capacity to serve c.2,400 stores, providing important spare capacity to support further growth, whilst the addition of hubs, used to coordinate the inbound freight, ensures efficient supply to the DCs. Enhancements in Action’s IT infrastructure and the ability to directly source products have enabled better quality sourcing, more supply chain control and improved the availability of products in stores. The flexibility of Action’s product range and its significant buying power have allowed the business to effectively manage price inflation, whilst carefully maintaining price distance to competitors and ensuring value for money for its customers.

Action has made significant progress in the implementation of its ambitious sustainability agenda. The company has set a number of important targets relating to the responsible sourcing of some materials, the transparency of labour conditions in its supply chain, and importantly aims to have circularity plans in place for all its categories by the end of 2022. It has also pledged to reduce the emissions from its own operations by 50% by 2030, from a baseline year of 2020.

Action

Action opened its 2,000th store in Prague in January 2022.

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Read more about Action

The Board of Action appointed Hajir Hajji to the role of CEO effective from 1 January 2022 and she has presided over a good start to the year. In the three months to the end of Action’s period 3 (“P3”) which ended on 3 April 2022, all stores were open for most of the period and the business generated like-for-like (“LFL”) sales growth of 28% and opened 30 new stores. Action’s last 12 months (“LTM”) EBITDA to P3 2022 was €932 million (31 March 2021: €602 million) showing the strength in recovery of the group’s trading since the severe Covid-19 restrictions in the first three months of 2021. Action has not been directly impacted by Russia’s invasion of Ukraine and has no stores in that region.

Throughout the pandemic, Action has remained highly cash generative due to its strong performance, asset-light model and structurally negative working capital. As a result, Action paid an interim dividend to shareholders of €325 million in December 2021, and a second dividend of €344 million in March 2022. After paying the dividends, Action had a cash balance of €394 million as at 31 March 2022 and a net debt to run-rate earnings ratio of 2.5x.

Healthcare portfolio companies

Over the last five years, we have increased our exposure to healthcare assets, recognising the significant trends in health and wellbeing spend, ageing populations and the increased importance of the sector following the pandemic. The healthcare assets that we have acquired often operate in highly fragmented markets and the significant bolt-on activity in each of our businesses is providing a foundation for considerable growth. Since our initial platform investment in 2019 and subsequent buy-and-build activity, SaniSure is now amongst the largest independent pure-play bioprocessing consumables businesses in the market and delivered very strong organic growth in 2021. Q Holding’s medical business (“QMD”) has seen significant recent commercial momentum with strong sales in its core products with existing customers, as well as significant new customer wins in 2021. We continued to enhance Cirtec Medical with the self-funded acquisition of Cardea Catheter Innovations, further strengthening Cirtec Medical’s interventional segment following the previous acquisitions of Vascotube and NovelCath. Over our five-year hold in Havea, we have developed one of the leading European players in consumer healthcare through the simplification of its brand portfolio, omnichannel development and by executing a value accretive buy-and-build strategy. In 2021, the business delivered a good result despite Covid-19 restrictions impacting retail footfall and completed the self-funded acquisition of ixX Pharma.

Chief Executive's statement continued

Consumer portfolio companies (excluding Action)

Our consumer businesses performed well. BoConcept delivered record order intake in 2021, with strong performance across most markets, particularly in Japan, as the business continues to outperform growth in the market and benefit from increased spending on the home. Operational improvements implemented since our initial investment and effective pricing strategies have largely offset the increased supply chain and transportation costs. The business expanded its international footprint with a further 35 new stores in 2021, taking the total number of brand stores to 326 across 67 countries.

Hans Anders mitigated Covid-19 restrictions in the first and last quarter of 2021 through its omnichannel strategy and increased operational efficiencies. Following the easing of restrictions in the second and third quarters of 2021, sales rebounded quickly. Trading in the first quarter of 2022 was robust with all stores open. High customer demand, driven by a structural shift to online channels, generated strong performance in the first half of 2021 for Luqom, whilst market headwinds, specifically supply chain delays and rising inbound container prices, resulted in pressure on performance in the second half of 2021. The business completed an important transaction with the bolt-on acquisition of Lampemesteren, one of the online market leaders in Scandinavia with a particularly strong position in the premium segment of the market.

Over the last two years, Covid-19 has presented an unprecedented challenge to the travel industry, and in 2021 both Audley Travel and arrivia faced difficult trading conditions. To support their recovery, we provided additional liquidity to both businesses. Encouragingly, in the first quarter of 2022, both saw an improvement in bookings.

Industrial Technology portfolio companies

Our long-term minority investments in AES and Tato continue to perform well and yield cash dividends for the Group. Tato continued to see sustained demand for its core biocides products and maintained its supply levels throughout the pandemic. The Covid-19 driven boost to disinfectant sales normalised through the second half of 2021 with end markets now driven by conventional consumer and industrial drivers. AES outperformed our expectations in the year, driven by increased sales volume and efficient cost control.

WP successfully navigated resin and other material price increases with effective pricing strategies in 2021. The business, which has an operating subsidiary in Russia that contributed c.17% of its adjusted 2021 earnings, is actively working with our team on options to deal with the situation in the short term. Formel D's performance in 2021 was severely impacted by plant shutdowns due to the semi-conductor shortage affecting automotive production.

3i portfolio companies' support for the humanitarian crisis in Ukraine

Action: donated €1 million to UNICEF. In addition, Action offered the use of its Polish warehouses and logistics to provide supplies and supported Polska Akcja Humanitarna. In the Czech Republic, Action's staff worked closely with People in Need to provide support.

BoConcept: supported people affected by the conflict by matching their employees' donations up to €100,000, with the aim of raising €200,000 to donate to the UN Refugee Agency (UNHCR).

Christ: donated €50,000, split between Aktion Deutschland Hilft e.V.'s Ukraine Emergency Aid project and the regional organisation Gesellschaft Bochum-Donetsk e.V. The latter organisation was chosen because Bochum is where Christ's logistics department is located and the city is partnered with Donetsk in Ukraine.

GartenHaus: matched employees' donations to the Csilla von Boeselager Stiftung Otseuropahilfe e.V., which has been providing emergency aid in Ukraine for 20 years and operates in Lviv, Beregovo and Zaporizhia.

Havea: donated 100,000 Biolane baby hygiene products, including wipes and washing gel, for distribution to Ukrainian refugees. A second convoy of 40 pallets was donated to organisations hosting refugee families in France.

Scandlines: is offering free transport on its ferries to Ukrainian passport holders.

ten23 health: supported the Swiss charity HEKS/EPER (Swiss Church Aid), which provides humanitarian aid to civilians in Ukraine and those fleeing the country. The charity also supports Ukrainian refugees in Switzerland.

3i Group's support for the humanitarian crisis in Ukraine

In March 2022, we donated £1 million split equally between UNICEF and the Médecins Sans Frontières/Doctors Without Borders ("MSF") Emergency Fund.

UNICEF is working with partners on the ground in Ukraine to reach vulnerable children and families with essential services – including health, education, protection, water and sanitation – as well as life-saving supplies.

MSF provides medical assistance to people affected by conflict, epidemics, disasters, or exclusion from healthcare. MSF's Emergency Fund is an annual financial reserve that allows the organisation to react quickly in emergencies, with an aim of being on the ground within 48 hours.

Private Equity investment

We invested £335 million in six new portfolio companies. Three of these were in the consumer sector, including the £87 million investment in Mepal, the £46 million investment in Dutch Bakery and the £43 million investment in Yanga. These are distinctive consumer companies with strong customer propositions and international growth potential. As part of our thematic Business & Technology Services investment strategy, we invested £53 million in MAIT, a leading IT services provider that benefits from the digitalisation of SME customers in the manufacturing industries in the DACH region, with a proven M&A platform to drive consolidation in a highly fragmented market.

Our experience and network in the healthcare sector enables us to identify investment opportunities away from the typical processes that are currently commanding very high valuation multiples. In May 2021, we adopted an innovative approach in forming a new platform, ten23 health, to create a contract development and manufacturing organisation ("CDMO"), which provides an integrated offering for sterile drug product development and manufacturing of biologics, challenging molecules and dosage forms. Throughout the remainder of the financial year, we continued to support the growth initiatives of this platform and completed the transformational bolt-on acquisition of Swissfillon, a drug product fill and finish CDMO. To date, we have invested £69 million in the ten23 health platform. In November 2021, we also completed a £37 million co-investment in insightsoftware, the company that acquired Magnitude Software.

Building value through international roll-outs or bolt-on acquisitions is fundamental to our investment and value creation strategy. In the year, we completed several self-funded bolt-on acquisitions across various stages of the investment lifecycle, including three for MAIT and one for Dutch Bakery, within 12 months of the completion of our original investment. We also completed acquisitions for more established businesses such as Luqom, Cirtec Medical, Havea, Evernex, Hans Anders, AES and Royal Sanders. We also funded a transformational bolt-on acquisition for GartenHaus with the acquisition of Outdoor Toys, a UK-based online retailer of outdoor garden toys, investing £45 million of 3i proprietary capital.

PAGES 24-25
Read more about our Private Equity investment activity

Private Equity realisations

Private assets continued to command favourable exit valuations, with a particularly strong demand for technology assets. We generated realisation proceeds of £684 million in the year. Following our investment in Magnitude Software in May 2019, we supported several new product launches, the transition from on-premises to cloud software solutions and investments in sales and marketing which increased Magnitude Software's organic growth rate. With the business well positioned and a favourable market backdrop, we completed its sale in November 2021, returning £346 million of proceeds to 3i, representing a 109% uplift on 31 March 2021 value. The sale achieved a sterling money multiple of 2.5x and IRR of 44%, a very strong return after a holding period of only two and a half years.

When market conditions and trading performance allow, we may refinance our assets. Following refinancings in the year, Royal Sanders and BoConcept returned proceeds to 3i of £84 million and £73 million respectively.

We also capitalised on a recovery in public markets in November 2021 with the partial sale of our stake in Basic-Fit at €44.25 per share, generating proceeds of £146 million, meaning our money multiple, including the value of our remaining stake at 31 March 2022, is 5.4x.

At the start of April 2022, we agreed the sale of Q Holding's QSR division, a leading developer and manufacturer of electrical connector seals, to Datwyler for an enterprise value of US$625 million. We expect to receive proceeds of c.US$255 million in the first half of FY2023. The valuation of Q Holding at 31 March 2022 of £398 million (31 March 2021: £187 million) includes the expected sale proceeds from QSR and our remaining value of Q Holding's QMD business, and means our money multiple for the overall business is 2.5x, with plenty of runway for further value generation in QMD.

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Read more about our Private Equity realisation activity

Infrastructure performance

Our Infrastructure portfolio generated a GIR of £241 million, or 21% on the opening value (2021: £178 million, 16%). This strong return was driven principally by the increase in share price of the Group's 30% holding in 3iN, whose shares closed at 347 pence at 31 March 2022 (31 March 2021: 296 pence). The Infrastructure business generated strong cash income of £91 million (2021: £67 million) as a result of good underlying investment activity and performance.

3iN's investment portfolio outperformed expectations in the year to 31 March 2022. As a result, 3iN generated a total return on opening NAV of 17.2% and delivered its dividend target of 10.45 pence, a 6.6% increase on last year.

As 3iN's Investment Manager, we have overseen a period of significant investment activity, whilst maintaining our price discipline in a highly competitive asset class. During the year, the 3iN team completed the acquisitions of DNS:NET, an independent telecommunications provider in Germany, for £190 million and of SRL Traffic Systems, the market leading traffic management equipment rental company in the UK, for £191 million. The team also increased 3iN's stake from 50% to 100% in 3iN's existing portfolio company ESVAGT and agreed to acquire Global Cloud Xchange ("GCX"), a leading global data communications service provider which owns one of the world's largest private subsea fibre optic networks. Whilst the investment hold horizon is typically longer in the infrastructure asset class, we will sell an investment where this generates attractive returns for shareholders. This year saw the divestment by 3iN of Oystercatcher's four European terminals, increasing Oystercatcher's unrealised money multiple to 3.1x.

Chief Executive's statement continued

The underlying 3iN portfolio has no operations in or direct revenues from Russia or Ukraine and to date the indirect impacts on portfolio companies has been limited.

In North America, we have now secured commitments from two third-party blue-chip investors, who have co-invested in Regional Rail and EC Waste and will make further investments alongside 3i in its North America Infrastructure platform. As part of these arrangements, 3i committed US$300 million into the platform and we received £161 million of realised and syndication proceeds from the co-investment transfers of EC Waste and Regional Rail. We believe this platform provides the Group with an opportunity to build on its experience in a market that has significant growth potential.

Scandlines performance

Scandlines performed well in the year generating a GIR of 26% (2021: 6%). Freight volumes were consistently strong, finishing ahead of 2019 levels. Leisure volumes showed some signs of recovery but remained below 2019 levels as travel restrictions remained in place between Sweden, Denmark and Germany in the first part of the peak trading season of 2021 and, following the emergence of another Covid-19 variant, at the end of 2021. As a result of good cash management throughout the pandemic, Scandlines was able to resume its cash distributions in December 2021, and 3i recognised £13 million of dividends in the year.

Progress on our sustainability agenda

FY2022 was an important year in progressing our sustainability agenda. In recognition of the importance of the management of sustainability issues for the Group and our portfolio, we set up a formal ESG Committee, with membership drawn from across the business, to advise me, directly and through the Group Risk and Investment Committees, on all ESG-related matters. Since its creation this committee has focused in particular on developing strategy, policy and governance for assessing and managing climate-related risks and opportunities across the Group and its portfolio, a topic of increasing urgency and prominence in society and a focus area of governments and regulators and our stakeholders.

As part of this, the ESG Committee has been working on preparing the Group for reporting in alignment with the TCFD framework by the 2024 deadline set by the FCA for asset managers such as 3i, which will require us to expand our current TCFD reporting to include portfolio emissions metrics. To this end, in January 2022 we started an engagement with EY's sustainability practice to establish a roadmap to achieve alignment, refine our process for ESG data collection and perform a first climate scenario analysis to advance our understanding of climate-related risks and opportunities in our portfolio companies.

We are now working on a number of initiatives that we have already set in train. These include:

- Investment assessment: we are refining our investment screening process to include an earlier assessment of climate risks and opportunities, with third-party input where required.
- Data: we are now completing the process of collecting greenhouse gas ("GHG") emissions data from our portfolio companies and improving our processes and tools to ensure that this data can be easily analysed. Our objective is to measure the carbon footprint of our entire portfolio by the end of FY2023, to facilitate TCFD reporting by 2024. This data will also allow us to improve our engagement with portfolio companies on this topic and set appropriate targets.
- Scenario analysis: we are carrying out our first climate scenario analysis for the entirety of our portfolio, to help us assess the impacts on portfolio companies of different climate warming scenarios. We will iterate these analyses periodically to help us better understand and manage the impact of climate change on our portfolio companies.
- Skills and training: we are organising bespoke training programmes on climate change physical and transition risks and opportunities, with the objective of equipping everyone in 3i with the knowledge required to assess and manage these appropriately.

We will continue to manage climate change with the necessary urgency. For further information on what we have done to date and what we have planned in the immediate future, please refer to our TCFD disclosures.

During the Covid-19 pandemic, we have continued to work closely with our portfolio companies to ensure the safety and wellbeing of their employees and to manage the range of operational issues they have faced as a result of public health measures, and we have provided financial support where required. The £5 million Covid-19 charitable fund we set up in May 2020 to alleviate the hardships suffered by many as a result of the pandemic has now been fully deployed across the countries where we and our investment teams operate.

Our people

It has been a challenging few years for our team and throughout the pandemic we have focused on protecting the wellbeing of our employees and contractors. In September 2021 we implemented a hybrid working model which supports a strong collaborative culture while providing employees with a degree of flexibility to manage non-work commitments and improve their quality of life. I would like to record a big thank you to the 3i team and the teams in our portfolio companies for working through the last few years so well.

We have seen some changes in key personnel this year. James Hatchley will succeed Julia Wilson as Group Finance Director at the end of June 2022 and Jasi Halai, currently Group Financial Controller, will become Chief Operating Officer. They will join the Board in May 2022.

We promoted Julien Marie, currently HR Director, to Chief Human Resources Officer. He joined the Executive Committee in April 2022. Phil White will step down as Managing Partner and Head of Infrastructure and member of the Executive Committee at the end of June 2022, remaining with the business on a part-time basis as Vice Chair of Infrastructure and member of the Group's Investment Committee. Scott Moseley and Bernardo Sottomayor will succeed him as Managing Partners and Co-Heads of European Infrastructure, and will join 3i Group's Executive and Investment Committees, effective 1 July 2022.

We have also seen a marked pick-up in hiring approaches from competing investment firms targeting our investment and professional services teams. This activity has resulted from asset gathering firms in the private equity and infrastructure investment sectors seeking to grow at a very rapid pace, often with a view to becoming a listed company. We have had to respond to these approaches by ensuring that careers and compensation at 3i remain attractive and competitive for the talented individuals we have working in the Group.

Operations and balance sheet

Cost discipline across the Group remains central to our long-term strategy and, in FY2022, we continued to cover our costs with income, generating an operating cash profit of £340 million in the year, or £56 million excluding the £284 million of cash dividends received from Action, which were recognised as income.

We ended FY2022 with net debt of £746 million and 6% gearing, after returning £389 million of cash dividends to shareholders in the year. We close our financial year with liquidity, including our undrawn RCF, of £729 million, meaning we can move fast when suitable investment opportunities arise.

Our 10-year track record

Since our restructuring in June 2012, we have focused on investing our proprietary capital to deliver sustainable growth and long-term compounding of value from our portfolio companies. This approach is underpinned by a robust investment strategy focused on the identification of long-term growth trends across our sectors and geographies. This strategy has been executed well by our international investment teams and through the tight central control of the Group's Investment Committee. Price discipline, active asset management and careful cost control have been the hallmarks of the 3i approach since 2012.

Both Julia Wilson and Phil White have been key members of the 3i team and I am indebted to both for their significant contributions since the restructuring in 2012. Both have reached the pinnacle of their respective disciplines and I wish them well in the next phase of their lives. While they will both be much missed, we have some very capable internal promotees to step into their shoes.

NAV per share

279p 2012 — 22% average total return on equity — 1,321p 2022

Dividend growth

8.1p 2012 — 19% CAGR → 46.5p 2022

Proprietary capital value

£3.2bn 2012 — 4.5x increase → £14.3bn 2022

Operating costs as a % of AUM

1.7% 2012 — 65% reduction → 0.6% 2022

Outlook

We have entered our new financial year acutely aware of the political and macro-economic challenges the world is facing, but we do this from a position of strength.

- Our teams are experienced and well-embedded in their local markets across northern Europe and North America.
- Our processes are carefully designed and disciplined which allows us to react fast to sudden or sharp changes in markets or the broader environment.
- Our portfolio is well constructed from a thematic, geographic and sector perspective and has demonstrated clear resilience over the last few years. We asset manage in the knowledge that we have assembled today's portfolio with real price discipline and we have not over-bought recent highly-priced vintages.

In Action we have a formidable retail company that will continue to grow and thrive in today's challenging environment. We also have a number of healthcare and consumer assets which have the potential to become significant longer-term compounders for the Group.

Simon Borrows
Chief Executive

11 May 2022

Our business model

We create capital value by investing in mid-market companies to create a diverse portfolio with strong growth potential.

Our businesses

Private Equity

- Business & Technology Services
- Consumer
- Healthcare
- Industrial Technology

Infrastructure

- Communications
- Healthcare
- Natural resources/Energy
- Social Infrastructure
- Transport/Logistics
- Utilities

Scandlines

- Transport/Logistics

PAGE 16
Our thematic approach

What we offer

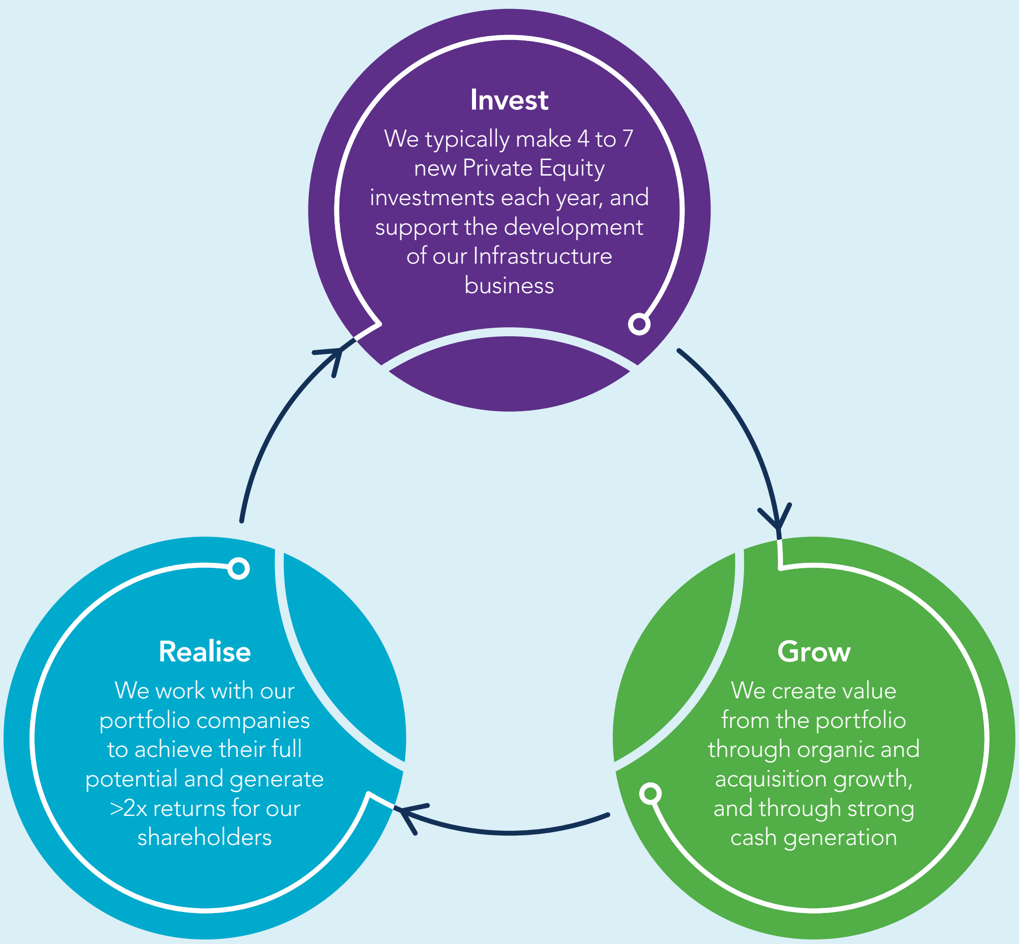
Permanent capital	We create value by investing our proprietary capital in a portfolio of mid-market companies. Our proprietary capital affords us a long-term investment horizon.
A long-standing office network	We have had teams on the ground across the UK, continental Europe and the US for many decades, which have built strong networks within their local business communities.
An expert and diverse team	Our international teams have great experience in our sectors. We view diversity as a strength and a plurality of perspectives enhances our origination, value creation and decision making.
Careful portfolio construction	We approach portfolio construction with great care, originating opportunities thematically and investing selectively in businesses that benefit from long-term structural growth trends.
Rigorous portfolio management	We engage with portfolio companies' management teams to manage risks and invest in initiatives that support long-term sustainable growth.
Strong values and institutional culture	We promote a strong culture of integrity among our employees and embed that culture in our policies and processes.
A strong brand and reputation	As an investment company with a history of over 75 years, our brand strength and long-term approach underpin our reputation as a responsible investor and business.

PAGE 14
Our long-term, responsible approach

We cover our operating costs with income from our portfolio and from fund management fees generated by our Infrastructure business, thereby minimising the dilution of our capital returns.

Value creation

We manage our balance sheet conservatively. We maintain a tight grip on operating costs and cover these with fund management fees and portfolio income.



Who benefits

Shareholders

Our model is capable of delivering mid-teen returns to shareholders through the investment cycle

44%
Total return on opening shareholders' funds

46.5p
Dividend per share

0.6%
Operating costs as a percentage of our FY2022 AUM

Portfolio companies

We work in close partnership with our portfolio companies to provide expertise and support, enabling them to grow sustainably and to contribute positively to the communities in which they operate

Our people

Our people are our most important resource. We foster the professional development and wellbeing of our employees

Our long-term, responsible approach

As proprietary capital investors we have a long-term, responsible approach. We create value through thoughtful origination, disciplined investment and active management of our portfolio, driving sustainable growth in our investee companies.

Responsibility and sustainability are material levers for value creation

Our responsible approach to investment and portfolio management is an integral part of our business model. It is based on four pillars:

1. **Long-term stewardship**
   Thanks to our permanent capital we have a medium to long-term investment horizon. We have majority or significant minority stakes in our portfolio companies which allows us to drive long-term, sustainable growth in our portfolio.

2. **Thematic origination**
   We invest in businesses that benefit from structural growth trends. Our approach is flexible and can be adapted to take into account market developments and regulatory, policy, societal or environmental changes. For example, over the last few years we have backed businesses that benefit from and have invested in the transition to a low-carbon economy, the achievement of a more sustainable consumption model through a circular economy and improved health and wellbeing, all of which can deliver positive impacts over the long term.

3. **Careful portfolio construction**
   We approach investment origination and portfolio construction with great care. We make a limited number of new investments each year, with a clear focus on the sectors and geographies where we have built a strong track record, in-house expertise and comprehensive networks. We can screen out opportunities that have an unsustainable impact on the environment and societies in which they operate, inconsistent with generating long-term value.

4. **Rigorous assessment and management**
   The rigorous assessment and management of ESG risks and opportunities is embedded in our investment, portfolio management and value creation processes. Our Responsible Investment policy, as interpreted and implemented by our Investment Committee, provides clear guidance to our investment professionals. We have also been signatories to the UN Principles of Responsible Investment since 2011.

PAGES 16-17
Our thematic approach

PAGES 42-43
Proactive engagement with our portfolio on ESG matters

PAGES 72-89
Sustainability

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

We invest in businesses that we believe will benefit from structural trends likely to support long-term, sustainable growth.”

Our people and relationships are our priority

The recruitment, development and retention of a capable and diverse team is key to our success.

We provide training and opportunities for career advancement, reward our employees fairly and recognise the importance of supporting the wellbeing and satisfaction of our employees by providing a healthy working environment and work/life balance. We benefit from a non-hierarchical organisational structure, which supports a culture of open communication.

The 3i team of 236 employees consists of 21 nationalities and we value highly the diversity of thoughts and experiences this brings. We cultivate an inclusive environment for existing and prospective employees which respects, involves and leverages diverse talent for greater organisational good. We continue to improve our performance through a number of initiatives aimed at improving gender, ethnic and social diversity at 3i and on an industry-wide basis.

PAGES 72-89
Sustainability

236 Employees

21 Nationalities

> "We consider diversity in all recruitment processes and explore initiatives to address the perceived barriers to entry into our sector."

Strong values and institutional culture

3i was founded in 1945 with the objective of providing growth capital to post-war Britain. The responsibility which came with that purpose still guides our behaviour today.

We strive to embed responsible business practices throughout our organisation. We do this by promoting a strong culture of integrity among our employees and by embedding that culture in our policies and processes. We expect all employees to act with integrity, accountability and a careful ownership mindset and to approach their roles with ambition, rigour and energy. We evaluate all employees annually against our corporate values.

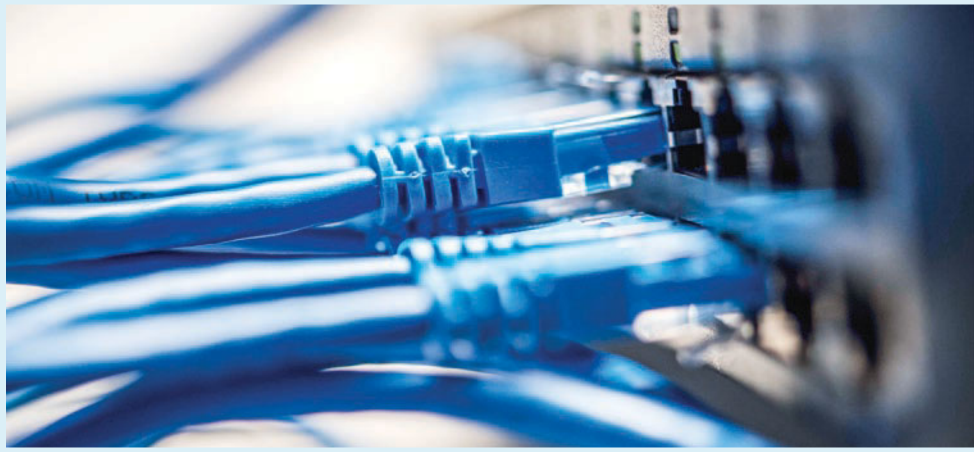
PAGE 73
Our values

PAGES 97-146
Governance

Our shared values

Our thematic approach

We adopt a thematic approach to origination and portfolio construction, backing businesses benefiting from structural trends which can support long-term sustainable growth.



Demographic and social change

The population in our core investment markets is ageing and, in most cases, shrinking

Increasing life expectancy and reduced birth rates in most of our core markets are resulting in an ageing and often declining population, which is increasingly urban. These structural, long-term trends are resulting in profound changes in consumer behaviour and preferences, and the development of policy responses to meet the challenges of greater longevity and the increasing prevalence of age-related chronic illness.

The healthcare investments in our Private Equity portfolio, including Cirtec Medical, an outsourced medical device manufacturer, as well as Q Holding, SaniSure and ten23 health, which provide products and services to the life sciences industry, have developed their businesses to benefit from this increasingly important trend. Havea, which is among the leaders in the natural consumer healthcare industry, is supported by a growing consumer focus on health and wellness. We also have exposure to this trend in our Infrastructure portfolio, through Ionisos, which provides cold sterilisation services to the medical and pharmaceutical industries, among others.

PAGE 32
ten23 health

Digitalisation, technological disruption and big data

Business is increasingly mobile and data driven, facilitated by increasing connectivity and focused on simplifying the customer experience

Technology is developing rapidly and changing business operating models across sectors. Digitalisation is part of daily life, permeating all spheres of human activity and interactions. We have been careful in selecting investments that benefit from this megatrend, while avoiding areas likely to be impacted by disruption.

In our Private Equity portfolio Luqom and GartenHaus operate in growing, online retail niches and are capitalising on the continuous consumer shift to the online channel. MAIT works with small and medium-sized enterprises to develop IT solutions with a focus on the optimisation of business processes and digitalisation strategies. Evernex maintains IT equipment that is critical for customers' business continuity, including servers, storage and network equipment.

We have a growing exposure to this trend in our Infrastructure portfolio through DNS:NET, which owns the largest fibre-to-the-cabinet network in the Berlin area and is rolling out a fibre-to-the-home network in that region; through Tampnet, which provides high speed, low latency and resilient data connectivity offshore; and through an agreement to acquire Global Cloud Xchange, a global data communications services provider and owner of one of the world's largest private subsea fibre optic networks.

PAGE 33
MAIT

PAGE 39
DNS:NET

Climate change and resource scarcity

The response to the climate and environmental emergencies will be among the defining themes of our time

The transition to a more sustainable consumption model and the development of solutions to tackle global warming and climate change, either through regulatory "push" or changes in consumer preferences, are going to provide attractive investment opportunities for many decades.

We have significant exposure to the renewable energy and waste management sectors through our Infrastructure division, with investments in companies such as Infinis and Valorem, which generate renewable energy, and Attero and HERAmbiente, which sort and recycle waste and generate power from waste that cannot be recycled. Our Infrastructure business is also invested in ESVAGT, the market leader in the fast-growing segment of service operation vessels for the offshore wind industry.

A number of our Private Equity portfolio companies are making significant investments in the circular economy theme. For example, WP, a manufacturer of innovative packaging systems for the FMCG industry, is investing in the development of packaging that is easily recyclable and made with greater use of recycled materials. A core pillar of Evernex's customer proposition is to repair, reuse and recycle IT equipment, reducing waste and emissions. Mepal makes innovative products for storing and serving take-away food and drink, which can help to reduce food waste and the usage of single-use packaging.

PAGE 31
Mepal

Challenges to globalisation and the economic order

The growing mobility of goods, capital and labour has long been the engine of global growth, but the financial crisis and the Covid-19 pandemic have challenged the global economic order

Globalisation and increased economic interdependence have supported rapid economic growth across the world, but also present significant challenges. For example, international trade has accelerated income inequalities in advanced economies and shocks such as the pandemic or the war in Ukraine have disrupted global supply chains. Some emerging market economies are replacing certain imports through domestic production, further disrupting global trade.

Value for money

Against an increasingly challenging economic backdrop, consumers want convenience, excitement, relevance and authenticity at good value. We expect consumers' focus on value to increase as a result of the increasing economic uncertainty

Value for money has long been one of the winning themes in our Private Equity portfolio and we expect it will continue to provide attractive opportunities for new and further investment. Action, our largest portfolio company, has grown revenues and EBITDA significantly since we first invested in 2011, by providing a good quality, surprising and carefully sourced assortment at very low prices. Hans Anders, a value-for-money optical retailer, is winning market share across its markets by offering private label and branded products at average price points significantly below its major competitors. Royal Sanders, a private label and contractor of personal care products, is growing strongly thanks to its strong offering across various personal care segments, including the value-for-money segment, as well as its long-standing relationships with winning retailers, including value retailers, and brands.

Internationalisation

As global value chains are becoming increasingly disrupted, the best businesses have winning customer propositions, flexible supply chains and a strong market position in their domestic markets that can be leveraged to grow internationally

We have invested in many strong businesses and helped to internationalise them either through organic expansion (eg Action and Basic-Fit) or through acquisition (eg Royal Sanders, Luqom, Hans Anders, Evernex, GartenHaus or MAIT). In each case, we have been able to leverage on a strong customer proposition and domestic presence to implement gradual internationalisation strategies. Our portfolio construction has provided resilience to global trade disruptions, underpinning robust performance and strong returns.

Strategic objectives

Grow investment portfolio earnings

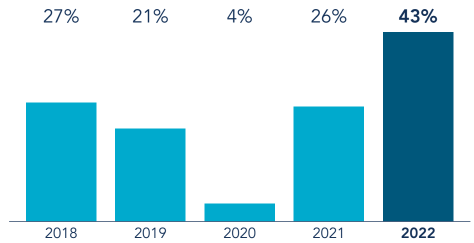
Realise investments with good cash-to-cash returns

Key performance indicators

Gross investment return ("GIR")[1,2] as % of opening portfolio value

The performance of the proprietary investment portfolio expressed as a percentage of the opening portfolio value.

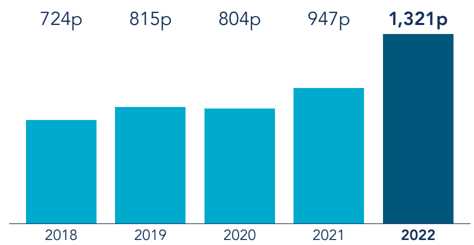
Link to strategic objectives



NAV per share[2]

The measure of the fair value per share of our proprietary investments and other assets after the net cost of operating the business and dividends paid in the year.

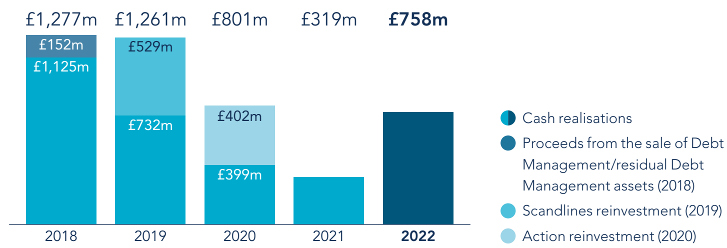
Link to strategic objectives



Cash realisations[1,2]

Support our returns to shareholders, as well as our ability to invest in new opportunities.

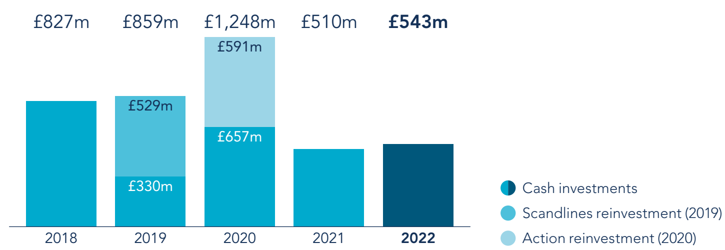
Link to strategic objectives



Cash investment[1,2,5]

Identifying and investing in new and further investments is the primary driver of the Group's ability to deliver attractive returns.

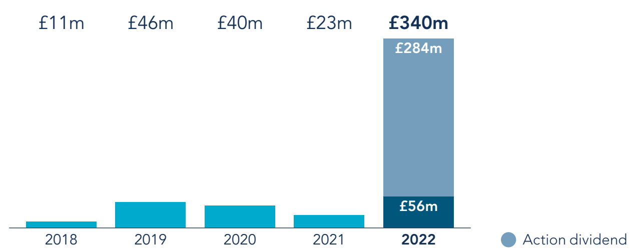
Link to strategic objectives



Operating cash profit[1,2,3]

By covering the cash operating cost of running our business with cash income, we reduce the potential dilution of capital returns.

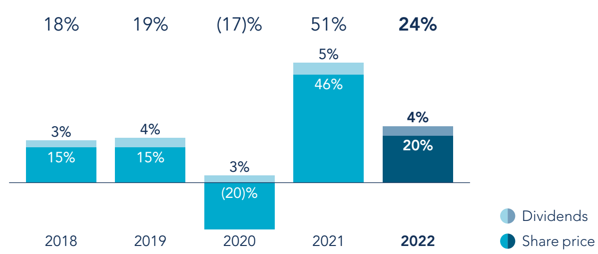
Link to strategic objectives



Total shareholder return[2]

The return to our shareholders through the movement in the share price and dividends paid during the year.

Link to strategic objectives



Maintain an operating cash profit

Use our strong balance sheet

Increase shareholder distributions

FY2022 progress and FY2023 outlook	Key risks[4]
• Strong Group GIR of 43%, driven by £3,824 million of unrealised value growth and £463 million of portfolio income • Private Equity GIR of £4,172 million, or 47%, driven by strong value growth in the portfolio, with Action contributing £2,888 million of GIR • Infrastructure GIR of £241 million, or 21%, reflecting good performance of 3iN and US infrastructure • Scandlines GIR of £112 million, or 26%, reflecting resilience in its freight operations and resumption of cash distributions	• Impact from conflict in Ukraine and Covid-19 on global supply chains and commodity prices resulting in market volatility and inflationary pressures which could impact portfolio valuations and portfolio earnings • Investment rates or quality of new investments are lower than expected • Operational underperformance in portfolio companies impacts earnings growth and exit plans • Changes to ESG regulations, or to customer demands and expectations, affects earnings or valuations • Sterling materially strengthens against the euro and US dollar; at 31 March 2022, 86% of the portfolio was denominated in euros or US dollars
• 39% increase in NAV per share to 1,321 pence (31 March 2021: 947 pence), after payment of 40.25 pence dividend per share in the year • Our portfolios have started FY2023 with good momentum	• Ongoing geo-political uncertainty further dampens investor sentiment • Wider political and economic uncertainty impacts 3i's portfolio companies and valuations
• Cash proceeds of £758 million including £346 million from the disposal of Magnitude Software and £153 million from the refinancing of Royal Sanders and BoConcept • Subject to supportive market conditions and to portfolio company performance remaining strong, we have a good pipeline of realisations and refinancings in FY2023	• Market volatility, prolonged conflict in Ukraine and Covid-19 disruption delays exits or affects pricing • Subdued M&A activity and macro-economic uncertainty in our core sectors reduces investor appetite for our assets • Debt markets become less supportive of leveraged buyouts or refinancings
• Invested £543 million, including six new investments and two transformational acquisitions in Private Equity • Completed a further 13 bolt-on acquisitions for the Private Equity portfolio, all of which were self-funded • We have an interesting pipeline of new investment opportunities and bolt-on acquisitions for our portfolio companies	• High pricing in 3i's core sectors increases the risk of acquirers overpaying for assets, thereby reducing investment opportunities within 3i's investment risk appetite • Failure to attract, invest in and retain talented investment executives impacts our ability to originate and manage assets • Limited ability to source bolt-on opportunities or new investments outside of competitive auction processes
• Generated cash income of £346 million (2021: £64 million) from Private Equity which includes £284 million of dividends from Action, £91 million (2021: £67 million) from Infrastructure and £13 million from Scandlines (2021: nil) • Remained disciplined over cash operating expenses, which were £110 million (2021: £108 million) • Good cash income expected to continue from Infrastructure and Scandlines	• Portfolio underperformance results in liquidity or other constraints limiting the ability to generate portfolio income • Infrastructure initiatives to increase assets under management do not generate sufficient fee income • Unplanned increase in 3i's cost base; for example, from legal, compliance or regulatory issues
• TSR of 24% driven by a share price increase of 20% and by dividend payments of 40.25 pence in the year • Well-positioned balance sheet supports a total FY2022 dividend of 46.5 pence per share	• Lower NAV due to investment underperformance or market volatility, political and economic uncertainty • Investor appetite for 3i shares could reduce in a volatile macro-economic environment or in the context of a wider market correction

1 A number of our KPIs are calculated using financial information which is not defined under IFRS and therefore they are classified as APMs. Further details on these APMs are included in our Financial review on page 57.
2 Further information on how these KPIs are factored into decisions concerning the Executive Directors' remuneration is included in the Directors' remuneration report on page 129.
3 Cash operating expenses includes lease payments.
4 This is not an exhaustive list of risks, but are examples of key risks which could potentially impact the respective KPIs. A summary of the Group's current principal risks are set out on pages 67 to 71.
5 Cash investment of £543 million. Includes a £53 million syndication of cash investment in Infrastructure, which is to be received in FY2023.

Business review

What's in this section

Private Equity

At a glance

Gross investment return

£4,172m or 47%

(2021: £1,936m or 30%)

Cash investment

£457m

(2021: £508m)

Realised proceeds

£684m

(2021: £114m)

Portfolio growing earnings

93%[1]

(2021: 87%)

Portfolio value

£12,420m

(2021: £8,814m)

Portfolio dividend income

£331m

(2021: £53m)

1 LTM adjusted earnings to 31 December 2021. Includes 28 portfolio companies.

We invest in mid-market businesses headquartered in northern Europe and North America with potential for international growth. Once invested, we work closely with our portfolio companies to achieve their full potential, realising our investments to deliver strong cash-to-cash returns for 3i shareholders and other investors.

In the year to 31 March 2022, our Private Equity portfolio delivered a GIR of £4,172 million or 47% on the opening portfolio value (2021: £1,936 million or 30%) and the portfolio value increased to £12,420 million (31 March 2021: £8,814 million). This excellent result demonstrates the portfolio's resilience to the pandemic and its ability so far to mitigate disruption to global supply chains and inflationary pressures. 93% of our portfolio by value grew adjusted earnings to the end of 2021, with particularly robust performance from Action and our other assets operating in the consumer and healthcare sectors. Our portfolio companies grew organically and also completed 15 bolt-on acquisitions, including two transformational acquisitions. We made six new investments in FY2022 and ended the year as net divestors. As we enter FY2023, whilst the direct impact of Russia's invasion of Ukraine on our portfolio is limited, we continue to monitor its impact on the broader political and economic environment.

The contribution of Action to the Private Equity performance is detailed in Note 1 of the financial statements.

Table 1: Gross investment return for the year to 31 March

Investment basis	2022 £m	2021 £m
Realised profits over value on the disposal of investments	**228**	29
Unrealised profits on the revaluation of investments	**3,545**	2,161
Dividends	**331**	53
Interest income from investment portfolio	**73**	55
Fees receivable	**6**	9
Foreign exchange on investments	**(11)**	(371)
Gross investment return	**4,172**	1,936
Gross investment return as a % of opening portfolio value	**47%**	30%

Investing in good businesses to make them great

Action is a fast-growing, general merchandise discount retailer in Europe, with more than 2,000 stores in ten countries. Action's unique customer value proposition of quality products, surprise assortment and low prices attracted 12 million customers into its stores and over six million website visits per week in 2021.

Action has a simple, efficient and scalable operating model. It offers c.6,000 different products across 14 different categories. One-third of these products are part of a standard range, while the other two-thirds change constantly. Action's offering includes products from 380 well-known brands and 73 private labels. Selling at the lowest price is central to Action's business model with an average price of €2 and 1,800 products below €1.

2021 was a record year in terms of store openings, with 267 net new stores, including seven pilot stores in Italy. In Action's largest market, France, 94 new stores were added, with a further 74 stores in Poland and 16 stores in Czech Republic. In the first quarter of 2022, Action passed the 2,000th store mark and opened four pilot stores in Spain, its tenth country.

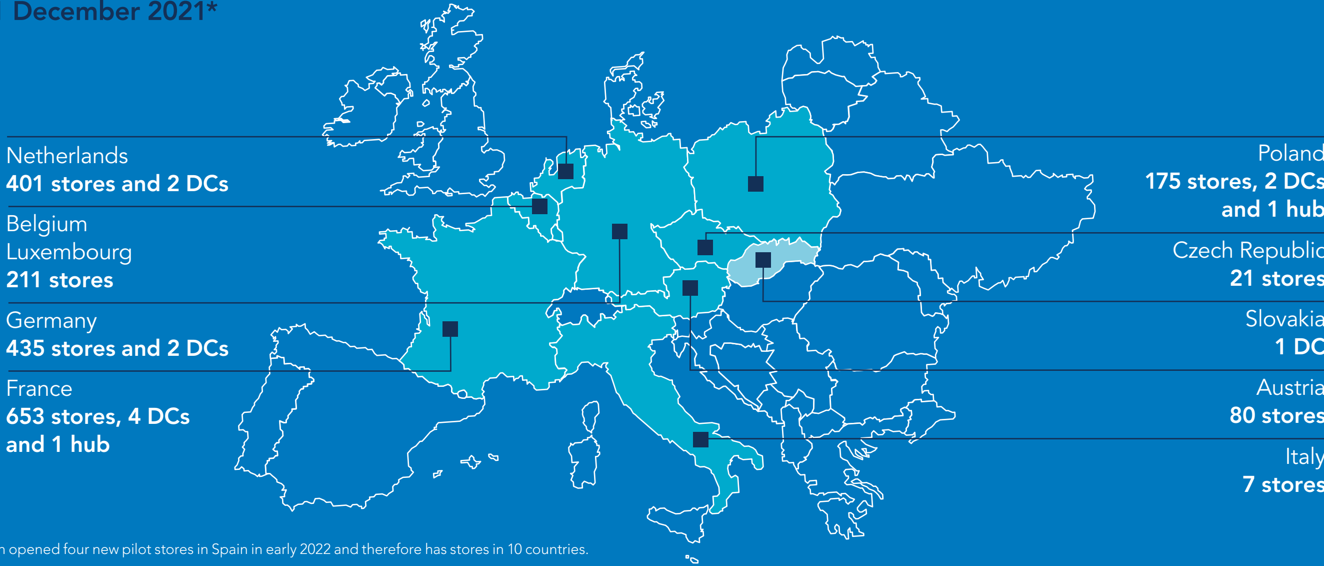
Action made significant investments in 2021 to expand its DC network, opening DCs in Bieruń, Poland and Bratislava, Slovakia. The DC network has the capacity to serve the ongoing store roll-out, and continues to be further developed. All new DCs are developed according to the high BREAAM sustainability standards and the increased density of the DC network supports the continued effort to reduce kilometres driven by Action trucks to supply its stores, helping to reduce the carbon footprint of the business. Hubs are another important part of the Action supply chain and, in 2021, the business opened its second hub, situated in Wroclaw, Poland. Hubs are used to coordinate the inbound freight and to ensure efficient supply of Action's DCs and are key to ensure the success of its direct import strategy.

Action continues to accelerate its digital development, building on the launch of its Click & Collect service last year in response to Covid-19 restrictions. The Action app was launched in the Netherlands in 2021 and will be rolled out across other Action countries in 2022, providing customers with 24/7 access to Action's digital services and expanding the instore shopping experience. In addition, in 2021 Action launched an e-commerce pilot in the Netherlands, retailing a small number of higher priced items that are not available in store. The pilot has performed well to date and will be developed further this year.

Sustainability is core to Action's strategy. Its sustainability programme comprises the four key pillars of product, planet, people and partnership. The business has made significant progress and set important targets for all four. For example, it has committed to have circularity plans in place for all its 14 categories by the end of 2022, to purchase 100% of its cotton and timber from sustainable sources by 2024, and to have 100% transparency on labour conditions in its supply chain by 2025.

Geographical spread of stores, distribution centres and hubs

at 31 December 2021*



* Action opened four new pilot stores in Spain in early 2022 and therefore has stores in 10 countries.

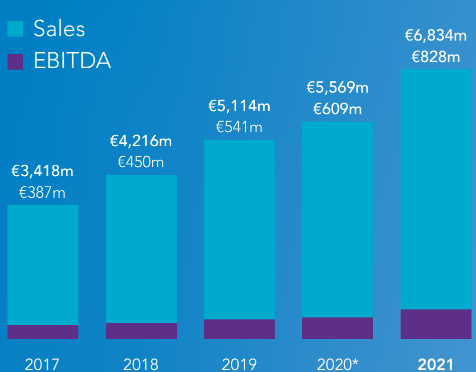
In addition, it has set the objective to reduce emissions from its own operations by 50% by 2030, from a baseline year of 2020, by procuring renewable electricity for its stores, as well by reducing the emissions associated with its own outbound transport.

Action has not been directly impacted by Russia's invasion of Ukraine and has no stores in that region. It donated €1 million to UNICEF to help people affected by the conflict in Ukraine and in neighbouring countries, among them many children. In addition, it is offering its warehouses and logistics in Poland to provide supplies and supporting Polska Akcja Humanitarna and, in the Czech Republic, it is working closely with People in Need.

ACTION

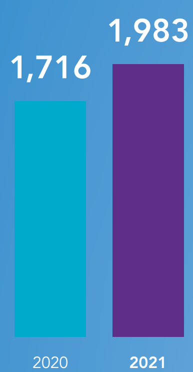
FOR MORE INFORMATION
www.action.com

Key financial figures
at 31 December



* 2020 excludes a 53rd week.

Store figures
number of stores



267
stores added

Private Equity continued

Investment activity

Acquisition multiples in 2021 across the US and Europe remained high, reflecting fierce competition in private markets, with the increase in pricing of healthcare and technology assets even more pronounced. We remained selective and disciplined, deploying £335 million of our capital in six new portfolio companies with an average initial investment size of £56 million. This is lower than our typical average investment size but is part of a deliberate strategy to avoid the more competitive processes we see for larger investments. These new assets are all capable of building scale through bolt-on acquisitions and further internationalisation.

Between May and October 2021 we invested initial capital in ten23 health to fund its start-up spend, before completing the transformational acquisition of Swissfillon in October 2021, bringing our total invested capital to £69 million in the year. We invested £53 million in MAIT, an IT services provider catering to larger SME clients across the DACH region, operating in a market segment with structural growth potential and momentum from digitalisation. In October 2021, we invested £46 million in Dutch Bakery to drive the company's international growth strategy in the fragmented European private label market for bake-off products, whilst supporting the business in its continued investment in its home markets. In December 2021, we completed the £87 million investment in Mepal to continue the international expansion of this successful consumer brand known for its high-quality products for storing, take-away and serving food and drink whilst building on its current core markets, most notably the Netherlands, Belgium and Germany, and strong online performance.

In January 2022, we invested £43 million in Yanga, a sports drink provider operating in the attractive value-for-money fitness space, to support its international growth and expansion into North America. In November 2021, we also completed a £37 million co-investment in insightsoftware, the company that acquired Magnitude Software.

We continued to execute our buy-and-build strategy more generally with 15 acquisitions completed by our portfolio companies. These create material value by adding scale, as well as broadening the product range and geographical reach while generating synergy opportunities for our portfolio companies. Two of these transactions were transformational in size: ten23 health's acquisition of Swissfillon, and the acquisition of Outdoor Toys by GartenHaus. The remaining 13 bolt-on acquisitions listed below were self-funded.

We invested £81 million in Luqom to buy out minority holdings and provide further investment for the next stage of its growth as well as for M&A. We provided additional funding of £25 million and £30 million to Audley Travel and arrivia respectively to support their recoveries from the pandemic. We also completed a £12 million further investment in Christ as part of the successful extension of its debt package.

As a result of a refinancing, and within 12 months of our investment in Sani-Tech West, SaniSure returned £59 million of 3i's proprietary capital. Similarly, WilsonHCG returned £13 million of investment.

In total, in the year to 31 March 2022, our Private Equity team invested £529 million across new, bolt-on and further investments, or a net £457 million after the return of funding of £72 million.

Private Equity portfolio bolt-ons – funded by the portfolio company balance sheets

Portfolio company	Name of acquisition	Business description of bolt-on investments	Date
Luqom	+ Lampemesteren	Online retailer of premium lighting products in the Nordic region	April 2021
Cirtec Medical	+ Cardea Catheter Innovations	Contract manufacturer specialising in the design and development of catheter systems	July 2021
Havea	+ ixX Pharma	Independent player in the Belgian premium food supplement segment	September 2021
Dutch Bakery	+ Goodlife Foods Deurne	Leading production facility specialised in the production of sausage rolls	October 2021
Evernex	+ Emcon-IT	US player in the third-party hardware maintenance industry	October 2021
AES	+ JAtech Services	Canada-based asset condition monitoring specialist	November 2021
Hans Anders	+ Eyes! NV and Eyes Society BV	Belgian franchisee for Eyes+More	December 2021
SaniSure	+ GL Engineering	Manufacturer of single-use filling needles for use in the fill & finish stage of production	December 2021
MAIT	+ Infolutions	Swiss-managed services provider with a focus on infrastructure monitoring	January 2022
MAIT	+ Scirotec	German provider of PTC PLM solutions	January 2022
Royal Sanders	+ Otto Cosmetic	German manufacturer of private label and contract manufacturing products for the personal care industry	February 2022
WilsonHCG	+ Claro Analytics	Talent analytics provider that analyses candidate data to help enterprises with workforce planning	February 2022
MAIT	+ Cytrus	Swiss-based product lifecycle management provider	March 2022

New investment

Portfolio company	Business description	Date	Proprietary Capital investment £m
Mepal	Dutch lifestyle consumer brand known for designing and manufacturing food and drink storage and serving solutions	December 2021	87
ten23 health[1]	Pharmaceutical product CDMO	Various	69
MAIT	IT services provider of PLM & ERP software applications and IT infrastructure solutions for larger SME clients in the DACH region	September 2021	53
Dutch Bakery	Industrial bakery group specialised in home bake-off bread and snack products	October 2021	46
Yanga	Sports drink provider for gym operators	January 2022	43
insightsoftware	Provider of financial reporting and enterprise performance management software for the office of the CFO	November 2021	37
Total new investment			**335**

1 Includes the transformational bolt-on acquisition of Swissfillon.

Further investment to finance portfolio bolt-on acquisitions

Portfolio company	Name of acquisition	Business description of bolt-on investments	Date	Proprietary Capital investment £m
GartenHaus	+ Outdoor Toys	UK-based online retailer of outdoor garden toys	October 2021	45
Total further investment to finance portfolio bolt-on acquisitions				**45**

Further investment to support portfolio companies

Portfolio company	Business description	Date	Proprietary Capital investment £m
Audley Travel	Provider of experiential tailor-made travel	October 2021	25
arrivia	Global travel and loyalty company that connects leading brands, travel suppliers and end consumers	March 2022	30
Total further investment to support portfolio companies			**55**

Other investment

Portfolio company	Type	Business description	Date	Proprietary Capital investment £m
Luqom	Further	Online lighting specialist retailer	Various	81
Christ	Further	German retailer of jewellery and watches	November 2021	12
Other	Further	Various	Various	1
Total other investment				**94**

Total FY2022 Private Equity gross investment	**529**

Return of funding

Portfolio company	Type	Business description	Date	Proprietary Capital investment £m
WilsonHCG	Return of funding	Global provider of recruitment process outsourcing and other talent solutions	Various	(13)
SaniSure	Return of funding	Manufacturer, distributor and integrator of single-use bioprocessing systems and components	July 2021	(59)
Total return of funding				**(72)**

Total FY2022 Private Equity net investment	**457**

Private Equity continued

Realisation activity

In the year we completed the sale of Magnitude Software, returning £346 million of realised proceeds to 3i, achieving a sterling money multiple of 2.5x and an IRR of 44% after only a two and a half year hold. We also capitalised on a recovery in equity markets in November 2021, with the partial sale of our shares in Basic-Fit for €44.25 per share, generating proceeds of £146 million. We retain a 5.7% holding in the business.

We continue to refinance our most cash generative assets where appropriate for the business and when the market allows. We completed refinancing for Royal Sanders and BoConcept, returning £80 million (as well as £4 million recorded as income) and £73 million of realised proceeds respectively. BoConcept also returned a further £17 million earlier in the year following the partial repayment of a shareholder loan. Finally, we received £22 million of proceeds from our legacy portfolio.

In aggregate, we generated total Private Equity proceeds of £684 million (2021: £114 million) and realised profits of £228 million (2021: £29 million).

At the start of April 2022, we agreed the sale of Q Holding's QSR division, a developer and manufacturer of electrical connector seals, to Datwyler for an enterprise value of US$625 million. We expect to receive proceeds of c.US$255 million in H1 FY2023.

Portfolio valuation approach

To varying degrees, our portfolio companies had to respond to supply chain disruption, commodity price increases, other inflationary pressures and Covid-19 travel restrictions in FY2022. Against this backdrop the majority of our portfolio companies demonstrated great resilience and adaptability and continued to meet their investment plans. Therefore, our longer-term investment view on those portfolio companies has not changed and our valuation approach has remained consistent. For a small number of assets that remained challenged due to Covid-19, we sought to gather a broader range of inputs, considered different methodologies and applied further judgement. We valued earnings directly attributable to Russian operations at nil as at 31 March 2022.

Our Private Equity portfolio generated an unrealised profit of £3,545 million (2021: £2,161 million).

Action valuation and performance

In the 12 months to the end of Action's P3 2022 (which ended on 3 April 2022), Action delivered very strong earnings growth and cash generation and continued its international store roll-out. This was reflected in the £2,655 million (March 2021: £1,202 million) unrealised profits shown in Table 3. As the largest Private Equity investment by value, it represented 58% of the Private Equity portfolio (31 March 2021: 52%). Further information on Action's performance in the period is provided in the Chief Executive's statement.

Table 2: Private Equity realisations in the year to 31 March 2022

Investment	Country	Calendar year invested	31 March 2021 value[1] £m	3i realised proceeds £m	Profit in the year £m	Uplift on opening value[2] %	Residual value £m	Money multiple[3]	IRR
Full realisations									
Magnitude Software	US	2019	165	346	180	>100%	–	2.5x	44%
Other	n/a	n/a	1	2	1	100%	–	n/a	n/a
Total realisations			**166**	**348**	**181**		–	**2.5x**	**44%**
Refinancings[1,3]									
BoConcept	Denmark	2016	73	73	–	–	184	2.4x	16%
Royal Sanders	Netherlands	2018	80	80	–	–	297	3.1x	36%
Total refinancings			**153**	**153**	–	–	**481**	**n/a**	**n/a**
Partial realisations[1,3]									
Basic-Fit	Netherlands	2013	110	146	37	33%	129	5.4x	40%
BoConcept	Denmark	2016	17	17	–	–	184	2.4x	16%
Other	n/a	n/a	10	10	–	–	n/a	n/a	n/a
Deferred consideration									
Eltel	Nordic	2007	–	10	10	n/a	–	n/a	n/a
Total Private Equity realisations			**456**	**684**	**228**	**–**	**n/a**	**n/a**	**n/a**

1 For partial realisations, 31 March 2021 value represents value of stake sold.
2 Profit in the year over opening value.
3 Cash proceeds over cash invested. For partial realisations and refinancings, valuations of any remaining investment are included in the multiple. Money multiples are quoted on a GBP basis.

At 31 March 2022, Action was valued using its LTM run-rate earnings to the end of P3 2022 of €1,012 million. The LTM run-rate earnings included our normal adjustment to reflect stores opened in the year. At 31 March 2022, Action was valued on a multiple of 18.5x net of the liquidity discount (31 March 2021: 18.5x). This resulted in a valuation of our 52.7% stake in Action of £7,165 million (31 March 2021: £4,566 million).

Performance (excluding Action)

Excluding Action, the performance of investments valued on an earnings basis resulted in unrealised profits of £483 million (March 2021: £536 million), driven by strong earnings growth and cash generation across the portfolio, with particularly robust performance from our companies operating in the healthcare and consumer sectors.

Following our initial platform investment in 2019, SaniSure delivered strong earnings growth in 2021 as the business capitalised on the double-digit growth of the bioprocessing single-use market, with a robust order book supporting innovative therapeutic modalities. The business is well positioned for sustained growth into 2022 and beyond as it strives for operational excellence and supply chain enhancement. The QMD business of Q Holding benefited from an increase in elective surgical procedures in 2021 and secured significant new product wins that will drive strong organic growth in 2022. Further information on the valuation of its QSR business is detailed under sum of the parts heading on page 29. Cirtec Medical delivered new wins across its end markets and capabilities, positioning the business for sustained growth as procedure volumes recover and customers re-stock their inventories. The bolt-on acquisition of Cardea Catheter Innovations in the year further expanded its end market exposure. Despite Covid-19 impacting retail footfall, the strength of Havea's brands drove good organic growth in 2021, whilst the business continued its omnichannel development and international expansion with the bolt-on acquisition of ixX Pharma.

BoConcept generated strong earnings growth and cash flow in 2021, driven by existing store sales growth across almost all markets and 35 new store openings. Through effective pricing strategies, utilising its strong relationship with existing suppliers and by diversifying its supplier base, the business has largely mitigated the increased raw material and transportation costs and supply chain constraints seen in its industry. Hans Anders largely mitigated reduced footfall in the first and last quarter of 2021 through its online appointment booking tool and higher conversion rates. When Covid-19 restrictions eased in the second and third quarter of 2021, sales quickly rebounded. As a value-for-money optical retailer, Hans Anders' price positioning is below that of its major competitors and its tight cost control has enabled it to manage inflationary pressures. Following a very strong performance in 2020, Luqom's strong trading momentum continued into the first half of 2021 as consumer demand for lighting products online remained robust against a backdrop of ongoing Covid-19 related restrictions. The second half of 2021 saw headwinds on performance predominately driven by supply chain disruptions and rising inbound container prices. Luqom completed its second bolt-on acquisition since our initial investment, with the purchase of Lampemesteren, an important acquisition from a market share and international expansion perspective, particularly in the premium segment.

Tato delivered strong performance in 2021 with continued demand for its core biocide products. Given Tato's biocides speciality focus, scale and strong global diversification of both production and customers, the business is managing input price inflation with effective pricing strategies. AES generated strong earnings growth from increased sales volumes combined with efficient cost control. The business also strengthened its geographical footprint in North America following the acquisition of JAtech Services in November 2021. Both Tato and AES were cash generative in the year and distributed dividends to 3i of £18 million in total. Dynatect generated earnings that materially outperformed pre-pandemic levels driven by market recovery and strong performance on pricing, which offset inflationary pressures from materials. MPM performed well in both its core markets and in its international expansion, with particularly strong performance in the US. WilsonHCG continues to benefit from strong labour markets globally as we emerge from the pandemic.

Table 3: Unrealised profits on the revaluation of Private Equity investments[1] in the year to 31 March

	2022 £m	2021 £m
Earnings based valuations		
Action performance	**2,655**	1,067
Action multiple	**–**	135
Performance (excluding Action)	**483**	536
Multiple movements (excluding Action)	**241**	408
Other bases		
Sum of the parts	**132**	–
Discounted cash flow	**7**	(101)
Other movements on unquoted investments	**2**	3
Quoted portfolio	**25**	113
Total	**3,545**	2,161

1 Further information on our valuation methodology, including definitions and rationale, is included in the Portfolio valuation – an explanation section.

Private Equity continued

Over the last 24 months, the pandemic has presented an unprecedented challenge to the travel industry. arrivia, our travel-based loyalty services specialist, has been fairly resilient throughout the pandemic and in 2021 the business saw a noticeable recovery in bookings for hotels, resorts, air travel and car rentals, interrupted periodically by various new Covid-19 variants and restrictions. Leisure cruising, arrivia's primary market, remained challenged with 2021 bookings returning to just over a third of 2019 levels. Audley Travel's performance throughout 2021 closely mirrored Covid-19 incidence rates and Government policy across its US and UK markets. As restrictions have eased, we have seen an encouraging recovery in bookings. To support both businesses through this recovery, we invested a further £25 million in Audley Travel and £30 million in arrivia in the year.

WP recorded a solid performance in 2021, despite inflationary pressures on various input materials and energy costs and subdued demand in certain personal care products as a result of Covid-19. It mitigated resin price increases through effective pricing strategies. The business, which has an operating subsidiary in Russia that contributed c.17% of its adjusted 2021 earnings, is actively working with our team on options to deal with the situation in the short term. Those earnings attributable to Russia have been excluded from the valuation of WP at 31 March 2022. Our valuation of Formel D at 31 March 2022 reflects the challenges the business continues to face as a result of semiconductor shortages and automotive market impacts from the Ukraine crisis. Formel D has a small exposure to Russia mostly via testing facilities which are currently being discontinued.

Overall, 93% of the portfolio by value grew LTM adjusted earnings in the year (2021: 87%). Chart 1 shows the earnings growth of our top 20 assets.

Leverage

Leverage across the portfolio decreased to 3.3x earnings (31 March 2021: 3.9x) or increased to 4.6x excluding Action (31 March 2021: 4.3x).

Chart 2 shows the ratio of net debt to adjusted earnings by portfolio value.

Multiple movements

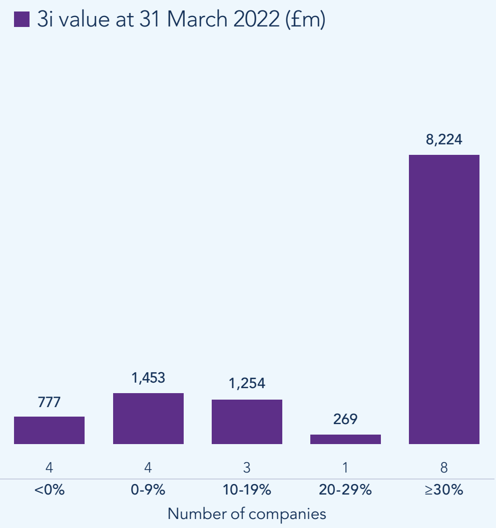
The increase in value due to multiple movements was £241 million (2021: £543 million). When selecting multiples to value our portfolio companies, we consider a number of factors including recent performance and outlook, comparable recent transactions and exit plans, and monitor external equity markets.

Global equity markets saw a strong recovery through 2021 driven by favourable monetary policy, fiscal stimulus and the global deployment of Covid-19 vaccines. The emergence of Covid-19 variants at the end of 2021 and Russia's invasion of Ukraine resulted in increased volatility in global equities in the first three months of 2022. Such unpredictable movements reinforce our strategy of taking a long-term view on the multiples used to value our portfolio companies.

We increased the valuation multiples for some of our portfolio companies that have grown organically or through recent acquisitions and operate in sectors that have benefited from positive market trends.

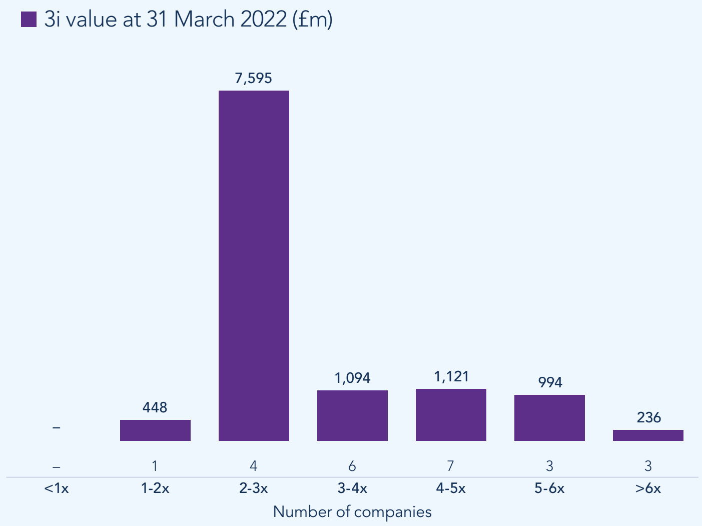
There was no change to the multiple used to value Action at 31 March 2022. Based on the valuation at 31 March 2022, a 1.0x movement in Action's post-discount multiple would increase or decrease the valuation of 3i's investment by £451 million.

Chart 1: Portfolio earnings growth of the top 20 Private Equity[1] investments



1 Includes top 20 Private Equity companies by value. This represents 96% of the Private Equity portfolio by value (31 March 2021: 98%). Last 12 months' adjusted earnings to 31 December 2021 and Action based on LTM run-rate earnings to the end of P3 2022.

Chart 2: Ratio of net debt to adjusted earnings[1]



1 This represents 92% of the Private Equity portfolio by value (31 March 2021: 88%). Quoted holdings, deferred consideration and companies with net cash are excluded from the calculation. Net debt and adjusted earnings at 31 December 2021 and Action based on LTM run-rate earnings to the end of P3 2022.

DCF

Audley Travel is our largest Private Equity asset valued on a DCF basis and its valuation reflects our expectation on recovery in the UK and US travel markets. At 31 March 2022, Audley Travel was valued at £117 million (31 March 2021: £85 million).

Quoted portfolio

Basic-Fit is the only quoted investment in our Private Equity portfolio. Covid-19 restrictions continued to affect Basic-Fit's performance in 2021 due to temporary club closures and government restrictions. However, the business saw its membership level recover to its pre-pandemic levels and expanded its club base by 110 clubs.

At 31 March 2022 our residual 5.7% shareholding was valued at £129 million (31 March 2021: 12.8% shareholding valued at £214 million).

Sum of the parts

At 31 March 2022, Q Holding was valued on a sum of the parts basis. The sum of the parts included the valuation of the QSR division, valued on an imminent sale basis after the agreed sale and the value of its QMD business, valued on an earnings basis.

Assets under management

The value of the Private Equity portfolio, including third-party capital, increased to £16.7 billion (31 March 2021: £11.6 billion), primarily due to unrealised value movements in the year.

Table 4: Private Equity assets by geography as at 31 March 2022

3i office location	Number of companies	3i carrying value 2022 £m
Netherlands	8	8,296
France	2	595
Germany	7	939
UK	8	960
US	9	1,608
Other	3	22
Total	**37**	**12,420**

Table 5: Private Equity assets by sector as at 31 March 2022

Sector	Number of companies	3i carrying value 2022 £m
Action (Consumer)	1	7,165
Consumer	12	2,022
Industrial Technology	7	1,012
Business & Technology Services	11	656
Healthcare	6	1,565
Total	**37**	**12,420**

Table 6: Private Equity 3i proprietary capital as at 31 March

Vintages	3i proprietary capital value[3] 2022 £m	Vintage money multiple[4] 2022	3i proprietary capital value[3] 2021 £m	Vintage money multiple[4] 2021
Buyouts 2010–2012[1]	2,462	12.3x	1,569	10.2x
Growth 2010–2012[1]	18	2.1x	16	2.1x
2013–2016[1]	1,022	2.3x	829	2.1x
2016–2019[1]	2,210	1.8x	2,062	1.4x
2019–2022[1]	1,319	1.3x	745	1.1x
Others[2]	5,389	n/a	3,593	n/a
Total	**12,420**		8,814	

1 Assets included in these vintages are disclosed in the Glossary.
2 Includes value of £4,703 million (31 March 2021: £2,997 million) held in Action through the 2020 Co-investment vehicles and 3i.
3 3i proprietary capital is the unrealised value for the remaining investments in each vintage.
4 Vintage money multiple (GBP) includes realised value and unrealised value as at the reporting date.

Private Equity continued

Consumer

Mepal

Mepal is a leading Dutch lifestyle consumer brand that is known for its innovative, high-quality and sustainable products for storing, taking away and serving food and drink.

Mepal, founded over 70 years ago, is headquartered in Lochem, the Netherlands, and its core markets are the Netherlands, Belgium and Germany.

It offers food storage boxes, tableware and on-the-go items such as lunchboxes, bottles and flasks for adults and children, which are sold through mass and specialty retail channels, e-commerce partners and Mepal's own online channels.

£87m

3i new investment in FY2022

Mepal has a strong track record in both innovation and design and has won numerous design awards such as the Red Dot and iF Design awards. Most of its products are made in the Netherlands and are renowned for their original and premium design, functionality, convenience, quality and sustainability, resulting in market leading levels of customer satisfaction.

The company has a strong focus on ESG. The majority of its products are made using 100% recyclable materials and all of its products are BPA free. Customers can re-order parts to extend the lifecycle of their products and the products themselves help reduce food waste and the usage of single-use packaging, such as plastic bags, single-use cups and bottles.

MEPAL

FOR MORE INFORMATION
www.mepal.com

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Our thematic approach

£69m

3i new investment in FY2022

Healthcare

ten23 health

ten23 health, headquartered in Basel, Switzerland, was founded in 2021 and is a new biologics-focused CDMO, providing an integrated offering for sterile drug product development and manufacturing of biologics, challenging molecules and dosage forms.

These high-value services are critical to helping pharma and biotech customers turn a scientific concept and therapeutic modality into a viable sterile medicine that is optimised for manufacturability, patient access and ease of administration, and logistical favourability.

ten23 health embeds fair sustainability in all its practices and decisions and puts the focus on people, including customers, employees, patients, and the planet exhibiting its patient-centricity not only in the quality of service that it delivers, but also in its sustainability focus.

The total 3i investment in the ten23 health platform is now £69 million. This investment has been used for initial capital and to support growth initiatives, including the scale-up and expansion of the Basel formulation and drug development operations, as well as the acquisition of Swissfillon, a drug product fill and finish CDMO based in Switzerland. Swissfillon offers its services to a broad customer portfolio supporting biotech start-up companies, as well as established pharma companies.

FOR MORE INFORMATION
www.ten23.health

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Our thematic approach

Business & Technology Services

MAIT

MAIT, headquartered in Rottweil, Germany, is a leading provider of innovative and pioneering digital solutions in the DACH region, with 580 employees across 24 locations.

As a value-added reseller and strategic implementation partner, MAIT uses the most innovative technologies from market leading Product Lifecycle Management ("PLM"), Enterprise Resource Planning ("ERP") and IT providers such as Siemens, PTC, SAP-PLM, abas, Comarch, HP and Fujitsu.

The company serves 5,700 customers, generates sales of €130 million per annum and has a high level of recurring revenues driven by multi-year maintenance and IT infrastructure contracts with c.60% of its customer relationships existing for over 10 years.

MAIT operates in an attractive market which is expected to continue to grow considerably. Against the backdrop of the increasing importance of software and IT solutions, demand for PLM, ERP and IT is expected to grow by around 8% annually in the coming years, driven by trends such as Internet of Things and Industry 4.0.

Since our investment, MAIT has acquired Infolutions, a Swiss managed services provider with a focus on infrastructure monitoring, Scirotec, a German provider of PTC PLM solutions and Cytrus, a Swiss-based Siemens PLM provider.

FOR MORE INFORMATION
www.mait.de

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Our thematic approach

£53m

3i new investment in FY2022

Consumer

Dutch Bakery

Dutch Bakery is a leading bakery group specialised in home bake-off bread and snack products.

£46m

3i new investment in FY2022

Dutch Bakery is active in the fragmented European private label market. Founded in 1936, it operates six bakeries across the Netherlands and is headquartered in Tilburg, the Netherlands.

Dutch Bakery offers a leading, innovative and comprehensive assortment, which is produced sustainably and with natural ingredients. The company differentiates itself through the breadth of its product offering, enabling retailers to develop a structurally attractive home bake-off category.

Through its market leading position in the Modified Atmosphere Packaging ("MAP") segment, Dutch Bakery has structurally outgrown a resilient market and is well positioned to benefit from underlying trends.

The (home) bake-off market for bread and snack products is attractive and growing with significant barriers to entry and increasing penetration of high-quality MAP products.

Since 2013, Dutch Bakery completed seven acquisitions and since our investment, it acquired GoodLife Foods Deurne, a production facility specialised in the production of sausage rolls. 3i invested to drive the company's international growth strategy in the fragmented European private label market for bake-off products, whilst supporting Dutch Bakery in the continued investments in its home markets.

dutchbakery®

FOR MORE INFORMATION
www.dutchbakery.nl

Infrastructure

At a glance

Gross investment return

£241m or 21%

(2021: £178m or 16%)

AUM

£5,717m

(2021: £4,945m)

Cash income

£91m

(2021: £67m)

We manage a range of funds investing principally in mid-market economic infrastructure and operational projects in Europe and North America. Infrastructure is a defensive asset class that provides a good source of income and fund management fees for the Group, enhancing returns on our proprietary capital. The team has been active in its deployment of capital across the portfolio and in new investments, and brought third-party investors into the 3i North America Infrastructure platform in March 2022.

Our Infrastructure portfolio generated a GIR of £241 million or 21% on the opening portfolio value (2021: £178 million, 16%). This strong return was driven principally by the appreciation of our quoted stake in 3iN and dividend income. We grew our North America Infrastructure platform, with a 3i commitment of US$300 million, seeding our new US infrastructure investment, EC Waste, alongside our existing investment in Regional Rail. Our 3i European Operational Projects Fund ("3i EOPF") agreed to acquire a further eight projects in the year and upon completion will be substantially deployed.

Table 7: Gross investment return for the year to 31 March

Investment basis	2022 £m	2021 £m
Realised profits over value on the disposal of investments	**10**	6
Unrealised profits on the revaluation of investments	**178**	168
Dividends	**31**	29
Interest income from investment portfolio	**12**	10
Fees (payable)/receivable	**(3)**	–
Foreign exchange on investments	**13**	(39)
Movement in fair value of derivatives	**–**	4
Gross investment return	**241**	178
Gross investment return as a % of opening portfolio value	**21%**	16%

Infrastructure continued

Fund management

3iN

3iN's portfolio performed strongly in the year, with the majority of portfolio companies trading ahead of expectations and generating a good level of portfolio income. We have seen particularly strong performance from assets operating in the transport and logistics sector, such as Oystercatcher and TCR, the Energy sector, such as ESVAGT and Valorem and Social Infrastructure such as Ionisos.

In the year to 31 March 2022, 3iN generated a total return on opening NAV of 17.2%, materially ahead of its total return target of 8% to 10% per annum over the medium term and delivered a dividend of 10.45 pence per share, a 6.6% increase on last year.

Neither 3iN, nor any of its portfolio companies, has any direct exposure to Russia or Ukraine and whilst we remain cognisant of the indirect implications through supply chains and the wider macro-economic environment, the impact to date on portfolio companies has been limited.

As investment manager to 3iN we received a management and support services fee of £44 million (2021: £25 million) and a NAV-based performance fee of £26 million (2021: £8 million) comprising a third of the potential performance fee for each of FY2022, FY2021 and FY2020 after the performance hurdle was met in each year.

Infrastructure assets remain in significant demand resulting in a highly competitive investment market. Our rigorous process for identifying, screening and selecting investments means we remain very active in the market whilst retaining our price discipline.

During the year, 3iN completed investments in DNS:NET and SRL Traffic Systems and agreed to invest c.US$512 million to acquire 100% of GCX, a global data communications service provider, with completion expected in the summer of 2022. 3iN also completed a £258 million further investment in ESVAGT doubling its equity stake to 100%, a £21 million further investment in Valorem to fund growth and small further investments in Joulz and TCR.

In October 2021, 3iN completed the sale of Oystercatcher's stakes in four European liquid storage terminals for proceeds of €55 million after debt repayment and continues to hold a 45% stake in Oiltanking Singapore. In March 2022, 3iN agreed the sale of its European projects portfolio, for c.£103 million, to 3i EOPF.

North American Infrastructure platform

In November 2021, we invested £146 million in EC Waste, a vertically integrated provider of federally compliant solid waste services in Puerto Rico. Including bolt-on investments, this represents our seventh US infrastructure investment. We have now secured commitments from two third-party blue-chip investors, who have co-invested in EC Waste and Regional Rail and will make further investments alongside 3i in its North America Infrastructure platform. As part of these arrangements, 3i committed US$300 million into the platform and we received £161 million of realised and syndication proceeds from the co-investment transfers of Regional Rail and EC Waste.

Table 8: Assets under management as at 31 March 2022

Fund/strategy	Close date	Fund size	3i commitment/ share	Remaining 3i commitment	% invested[4] at 31 March 2022	AUM £m	Fee income earned in 2022 £m
3iN[1]	Mar-07	n/a	£934m	n/a	**n/a**	**3,093**	**44**
3i Managed Infrastructure Acquisitions LP	Jun-17	£698m	£35m	£5m	**86%**	**1,038**	**6**
3i European Operational Projects Fund[2]	Apr-18	€456m	€40m	€12m	**69%**	**267**	**2**
BIIF	May-08	£680m	n/a	n/a	**90%**	**457**	**4**
3i India Infrastructure Fund	Mar-08	US$1,195m	US$250m	n/a	**73%**	**–**	**–**
3i managed accounts	various	n/a	n/a	n/a	**n/a**	**357**	**2**
3i North America Infrastructure platform	Mar-22[3]	US$495m	US$300m	US$125m	**58%**	**298**	**–**
US Infrastructure	Nov-17	n/a	n/a	n/a	**n/a**	**207**	**–**
Total						**5,717**	**58**

1 AUM based on the share price at 31 March 2022.
2 3i European Operational Projects Fund acquisitions signed but not completed by 31 March 2022 will raise the invested percentage from 69% to c.84%.
3 First close completed in March 2022.
4 % invested is the capital deployed into investments against the total Fund commitment.

Other funds

3i EOPF and 3i Managed Infrastructure Acquisitions Fund ("3i MIA") performed well in the year.

During the year, 3i EOPF made a €30 million commitment to invest in NEoT Green Mobility to fund its pipeline of future projects of which €6.5 million has been drawn to date. In March 2022, 3i EOPF completed the acquisition of an 80% stake in La Seine Musicale, a multi-functional performance complex located in the Paris area. It also agreed to acquire 3iN's European projects portfolio for c.£103 million. On completion of this transaction the fund will be substantially deployed.

In the year we recognised £7 million of realised proceeds from KMC Roads and GVK Energy, two investments in the 3i India Infrastructure Fund. This fund has one remaining investment which is valued at nil.

Assets under management

Infrastructure AUM increased to £5.7 billion (2021: £4.9 billion), principally due to the increase in 3iN's share price.

3i's proprietary capital Infrastructure portfolio

The Group's proprietary capital infrastructure portfolio consists of its 30% quoted stake in 3iN, its investment in Smarte Carte and direct stakes in other managed funds.

Quoted stake in 3iN

3iN's share price increased by 17% in the year and closed to 347 pence on 31 March 2022 (31 March 2021: 296 pence). We recognised £137 million of unrealised profits on our 3iN investment (2021: £132 million) and £27 million of dividend income (2021: £26 million).

North America Infrastructure proprietary capital

Smarte Carte performed well over the year due to strong demand for carts, as the US domestic travel market rebounded ahead of expectations. International travel continues to recover, albeit at a slower pace. At 31 March 2022, Smarte Carte was valued at £207 million on a DCF basis (31 March 2021: £160 million).

Table 9: Unrealised profits on the revaluation of Infrastructure investments in the year to 31 March

	2022 £m	2021 £m
Quoted	**137**	132
Discounted cash flow ("DCF")	**36**	26
Fund/other	**5**	10
Total	**178**	168

Further information on our valuation methodology, including definitions and rationale, is included in the portfolio valuation – an explanation section.

Table 10: Infrastructure portfolio movement for the year to 31 March 2022

Investment	Valuation	Opening value at 1 April 2021 £m	Investment £m	Disposals at opening book value £m	Unrealised profit movement £m	Other movements[2] £m	**Closing value at 31 March 2022 £m**
3iN	Quoted	797	–	–	137	–	**934**
Smarte Carte	DCF	160	–	–	30	17	**207**
Regional Rail	DCF	131	–	(91)	3	5	**48**
EC Waste[1]	DCF	–	81	–	3	2	**86**
3i MIA	Fund	48	1	–	4	–	**53**
3i EOPF	Fund	20	3	–	1	–	**24**
India Infrastructure Fund	Other	3	–	(3)	–	–	–
Total		1,159	85	(94)	178	24	**1,352**

1 Investment net of the syndication of £65 million.
2 Other movements include foreign exchange.

Social Infrastructure

EC Waste

3i completed a net £81 million investment in EC Waste, the largest vertically integrated provider of solid waste services in Puerto Rico.

The Company provides waste services to over 80,000 residential, commercial and industrial customers annually and operates four well-located, US EPA compliant disposal sites and two transfer stations, which enables it to serve all of Puerto Rico in an environmentally responsible manner.

EC Waste is the largest owner and operator of Resource Conservation and Recovery Act ("RCRA") Subtitle D-compliant waste disposal sites in Puerto Rico, and it is committed to providing superior, environmentally sustainable services to its customers. Additionally, it runs the island's largest solid waste collections network and hosts what will be Puerto Rico's largest landfill gas-to-renewable natural gas project at its El Coqui facility.

The company has enough capacity to serve the entire island's needs for decades ahead as communities and businesses are moving away from non-compliant disposal sites that are targeted for closure by regulators and local constituents and towards permitted, fully compliant waste disposal options. It has made significant investments into its infrastructure and operations technology to improve performance and position the company for future growth.

EC Waste represents the third platform investment for our North American infrastructure portfolio and, including portfolio company bolt-ons, our seventh US infrastructure investment.

FOR MORE INFORMATION
www.ecwaste.com

£81[1]m

3i net new investment in FY2022

1 Net investment after the syndication of £65 million.

Communications

DNS:NET

DNS:NET is a leading independent telecommunications provider in Germany.

Established in 1998, it owns the largest independent fibre-to-the-cabinet network in the Berlin area, as well as three data centres.

Using its own fibre optic rings and high-security data centres, the service portfolio of DNS:NET covers the entire spectrum of IP-based services for business customers as well as telephony, internet connections and TV products for consumers.

The company differentiates itself through a superior network, local brand recognition and attractive pricing of high bandwidth products, which drives high customer satisfaction. In recent years, DNS:NET commenced a fibre-to-the-home ("FTTH") roll-out which is now accelerating with 3iN's backing.

Demand for FTTH connectivity is forecast to grow rapidly, as consumers normalise data intensive activities such as cloud-based remote working, high definition streaming and online gaming, and increasingly view high speed broadband as an essential service. The market is projected to grow at 30% pa to meet the German Government's objective of every one of its 43 million households having access to gigabit speed broadband by 2025.

DNSNET
Anschluss Zukunft.

FOR MORE INFORMATION
www.dns-net.de/privatkunden

PAGE 16
Our thematic approach

£190m

Investment funded by 3iN

Infrastructure continued

Transport and logistics

SRL

SRL Traffic Systems ("SRL") is a market leading traffic management equipment rental company in the UK and is headquartered in Cheshire.

It has a network of 30 depots nationwide, a specialist fleet of over 150 delivery vehicles, over 1,400 bespoke trailers and it owns a fleet of c.13,000 items of traffic management equipment which it rents to local authorities, utilities, contractors and traffic management companies.

Its product range includes temporary traffic lights, adaptive detection systems, pedestrian and cyclist systems, variable messaging systems, barriers and CCTV. SRL offers its customers a 24/7, 365 day a year service and a full service rental solution, which includes the planning and design of complex traffic management systems, installation, maintenance and integration with existing systems, as well as direct sales of equipment assembled by SRL.

£191m

Investment funded by 3iN

SRL is experiencing strong growth in customer demand driven by an increasing number of roadworks projects, resulting from greater spending on highway maintenance, utilities works and major infrastructure projects. Hire of traffic management equipment is increasingly favoured over other methods of traffic control because it contributes to improved safety whilst roadworks take place, protecting both road workers and the general public whilst effectively managing traffic congestion.

In December 2021, 3iN invested £191 million to acquire a 92% stake in SRL, net of a subsequent £83 million debt financing.

SRL traffic systems

FOR MORE INFORMATION
www.srl.co.uk

Scandlines

Scandlines is held for its ability to deliver long-term capital returns whilst generating cash dividends.

Performance

Scandlines performed well in the year, generating a GIR of £112 million or 26% of opening portfolio value (2021: £25 million, 6%). Freight volumes, which have been consistently strong throughout the pandemic, were above 2019 levels in 2021, representing a record year for the business. In the first six months of 2021, including the first part of the peak summer season, Covid-19 variants had a significant impact on leisure volumes. Following the introduction of the EU Covid-19 passport in July 2021, leisure volumes gradually recovered, returning to 2019 levels in October 2021, before the emergence of another Covid-19 variant at the end of 2021 impacted leisure volumes further. Cost saving initiatives implemented in 2020 positioned Scandlines well for the impact of ongoing restrictions in 2021, contributing to earnings outperformance in the year. Following the good performance in the year and strong cash generation, the business resumed its distributions with 3i receiving £13 million of dividends in FY2022.

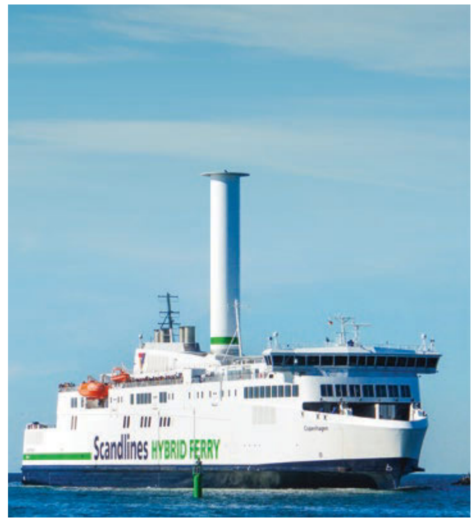
Sustainability, particularly carbon reduction, remains a key focus for Scandlines, with an ambitious target to ensure emission free operations on its Puttgarden-Rødby route by 2030 and for Scandlines by 2040. As part of this target, the business ordered its first emission-free freight ferry in November 2021. The new ferry will increase its current freight capacity on the Puttgarden-Rødby route by up to 23% and is expected to be delivered in 2024.

Trading since the start of 2022 has been strong, with freight volumes ahead of 2019 levels and leisure volumes also recovering. The business continues to navigate the inflationary environment, with fuel prices hedged in the short term. The business has no direct exposure to Russia or Ukraine.

We continue to value Scandlines on a DCF basis and at 31 March 2022 its value was £533 million (31 March 2021: £435 million).

Foreign exchange

We hedge the balance sheet value of our investment in Scandlines. We recognised a £2 million net loss on foreign exchange translation (March 2021: £3 million net gain) including a £2 million fair value gain (March 2021: £20 million) from our hedging programme.



Gross investment return

£112m or 26%

(2021: £25m or 6%)

Table 11: Gross investment return for the year to 31 March

Investment basis	2022 £m	2021 £m
Unrealised profit on the revaluation of investments	**101**	22
Dividends	**13**	–
Foreign exchange on investments	**(4)**	(17)
Movement in fair value of derivatives	**2**	20
Gross investment return	**112**	25
Gross investment return as a % of opening portfolio value	**26%**	6%

Proactive engagement with our portfolio on ESG matters

We use our influence with portfolio companies to ensure that they consider the ESG and sustainability factors that have the potential to impact their business and provide support in the evaluation and delivery of specific projects. We leverage our knowledge and expertise across our portfolio and facilitate the sharing of best practice.

Our portfolio is diverse by sector, size and maturity. This is reflected in the range of ESG strategies that have been implemented or are being developed by each portfolio company. Our objective is to ensure that each portfolio company has an ESG strategy that addresses the ESG factors that are relevant to its business and markets and that can both protect and create value. We are engaging with our portfolio across a number of ESG themes.

Environment

Data and disclosures

We have made significant strides in the assessment of the environmental impact of our portfolio and collect data on a number of environmental indicators. Over the last two years, we have focused specifically on improving our collection of GHG emissions data. We currently collect this Scope 1 and 2 data from over 70% of our Private Equity portfolio companies and over 80% of our economic Infrastructure investments. Most of the companies that do not already supply us with this data are new investments, which will be expected to measure and report their emissions to us within the first year of investment.

Establishing a portfolio baseline will allow us to improve our engagement with each of our portfolio companies to devise specific emission reduction strategies and to assess targets.

Greenhouse gas emissions

In March 2021 we held a Carbon roundtable with representatives from 23 of our portfolio companies with the aim of demonstrating the broader commercial benefits of measuring a carbon footprint and taking steps to reduce it, including better employee engagement and customer sentiment, as well as cost savings.

Many of our portfolio companies have put in place realistic and achievable, and in some cases ambitious, emission reduction targets, some targeting specific aspects of their business, others more comprehensive. For example:

- ESVAGT has set a target of zero CO_2 emissions by 2050 and carbon neutrality by 2035 and announced the first green service operation vessel for Ørsted;
- Audley Travel has a target to reduce its Scope 1 and 2 emissions by 68% by 2030, from a baseline year of 2019, in line with the Paris Agreement 1.5°C target. The company plans to submit its measurements and targets to the Science Based Target initiative in the second half of 2022; and
- Scandlines has set an ambitious target to ensure emissions-free operations on its Puttgarden-Rødby route by 2030 and for Scandlines by 2040. Since we first invested in 2007 the company has made more than €300 million in green investments for its fleet. All six of its passenger ferries are now powered by hybrid propulsion technology. It plans to increase this investment to approximately €400 million by 2024 and in 2021 it commissioned an emission-free freight ferry for delivery in 2024.

Waste and circular economy

We encourage our portfolio companies to treat their waste sensitively, minimise packaging, maximise recycling and optimise their processes to reduce waste. The topic of circularity and resource efficiency also provides significant commercial opportunities for our portfolio companies. We are very pleased with the progress made in this area. For example:

- WP has an ambition to make all the packaging it produces to be recyclable, reusable or refillable by 2025. It is developing more sustainable packaging solutions that support the circular economy. Last year, it introduced a 100% recyclable valve for dispensing closures;
- Havea has reduced its reliance on virgin plastics by introducing plant-based and recycled plastic bottles across several of its brands and aims for 25% of the cosmetic ingredients used in its skincare range to be "upcycled" by 2022, a practice that recovers waste in order to turn it into new resources; and
- Attero is working on a number of projects to increase its capacity for post-separation of residual waste from household and commercial waste and for plastics recycling.

Social

Supply chain transparency and ethical sourcing

We are intensifying our focus on supply chain management and transparency in our portfolio as we believe there are high rewards from building trust with consumers and other stakeholders on these issues.

We ensure that, where relevant, our portfolio companies have policies and procedures in place to monitor their supply chains, and make adequate disclosures on this topic to satisfy their stakeholders. For example:

- Action requires all suppliers to sign up to its ethical sourcing policy and has set a target of achieving 100% transparency on labour conditions in its supply chain by 2025 and to purchase 100% of the cotton and timber used in its products from sustainable sources by 2024; and
- Audley Travel has launched "Athari", a travel product which supports its clients to easily identify sustainable travel experiences that have a particularly strong, positive impact on the local economy and environment, encouraging its clients to consider sustainable choices when planning their trip.

Diversity, equity and inclusion

Academic research indicates that diverse companies are likely to outperform less diverse peers. Where appropriate, we have been making this case with our portfolio companies through our board-level engagement.

We monitor diversity and inclusion in our portfolio through our semi-annual portfolio company review process. A number of our larger portfolio companies are sponsoring initiatives to improve diversity and inclusion across their organisations. For example:

- both ESVAGT and Scandlines signed the charter on women in shipping launched by Danish Shipping in early 2020 and have increased their efforts to improve the hiring of women;
- Tampnet is developing a "Women in Technology" programme and has set up targets to improve the representation of women in its workforce overall and in its management team;
- Havea recently opened an inter-company crèche at its headquarters, providing a flexible childcare solution for its HQ and production staff, whose childcare requirements are complex due to atypical shift patterns; and
- Action partners with initiatives across a number of its markets to re-integrate people distanced from the labour market or who do not have the skills and training to participate in the workforce.

This topic can also provide commercial opportunities for our portfolio companies. For example, WilsonHCG has developed a Diversity, Equity, Inclusion and Belonging service for its clients to help them to diversify their talent pools by accessing candidates from diverse communities and leveraging its relationships with hundreds of diversity-focused organisations.

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FOR MORE INFORMATION
See our Sustainability report
www.3i.com/sustainability/sustainability-reports-library

Governance

Robust governance of ESG risks and sustainability

We engage with our portfolio company management teams so that they assess and mitigate the relevant ESG risks for their business and embed long-term sustainability considerations in their strategy. A significant proportion of our portfolio companies have put in place and published comprehensive sustainability strategies and in many cases set targets to measure their performance across relevant indicators. We are working with the remainder of our portfolio to ensure that they have a suitable strategy in place.

Cyber security

Cyber security remains an important area of attention. As significant shareholders in our portfolio companies we have supported material investment in IT and security infrastructure. We raise cyber risk awareness with our investment teams and our portfolio through regular training and forums and periodically conduct cyber audits of our portfolio through an external network security consultancy.

In November 2021, we facilitated a CIO Virtual Forum, hosted by a specialist consultancy, which brought together 30 of our portfolio companies. The purpose of the event was to highlight the current cyber security threats and best practice to address them, discuss portfolio companies' cyber security maturity and share the experiences of cyber security strategy implementation.

ESG-linked funding

Most of our portfolio companies have bank funding in place. As these facilities are gradually refinanced, we have been considering linking them to ESG targets. This has both financial and commercial benefits. ESG-linked banking facilities tend to have lower costs and attract a broader range of lenders. The commercial benefits are less immediate, but as public demand for progressing sustainability agendas becomes clearer, being able to show a commitment to deliver on a number of quantifiable ESG KPIs can have benefits in terms of perception with customers, governmental actors or regulators, among others. To date, 3iN, ESVAGT and Royal Sanders have put in place specific ESG-linked bank facilities. As more of our portfolio companies' bank debt is refinanced, we are actively considering implementing ESG linkages to other companies.

Performance, risk and sustainability

What's in this section

Financial review

An excellent financial performance

We generated a GIR of £4,525 million in FY2022 (2021: £2,139 million) and operating profit before carried interest of £4,417 million (2021: £2,031 million).

The total return was £4,014 million, representing a profit on opening shareholders' funds of 44% (2021: £1,726 million or 22%). The diluted NAV per share at 31 March 2022 increased by 39% to 1,321 pence (31 March 2021: 947 pence) after paying dividends totalling 40.25 pence per share during the year.

Table 12: Total return for the year to 31 March

Investment basis	2022 £m	2021 £m
Realised profits over value on the disposal of investments	**238**	35
Unrealised profits on the revaluation of investments	**3,824**	2,351
Portfolio income		
Dividends	**375**	82
Interest income from investment portfolio	**85**	65
Fees receivable	**3**	9
Foreign exchange on investments	**(2)**	(427)
Movement in the fair value of derivatives	**2**	24
Gross investment return	**4,525**	2,139
Fees receivable from external funds	**62**	44
Operating expenses	**(128)**	(112)
Interest receivable	**–**	(1)
Interest payable	**(53)**	(47)
Exchange movements	**9**	7
Other income	**2**	1
Operating profit before carried interest	**4,417**	2,031
Carried interest		
Carried interest and performance fees receivable	**54**	5
Carried interest and performance fees payable	**(454)**	(184)
Operating profit before tax	**4,017**	1,852
Tax charge	**(5)**	–
Profit for the year	**4,012**	1,852
Re-measurements of defined benefit plans	**2**	(126)
Total comprehensive income for the year ("Total return")	**4,014**	1,726
Total return on opening shareholders' funds	**44%**	22%

Investment basis and alternative performance measures ("APMs")

In our Strategic report we report our financial performance using our Investment basis. We do not consolidate our portfolio companies; as private equity and infrastructure investments they are not operating subsidiaries. IFRS 10 sets out an exception to consolidation and requires us to fair value other companies in the Group (primarily intermediate holding companies and partnerships), which results in a loss of transparency. As explained in the Investment basis and Reconciliation of investment basis and IFRS sections below, the total comprehensive income and net assets are the same under our audited IFRS financial statements and our Investment basis. The Investment basis is simply a "look through" of IFRS 10 to present the underlying performance and we believe it is more transparent to readers of our Annual report and accounts.

In October 2015, the European Securities and Markets Authority ("ESMA") published guidelines about the use of APMs. These are financial measures such as KPIs that are not defined under IFRS. Our Investment basis is itself an APM, and we use a number of other measures which, on account of being derived from the Investment basis, are also APMs.

Further information about our use of APMs, including the applicable reconciliations to the IFRS equivalent where appropriate, is provided at the end of the Financial review and should be read alongside the Investment basis to IFRS reconciliation. Our APMs are gross investment return as a percentage of the opening investment portfolio value, cash realisations, cash investment, operating cash profit, net cash/(debt) and gearing.

Financial review continued

Realised profits

We generated total realised proceeds of £788 million (2021: £218 million) and realised profits of £238 million in the year (2021: £35 million), including realised proceeds of £684 million and profit of £228 million from Private Equity (2021: £114 million, £29 million) and realised proceeds of £104 million and profit of £10 million from Infrastructure (2021: £104 million, £6 million).

Unrealised value movements

We recognised an unrealised profit of £3,824 million (2021: £2,351 million). Action's continued strong performance contributed £2,655 million (2021: £1,202 million). We also saw strong performance from our Private Equity investments in Q Holding, SaniSure and BoConcept. The share prices of our quoted investments, 3iN and Basic-Fit, closed up 17% and 23% respectively.

Further information on the Private Equity, Infrastructure and Scandlines valuations is included in the business reviews.

Portfolio income

Portfolio income increased to £463 million during the year (2021: £156 million), primarily due to strong dividend income of £375 million (2021: £82 million), particularly from Action. Interest income from portfolio companies, the majority of which is non-cash, increased to £85 million (2021: £65 million), whilst fee income decreased in the year to £3 million (2021: £9 million), reflecting the transaction fees payable relating to the North America Infrastructure platform.

Fees receivable from external funds

Fees received from external funds increased to £62 million (2021: £44 million). 3i receives a fund management fee from 3iN, which amounted to £44 million in FY2022 (2021: £25 million). The increase in the 3iN fee was due to new investments in DNS:NET and SRL, a further in ESVAGT and growth in the portfolio during the year.

3i also received fee income of £6 million (2021: £6 million) from MIA through management fees and continued to generate fee income from other 3i managed accounts and other funds. In Private Equity, we recognised a £4 million (2021: £4 million) administration fee for our management of the 3i 2020 Co-investment vehicles related to Action.

Operating expenses

Operating expenses were £128 million (2021: £112 million). This increase reflects both the return to more normal levels of spend on travel, marketing and office costs, which were significantly depressed in the prior year due to Covid-19 restrictions, and the effect of planned recruitment, principally in Private Equity and Infrastructure, to support our investment and asset management capability. Operating expenses are expected to increase again in FY2023, reflecting the full year effect of this recruitment, and the effect of a highly competitive market for talent across our business. However, the focus on cost discipline is unchanged and we expect costs to remain well below 1% of assets under management.

Operating cash profit

We generated an operating cash profit of £340 million in the year (2021: £23 million). Cash income increased to £450 million (2021: £131 million), principally due to the receipt of £284 million cash dividends from Action. We also received cash dividends from 3iN, Scandlines, Hans Anders and Tato, as well as a good level of cash fees from our external funds in Infrastructure. Excluding the dividends received from Action, operating cash profit was £56 million. Cash operating expenses were £110 million (2021: £108 million), which is lower than the £128 million (2021: £112 million) of operating expenses recognised in the Consolidated statement of comprehensive income as a result of share-based payments and other non-cash expenses such as depreciation and amortisation.

Table 13: Unrealised value movements on the revaluation of investments for the year to 31 March

Investment basis	2022 £m	2021 £m
Private Equity	**3,545**	2,161
Infrastructure	**178**	168
Scandlines	**101**	22
Total	**3,824**	2,351

Table 14: Operating cash profit for the year to 31 March

Investment basis	2022 £m	2021 £m
Cash fees from external funds	**68**	39
Cash portfolio fees	**9**	7
Cash portfolio dividends and interest	**373**	85
Cash income	**450**	131
Cash operating expenses[1]	**(110)**	(108)
Operating cash profit	**340**	23

1 Cash operating expenses include operating expenses paid and lease payments.

Carried interest and performance fees

We receive carried interest and performance fees from third-party funds and 3iN. We also pay carried interest and performance fees to participants in plans relating to returns from investments. These are received and/or paid subject to meeting certain performance conditions. In Private Equity, we typically accrue net carried interest payable between 10% and 13% of GIR, based on the assumption that all investments are realised at their balance sheet value. Carried interest is paid to participants when cash proceeds have actually been received following a realisation, refinancing event or other cash distribution and performance hurdles are passed in cash terms. Due to the length of time between investment and realisation, the schemes are usually active for a number of years and their participants include both current and previous employees of 3i.

We generated a strong GIR of £273 million in the Private Equity 2019-22 plan (2021: £69 million). As a result, its performance hurdle has been met on an accruals basis and we are now accruing carried interest payable for this plan for the first time, including an element of "catch up". The continued strength of Action's performance in the Buyouts 2010-12 plan led to a £263 million increase in carried interest payable in FY2022.

3iN pays a performance fee based on its NAV on an annual basis, subject to a hurdle rate of return and partly deferred, subject to further hurdles. The continued strong performance of the assets held by 3iN resulted in the recognition of £26 million (2021: £8 million) of performance fees receivable. The Infrastructure team receives a share of the fees received from 3iN, with the majority of payments deferred and expensed over a number of years. £22 million (2021: £11 million) was recognised as an expense during the year, relating to performance fees from both the current and previous years. During the year, £10 million was paid to the Infrastructure team. The total potential payable relating to the FY2022 performance fee was £19 million, which together with the prior periods' performance fee, results in a cumulative total potential payable but not accrued of £48 million.

3i MIA pays a performance fee based on its NAV, subject to a five year hurdle rate of return. The first five-year period ended in March 2022, and the strong performance of the 3i MIA assets resulted in the recognition of £25 million performance fees receivable. The Infrastructure team receives a share of these fees resulting in an expense of £16 million performance fees payable during the year.

Overall, the effect of the income statement charge, cash payments of £23 million (2021: £516 million), as well as currency translation meant that the balance sheet carried interest and performance fees payable was £963 million (31 March 2021: £560 million).

Table 15: Carried interest and performance fees for the year to 31 March

Investment basis Statement of comprehensive income	2022 £m	2021 £m
Carried interest and performance fees receivable		
Private Equity	**3**	(3)
Infrastructure	**51**	8
Total	**54**	5
Carried interest and performance fees payable		
Private Equity	**(416)**	(173)
Infrastructure	**(38)**	(11)
Total	**(454)**	(184)
Net carried interest payable	**(400)**	(179)

Table 16: Carried interest and performance fees at 31 March

Investment basis Statement of financial position	2022 £m	2021 £m
Carried interest and performance fees receivable		
Private Equity	**8**	8
Infrastructure	**51**	8
Total	**59**	16
Carried interest and performance fees payable		
Private Equity	**(926)**	(533)
Infrastructure	**(37)**	(27)
Total	**(963)**	(560)

Financial review continued

Net foreign exchange movements

At 31 March 2022, 86% of the Group's net assets were denominated in euros or US dollars (31 March 2021: 84%). As sterling marginally strengthened against the euro but weakened against the US dollar, the Group recorded a net £9 million foreign exchange translation gain in the year (2021: £396 million loss), including the £2 million translation gain (2021: £24 million gain) from the movement in the fair value of hedging derivatives. The net foreign exchange position also reflects the translation of non-portfolio net assets, including non-sterling cash held and net carry payable at the balance sheet date.

The Group's general policy is not to hedge its foreign currency denominated portfolio. Where possible, flows from currency realisations are matched with currency investments. Short-term derivative contracts are used occasionally to manage transaction cash flows. We do hedge the foreign exchange translation risk associated with our investment in Scandlines, which is considered a longer-term hold with relatively predictable cash flows. As at 31 March 2022, the notional amount of the forward foreign exchange contracts held by the Group was €500 million, all relating to Scandlines.

Pension

In FY2021 the 3i Group Pension Plan's Trustees completed a buy-in transaction with Legal & General for its UK defined benefit scheme which, alongside previous buy-in policies entered into with Pension Insurance Corporation and Legal & General in March 2017 and February 2019 respectively, means that the plan benefits are now insured. These polices provide long-term security for the Plan members and 3i is no longer exposed to any material longevity, interest or inflation risk in the Plan or any ongoing requirement to fund the Plan.

On an IAS 19 basis, there was a £1 million re-measurement loss on the Group's UK pension scheme during the year (March 2021: £122 million) and the pension remains in a surplus of £53 million (31 March 2021: £55 million). The last triennial funding valuation was based on the Plan's position at 30 June 2019.

Tax

The Group's parent company continues to operate in the UK as an approved investment trust company. An approved investment trust is a UK investment company which is required to meet certain conditions set out in the UK tax rules to obtain and maintain its tax status. This approval allows certain investment profits of the Company, broadly its capital profits, to be exempt from tax in the UK. The Group's tax charge for the year was £5 million (2021: nil). The Group's overall UK tax position for the financial year is dependent on the finalisation of tax returns of the various corporate and partnership entities in the UK group.

Table 17: Net assets and sensitivity by currency at 31 March

	FX rate	£m	%	1% sensitivity £m
Sterling	n/a	**1,562**	12	**n/a**
Euro[1]	1.1833	**8,953**	70	**89**
US dollar	1.3165	**2,033**	16	**20**
Danish krone	8.8031	**184**	2	**2**
Other	n/a	**22**	–	**n/a**

1 Sensitivity impact is net of derivatives.

Table 18: Simplified consolidated balance sheet at 31 March

Investment basis Statement of financial position	2022 £m	2021 £m
Investment portfolio	**14,305**	10,408
Gross debt	**(975)**	(975)
Cash and deposits	**229**	225
Net debt	**(746)**	(750)
Carried interest and performance fees receivable	**59**	16
Carried interest and performance fees payable	**(963)**	(560)
Other net assets	**99**	50
Net assets	**12,754**	9,164
Gearing[1]	**6%**	8%

1 Gearing is net debt as a percentage of net assets.

Balance sheet and liquidity

At 31 March 2022, the Group had net debt of £746 million (31 March 2021: £750 million) and gearing of 6%, after the receipt of strong cash income of £450 million and net cash proceeds of £162 million offsetting dividend payments of £389 million in the year.

The Group had liquidity of £729 million as at 31 March 2022 (31 March 2021: £725 million) comprising cash and deposits of £229 million (31 March 2021: £225 million) and an undrawn RCF of £500 million. During the year the RCF was successfully extended by one year to March 2027 to further support the Group's long-term liquidity.

The investment portfolio value increased to £14,305 million at 31 March 2022 (31 March 2021: £10,408 million) mainly driven by unrealised profits of £3,824 million in the year.

Further information on investments and realisations is included in the Private Equity, Infrastructure and Scandlines business reviews.

Going concern

The Annual report and accounts 2022 are prepared on a going concern basis. The Directors made an assessment of going concern, taking into account the Group's current performance and the outlook, and performed additional analysis to support the going concern assessment. Further details on going concern can be found in the Resilience statement in our Annual report and accounts 2022.

Dividend

The Board has recommended a second FY2022 dividend of 27.25 pence per share (2021: 21.0 pence), taking the total dividend for the year to 46.5 pence (2021: 38.5 pence). Subject to shareholder approval, the dividend will be paid to shareholders in July 2022.

Key accounting judgments and estimates

A key judgement is the assessment required to determine the degree of control or influence the Group exercises and the form of any control to ensure that the financial treatment of investment entities is accurate. The introduction of IFRS 10 resulted in a number of intermediate holding companies being presented at fair value, which has led to reduced transparency of the underlying investment performance. As a result, the Group continues to present a non-GAAP Investment basis set of financial statements to ensure that the commentary in the Strategic report remains fair, balanced and understandable. The reconciliation of the Investment basis to IFRS is shown further on in this document.

In preparing these accounts, the key accounting estimates are the carrying value of our investment assets, which is stated at fair value, and the calculation of carried interest payable.

Given the importance of the valuation of investments, the Board has a separate Valuations Committee to review the valuation policy, process and application to individual investments. However, asset valuations for unquoted investments are inherently subjective, as they are made on the basis of assumptions which may not prove to be accurate. At 31 March 2022, 93% by value of the investment assets were unquoted (31 March 2021: 90%).

The valuation of the proprietary capital portfolio is a primary input into the carried interest payable and receivable balances, which are determined by reference to the valuation at 31 March 2022 and the underlying investment management agreements.

Investment basis

Consolidated statement of comprehensive income

for the year to 31 March

	2022 £m	2021 £m
Realised profits over value on the disposal of investments	**238**	35
Unrealised profits on the revaluation of investments	**3,824**	2,351
Portfolio income		
Dividends	**375**	82
Interest income from investment portfolio	**85**	65
Fees receivable	**3**	9
Foreign exchange on investments	**(2)**	(427)
Movement in the fair value of derivatives	**2**	24
Gross investment return	**4,525**	2,139
Fees receivable from external funds	**62**	44
Operating expenses	**(128)**	(112)
Interest receivable	**–**	(1)
Interest payable	**(53)**	(47)
Exchange movements	**9**	7
Other income	**2**	1
Operating profit before carried interest	**4,417**	2,031
Carried interest		
Carried interest and performance fees receivable	**54**	5
Carried interest and performance fees payable	**(454)**	(184)
Operating profit before tax	**4,017**	1,852
Tax charge	**(5)**	–
Profit for the year	**4,012**	1,852
Other comprehensive income/(expense)		
Re-measurements of defined benefit plans	**2**	(126)
Total comprehensive income for the year ("Total return")	**4,014**	1,726

Consolidated statement of financial position

as at 31 March

	2022 £m	2021 £m
Assets		
Non-current assets		
Investments		
Quoted investments	**1,063**	1,011
Unquoted investments	**13,242**	9,397
Investment portfolio	**14,305**	10,408
Carried interest and performance fees receivable	**8**	8
Other non-current assets	**50**	54
Intangible assets	**6**	8
Retirement benefit surplus	**53**	55
Property, plant and equipment	**3**	5
Right of use asset	**13**	16
Derivative financial instruments	**7**	16
Deferred income taxes	**1**	1
Total non-current assets	**14,446**	10,571
Current assets		
Carried interest and performance fees receivable	**51**	8
Other current assets	**105**	21
Current income taxes	**1**	2
Derivative financial instruments	**10**	10
Cash and cash equivalents	**229**	225
Total current assets	**396**	266
Total assets	**14,842**	10,837
Liabilities		
Non-current liabilities		
Trade and other payables	**(21)**	(24)
Carried interest and performance fees payable	**(915)**	(543)
Loans and borrowings	**(775)**	(975)
Retirement benefit deficit	**(26)**	(29)
Lease liability	**(9)**	(13)
Deferred income taxes	**(1)**	(1)
Provisions	**(3)**	(2)
Total non-current liabilities	**(1,750)**	(1,587)
Current liabilities		
Trade and other payables	**(81)**	(64)
Carried interest and performance fees payable	**(48)**	(17)
Loans and borrowings	**(200)**	–
Lease liability	**(5)**	(4)
Current income taxes	**(4)**	(1)
Total current liabilities	**(338)**	(86)
Total liabilities	**(2,088)**	(1,673)
Net assets	**12,754**	9,164
Equity		
Issued capital	**719**	719
Share premium	**789**	788
Other reserves	**11,346**	7,721
Own shares	**(100)**	(64)
Total equity	**12,754**	9,164

Investment basis continued

Consolidated cash flow statement

for the year to 31 March

	2022 £m	2021 £m
Cash flow from operating activities		
Purchase of investments	**(596)**	(479)
Proceeds from investments	**758**	319
Net cash flow from derivatives	**11**	7
Portfolio interest received	**4**	5
Portfolio dividends received	**369**	80
Portfolio fees received	**9**	7
Fees received from external funds	**68**	39
Carried interest and performance fees received	**10**	6
Carried interest and performance fees paid	**(23)**	(516)
Operating expenses paid	**(106)**	(103)
Co-investment loans (paid)/received	**(5)**	15
Tax received/(paid)	**1**	(1)
Interest received	**–**	(1)
Net cash flow from operating activities	**500**	(622)
Cash flow from financing activities		
Issue of shares	**1**	1
Purchase of own shares	**(54)**	–
Dividends paid	**(389)**	(338)
Proceeds from long-term borrowing	**–**	395
Lease payments	**(4)**	(5)
Interest paid	**(52)**	(46)
Net cash flow from financing activities	**(498)**	7
Cash flow from investing activities		
Purchase of property, plant and equipment	**–**	(1)
Net cash flow from investing activities	**–**	(1)
Change in cash and cash equivalents	**2**	(616)
Cash and cash equivalents at the start of year	**225**	845
Effect of exchange rate fluctuations	**2**	(4)
Cash and cash equivalents at the end of year	**229**	225

Background to Investment basis financial statements

The Group makes investments in portfolio companies directly, held by 3i Group plc, and indirectly, held through intermediate holding company and partnership structures ("Investment entity subsidiaries"). It also has other operational subsidiaries which provide services and other activities such as employment, regulatory activities, management and advice ("Trading subsidiaries"). The application of IFRS 10 requires us to fair value a number of intermediate holding companies that were previously consolidated line by line. This fair value approach, applied at the intermediate holding company level, effectively obscures the performance of our proprietary capital investments and associated transactions occurring in the intermediate holding companies.

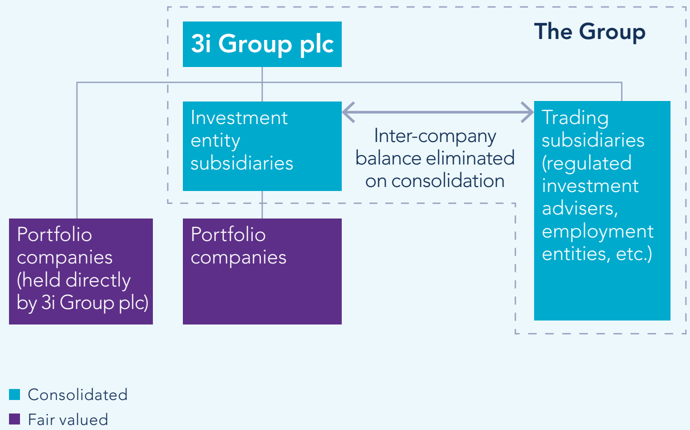
The financial effect of the underlying portfolio companies and fee income, operating expenses and carried interest transactions occurring in Investment entity subsidiaries are aggregated into a single value. Other items which were previously eliminated on consolidation are now included separately.

To maintain transparency in our report and aid understanding we introduced separate non-GAAP "Investment basis" Statements of comprehensive income, financial position and cash flow in our 2014 Annual report and accounts. The Investment basis is an APM and the Strategic report is prepared using the Investment basis as we believe it provides a more understandable view of our performance. Total return and net assets are equal under the Investment basis and IFRS; the Investment basis is simply a "look through" of IFRS 10 to present the underlying performance.

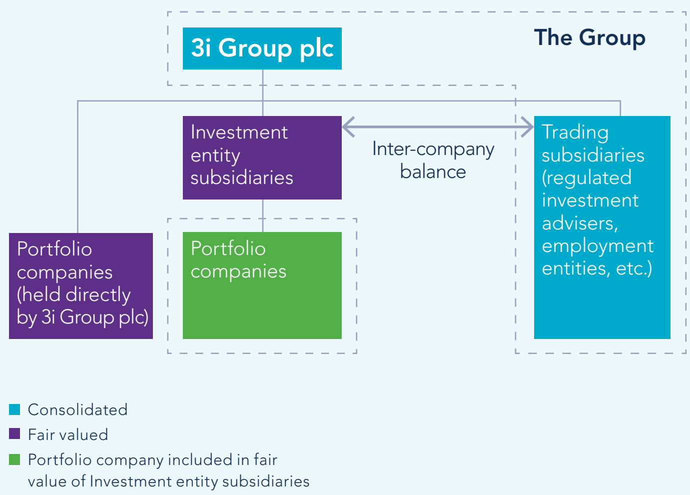
Reconciliation of Investment basis and IFRS

A detailed reconciliation from the Investment basis to IFRS basis of the Consolidated statement of comprehensive income, Consolidated statement of financial position and Consolidated cash flow statement is shown on the following pages.

Investment basis of consolidation



IFRS 10 basis of consolidation



Reconciliation of Investment basis and IFRS

Reconciliation of consolidated statement of comprehensive income

for the year to 31 March

	Notes	Investment basis 2022 £m	IFRS adjustments 2022 £m	IFRS basis 2022 £m	Investment basis 2021 £m	IFRS adjustments 2021 £m	IFRS basis 2021 £m
Realised profits over value on the disposal of investments	1,2	**238**	**(149)**	**89**	35	(26)	9
Unrealised profits on the revaluation of investments	1,2	**3,824**	**(2,043)**	**1,781**	2,351	(1,134)	1,217
Fair value movements on investment entity subsidiaries	1	**–**	**1,974**	**1,974**	–	792	792
Portfolio income							
Dividends	1,2	**375**	**(169)**	**206**	82	(33)	49
Interest income from investment portfolio	1,2	**85**	**(55)**	**30**	65	(43)	22
Fees receivable	1,2	**3**	**3**	**6**	9	4	13
Foreign exchange on investments	1,3	**(2)**	**(7)**	**(9)**	(427)	232	(195)
Movement in the fair value of derivatives		**2**	**–**	**2**	24	–	24
Gross investment return		**4,525**	**(446)**	**4,079**	2,139	(208)	1,931
Fees receivable from external funds		**62**	**–**	**62**	44	–	44
Operating expenses	4	**(128)**	**1**	**(127)**	(112)	1	(111)
Interest receivable	1	**–**	**–**	**–**	(1)	–	(1)
Interest payable		**(53)**	**–**	**(53)**	(47)	–	(47)
Exchange movements	1,3	**9**	**7**	**16**	7	10	17
Income from investment entity subsidiaries	1	**–**	**32**	**32**	–	22	22
Other income		**2**	**–**	**2**	1	–	1
Operating profit before carried interest		**4,417**	**(406)**	**4,011**	2,031	(175)	1,856
Carried interest							
Carried interest and performance fees receivable	1,4	**54**	**(1)**	**53**	5	–	5
Carried interest and performance fees payable	1,4	**(454)**	**408**	**(46)**	(184)	178	(6)
Operating profit before tax		**4,017**	**1**	**4,018**	1,852	3	1,855
Tax charge	1,4	**(5)**	**–**	**(5)**	–	–	–
Profit for the year		**4,012**	**1**	**4,013**	1,852	3	1,855
Other comprehensive income/(expense)							
Exchange differences on translation of foreign operations	1,3	**–**	**(1)**	**(1)**	–	(3)	(3)
Re-measurements of defined benefit plans		**2**	**–**	**2**	(126)	–	(126)
Other comprehensive income for the year		**2**	**(1)**	**1**	(126)	(3)	(129)
Total comprehensive income for the year ("Total return")		**4,014**	**–**	**4,014**	1,726	–	1,726

The IFRS basis is audited and the Investment basis is unaudited.

Notes:
1 Applying IFRS 10 to the Consolidated statement of comprehensive income consolidates the line items of a number of previously consolidated subsidiaries into a single line item "Fair value movements on investment entity subsidiaries". In the "Investment basis" accounts we have disaggregated these line items to analyse our total return as if these Investment entity subsidiaries were fully consolidated, consistent with prior years. The adjustments simply reclassify the Consolidated statement of comprehensive income of the Group, and the total return is equal under the Investment basis and the IFRS basis.
2 Realised profits, unrealised profits, and portfolio income shown in the IFRS accounts only relate to portfolio companies that are held directly by 3i Group plc and not those portfolio companies held through Investment entity subsidiaries. Realised profits, unrealised profits, and portfolio income in relation to portfolio companies held through Investment entity subsidiaries are aggregated into the single "Fair value movement on investment entity subsidiaries" line. This is the most significant reduction of information in our IFRS accounts.
3 Foreign exchange movements have been reclassified under the Investment basis as foreign currency asset and liability movements. Movements within the Investment entity subsidiaries are included within "Fair value movements on investment entities".
4 Other items also aggregated into the "Fair value movements on investment entity subsidiaries" line include fees receivable from external funds, audit fees, administration expenses, carried interest and tax.

The IFRS basis is audited and the Investment basis is unaudited.

Notes to Reconciliation of consolidated statement of financial position on page 55:
1 Applying IFRS 10 to the Consolidated statement of financial position aggregates the line items into the single line item "Investments in investment entity subsidiaries". In the Investment basis we have disaggregated these items to analyse our net assets as if the Investment entity subsidiaries were consolidated. The adjustment reclassifies items in the Consolidated statement of financial position. There is no change to the net assets, although for reasons explained below, gross assets and gross liabilities are different. The disclosure relating to portfolio companies is significantly reduced by the aggregation, as the fair value of all investments held by Investment entity subsidiaries is aggregated into the "Investments in investment entity subsidiaries" line. We have disaggregated this fair value and disclosed the underlying portfolio holding in the relevant line item, ie, quoted investments or unquoted investments. Other items which may be aggregated include carried interest, other assets and other payables, and the Investment basis presentation again disaggregates these items.
2 Intercompany balances between Investment entity subsidiaries and trading subsidiaries also impact the transparency of our results under the IFRS basis. If an Investment entity subsidiary has an intercompany balance with a consolidated trading subsidiary of the Group, then the asset or liability of the Investment entity subsidiary will be aggregated into its fair value, while the asset or liability of the consolidated trading subsidiary will be disclosed as an asset or liability in the Consolidated statement of financial position for the Group.
3 Investment basis financial statements are prepared for performance measurement and therefore reserves are not analysed separately under this basis.

Reconciliation of consolidated statement of financial position

as at 31 March

	Notes	Investment basis 2022 £m	IFRS adjustments 2022 £m	IFRS basis 2022 £m	Investment basis 2021 £m	IFRS adjustments 2021 £m	IFRS basis 2021 £m
Assets							
Non-current assets							
Investments							
Quoted investments	1	**1,063**	**(129)**	**934**	1,011	(214)	797
Unquoted investments	1	**13,242**	**(7,534)**	**5,708**	9,397	(5,184)	4,213
Investments in investment entity subsidiaries	1,2	**–**	**6,791**	**6,791**	–	4,905	4,905
Investment portfolio		**14,305**	**(872)**	**13,433**	10,408	(493)	9,915
Carried interest and performance fees receivable	1	**8**	**1**	**9**	8	1	9
Other non-current assets	1	**50**	**(5)**	**45**	54	(2)	52
Intangible assets		**6**	**–**	**6**	8	–	8
Retirement benefit surplus		**53**	**–**	**53**	55	–	55
Property, plant and equipment		**3**	**–**	**3**	5	–	5
Right of use asset		**13**	**–**	**13**	16	–	16
Derivative financial instruments		**7**	**–**	**7**	16	–	16
Deferred income taxes		**1**	**–**	**1**	1	–	1
Total non-current assets		**14,446**	**(876)**	**13,570**	10,571	(494)	10,077
Current assets							
Carried interest and performance fees receivable	1	**51**	**–**	**51**	8	–	8
Other current assets	1	**105**	**(1)**	**104**	21	–	21
Current income taxes		**1**	**–**	**1**	2	–	2
Derivative financial instruments		**10**	**–**	**10**	10	–	10
Cash and cash equivalents	1	**229**	**(17)**	**212**	225	(9)	216
Total current assets		**396**	**(18)**	**378**	266	(9)	257
Total assets		**14,842**	**(894)**	**13,948**	10,837	(503)	10,334
Liabilities							
Non-current liabilities							
Trade and other payables	1	**(21)**	**7**	**(14)**	(24)	7	(17)
Carried interest and performance fees payable	1	**(915)**	**873**	**(42)**	(543)	494	(49)
Loans and borrowings		**(775)**	**–**	**(775)**	(975)	–	(975)
Retirement benefit deficit		**(26)**	**–**	**(26)**	(29)	–	(29)
Lease liability		**(9)**	**–**	**(9)**	(13)	–	(13)
Deferred income taxes		**(1)**	**–**	**(1)**	(1)	–	(1)
Provisions		**(3)**	**–**	**(3)**	(2)	–	(2)
Total non-current liabilities		**(1,750)**	**880**	**(870)**	(1,587)	501	(1,086)
Current liabilities							
Trade and other payables	1	**(81)**	**1**	**(80)**	(64)	2	(62)
Carried interest and performance fees payable	1	**(48)**	**13**	**(35)**	(17)	–	(17)
Loans and borrowings		**(200)**	**–**	**(200)**	–	–	–
Lease liability		**(5)**	**–**	**(5)**	(4)	–	(4)
Current income taxes		**(4)**	**–**	**(4)**	(1)	–	(1)
Total current liabilities		**(338)**	**14**	**(324)**	(86)	2	(84)
Total liabilities		**(2,088)**	**894**	**(1,194)**	(1,673)	503	(1,170)
Net assets		**12,754**	**–**	**12,754**	9,164	–	9,164
Equity							
Issued capital		**719**	**–**	**719**	719	–	719
Share premium		**789**	**–**	**789**	788	–	788
Other reserves	3	**11,346**	**–**	**11,346**	7,721	–	7,721
Own shares		**(100)**	**–**	**(100)**	(64)	–	(64)
Total equity		**12,754**	**–**	**12,754**	9,164	–	9,164

The IFRS basis is audited and the Investment basis is unaudited.

Notes: see page 54.

Reconciliation of Investment basis and IFRS continued

Reconciliation of consolidated cash flow statement

for the year to 31 March

	Notes	Investment basis 2022 £m	IFRS adjustments 2022 £m	IFRS basis 2022 £m	Investment basis 2021 £m	IFRS adjustments 2021 £m	IFRS basis 2021 £m
Cash flow from operating activities							
Purchase of investments	1	**(596)**	**272**	**(324)**	(479)	353	(126)
Proceeds from investments	1	**758**	**(464)**	**294**	319	(135)	184
Amounts paid to investment entity subsidiaries	1	**–**	**(349)**	**(349)**	–	(879)	(879)
Amounts received from investment entity subsidiaries	1	**–**	**685**	**685**	–	281	281
Net cash flow from derivatives		**11**	**–**	**11**	7	–	7
Portfolio interest received	1	**4**	**(1)**	**3**	5	(5)	–
Portfolio dividends received	1	**369**	**(165)**	**204**	80	(32)	48
Portfolio fees received	1	**9**	**–**	**9**	7	–	7
Fees received from external funds		**68**	**–**	**68**	39	–	39
Carried interest and performance fees received	1	**10**	**–**	**10**	6	–	6
Carried interest and performance fees paid	1	**(23)**	**9**	**(14)**	(516)	483	(33)
Operating expenses paid	1	**(106)**	**1**	**(105)**	(103)	–	(103)
Co-investment loans (paid)/received	1	**(5)**	**2**	**(3)**	15	(3)	12
Tax received/(paid)	1	**1**	**–**	**1**	(1)	–	(1)
Interest received	1	**–**	**–**	**–**	(1)	–	(1)
Net cash flow from operating activities		**500**	**(10)**	**490**	(622)	63	(559)
Cash flow from financing activities							
Issue of shares		**1**	**–**	**1**	1	–	1
Purchase of own shares		**(54)**	**–**	**(54)**	–	–	–
Dividends paid		**(389)**	**–**	**(389)**	(338)	–	(338)
Proceeds from long-term borrowing		**–**	**–**	**–**	395	–	395
Lease payments		**(4)**	**–**	**(4)**	(5)	–	(5)
Interest paid		**(52)**	**–**	**(52)**	(46)	–	(46)
Net cash flow from financing activities		**(498)**	**–**	**(498)**	7	–	7
Cash flow from investing activities							
Purchase of property, plant and equipment		**–**	**–**	**–**	(1)	–	(1)
Net cash flow from investing activities		**–**	**–**	**–**	(1)	–	(1)
Change in cash and cash equivalents	2	**2**	**(10)**	**(8)**	(616)	63	(553)
Cash and cash equivalents at the start of year	2	**225**	**(9)**	**216**	845	(74)	771
Effect of exchange rate fluctuations	1	**2**	**2**	**4**	(4)	2	(2)
Cash and cash equivalents at the end of year	2	**229**	**(17)**	**212**	225	(9)	216

The IFRS basis is audited and the Investment basis is unaudited.

Notes:
1 The Consolidated cash flow statement is impacted by the application of IFRS 10 as cash flows to and from Investment entity subsidiaries are disclosed, rather than the cash flows to and from the underlying portfolio. Therefore in our Investment basis financial statements, we have disclosed our cash flow statement on a "look through" basis, in order to reflect the underlying sources and uses of cash flows and disclose the underlying investment activity.
2 There is a difference between the change in cash and cash equivalents of the Investment basis financial statements and the IFRS financial statements because there are cash balances held in Investment entity subsidiaries. Cash held within Investment entity subsidiaries will not be shown in the IFRS statements but will be seen in the Investment basis statements.

Alternative Performance Measures ("APMs")

We assess our performance using a variety of measures that are not specifically defined under IFRS and are therefore termed APMs. The APMs that we use may not be directly comparable with those used by other companies. Our Investment basis is itself an APM. The explanation of and rationale for the Investment basis and its reconciliation to IFRS is provided on page 53. The table below defines our additional APMs.

Gross investment return as a percentage of opening portfolio value

Purpose
A measure of the performance of our proprietary investment portfolio.

Calculation
It is calculated as the gross investment return, as shown in the Investment basis Consolidated statement of comprehensive income, as a % of the opening portfolio value.

Reconciliation to IFRS
The equivalent balances under IFRS and the reconciliation to the Investment basis are shown in the Reconciliation of the consolidated statement of comprehensive income and the Reconciliation of the consolidated statement of financial position respectively.

PAGE 18
KPIs

Cash realisations

Purpose
Cash proceeds from our investments support our returns to shareholders, as well as our ability to invest in new opportunities.

Calculation
The cash received from the disposal of investments in the year as shown in the Investment basis Consolidated cash flow statement.

Reconciliation to IFRS
The equivalent balance under IFRS and the reconciliation to the Investment basis is shown in the Reconciliation of the consolidated cash flow statement.

PAGE 18
KPIs

Cash investment

Purpose
Identifying new opportunities in which to invest proprietary capital is the primary driver of the Group's ability to deliver attractive returns.

Calculation
The cash paid to acquire investments in the year as shown on the Investment basis Consolidated cash flow statement.

Reconciliation to IFRS
The equivalent balance under IFRS and the reconciliation to the Investment basis is shown in the Reconciliation of the consolidated cash flow statement.

PAGE 18
KPIs

Operating cash profit

Purpose
By covering the cash cost of running the business with cash income, we reduce the potential dilution of capital returns.

Calculation
The cash income from the portfolio (interest, dividends and fees) together with fees received from external funds less cash operating expenses and leases payments as shown on the Investment basis Consolidated cash flow statement. The calculation is shown in Table 14 of the Financial review.

Reconciliation to IFRS
The equivalent balance under IFRS and the reconciliation to the Investment basis is shown in the Reconciliation of the consolidated cash flow statement.

Net (debt)/cash

Purpose
A measure of the available cash to invest in the business and an indicator of the financial risk in the Group's balance sheet.

Calculation
Cash and cash equivalents plus deposits less loans and borrowings as shown on the Investment basis Consolidated statement of financial position.

Reconciliation to IFRS
The equivalent balance under IFRS and the reconciliation to the Investment basis is shown in the Reconciliation of the consolidated statement of financial position.

Gearing

Purpose
A measure of the financial risk in the Group's balance sheet.

Calculation
Net debt (as defined above) as a % of the Group's net assets under the Investment basis. It cannot be less than zero.

Reconciliation to IFRS
The equivalent balance under IFRS and the reconciliation to the Investment basis is shown in the Reconciliation of the consolidated statement of financial position.

Risk management

Effective risk management underpins the successful delivery of our strategy and longer-term sustainability of the business. Integrity, rigour and accountability are central to our values and culture at 3i and are embedded in our approach to risk management.

Understanding our risk appetite and culture

As both an investor and asset manager, 3i is in the business of taking risks in order to seek to achieve its targeted returns for shareholders and other investors. The Board approves the strategic objectives that determine the level and types of risk that 3i is prepared to accept. The Board reviews 3i's strategic objectives and risk appetite at least annually. The Group's risk management framework is designed to support the delivery of the Group's strategic objectives and the longer-term sustainability of the business and its investment portfolio.

3i's risk appetite policy, which is consistent with previous years, is built on rigorous and comprehensive investment procedures and conservative capital management.

Culture

Integrity, rigour and accountability are central to our values and culture and are embedded in our approach to risk management. Our Investment Committee, which has oversight of the investment pipeline development and approves new investments, significant portfolio changes and divestments, is integral to ensuring a consistent approach across the business. This includes compliance with 3i's financial and strategic requirements, cultural values and appropriate investment behaviours as well as ensuring that the long-term sustainability of portfolio companies is taken into consideration. Members of the Executive Committee have responsibility for their own business or functional areas and the Group expects individual behaviours to meet its high standards of conduct. All employees share the responsibility for upholding 3i's strong control culture and supporting effective risk management. Senior managers, typically those who report to Executive Committee members, are required to confirm their individual and business area compliance annually. In addition, all staff are required to comply with regulatory conduct rules and are assessed on how they demonstrate 3i's values as part of their annual appraisal. Finally, our Remuneration Committee is responsible for ensuring the Group's remuneration policy is aligned with the Group's culture and values, weighted towards variable compensation dependent on performance, and does not encourage inappropriate risk taking.

The following sections explain how we control and manage the risks in our business. They outline the key risks, our assessment of their potential impact on our business in the context of the current environment and how we seek to mitigate them. The Group has maintained a strong control environment during periods of remote working and under the current hybrid working model. Our people have demonstrated positive engagement and the ability to use technology in effective ways. We continue to enhance our ways of working based on what we have learnt during the Covid-19 pandemic.

Approach to risk governance

The Board is responsible for risk assessment, the risk management process and for the protection of the Group's reputation, brand integrity and longer-term sustainability including the sustainability of the portfolio. It considers the most significant risks facing the Group and uses quantitative analyses, such as vintage controls which consider the portfolio concentration by geography and sector, periodic reporting of financial and non-financial KPIs from the portfolio, including ESG indicators, and liquidity reporting, where appropriate.

Non-executive oversight is also exercised through the Audit and Compliance Committee which focuses on upholding standards of integrity, financial and non-financial reporting, risk management, going concern and internal control. The Audit and Compliance Committee's activities are discussed further in this document in the Audit and Compliance Committee report.

The Board has delegated the responsibility for risk oversight to the Chief Executive. He is assisted by the Group Risk Committee ("GRC") in managing this responsibility, and guided by the Board's appetite for risk and any specific limits set. The GRC maintains the Group risk review, which summarises the Group's principal risks, associated mitigating actions and key risk indicators, and identifies any changes to the Group's risk profile. The review also incorporates a watch list of new and emerging risks for monitoring purposes. The risk review takes place four times a year, with the last review in April 2022, and the Chief Executive provides updates to each Audit and Compliance Committee meeting. The Investment Committee has principal responsibility for managing the Group's investment portfolio and monitoring its most material risks. It ensures a consistent approach to investment and portfolio management processes across the business.

The Group's work on ESG and sustainability has been overseen for some time by an ESG Steering Committee. This committee provides advisory input and assists in the coordination of the Group's various ESG and sustainability activities, including the management of ESG-related risks and opportunities across the portfolio. In view of the increasing importance of this area, it was decided to formally constitute the steering committee as an ESG Committee, with effect from March 2022, to assist and advise the Chief Executive, directly and by way of input to the work of the Investment and Group Risk Committees.

In addition to the above, a number of other Board and Executive Committee members contribute to the Group's overall risk governance structure. Please refer to page 60 for further details on the Risk governance structure.

Risk appetite

Our risk appetite is defined by our strategic objectives. We invest capital in businesses to deliver capital returns, and portfolio and fund management cash income to cover our costs and increase returns to our investors.

Investment risk

The substantial majority of the Group's capital is invested in Private Equity. Before the Group commits to a Private Equity investment, we assess the opportunity using the following criteria:

- return objective: individually assessed and subject to a minimum target of a 2x money multiple over four to five years;
- geographic focus: operate within our core markets of northern Europe and North America;
- sector expertise: focus on Business & Technology Services, Consumer, Industrial Technology and Healthcare;
- responsible investment: focus on the overall long-term sustainability of each business and ESG risk profile in line with the criteria and exclusions set out in our Responsible Investment policy; and
- vintage: invest up to £750 million per annum in four to seven new investments in companies with an enterprise value range of €100 million to €500 million at investment.

Investments made by 3iN need to be consistent with 3iN's overall return target of 8% to 10% over the medium term and generate a mix of capital and income returns. Other Infrastructure investments made by the Group should be capable of delivering capital growth and fund management fees which together generate mid-teen returns. All Infrastructure investments are also made subject to the criteria set out in the Group's Responsible Investment policy.

On occasion, the Group may conclude that it is in the interest of shareholders, and consistent with our strategic objectives, to hold a Private Equity investment for a longer period. Such an investment may be managed outside the Private Equity or Infrastructure businesses. The only investment currently so managed is Scandlines.

Capital management

3i adopts a conservative approach to managing its capital resources as follows:

- the Group aims to operate within a range of £500 million net cash to £750 million net debt, with tolerance to operate outside of this range on a short-term basis and up to a gearing level of 15% dependent on investment and realisation flows. The Group may raise long-term debt, or use other financing from time to time, to manage investment and realisation flows. The Group has no appetite for structural gearing ie the achievement of its returns objectives is not reliant on gearing;
- the Group generally does not hedge its currency exposure for its Private Equity and Infrastructure assets, but it does match currency realisations with investments, where possible, and may take out short-term hedges occasionally to hedge investments and realisations between signing and completion;
- if appropriate, with due consideration of any associated liquidity risk, the Group may hedge a portion of its currency exposure on its longer-term investments, such as Scandlines; and
- we have limited appetite for the dilution of capital returns as a result of operating and interest expenses. All our business lines generate cash income to mitigate this risk.

Risk management continued

Risk governance structure

Board

- Approves the Group's risk appetite and strategy
- Responsible for ensuring an effective risk management and oversight process across the Group and for the longer-term investment strategy
- Ownership and oversight of the Group's ESG and sustainability approach and policies
- Assisted by four Board Committees with specific responsibility for key risk management areas
- Delegates management of the Group to the Chief Executive

Nominations Committee

- Responsible for ensuring that the Board has the necessary skills, experience and knowledge to enable the Group to deliver its strategic objectives
- Responsible for appointing a diverse Board

Audit and Compliance Committee

- Responsible for reviewing financial and non-financial reporting risk and internal control and the relationship with the External auditor
- Reviews and challenges reports from Group Finance, Tax, Internal Audit and Compliance
- Chief Executive updates the Committee at each meeting on the output of the latest GRC meeting including updates on ESG matters

Valuations Committee

- Specific and primary responsibility for the valuation policy and valuation of the Group's investment portfolio including the impact of sustainability related matters
- Provides oversight and challenge of underlying assumptions on the valuation of the investment portfolio
- Direct engagement with the External auditor, including its specialist valuations team

Remuneration Committee

- Responsible for ensuring a remuneration culture which is weighted towards variable reward and strictly dependent on performance whilst not encouraging inappropriate risk taking
- Approves carried interest and asset performance linked schemes for our investment professionals that are in line with market practice and enable the Group to attract and retain the best talent
- By excluding Executive Directors from carried interest or performance fee profit schemes, the Committee ensures that their remuneration is closely aligned with shareholder returns

Chief Executive

- Delegated responsibility for management of the Group
- Delegated responsibility for investment decisions
- Delegated responsibility for risk management

Executive Committee

- Monitors divisional performance
- Facilitates information sharing between divisions
- Meets monthly

Conflicts Committee

- Deals with potential conflicts as required

Treasury Transactions Committee

- Considers specific treasury transactions as required

Market Abuse Regulation Committee

- Considers potential disclosure matters as required

Investment Committee

- Principal committee for managing the Group's investment portfolio and monitoring its most material risks
- Meets as often as required
- Chaired by the Chief Executive
- Strict oversight of each step of the investment lifecycle
- Approves all investment, divestment and material portfolio decisions
- Monitors investments against original investment case
- Ensures investments are in line with the Group's investment policy and risk appetite
- Implements the Responsible Investment policy and assesses the sustainability of the Group's portfolio companies and ESG risks and opportunities

Group Risk Committee

- Assists the Chief Executive with the oversight of risk management across the Group
- Implements the Group's risk appetite policy and monitors performance
- Maintains the Group risk review which details its principal risk exposures and appropriate mitigations and controls
- Two members of the GRC form the Risk Management Function as required under the FCA's Investment Funds sourcebook
- Maintains oversight of the risks relating to ESG matters and of the Responsible Investment policy

ESG Committee*

- Reports on relevant ESG matters to the CEO and proposes strategies for managing ESG risks
- Oversight of 3i Group's approach to ESG and ensures 3i Group's compliance with relevant legal and regulatory requirements, industry standards and guidelines applicable to ESG matters
- Monitors market developments, trends and best practice in relation to ESG matters as relevant to the Group and its portfolio
- Reviews and recommends changes to the Group's ESG approach and to related policies and procedures
- Coordinates ESG-related activities and initiatives across the Group
- Reviews and monitors performance in relation to ESG KPIs

* Formerly the ESG Steering Committee

Risk framework

The risk framework is augmented by a separate Risk Management Function which has specific responsibilities under the FCA's Investment Funds sourcebook. It meets ahead of the GRC meetings to consider the key risks impacting the Group, and any changes in the relevant period where appropriate. It also considers the separate risk reports for each Alternative Investment Fund ("AIF") managed by the Group, including areas such as portfolio composition, portfolio valuation, operational updates and team changes, which are then considered by the GRC.

The Group operates a "three lines of defence" framework for managing and identifying risk:

1. The first line of defence against outcomes outside our risk appetite is constituted by our business functions themselves.
2. Line management is supported by oversight and control functions, specifically Compliance, Group Finance, Human Resources and Legal.
3. Internal Audit provides independent assurance over the operation of controls and is the third line of defence.

The internal audit programme includes the review of the effectiveness of risk management processes and recommendations to improve the internal control environment.

Role of Group Risk Committee in risk management

The quarterly Group risk review process includes an analysis of external developments, emerging risks, and the monitoring of key strategic and financial metrics (such as KPIs) considered to be indicators of potential changes in the Group's risk profile. The GRC uses this information to identify its principal risks. It then evaluates the impact and likelihood of each risk, with reference to associated measures and KPIs. The adequacy of the mitigation plans is then assessed and, if necessary, additional actions are agreed and reviewed at the subsequent meeting. A report summarising the key conclusions of each GRC meeting and a copy of the risk review report is provided to the Audit and Compliance Committee.

A number of focus topics are also agreed in advance of each meeting. In FY2022, the GRC covered the following:

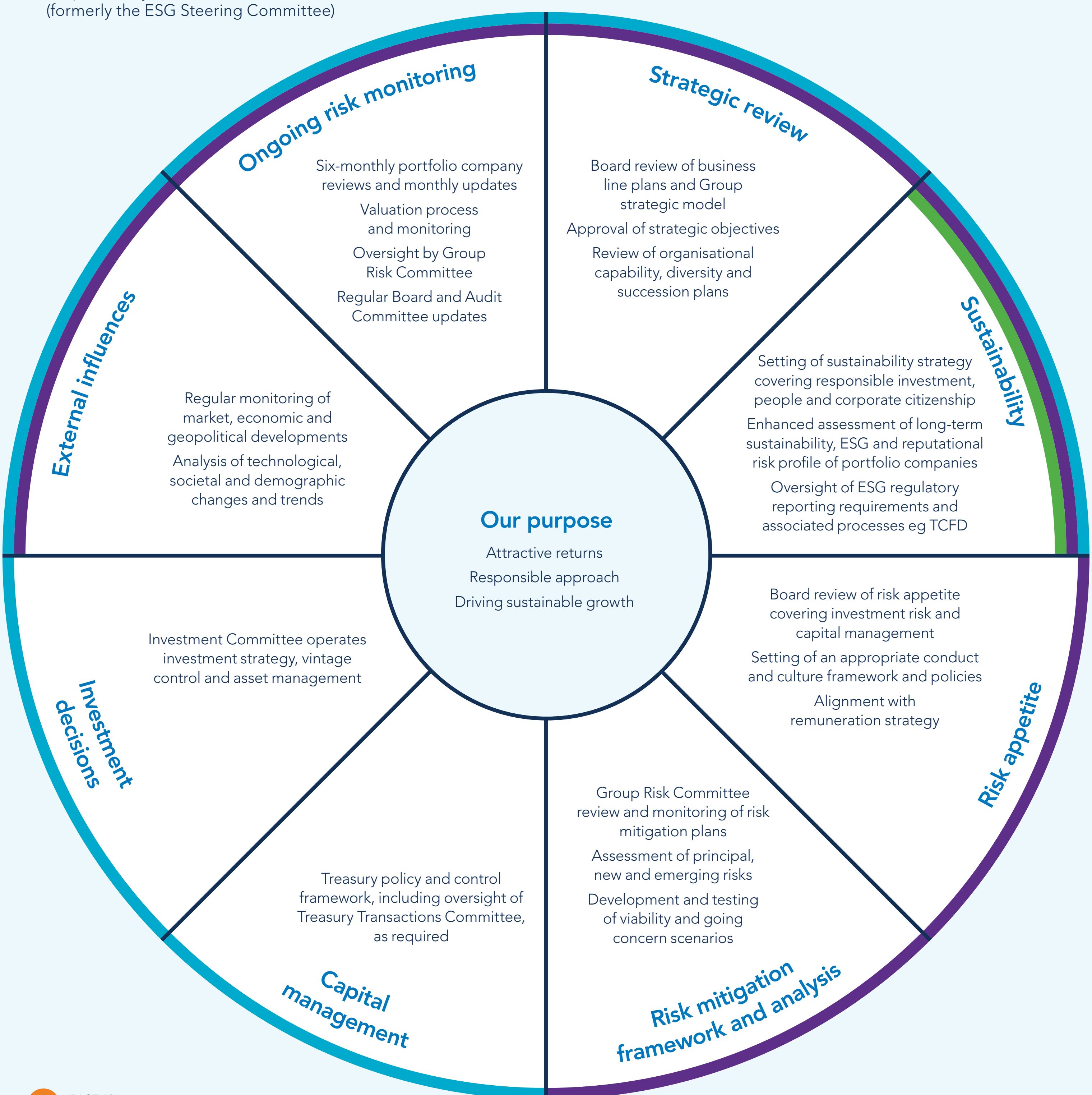
- a review of the Group's IT framework including cyber security, systems developments and IT resilience;
- an update on the Group's business continuity and resilience planning and testing;
- a review of the Group's stress tests to support its Viability statement;
- a review of the Group's Resilience statement, including viability and going concern;
- semi-annual updates on ESG and sustainability issues and themes with respect to the Group's portfolio companies;
- an update on the work of 3i's ESG Steering Committee and progress on Taskforce for Climate-related Financial Disclosures ("TCFD"); and
- the proposed risk disclosures in the FY2022 Annual report and accounts.

There were no significant changes to the GRC's overall approach to risk governance or its operation in FY2022, but we continued to refine our framework for risk management where appropriate.

Integrated approach to risk management

3i's approach to risk management consists of a number of interrelated processes, illustrated below, the operation of which is overseen by a combination of the Investment Committee, Executive Committee, Group Risk Committee and ESG Committee.

- Responsibility of Investment Committee
- Responsibility of Group Risk Committee
- Responsibility of ESG Committee (formerly the ESG Steering Committee)



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Further details of the risk governance structure

Role of Investment Committee in risk management

Our Investment Committee is fundamental to the management of investment risk. It is involved in and approves every material step of the investment, portfolio management and realisation process.

The rigorous assessment and management of ESG risks and opportunities is embedded in our investment, portfolio management and value creation processes. Our Responsible Investment policy, as interpreted and implemented by our Investment Committee, provides clear guidance to our investment professionals.

The investment case presented at the outset of our investment consideration process includes the expected benefit of operational improvements, growth initiatives, opportunities arising from ESG and sustainability initiatives, and M&A activity that will be driven by our investment professionals together with the portfolio company's management team. It will also include a view on the likely exit strategy and timing.

In evaluating new and existing investments, the Investment Committee takes full account of potential reputational risks and broader ESG and sustainability developments and trends. The latter includes the risks and opportunities in relation to the environmental aspects of each company's products and services, the markets in which they operate, and the supply chain. Consideration of the feasibility and cost of initiatives to reduce the company's environmental footprint forms an integral part of the investment case.

After an investment is made, each investment case is closely monitored:

- our monthly portfolio monitoring reviews assess current performance against budget, prior year and a set of traffic light indicators and bespoke, forward-looking financial and non-financial KPIs;
- we hold semi-annual in-depth reviews of all our assets. We focus on the longer-term performance and plan for the investment compared to the original investment case, together with any strategic developments, a detailed assessment of ESG and sustainability risks and opportunities, and market outlook; and
- our monitoring processes also include consideration of instances where individual portfolio company underperformance could have adverse reputational consequences for the Group, even though the value impact may not be material.

The monthly portfolio monitoring reviews and the semi-annual reviews are attended by the Investment Committee and the senior members of the investment teams. Non-executive Directors are invited to attend the semi-annual reviews.

Finally, we recognise the need to plan and execute a successful exit at the optimum time, taking consideration of market conditions. This risk is closely linked to the external economic environment. Exit plans are refreshed where appropriate in the semi-annual portfolio reviews and the divestment process is clearly defined and overseen by the Investment Committee.

We review our internal processes and investment decisions in light of actual outcomes on an ongoing basis.

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FOR MORE INFORMATION
Summary of our Responsible investment policy
www.3i.com/sustainability/sustainability-policies

PAGES 14-15
Our long-term, responsible approach

Principal risks and mitigations – aligning risk to our strategic objectives

Business and risk environment in FY2022

For the most part, FY2022 remained a year of uncertainty. Following the successful roll-out of Covid-19 vaccine programmes earlier in the year, new variants emerged, requiring the temporary reimposition of restrictions. As such, the impact of Covid-19 remained an ongoing part of our risk assessment and mitigation planning processes during the year. We have continued to minimise any operational disruption to the Group by initiating our contingency plans, providing staff with support and guidance, and taking other measures where required.

As pandemic restrictions have gradually eased, we have been able to transition successfully to a hybrid working model and, accordingly, have downgraded the risk of operational and cultural disruption to the Group. Similarly, the exposure of portfolio companies to disruption from Covid-19 has reduced through a combination of the easing of restrictions and the implementation of appropriate contingency plans. Whilst our focus is now on the longer term economic impact of the pandemic, we remain mindful of the risk of new variants and the potential for further disruption.

The longer term economic outlook has been adversely affected by supply chain issues, labour shortages and high inflation as economies readjust. This situation has been compounded by Russia's invasion of Ukraine; in particular, the impact on energy supplies and prices. An escalation or widening of this conflict would have significant repercussions for the global economy and financial markets. Accordingly, we have added this as a new principal risk. We continue to work closely with our portfolio companies to assess and respond to the current economic challenges.

The Directors have considered a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. We define our principal risks as those that have the potential to impact the delivery of our strategic objectives materially.

External

External risks are the risks to our business which are usually outside of our direct control such as political, economic, environmental, social, regulatory and competitor risks.

As previously noted, the combined impact of the Covid-19 pandemic and Russia's invasion of Ukraine has increased the risks of global economic uncertainty and market volatility, which remain closely monitored. The economic dislocations arising from the impact of Covid-19 continue to affect supply chains and price inflation, including energy prices and transportation costs. The process of economic readjustment and recovery has been significantly set back by the recent geopolitical developments, which have resulted in the imposition of sanctions and further disruptions to energy supplies.

A focus of our portfolio management over the past year has been on supporting the continued recovery of the companies operating in sectors most exposed to the impact of the pandemic; specifically, in the automotive and travel sectors. Measures and initiatives put in place some time ago have generally enabled these portfolio companies to stabilise and improve their performance. More recently, we have assessed the impact of Russian sanctions across the portfolio in terms of direct and indirect operational exposures, including supply chains, as well as the potential reputational risks of such exposures. The exposure of the portfolio is limited and there are contingency plans in hand to address any residual risks identified; for example, shifting product sourcing.

The impact of higher energy and transportation costs, general price inflation, and supply side constraints has also been the subject of close monitoring across the portfolio. Notwithstanding these pressures, we have seen continued positive momentum in the portfolio performance across both business lines during the year. There are, however, a number of potential headwinds which will affect the global economy and consumer and investor confidence. These include price inflation, supply side constraints, higher interest rates and taxation, the risks of new Covid-19 variants and a further deterioration in the geopolitical environment.

ESG and sustainability is increasingly important in the context of our strategic and investment objectives. Further information on work done in relation to ESG reporting, including TCFD compliance, and our approach to climate-related risk and opportunities can be found in our TCFD report on pages 84 to 89.

Investment

Our overarching objective is to source attractive investment opportunities at the right price and execute our investment plans successfully. Notwithstanding the very challenging external environment, there have been no major changes to the principal risks associated with investment outcomes.

As part of our portfolio monitoring, all of our new investments in the year are subject to rigorous review, including performance against a 180-day plan. We continued to monitor the portfolio actively and, where necessary, have held additional reviews for assets where there have been more significant operational challenges.

Our investment and portfolio monitoring semi-annual reviews include an enhanced ESG and sustainability assessment, which enables current and emerging risks and opportunities to be tracked on a systematic basis. Good progress has been made in advancing the ESG and sustainability maturity of the portfolio and improving carbon measurement and reporting capabilities.

Investment teams are responsible for origination and asset management and are rewarded with performance-based remuneration.

Operational

The potential operational disruption of the Covid-19 pandemic to the Group has reduced, and was subsequently removed as a principal risk and added to the watch-list for ongoing monitoring. The Group has continued to operate effectively during periods of remote working, underpinned by robust and secure IT systems and the reliable performance of 3i's key third-party service providers. The Group has successfully implemented a hybrid working model which supports a strong collaborative working culture whilst giving staff a degree of flexibility.

During the year the Group reviewed and refreshed its incident management and business continuity plans. This included reviewing lessons learned from the experience of the pandemic and considering a broad range of "severe but plausible" business disruption scenarios. We also continue to review and refresh our IT systems, device strategy, and cyber security framework. We engage the services of a leading cyber security services company which provides ready access to intelligence and expert advice on new and emerging cyber security threats.

Attracting and retaining key people remains a significant operational priority. We have seen greater competition in the recruitment market and, accordingly, regard this as an area of increased risk compared to last year. Staff turnover rates, however, remain relatively low. The recruitment and induction of new staff during the year was, at times, done on a partially remote basis. Additional steps were taken to ensure effective on-boarding of new hires and to maintain good levels of staff engagement through periods of remote working and the transition to a hybrid working model. Our Remuneration Committee ensures that our variable compensation schemes are in line with market practice. This includes carried interest, an important long-term incentive, which rewards cash-to-cash returns.

In addition, detailed succession plans are in place for each business area. The Board completed its last formal annual review of the Group's organisational capability and succession plans in September 2021. The success of the Group since the 2012 restructuring has led to modest levels of voluntary staff turnover, 12% in FY2022, which forms part of the longer term resilience of the business.

Fraud risk is considered on a regular basis. The Group has a robust fraud risk assessment and anti-fraud programme in place. The latter includes fraud prevention work by Internal Audit, awareness training and provision of an independent reporting service or "hotline" accessible by all staff. The Group's cyber security programme also aims to identify and mitigate the risks of third-party frauds, for example ransomware and phishing attacks, through the use of IT security tools and regular staff training.

New and emerging risks

The GRC maintains a watch list of risks which are deemed of sufficient importance to require active monitoring by the GRC but are not currently regarded as principal risks to the achievement of the Group's strategic objectives. Risks on the watch list may be reclassified as principal risks and vice versa based on the GRC's assessment. In the year, we updated our watch list to include the operational and cultural disruption to the Group from Covid-19 which was previously a principal risk.

The current watch list includes some portfolio-related risks, such as concentration and specific sector exposures; tax risks in relation to changing rules; the UK/EU trading relationship; cyber security; and the increasing reporting requirements relating to ESG topics.

Principal risks and mitigations – aligning risk to our strategic objectives continued

We recognise the increasing importance of environmental and climate-related risks. We monitor and manage any climate risks through our comprehensive risk governance framework and compliance processes and procedures, which also ensure that 3i is compliant with all applicable environmental legislation and reporting requirements. As part of a broader project to align our climate-related disclosures with the TCFD framework, we are carrying out our first climate scenario analysis for our portfolio, to help us assess the impacts of different climate warming scenarios on our portfolio companies. The results of this analysis will improve the skill and knowledge base within our organisation, and inform our management of climate-related risks and opportunities in the portfolio. We intend to iterate these analyses periodically to help improve our performance in this area. Our TCFD disclosures are available on pages 84 to 89.

Our thematic approach to investment origination and portfolio construction involves consideration of new and emerging risks and trends which can support long-term sustainable growth in our portfolio (pages 16 to 17). This also forms part of our medium-term viability stress testing and long-term business resilience assessment (pages 122 to 123). The current key themes include societal and demographic change; digitalisation, technological disruption and big data, increasing urgency for action on climate change and environmental impact; and challenges to globalisation and the economic order.

Our investment strategy is to make a limited number of new investments each year, selected within our target sectors and geographies on the basis of our thematic approach and return targets. We carry out our investment activities under a rigorous Responsible Investment policy and have the flexibility to screen out businesses at an early stage which have unsustainable environmental practices, or which are exposed to excessive risks. Once invested, we monitor environmental and climate-related risks closely and use our influence to ensure that our portfolio companies are compliant with emerging regulations and legislation in this field to encourage the development of more environmentally sustainable behaviours in our portfolio companies, as well as investments to mitigate the impact of our portfolio companies' environmental impact.

Outlook

As previously noted, the longer-term economic outlook has been adversely affected by supply chain issues, labour shortages and high inflation as economies readjust following the easing of Covid-19 pandemic restrictions. This outlook has worsened since Russia's invasion of Ukraine; in particular, the impact of sanctions and significant disruption to energy markets. A further uncertainty is the risk of a new Covid-19 variant requiring the reintroduction of travel and other restrictions. Finally, we anticipate significant changes in government fiscal and monetary policies in the US and Europe, including measures to combat inflation, manage borrowing levels and address the rising costs of living.

We made six new Private Equity investments in the year and have continued to grow portfolio value through our buy-and-build strategy. We have a clear and consistent strategy and a disciplined approach to investment whilst looking to put more capital behind those portfolio companies we already know well. We expect competition for the best assets in our sectors to remain intense and prices high. Accordingly, our focus remains on bilateral or complex processes and our buy-and-build platforms where we continue to build an attractive pipeline of new and further investment opportunities.

3i's business model, its disciplined approach to investment and active portfolio management, and its current diverse investment portfolio have been resilient to the challenges of the past year and in the latest stress tests carried out as part of our viability assessment.

3i continues to work closely with portfolio management teams to support their respective business and contingency plans in response to changing economic and market conditions. Enhanced portfolio monitoring and reporting processes remain in place to identify actions needed to support portfolio companies through periods of uncertainty and to take advantage of new opportunities as these arise.

The disclosures on the following pages are not an exhaustive list of risks and uncertainties faced by the Group, but rather a summary of the principal risks which are regularly reviewed by the GRC and the Board, and have the potential to affect materially the achievement of the Group's strategic objectives and impact its financial performance, reputation and brand integrity.

Investment

Principal risk

Exposure of specific portfolio assets to Covid-19 disruption

Movement in risk status in FY2022

Link to strategic objectives

Potential impact

- Health and safety of employees and customers
- Impact on NAV through the contraction of Private Equity portfolio earnings or changes in valuation multiples
- Reduces realisation potential, impacting shareholder returns
- Potential impact and profile of specific cases of underperformance, including reputational risks to 3i as an investor
- Increases the need to provide liquidity support to portfolio companies
- Assets in the transportation and travel sectors more exposed and therefore more likely to underperform

Risk management and mitigation

- Detailed scenario and contingency planning at the portfolio company level
- Steps taken by portfolio companies to:
  - monitor and manage the health and safety of their employees and customers
  - adapt to changing circumstances
  - manage and fund operating and financing costs through an extended period of disruption

FY2022 outcome

- We provided liquidity support for two of our portfolio companies and have capacity to support our other portfolio companies if required
- Close monitoring of portfolio performance and future forecasts with regular updates provided to 3i Investment Committee and then to 3i Group Board

Principal risk

Lower investment rates

Movement in risk status in FY2022

Link to strategic objectives

Potential impact

- Impacts longer-term returns and capital management and therefore ability to deliver strategic plan
- May impact progress with specific strategic initiatives
- May reduce staff morale and confidence
- Cost base may not be sustainable
- Poor investment rates impact Group's reputation as an investor of proprietary capital and as a manager of 3iN and other funds
- Increases the importance of the role of bolt-on acquisition opportunities

Risk management and mitigation

- Regular monitoring of investment and divestment pipeline
- Early involvement of Investment Committee as new investment ideas are identified
- Disciplined approach to sourcing investment opportunities and pricing
- Regular review of asset allocation
- Focus on bolt-on acquisition opportunities, which can be more attractively priced and offer synergy benefits

FY2022 outcome

- Invested in six new Private Equity companies and completed 15 bolt-on acquisitions, with two requiring 3i proprietary capital investment
- Investment Committee maintained a cautious stance, declining a number of investment proposals where price and risk and reward failed to meet Group requirements

Risk exposure has increased
No significant change in risk exposure
Risk exposure has decreased

Grow investment portfolio earnings
Use our strong balance sheet
Realise investments with good cash-to-cash returns
Increase shareholder distributions
Maintain an operating cash profit

Principal risks and mitigations – aligning risk to our strategic objectives continued

Investment continued

Principal risk

Underperformance of portfolio companies

Movement in risk status in FY2022

No significant change in risk exposure

Link to strategic objectives

Grow investment portfolio earnings; Realise investments with good cash-to-cash returns; Increase shareholder distributions

Potential impact

- Reduction in NAV and realisation potential impacting shareholder returns
- Underperformance impacts reputation as an investor of proprietary capital and as a manager of third-party funds
- Greater portfolio concentration increases the potential impact and profile of specific cases of underperformance
- May set back specific strategic initiatives

Risk management and mitigation

- Rigorous initial assessment of new investment opportunities to maintain quality of our investment pipeline
- Monthly portfolio monitoring of all investments to review operating performance, identify weaknesses and opportunities early and take action as appropriate
- Additional monitoring of Action, including 3i Chief Executive chairmanship of the Action board
- Active management of portfolio company chairman, CEO and CFO appointments
- Sharing of any incidents of portfolio fraud and cyber breaches across investment teams to ensure monitoring is up to date

FY2022 outcome

- Liquidity support provided to two portfolio companies as required
- 93% of the assets valued on an adjusted earnings basis grew their earnings over the last 12 months to 31 December 2021

Principal risk

Portfolio ESG and sustainability risk profile/performance

Movement in risk status in FY2022

Risk exposure has increased

Link to strategic objectives

Grow investment portfolio earnings; Realise investments with good cash-to-cash returns; Increase shareholder distributions

Potential impact

- Poor or insufficient management of ESG risks or adverse developments impact 3i's reputation as an investor
- Potential impact on NAV, realisation potential and shareholder returns and on new Infrastructure fundraising initiatives

Risk management and mitigation

- Investment Committee responsibility with Board oversight
- Responsible Investment policy
- Structured approach to identify and manage ESG and sustainability risks and "themes" and to collect relevant data as part of semi-annual portfolio company review process
- Risk assessment and mitigation planning as part of portfolio company review
- Early engagement with 3i Communications team in the event of any incidents
- Limited exposure to remote/more challenging geographies and higher risk sectors
- Close monitoring of trends and developments in external reporting

FY2022 outcome

- A formal ESG Committee constituted to monitor risk and best market practice
- Improved monitoring of ESG risks through a defined sustainability development framework, with successful progress through the year
- Responsible Investment policy
- ESG risk evaluation reviewed semi-annually at the portfolio company reviews. The overall risk profile remains stable

Risk exposure has increased
No significant change in risk exposure
Risk exposure has decreased

Grow investment portfolio earnings
Use our strong balance sheet
Realise investments with good cash-to-cash returns
Increase shareholder distributions
Maintain an operating cash profit

External

Principal risk

Global economic growth and investor and market confidence is vulnerable to ongoing uncertainties, including geopolitical developments

Movement in risk status in FY2022

Link to strategic objectives

Potential impact

- Potential for extended period of general price inflation, including higher energy and commodity prices
- Higher risk of market volatility, price shocks or a significant market correction
- Limits earnings growth or reduces NAV owing to contraction of earnings in our investments and/or changes in multiples and discount rates used for their valuation
- Increases liquidity or covenant risks across the portfolio or limits ability to refinance our investments
- Impacts general market confidence and risk appetite
- Leads to reduced M&A volumes in 3i's core markets, economic instability and lower growth, which impacts realisation levels

Risk management and mitigation

- Regular portfolio company reviews as well as Investment Committee focus on investment strategy, exit processes and refinancing strategies
- Monthly portfolio monitoring to identify and address portfolio issues promptly
- Monitoring of valuations and application of policy by the Valuations Committee
- Regular liquidity and currency monitoring and strategic reviews of the balance sheet
- Regular review of resourcing and key man exposures as part of business line reviews and the portfolio company review process

FY2022 outcome

- Resilient portfolio, with the majority of portfolio companies adapting to the changing environment and demonstrating good earnings growth
- Limited direct exposure to Russia in the portfolio
- Overall increase in portfolio valuation particularly in healthcare and consumer investments
- Group GIR of 43%
- Modest Group gearing of 6% and liquidity of £729 million. Undrawn RCF of £500 million and maturity extended to 2027

The risk of "Economic dislocations owing to the Covid-19 pandemic" was shown as a separate principal risk in FY2021, when it was separated out as a standalone risk from the wider global economic risk. In view of developments since then, the risk has been re-incorporated into this principal risk.

Principal risk

Volatility in capital markets and foreign exchange

Movement in risk status in FY2022

Link to strategic objectives

Potential impact

- May impact portfolio valuations and realisation processes
- Increases risks with IPO exit route and bank financing
- Potential for large equity market fall to impact asset valuations
- Unhedged foreign exchange rate movements impact total return and NAV

Risk management and mitigation

- Portfolio company reviews focus on investment strategy, exit plans and refinancing strategies
- Long-term approach to setting valuation multiples
- Active management of exit strategies by Investment Committee to enable us to adapt to market conditions
- Regular liquidity and currency monitoring and strategic reviews of the Group's balance sheet
- Matching of investment and realisation currency flows and use of short-term hedging on a case-by-case basis
- Scandlines FX hedging programme

FY2022 outcome

- At 31 March 2022, 86% of the portfolio was denominated in euros or US dollars. As sterling marginally strengthened against the euro but weakened against the US dollar, we generated a net foreign exchange translation gain of £9 million (2021: £396 million loss)
- Foreign exchange exposures at the portfolio company level monitored and hedged where appropriate
- Strong portfolio performance, demonstrating resilience, leading to an increase in portfolio value in the year

Principal risks and mitigations – aligning risk to our strategic objectives continued

External continued

Principal risk

High pricing in 3i's core sectors

Movement in risk status in FY2022

Link to strategic objectives

Potential impact

- Reduced investment rates in Private Equity and Infrastructure
- Increased risk of overpaying for investments impacting potential returns
- Potential for higher cash realisations on exits in due course

Risk management and mitigation

- Central oversight and disciplined approach to investment pipeline
- Active management of investments and exit strategies by Investment Committee
- Our local teams and networks facilitate the origination of off-market transactions

FY2022 outcome

- Invested in six new Private Equity companies and completed 15 bolt-on acquisitions to support buy-and-build strategies
- Realisation of Magnitude Software in the year, refinancing proceeds received from Royal Sanders and BoConcept, and signed exit of QSR division of Q Holding in April 2022

Principal risk

Risk of escalation or widening of Russia/Ukraine conflict

New risk for FY2022

Link to strategic objectives

Potential impact

- Disruption or inability for portfolio companies to continue with Russia-based operations or contractual agreements; even greater impact if conflict widens to other countries
- Indirect operational impact eg third-party suppliers or supply chain disruption
- Impact of higher energy and commodity prices, price shocks and supply chain and transportation issues
- Increased transportation times and costs
- Direct or indirect reputational risks of any exposure to Russia
- Impact on NAV through contraction of Private Equity portfolio earnings or changes in valuation multiples
- Reduces realisation potential, impacting shareholder returns

Risk management and mitigation

- Detailed scenario and contingency planning at the portfolio company level
- Steps taken by portfolio companies to manage through an extended period of disruption
- Regular assessment of portfolio company operations and performance
- Long-term approach to valuation multiples

FY2022 outcome

- Our investment teams have performed a full review of the impact of newly imposed sanctions on the portfolio. The current exposures are limited
- Contingency plans have been adopted to address any residual risks
- Supply side constraints and price inflation are closely managed and monitored

Risk exposure has increased
No significant change in risk exposure
Risk exposure has decreased

Grow investment portfolio earnings
Use our strong balance sheet
Realise investments with good cash-to-cash returns
Increase shareholder distributions
Maintain an operating cash profit

Operational

Principal risk

Ability to recruit, develop and retain key people

Movement in risk status in FY2021

Link to strategic objectives

Potential impact

- Impairs ability to deliver key objectives
- Potential to delay execution of strategic plan with possible impact on shareholder returns

Risk management and mitigation

- Specific focus by Remuneration Committee which approves all material incentive arrangements to ensure they reflect market practice
- Annual Board review of succession planning
- Regular review of resourcing and key man exposures as part of business line reviews and the portfolio company review process

FY2022 outcome

- Organisational capability and succession plan reviewed by the Board in September 2021
- Successful talent recruitment and continuous training and development programmes throughout the year. 32 new hires in FY2022
- Limited staff turnover and good progress with recruitment and integration of new hires
- Successful transition to a new hybrid working model

Sustainability

We are committed to achieving our strategic and investment objectives and behaving responsibly as an investor, an employer and as an international corporate citizen.

A responsible approach to managing our business and our portfolio has been key to how we have operated since 3i was founded in 1945. Our purpose at that time was to contribute to rebuilding post-war Britain by providing growth capital to small businesses. The responsibility that came with that original purpose still guides our behaviour today.

Over the years, we have built a strong reputation and track record by investing and managing our portfolio responsibly and by operating according to high standards of conduct and behaviour. We take responsibility for our actions, and integrate our values and ethics into our strategy and formal business policies and practices. We believe that encouraging this approach in our portfolio companies is a driver of long-term outperformance.

This section aims to summarise our approach to sustainability. For the full picture, please read it in conjunction with the rest of the Annual report, including our TCFD report on pages 84 to 89, as well as our Sustainability report and sustainability policies, which are available on our website.

PAGES 84-89
TCFD report

FOR MORE INFORMATION
Sustainability report
www.3i.com/sustainability/sustainability-reports-library

Sustainability policies
www.3i.com/sustainability/sustainability-policies

Our sustainability strategy is defined by three key priorities:

1. Invest responsibly

We believe that a responsible approach to investment adds value to our portfolio. Our responsible investment principles are embedded within our investment and portfolio management processes and inform our investment decisions and our behaviours. We rigorously assess and manage ESG risks at all stages of our investment and value creation processes. We make a limited number of investments each year, allowing us to be very selective in our approach to new investment, including considering the impact on global sustainability of investee companies' activities. We adopt a thematic approach to origination and portfolio construction, backing businesses benefiting from structural trends which can support long-term sustainable growth in our portfolio.

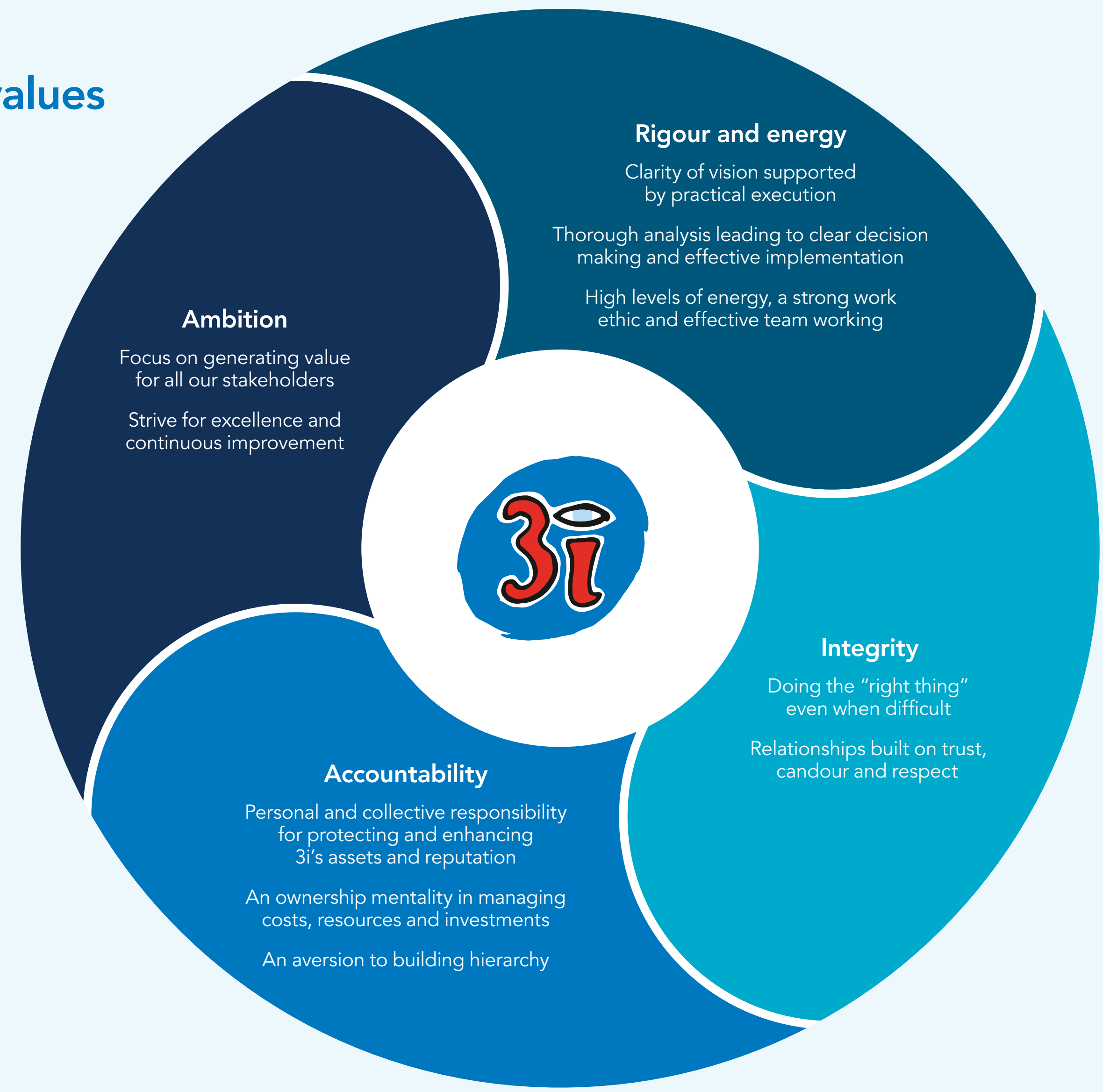
2. Recruit and develop a diverse pool of talent

Our people are our main asset. Accordingly, 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 believe that a variety of perspectives enhances our decision making. Our employees are recruited, promoted and rewarded on the basis of merit. We are an equal opportunities employer and prohibit all forms of unfair discrimination.

3. Act as a good corporate citizen

We strive to embed responsible business practices throughout our organisation by having robust policies and processes in place and by promoting the right culture among our people. 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 formally evaluated against our values as part of our appraisal process every year.

Our values



Sustainability continued

1. Invest responsibly

With fewer than 240 employees globally, 3i has a relatively small direct impact on the environment and other sustainability issues. However, with assets under management of £23 billion, we can achieve progress on many sustainability issues through the actions we drive in our portfolio companies.

We believe that a responsible approach to investment is a material lever for value creation in our portfolio. Our approach is based on the four pillars set out on page 14:

Long-term stewardship PAGE 14

Thematic origination PAGES 16-17

Careful portfolio construction PAGE 14

Rigorous assessment and management PAGES 14, 42-43

We refine our approach continuously. In early 2021 we set up an ESG Steering Committee, staffed with professionals from across the organisation with a broad range of functional expertise, to further embed and advance our responsible investment practices within the organisation and advise the Chief Executive, directly and through our Investment and Group Risk Committees, on ESG-related matters.

This Committee's responsibilities include reviewing best practice in the assessment and management of ESG-related risks and opportunities throughout our investment and portfolio management processes and developing and recommending changes to our processes and to our Responsible Investment policy to reflect emerging best practice, evolving stakeholder expectations and recent and upcoming sustainability regulations across our markets.

In recognition of the importance of these matters to 3i and its stakeholders, the ESG Steering Committee was constituted as a Committee of the Chief Executive in March 2022.

Our Responsible Investment policy

Our Responsible Investment ("RI") policy is embedded into our investment and portfolio monitoring processes and sets out our stewardship approach. This policy sets out the types of businesses in which 3i will not invest, as well as minimum standards in relation to ESG matters which we expect new portfolio companies to either meet or commit to meeting over a reasonable time period. The policy applies to all our investments, irrespective of their country or sector.

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.

Business integrity

Upholding high standards of business integrity, avoiding corruption in all its forms, ensuring strong data management and cyber security and compliance with applicable anti-bribery, anti-fraud, anti-money laundering and data protection laws and regulations.

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.

Good governance

Clear accountability with defined responsibilities, procedures and controls and appropriate checks and balances in company management structures.

FOR MORE INFORMATION
Summary of our Responsible investment policy
www.3i.com/sustainability/sustainability-policies

Rigorous assessment and management of ESG factors in our investment and portfolio management processes

We embed a rigorous assessment of the long-term sustainability of each investment in our processes.

Pre-investment	During investment period		Exit
Assessment and action planning • Screen each opportunity against the requirements of the RI policy. • Conduct an early-stage review of the ESG profile of each new business opportunity to assess all material ESG topics which may impact the business. • Following the early-stage review, commission specialist due diligence on ESG matters where required. • Include ESG considerations in the Investment Committee materials. • Integrate relevant action points into the 180-day post-investment plan.	**Use of influence and engagement** • Implement robust governance and procedures at the portfolio company to ensure that ESG risks and opportunities are assessed and managed rigorously. • Use active participation and influence on portfolio company boards to ensure they are addressing the ESG factors impacting their businesses (see pages 42 and 43). • Leverage the 3i portfolio and network to provide introductions to other companies, useful contacts and advisers and share best practice, sometimes through dedicated forums such as the carbon and CIO roundtables (see pages 42 and 43). • Provide a sounding board and support to portfolio companies as they devise their sustainability strategies and implement and deliver sustainability projects.	**Data collection and monitoring** • Collect ESG data from portfolio companies on an annual basis to understand the baseline and measure progress. • Prepare detailed quantitative and qualitative ESG assessment as part of the March semi-annual portfolio company review process. • Discuss ESG assessment during semi-annual portfolio company review meetings. • Set and monitor progress with portfolio-wide objectives (eg for all companies to produce a carbon emissions baseline and implement a sustainability strategy).	**Preparation and communication** • Consider the data and governance structures which may be required in advance of a sale process. • Work with advisers to communicate relevant sustainability information to potential buyers.
Objective			
The Investment Committee may decline investment opportunities where red flags are raised in the pre-investment ESG risk assessment that it does not believe can be remedied post investment or commission further specialist due diligence to assess whether a situation can be remedied.	We use our influence to mitigate risk and ensure value creation opportunities are captured.	Data is used to develop our understanding and management of ESG matters, to enhance our decision making, more recently to facilitate better financing opportunities and to identify key themes, trends and opportunities across the portfolio.	Good ESG performance can protect and potentially enhance the value achieved in an exit.

ESG risks in our portfolio

We make a limited number of new investments every year in countries and sectors that generally have a low ESG risk profile. We make majority or significant minority investments in our portfolio companies and exercise influence through membership of their boards, where we ensure that they are aware of longer-term ESG themes (such as climate change and resource scarcity) that could impact their businesses and that these themes are taken into account in their longer-term planning. We have the flexibility to screen out investment opportunities which are overly exposed to ESG or other risks and to sell investments that become or have the potential to become exposed to ESG risks.

Our annual stress test scenario planning, which underpins our Viability statement (set out on pages 122 and 123) models a range of environmental impacts on our portfolio. We are also carrying out our first climate scenario analysis to model the impact of climate change on our portfolio companies, in line with TCFD recommendations (see page 87).

The key ESG risks our portfolio companies were exposed to during the year were the impact of Covid-19, cyber security, fraud and occupational health and safety. Our approach to managing these risks is set out in the Sustainability report. Our approach to climate risk management is set out in our TCFD report on pages 84 to 89.

PAGES 58-71
Risk management framework

FOR MORE INFORMATION
Sustainability report
www.3i.com/sustainability/sustainability-reports-library

Sustainability continued

2. Recruit and develop a diverse pool of talent

The recruitment, development and retention of a capable and diverse pool of talent is key to our success. The 3i team of 236 employees consists of 21 nationalities and we value highly the diversity of thought and experience this brings.

We provide training and opportunities for career advancement, reward our employees fairly and recognise the importance of supporting the wellbeing and satisfaction of our employees by providing a healthy working environment and work/life balance.

With fewer than 240 employees, we benefit from a flat organisational structure, which facilitates a culture of open communication. Direct feedback to senior managers is encouraged. We are a meritocracy and, as such, our employees are recruited, promoted and rewarded based on merit.

Human rights

Whilst 3i does not have, nor need, a formal human rights policy, our policies are 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. We also encourage our business partners and suppliers to adopt the same standards with respect to human rights.

PAGE 82
Modern slavery

FOR MORE INFORMATION
Our modern slavery statements
www.3i.com/sustainability/modern-slavery

236
Employees
as at 31 March 2022

21
Nationalities

Equal opportunity, diversity and inclusion

3i is an equal opportunities employer and prohibits unfair discrimination. In light of our small workforce, we do not set specific diversity targets. We cultivate an inclusive environment for existing and prospective employees which respects, involves and leverages diverse talent for greater organisational good.

We have made reasonable progress in achieving greater diversity within our organisation but nonetheless strive to continue improving our performance on an ongoing basis. We consider diversity in all recruitment processes and explore initiatives to address the perceived barriers to entry into our sector. However, we are a small organisation with relatively low turnover and recruitment volumes, which means that achieving greater diversity will be a gradual process.

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.

In FY2022 we engaged VERCIDA Consulting, a specialist Diversity, Equity and Inclusion ("DE&I") consultancy, which is supporting us in evaluating aspects of our culture and building upon our DE&I practices. We also continue to take part in a number of initiatives to improve gender, ethnic and social diversity at 3i and within our industry more broadly. These are described later in this section.

In March 2022 we launched a series of talks with external speakers to provide their insights to employees on career development, including on topics related to DE&I. We launched the programme with a talk from Hajir Hajji, the CEO of Action, our largest portfolio company. Hajir joined Action 24 years ago as a store employee, then aged 17. Over the years she has successfully worked her way through the ranks of the organisation in a variety of management roles. Hajir shared insights about her career development, about her priorities for the business and her relationship with 3i as a shareholder in Action.

We are mindful of offering an inclusive environment for employees with disabilities and provided disability confidence training during the course of the year.

No incidents of discrimination were reported in FY2022.

Ethnic diversity

We continue to make good progress towards the fair representation of ethnic minorities within our organisation, although we recognise that more can be achieved.

The McGregor-Smith review on "Race in the Workplace", published on 28 February 2017, highlighted the under-employment and under-promotion of people of ethnic minority 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 an ethnic minority background, individuals from ethnic minorities made up only 10% of the workforce and held only 6% of top management positions. As at 31 March 2022, more than one in eight of 3i's total UK employees were people with an ethnic minority (excluding white minority) background. In addition, the proportion of our UK-based employees from an ethnic minority (excluding white minority) background in mid to higher salary brackets also significantly exceeded the one in eight proportion.

We are committed to improving further the representation of ethnic minorities at 3i and to advocating for better representation of ethnic minorities in our industry. Last year we joined the #100BlackInterns initiative and welcomed two interns with an ethnic minority background in our Infrastructure investment team. We will continue to support this initiative, which has now expanded and has been renamed #10000BlackInterns, in the summer of 2022.

3i participates in the #10000BlackInterns initiative

Following the successful launch of #100BlackInterns in which 3i participated last year, a new #10000BlackInterns initiative has now been designed to help further transform the horizons and prospects of young black people in the United Kingdom. This expanded programme seeks to offer 2,000 internships each year for five consecutive years. To deliver this initiative #10000BlackInterns has partnered up with firms from 24 different sectors, delivering internships across a range of business functions.

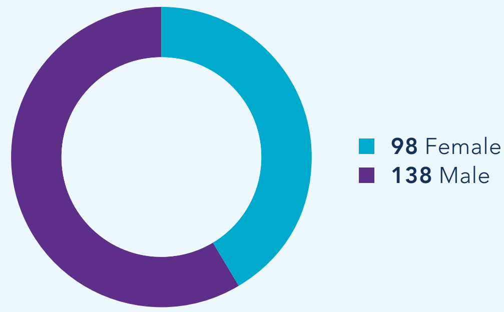
We will welcome two black students for paid internships in our investment teams in the summer of 2022.

FOR MORE INFORMATION
www.10000blackinterns.com

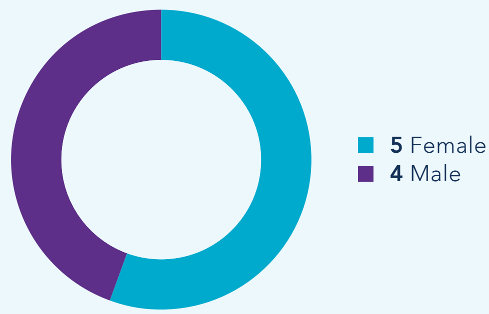
Gender diversity

At 31 March 2022, 3i's total of 236 employees was broken down as follows:

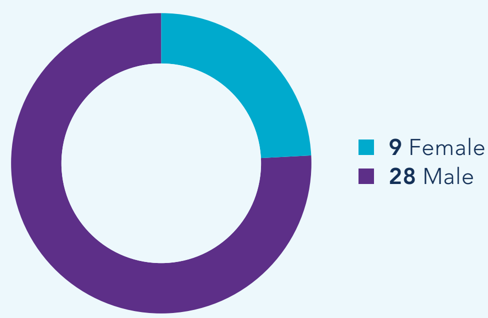
3i employees



3i Group plc Directors[1]



Senior managers[2]



1 Includes non-executive Directors who are not 3i employees.
2 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.

Sustainability continued

2. Recruit and develop a diverse pool of talent 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 32 new hires we made during the year, 15 were female and 17 were male.

Gender diversity is an issue that the investment industry has long struggled with. Slow progress towards gender parity has been largely attributed to: (i) a narrow candidate pool, as typical feeder industries (such as investment banking, accounting and consulting) tend to hire graduates with more technical or numerate degrees, the majority of whom are male; (ii) a perception of poor work/life balance, both in the investment industry and feeder industries; and (iii) a lack of female role models.

A sustainable step change in gender diversity in our industry will take many years and must start with grass-roots education and advocacy work in schools and universities, for example, as well as through positive action taken by us and other investment firms on recruitment, flexible working and parental policies. In addition to focusing on diversity in our recruitment processes, we also offer great flexibility at work and a broad range of family-friendly policies.

We contribute to industry-wide work and advocacy on gender parity through a number of industry associations, by being an official sponsor of Level20 and through our participation in the GAIN Empower Investment Internship Programme.

3i is an official sponsor of Level 20

Level 20 is a not-for-profit organisation dedicated to improving gender diversity in the European private equity industry. It is sponsored by over 80 private equity firms.

Its ambition is for women to hold 20% of senior positions in this dynamic industry. It works to empower women who already work within the industry, encourage new female talent to join and provide leadership teams with insight and best-practice solutions to help them address current gender imbalances within the industry and their firms.

FOR MORE INFORMATION
www.level20.org

3i has joined GAIN Empower – Investment Internship Programme (in partnership with Level 20)

GAIN (Girls are INvestors) is a community of investors, with charitable status, set to change the lack of gender diversity in investment management.

GAIN aims to inform young women with online resources, bringing helpful information on careers in investment to their fingertips and to inspire them with a strong network of female role models, who deliver compelling and high-impact messages on the many benefits of investing as a career.

Among the initiatives managed by GAIN is a summer internship programme, open to female and non-binary students across the UK. 3i is one of 78 firms participating, with two interns joining 3i's investment teams for paid internships in the summer of 2022.

FOR MORE INFORMATION
www.gainuk.org

Social diversity

We are strong advocates of social diversity in the workforce. In 2018, we began a partnership with Career Ready, a UK social mobility charity that connects employers with schools and colleges to prepare disadvantaged young people for the world of work.

3i takes part in Career Ready's mentoring programme

Since 2002, Career Ready has connected employers with schools and colleges to provide disadvantaged young people aged 14-18 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. Ten of our employees are volunteering as mentors in the current academic year, meeting their mentees for an hour per month for up to 12 months.

FOR MORE INFORMATION
www.careerready.org.uk

Through our Covid-19 charitable fund, which was set up in 2020 to alleviate the impact of the pandemic on a range of vulnerable groups, we supported Speakers Trust, a charity with over 15 years of experience in providing high quality, professionally-delivered workshops, events and educational resources on public speaking and communication skills. The charity is an enabler of social mobility and helps build a stronger society in which the voices of young people are heard, whatever their background. Speakers Trust works with one in every five state secondary schools in England, and youth organisations across the UK.

Employee engagement

We 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 encourage feedback from employees to senior management through informal conversations and 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. Senior managers and team leaders made a particular effort to keep staff informed through regular updates and virtual meetings during periods of remote working.

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. Unfortunately this has not been possible since the start of the Covid-19 pandemic, however the non-executive Directors have had other opportunities to engage with employees, for example by attending 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.

David Hutchison, who was appointed as Chairman in November 2021, hosted an informal session with a number of employees in March 2022 to share insights about his career path and his ambitions for his new role. The Chairman aims to visit all our major international offices on a two-year rolling cycle and engages with as many employees as possible during these visits.

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

89%

Participation in UK SIP[1]

12%

Voluntary employee turnover rate

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

Sustainability continued

2. Recruit and develop a diverse pool of talent continued

Learning and development

Advancing our strategic objectives depends on our ability to attract, retain and motivate smart people. We therefore provide 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. In FY2022 we provided formal specialist training on areas including leadership skills, executive coaching, financial modelling, presentation and communication skills, impact and gravitas and sustainability. Our investment executives regularly receive education on issues of wider topical interest and impact. Last year this was focused on the implications of an inflationary environment and of supply chain bottlenecks on our portfolio, as well as on cyber security.

Our graduate programme continued last year, with two new graduates joining us in September 2021. The programme involves one month of classroom-based learning on finance, accounting and valuations, followed by a three-year programme of rotations in different parts of the business.

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 an 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.

Employee wellbeing

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

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

After nearly two years of remote work as a consequence of the Covid-19 pandemic, our employees are mostly back in the office for the majority of the week and, with the option to work remotely for part of the time. While we have made a success of remote working during the pandemic, employees have welcomed the opportunity to work face-to-face once again to enhance collaboration, build on our strong team ethos and socialise with colleagues. Employees also appreciate the flexibility to work from home for part of the working week and the benefits this brings in terms of work/life balance and the management of personal commitments.

We promote the physical wellbeing of our employees. For example, our UK employees qualify for annual medical insurance and health checks. In our London office, we also provide the services of a personal fitness and nutrition adviser 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.

We have been placing increasing importance on employees' mental wellbeing. Over the past three years, most employees have participated in workshops organised in partnership with a specialist mental health consultancy providing a basic understanding of mental health. Employees with people management responsibilities have received more in-depth training on mental health issues. We have also trained c.20 "mental health champions" across the business, to act as first points of contact for employees experiencing issues. Our employees have the opportunity to access individual counselling and advice should they require it, as detailed in our Sustainability report.

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 must treat colleagues and others with courtesy and respect. Harassment and bullying of colleagues is unacceptable and is an issue that we take extremely seriously.

Grievance procedures and reporting a concern

3i has clear grievance and disciplinary procedures, an employee assistance programme and an independent, external "whistle blowing" hotline service which allows employees to report concerns anonymously.

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FOR MORE INFORMATION
Sustainability report
www.3i.com/sustainability/sustainability-reports-library

3. Act as 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 promote the right values and culture within our organisation. The corporate values are approved by the Board and the Executive Committee sets the tone and leads by example. All employees are evaluated annually against our corporate values.

Governance

Good corporate governance is fundamental to 3i and its activities and is critical to the delivery of value to our stakeholders. For full details of our governance structure and processes, please see the Corporate Governance section of this report.

Compliance and policies

Anti-bribery and corruption

3i does not offer, pay or accept bribes and we only work with third parties whose standards of business integrity are substantively consistent with ours. 3i is not aware of any breaches of its Anti-bribery policy by its employees.

We expect the businesses we invest in to operate in compliance with all applicable laws and regulations and, where appropriate, work towards meeting relevant international standards where these are more stringent. This includes, in particular, upholding high standards of business integrity, avoiding corruption in all its forms and complying with applicable anti-bribery, anti-fraud and anti-money laundering laws and regulations.

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 2022, no donations were made to political parties or organisations, or independent election candidates, and no political expenditure was incurred.

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 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 the Directors of Compliance or Internal Audit, or the Group General Counsel, who have been designated to provide impartial advice on the appropriate course of action to follow.

Alternatively, all employees across our seven office locations may express and report their concerns on a completely confidential and anonymous basis to an independent "hotline" service provided by EthicsPoint, an independent, external party.

Data protection

3i's Data Protection policy reflects the requirements of UK and 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.

During the year to 31 March 2022 we did not receive any complaints from third parties or complaints by regulatory bodies regarding the use and disclosure of personal data.

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FOR MORE INFORMATION
Our approach to data protection
www.3i.com/site-tools/privacy-policy

Sustainability continued
3. Act as a good corporate citizen continued

Cyber resilience

We focus on cyber resilience both in terms of 3i's own systems and those of its portfolio companies. We run a periodic cyber resilience e-learning course for all 3i staff and an ongoing "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. This year, we ran a programme of cyber security awareness workshops, conducted by our Chief Information Security Officer, which provided an understanding of the types of cyber and information security attacks we are vulnerable to, demonstrated the techniques used to steal and manipulate data through hands-on scenarios and showed the tools available to help protect our data. 3i also tested its Cyber Security Incident Response Plan and updated its overall business resilience strategy and governance framework. The 3i Cyber Security Review Board continues to meet monthly to discuss cyber security issues, including new and emerging threats, and to review the cyber risk register and dashboard of relevant cyber key performance indicators.

In relation to our portfolio companies, we continue actively to promote cyber resilience as a key component of the corporate governance programme through our representatives on their boards. We use an external firm of cyber security specialists to conduct non-intrusive reviews of the cyber resilience of our key portfolio companies' systems. 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. We also ensure that developments and best practice are shared across the portfolio with relevant members of portfolio company management teams, including through formal forums such as our portfolio company CIO Virtual Forum held in 2021 (see page 43).

£1m

donated to UNICEF and MSF in response to the crisis in Ukraine

Modern slavery

We published our statement on modern slavery for the financial year ending 31 March 2021 on our website in September 2021, and will update this statement in September 2022. 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.

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FOR MORE INFORMATION
Our modern slavery statements
www.3i.com/sustainability/modern-slavery

Environmental impact

With fewer than 240 employees globally, 3i has a relatively small direct impact in terms of the environment and other sustainability issues. However, with assets under management of £23 billion, we can have a greater positive impact through the actions we drive in our portfolio. We therefore integrate the evaluation of the environmental impact of our portfolio companies and associated mitigating measures in our investment assessment and portfolio management processes.

PAGES 84-89
TCFD Report

Community

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

Ordinary charitable giving

The charities we partner with are supported on the basis of their effectiveness and impact. Our ordinary charitable giving for the year to 31 March 2022 totalled £700,000. This included supporting our nine charity partners, matching staff fundraising, making a number of one-off donations and promoting the Give-As-You-Earn scheme in the UK, which is administered by the Charities Aid Foundation, and through which 3i matched £48,500 of employee donations.

In addition, during the year our London- based staff arranged a gift collection for Community Links' Christmas Toy Appeal and Foodbank Appeal. A number of our employees also volunteered with The Trussell Trust, The Passage and Leonard Cheshire during the year.

»
FOR MORE INFORMATION
Our ordinary charitable giving
www.3i.com/sustainability/corporate-citizenship/charitable-giving

»
FOR MORE INFORMATION
Sustainability report
www.3i.com/sustainability/sustainability-reports-library

Ukraine emergency donation

In March 2022, 3i donated £1 million split equally between UNICEF and the Médecins Sans Frontières/Doctors Without Borders ("MSF") Emergency Fund. UNICEF is working with partners on the ground in Ukraine to reach vulnerable children and families with essential services – including health, education, protection, water and sanitation – as well as life-saving supplies. MSF provides medical assistance to people affected by conflict, epidemics, disasters, or exclusion from healthcare. MSF's Emergency Fund is an annual financial reserve that allows the organisation to react quickly in emergencies, with an aim of being on the ground within 48 hours.

A number of our portfolio companies, including Action, Christ, Havea, ten23 health, GartenHaus and BoConcept, have also made donations or otherwise provided support to those affected by the war. Scandlines is offering free transport on its ferries between Germany and Denmark to Ukrainian passport holders. Please see page 8 for more information.

Our Covid-19 charitable fund

In May 2020 3i announced it had set up a £5 million Covid-19 charitable fund, which was funded from Private Equity and Infrastructure carry and performance fee arrangements provided for through the income statement in prior periods.

The overarching theme of the fund was to alleviate poverty and all its consequences, by supporting charities particularly affected by the pandemic focusing on the most vulnerable communities in countries where 3i and its portfolio companies operate. Within this, our donations targeted a number of areas, including food provision, education, domestic violence, advancement of minorities and disadvantaged groups, community development and mental health. Some funding was provided to offer immediate relief to communities, with other donations being made to support 12-24 month recovery programmes. Most of this fund was deployed in FY2021, with the remaining resources deployed at the start of FY2022, supporting a total of c.100 charities across 14 geographies.

FOR MORE INFORMATION
Our Covid-19 charitable fund
www.3i.com/sustainability/corporate-citizenship/covid-19-charitable-fund

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

3i is a member the FTSE4Good Index Series and of the Solactive Europe Corporate Social Responsibility Index, as well as of a number of other established ESG indices.

www.ftse.com/products/indices/FTSE4Good
www.solactive.com

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 climate change score in the 2021 CDP assessment was B and its supplier engagement rating was A-.

www.cdp.net

ESG Transparency – a Private Equity Index

3i ranked as one of the top performers in Orbis Advisory and ITPEnergised's annual transparency index analysing 155 private equity firms' ESG reporting performance, based on public disclosures.

www.itpenergised.com/esg-transparency-a-private-equity-and-venture-capital-index-2021

UN Principles of Responsible Investment

Since 2011, we have been signatories to the UN Principles for Responsible Investment.

3i's scores for the 2020 UNPRI assessment report were A for Strategy and Governance, and A+ for Private Equity and Infrastructure. The scores for the 2021 assessment have not yet been published.

www.unpri.org

PAGE 74
Invest responsibly

Sustainability continued

Our TCFD disclosures

These disclosures reflect 3i's response to the recommendations of the TCFD. They set out how we incorporate climate-related risks and opportunities for our business and portfolio into our governance, strategy and risk management. They also include disclosures on our direct GHG emissions metrics. These disclosures are partial as we build and evolve our capabilities to monitor and manage climate issues in line with the TCFD recommendation and industry good practice. We are, however, taking steps to prepare for fully aligned disclosures by the June 2024 deadline set by the FCA for asset managers such as 3i.

What follows should be read in conjunction with the rest of the Annual report and with our Sustainability report and specific references are provided where applicable.

Governance

The Board as a whole is responsible for the approval and oversight of 3i's approach in relation to ESG and climate matters.

Day-to-day accountability for all ESG and climate matters is delegated to the Chief Executive.

Our ESG Committee assists and advises the Chief Executive on all relevant ESG and climate matters and coordinates ESG activities across the Group.

Our Investment Committee is responsible for the assessment and management of ESG risks and opportunities in prospective investments and portfolio companies.

Our Group Risk Committee has oversight of the ESG risks for the Group and the portfolio, including relevant environmental legislation and regulation.

Progress in FY2022

In recognition of the importance of the management of ESG factors, including those related to climate, for the Group and our portfolio, in 2021 we set up an ESG Steering Committee, with a membership drawn from across the business, to advise the Chief Executive on all ESG-related matters. This steering committee was formalised as a Committee of the Chief Executive with effect from March 2022.

The management of climate-related risks and opportunities is embedded throughout our processes and operations, including our investment and portfolio management processes, with clear oversight by the Board and delegated authority to the Chief Executive. In determining 3i's strategy and approach to climate change both the Board and the Chief Executive, assisted by a number of committees, take into account the laws and regulations of the countries in which 3i and its portfolio companies operate, as well as the perspectives of our different stakeholders, identified on pages 92 and 93.

Non-executive oversight

The Board as a whole is responsible for the approval of the Group's approach in relation to ESG matters (including climate-related matters) and has oversight of the Group's sustainability approach and policies, including our Responsible Investment policy. It is assisted by the Audit and Compliance Committee in the review and consideration of any disclosures related to ESG matters, including climate-related disclosures.

The Board receives frequent updates on ESG matters and climate-related issues from the Chief Executive and members of the ESG Committee as they become relevant and material. In FY2022, the Board and its committees received the following updates on climate-related issues:

May and November 2021	Updates to the Audit and Compliance Committee from the Chief Executive on the ESG risk profile of the portfolio, following presentations made to Group Risk Committee by our portfolio investment teams on the results of the semi-annual ESG assessments of portfolio companies. These updates included a discussion of climate impacts on the portfolio.
June 2021	Presentation to the Board on the results of the semi-annual ESG assessments of portfolio companies.
December 2021	Presentation to the Board from members of the ESG Steering Committee on the legal, regulatory and commercial context shaping 3i's approach to climate change, and the work undertaken by the ESG Steering Committee to progress the climate agenda at 3i.
March 2022	Status report by members of the ESG Steering Committee to the Audit and Compliance Committee on the work undertaken on 3i's approach to the management of climate factors and overview of proposed climate-related disclosures for FY2022.

Executive responsibility

Day-to-day accountability for sustainability, including climate issues, rests with executive management and, in particular, the Chief Executive. The Chief Executive has also established a number of committees that support him in overseeing and monitoring policies and procedures and addressing issues that arise. These include the ESG Committee, Investment Committee and the Group Risk Committee.

ESG Committee The ESG Committee membership is drawn from a range of investment and non-investment functions across the Group. The ESG Committee focuses on three main areas:

- reporting to the Chief Executive (directly and through the Group Risk Committee and Investment Committee) on relevant ESG matters, including climate-related risks and opportunities, and developing and reviewing policies, processes and strategies to manage ESG risks and opportunities for the Group and its investment activities;
- developing and recommending to the Chief Executive the Group's ESG approach (including, in due course, a climate strategy) for review by the Board; and
- coordinating and facilitating ESG-related activities and initiatives across the Group.

The Committee takes into account any relevant legal and regulatory requirements and industry standards, as well as best market practice, and monitors progress against its stated objectives.

Since its creation as the ESG Steering Committee in 2021 it has focused in particular on developing strategy, policy and governance for assessing and managing climate-related risks and opportunities across the Group and its portfolio, a topic of increasing urgency and prominence in society and a focus area of governments and regulators and our stakeholders.

One of the Committee's specific areas of focus has been preparing the Group for reporting in alignment with the TCFD recommendations by the 2024 deadline set by the FCA for asset managers such as 3i. While we already make disclosures under the TCFD framework, these are not yet fully aligned. To this end, in January 2022 we started an engagement with EY's sustainability practice to establish a roadmap to achieve alignment. Our TCFD roadmap identified a number of short-term initiatives that will help us improve the way we assess and manage these issues, which we have already set in train. These initiatives are discussed in more detail later in this report.

The ESG Committee meets formally four times a year, but its members meet as often as required to progress its busy agenda.

Investment Committee The Investment Committee is responsible for implementing the Responsible Investment policy and for making decisions concerning the acquisition, management, ongoing monitoring and disposal of investments, as well as making decisions concerning major investments made by our portfolio companies. In performing its activities, the Investment Committee ensures that ESG matters, including climate-related risks and opportunities, are properly identified, assessed and managed in the course of our investment, divestment and portfolio management activities. The Investment Committee meets frequently on an ad-hoc basis.

Group Risk Committee The Group Risk Committee oversees the Group's risk management framework. It maintains the Group's risk review, which identifies the principal risks and new and emerging risks, including climate-related risks, facing 3i as well as the associated mitigating actions and key risk indicators. The risk review is updated quarterly. This committee also maintains oversight of the Responsible Investment policy and considers and approves amendments to this policy as required, taking into account legal, regulatory and market developments regarding climate. The Group Risk Committee meets four times per year.

Executive remuneration

The Executive Directors receive, in addition to their salary, an annual bonus and long-term share incentive awards based on the achievement of a number of performance conditions. For FY2022, annual bonuses for executive management were awarded based on a balanced scorecard of both financial and strategic measures agreed by the Remuneration Committee of the Board, alongside a consideration of the wider context of personal performance (including values and behaviours), risk, market and other factors.

Among the strategic, qualitative measures included in the balanced scorecard to determine the FY2022 annual bonus award, up to 10% of the maximum annual bonus opportunity was tied to progress against a number of ESG targets. The Remuneration report on pages 129 to 139 sets out the Remuneration Committee's assessment of the performance of the Executive Directors against the scorecard's ESG objectives. The measures taken by the Group to achieve progress against these objectives are described in this TCFD report.

Board skills and training

We have engaged EY's sustainability practice to provide a programme of training sessions on relevant climate-related topics for the Board to be carried out over the course of FY2023. The objective of this programme is to improve the Board's understanding of the climate risks and opportunities that 3i faces, the regulations with which it must comply and how these will impact 3i's investment strategy across business lines and investment vehicles. We expect that each training session will provide the tools necessary to improve the Board's oversight of the Group's approach to climate change and its impact on the portfolio and investment strategy and inform the Board's decision making.

PAGE 10
Chief Executive's remarks on progress on sustainability agenda

PAGES 96-146
Governance framework

PAGES 129-139
Remuneration report

FOR MORE INFORMATION
Sustainability report 2022 pages 8 and 10-23
www.3i.com/sustainability/sustainability-reports-library

Sustainability continued
Our TCFD disclosures continued

Strategy

The systematic assessment of ESG factors, including climate factors, is integral to our investment assessment and portfolio management processes. We have been UNPRI signatories since 2011.

We buy majority or significant minority holdings in our portfolio companies and are represented on their boards. We use our influence with portfolio companies to ensure that they assess climate impacts and devise strategies to address them.

We ask our portfolio companies to measure and report to us their GHG emissions to aid our engagement on emission reduction strategies and targets.

Progress in FY2022

We set the parameters for our first climate scenario analysis to advance our understanding of the impact of climate change on our portfolio companies and inform our strategy to mitigate risks and capture opportunities.

We believe that the careful assessment and management of ESG factors is a material lever for value creation in our portfolio and the assessment of climate-related risks and opportunities has been formally integrated into our investment screening and portfolio management processes for many years. These processes are described on page 75 of this Annual report, and on pages 10 to 23 of the Sustainability report.

The ESG Committee has focused mainly on progressing the Group's climate agenda. This work will allow us to make better informed decisions on future climate commitments for the Group as a whole. The ESG Committee's workstreams are focusing on the following areas:

- **Investment assessment:** refining our process for the assessment of climate risks and opportunities in the investment process.
- **Data:** completing the process of setting a baseline for GHG emissions for the portfolio. This will enhance our engagement with portfolio companies on emission abatement strategies and on the assessment of appropriate targets.
- **Scenario analysis:** carrying out our first climate scenario analysis for the entirety of our portfolio, which will advance our understanding of climate-related risks and opportunities in portfolio companies and inform our portfolio management approach.
- **Skills and training:** the organisation of bespoke training programmes for the Board, executive and investment teams on climate change physical and transition risks and opportunities to provide them with the knowledge and skills to assess climate factors and identify value creation opportunities arising from a transition to a low-carbon economy.

Investment and portfolio construction strategy

Our investment strategy is to make a small number of new investments each year in our Private Equity and Infrastructure businesses, selected within our target sectors and geographies on the basis of their compatibility with our return objectives.

For many years we have carried out our investment activities under our Responsible Investment policy, which is embedded in our investment and portfolio management processes. The long-term sustainability factors relevant to our portfolio, including the impacts of climate change, and related risks and opportunities, are regularly assessed, monitored and managed.

Our investment and portfolio construction approach is flexible, and this is a considerable strength which provides great resilience to many risks, including climate-related risks, as well as the ability to support businesses that benefit from a transition to a low-carbon economy. For over 10 years we have focused our investment activity on a limited number of sectors and, within those sectors, on niches and themes that benefit from sustainable growth trends (see pages 16 and 17). This approach has allowed us, for example, to increase our exposure to renewable energy generation in our Infrastructure portfolios over the last few years and to approve investments within our portfolio companies that support a reduction in their GHG emissions or the development of solutions that will reduce carbon emissions. As we only make a handful of investments in each of our Private Equity and Infrastructure businesses every year, we have the flexibility to screen out businesses which have unsustainable environmental practices.

Once invested, we use our influence to encourage the development of more environmentally sustainable behaviours in our portfolio companies, as well as investments to mitigate our portfolio companies' environmental impact, including the emission of greenhouse gases (see pages 42 and 43).

Refining our processes The ESG Committee is refining our investment screening process to include an earlier assessment of climate risks and opportunities, with specialist due diligence commissioned when potential material issues are identified for further investigation.

Scenario analysis We are carrying out our first climate scenario analysis on our portfolio with the help of an external consultant. This analysis aims to assess the physical and transition risks for each of our portfolio companies under three broad scenarios over short (< one year), medium (to 2030) and long-term (to 2050) time horizons:

1. orderly net zero by 2050: this scenario assumes an average temperature increase of 1.5°C, in line with the Paris Agreement and a smooth transition to net zero, with markets pricing in any impacts over the first four years;
2. disorderly net zero by 2050: this scenario still assumes an average temperature increase of 1.5°C, but within the context of a disorderly transition, sudden divestments in 2025 to align portfolios to the Paris Agreement goals causing disruption in financial markets, and sudden repricing followed by stranded assets and a sentiment shock; and
3. failed transition: in this scenario the world fails to meet the Paris Agreement goals and global warming reaches 4.3°C above pre-industrial levels by 2100. This causes severe physical and extreme weather impacts and long-term disruption in financial markets.

The results will inform our engagement with our portfolio companies, in particular where the analysis has identified specific risks or opportunities that we had not fully identified previously. We will continue to evolve our approach to scenario analysis as we build on the work we have carried out to date.

Skills and training

Our investment teams have been carrying out assessments of climate and broader environmental risks as part of our investment and portfolio monitoring processes for many years, relying on external service providers where necessary. With the objective of improving the sophistication and rigour of our assessments, we are currently devising bespoke training programmes on climate for the investment teams and other relevant executives.

PAGES 2-19
Overview and business strategy

FOR MORE INFORMATION
Sustainability report 2022 pages 10-23 and 41-44
www.3i.com/sustainability/sustainability-reports-library

Risk management

As an investor, 3i is in the business of taking risks to seek to achieve its return objectives. The assessment of climate risks is integral to our overall risk management framework.

The governance of our risk management process is robust, with Board and Audit and Compliance Committee oversight, and responsibility exercised by the Chief Executive, assisted by the Group Risk Committee.

Progress in FY2022

We set the parameters for our first climate scenario analysis, which will allow us to improve our understanding of climate risks in the portfolio and their potential impact on returns.

We recognise the increasing importance of climate-related risks and monitor these through our comprehensive risk governance framework, both on a portfolio company level and for the Group as a whole. The framework is described in detail on pages 58 to 71, and our portfolio ESG assessment process (which covers an assessment of climate risks for each portfolio company) is described on page 75 of this report, as well as on pages 14 and 15 of our Sustainability report.

The impact of climate risks can be financial and non-financial (eg operational, or reputational). We consider both through our risk management framework.

We have been assessing the potential financial impact of climate change on our portfolio as a whole for some time through the work we do to conduct our annual viability assessment (see page 122 and 123). When preparing our Viability statement, we carry out a number of tests which consider the impact on the Group of multiple severe, yet plausible individual and combined stress scenarios, including the impact that climate change might have on the value of a number of our potentially more vulnerable assets through changes in regulation, in consumer preferences, an increase in physical risks and other business risks. Because of the diverse exposures of our current portfolio companies and the flexibility we have in portfolio construction, our analysis showed that a climate change related stress scenario is unlikely to impact the viability of the Group over the medium term. We expect that the sophistication of this financial impact assessment will improve as we build on the climate scenario analysis work we started this year (described under the "Strategy" heading).

Sustainability continued
Our TCFD disclosures continued

The non-financial impacts of climate change risks can be varied, but in 3i's case can be categorised principally as:

- operational: for instance, lack of progress on our climate agenda could be an indication of a lack of commitment to improve our performance on this important topic and potentially impact staff turnover or our ability to recruit talented professionals into the business; or
- reputational: our failure to address specific risks for the portfolio could result in damage to our reputation as an investor and impair our ability to invest in the future.

We mitigate these non-financial risks by refining our processes and engaging a broad range of employees in our climate workstreams through the ESG Committee. As work on our climate agenda has intensified over the past 18 months, we have been encouraged by the level of staff engagement on this topic and intend to continue to provide forums for employees to provide their input and views on how to improve our performance.

Portfolio climate risks

Climate change has the potential to affect many of our prospective investments and portfolio companies through changes in regulation, in consumer preferences or stakeholder pressure to reduce their carbon and broader environmental footprint. These risks are mitigated before we make an investment through our careful portfolio construction and flexible approach to investment. Once invested, we engage with our portfolio companies at board level as well as informally to ensure that they understand their own environmental impacts and stay abreast of regulatory and market developments, and that they develop their commercial offering so that it remains attractive to their customers and meets evolving stakeholder expectations.

PAGES 58-71
Risk

FOR MORE INFORMATION
Sustainability report 2022 pages 10-23
www.3i.com/sustainability/sustainability-reports-library

Metrics and targets

We have been making disclosures on the Group's direct Scope 1 and 2 emissions for many years. Our Scope 3 disclosures do not include portfolio emissions.

We are in the process of enhancing our portfolio data collection capabilities to prepare for the disclosure of portfolio GHG emissions data in line with TCFD recommendations.

We will evaluate appropriate climate targets as we establish a portfolio emission baseline and assess the results of our climate scenario analysis.

We participate in the CDP. Our score for 2021 was B.

Progress in FY2022

We have made considerable progress in the collection of portfolio GHG emissions data. We currently collect Scope 1 and 2 data from over 70% of our Private Equity portfolio companies and over 80% of our economic Infrastructure investments.

We have published Scope 1 and 2 emissions for the Group in accordance with applicable law for UK companies for many years, but our Scope 3 disclosures have not included, and do not include this year, any portfolio GHG emissions data. We have, however, been collecting portfolio emissions data, where available, for a number of years.

As part of the work we are carrying out to align our climate disclosures with the TCFD recommendations, we are now completing the process of collecting GHG emissions data from our portfolio companies and improving our processes and tools to ensure that this data can be analysed. We have made good progress on that front and currently collect Scope 1 and 2 GHG emissions data from over 70% of our Private Equity portfolio companies and over 80% of our economic Infrastructure investments by number. Most of the companies that do not already supply GHG emissions data to us are new investments, which will be expected to measure and report their emissions to us within the first year of investment.

Our objective is to measure the carbon footprint of our entire portfolio by the end of FY2023 (except for a small number of legacy minority assets with negligible value and for new investments made in FY2023). Once Scope 1 and 2 data is in place, we will also begin collecting Scope 3 data systematically. This will allow us to meet the TCFD recommendations by our 2024 deadline and to engage with our portfolio companies to devise specific emission reduction strategies and assess relevant targets for portfolio companies and for the Group as a whole.

Some of our portfolio companies, including ESVAGT, Audley Travel and Action, have already set specific GHG emission reduction targets. Some examples of these targets are on page 42.

3i Group's emissions performance

This section has been prepared in accordance with our regulatory obligation to report GHG emissions pursuant to the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 which implement the government's policy on Streamlined Energy and Carbon Reporting. During the year to 31 March 2022, our measured Scope 1 and 2 emissions (market-based) totalled 269.9 tCO_2e. This comprised:

	FY2022 (tCO_2e)			FY2021 (tCO_2e)		
GHG emissions (Scope)	**UK**	**Rest of the world**	**Total**	UK	Rest of the world	Total
1	**143.8**	**24.0**	**167.8**	104.4	13.3	117.7
2 – location-based	**166.7**	**154.3**	**321.0**	126.0	133.3	259.3
2 – market-based	**–**	**102.1**	**102.1**	–	142.4	142.4
Total 1 & 2 (location-based)	**310.5**	**178.3**	**488.8**	230.4	146.6	377.0
Total 1 & 2 (market-based)	**143.8**	**126.1**	**269.9**	**104.4**	**155.7**	**260.1**
3	**n/a**	**n/a**	**3,010.3**	**n/a**	**n/a**	**2,666.2**

This is equivalent to 1.2 tCO_2e per full time equivalent employee, based on an average of 234 employees (2021: 1.1 tCO_2e; 229 employees). Overall, our Scope 1 and 2 (market-based) emissions increased by only 3.8% year-on-year, despite a material increase in office working compared to FY2021, as a result of the increased use of renewable energy tariffs in our offices.

During the year to 31 March 2022, our measured Scope 3 emissions totalled 3,010.3 tCO_2e. This represented an increase of 12.9% compared to the previous year. This can be attributed to the easing of Covid-19 restrictions globally, causing Scope 3 categories such as waste, business travel and employee commuting to increase. As we did last year, we chose to include emissions related to home working in our Scope 3 calculation. These were calculated by estimating the energy consumed by employees on using office equipment, lighting and heating while working from home, using national benchmarks where available. The decrease of home working Scope 3 emissions due to the reduced Covid-19 restrictions only partly offset the increase in emissions associated with waste, business travel and employee commuting.

Our total fuel and electricity consumption was 1,972.0 MWh in FY2022, 80% of which was consumed in the UK. The split between fuel and electricity consumption is shown in the table below.

	FY2022			FY2021		
Energy consumption (MWh)	**UK**	**Rest of the world**	**Total**	UK	Rest of the world	Total
Electricity	**785.3**	**320.1**	**1,105.4**	540.3	278.3	818.6
Fuels[1]	**785.3**	**81.3**	**866.6**	567.7	60.1	627.8

1 Natural gas and transportation fuels (petrol and diesel).

Methodology 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 2022 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;
- Scope 3: purchased goods & services, fuel- and energy-related activities, waste generated in operations, business travel and employee commuting and emissions associated with working from home.

In some cases, where data is missing, values have been estimated using either extrapolation of available data or by using 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. In our London, Luxembourg and New York offices, which account for over 80% 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.

Third-party verification Our emissions have been verified to a limited level of assurance by an external third party according to the ISO 14064-3 standard.

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FOR MORE INFORMATION
Sustainability report 2022 pages 41-44
www.3i.com/sustainability/sustainability-reports-library

Directors' duties under Section 172

Board decisions: the Company's purpose and strategy, and engaging with stakeholders

Directors have a duty to promote the success of the Company for the benefit of its members.

The Company's purpose (as set out on page 1), namely to generate attractive returns for our shareholders and co-investors by investing in private equity and infrastructure assets, is reflected in the decisions that the Board makes. This is done by taking a long-term, responsible approach and creating value through thoughtful origination, disciplined investment and active management of our assets, driving sustainable growth in our investee companies.

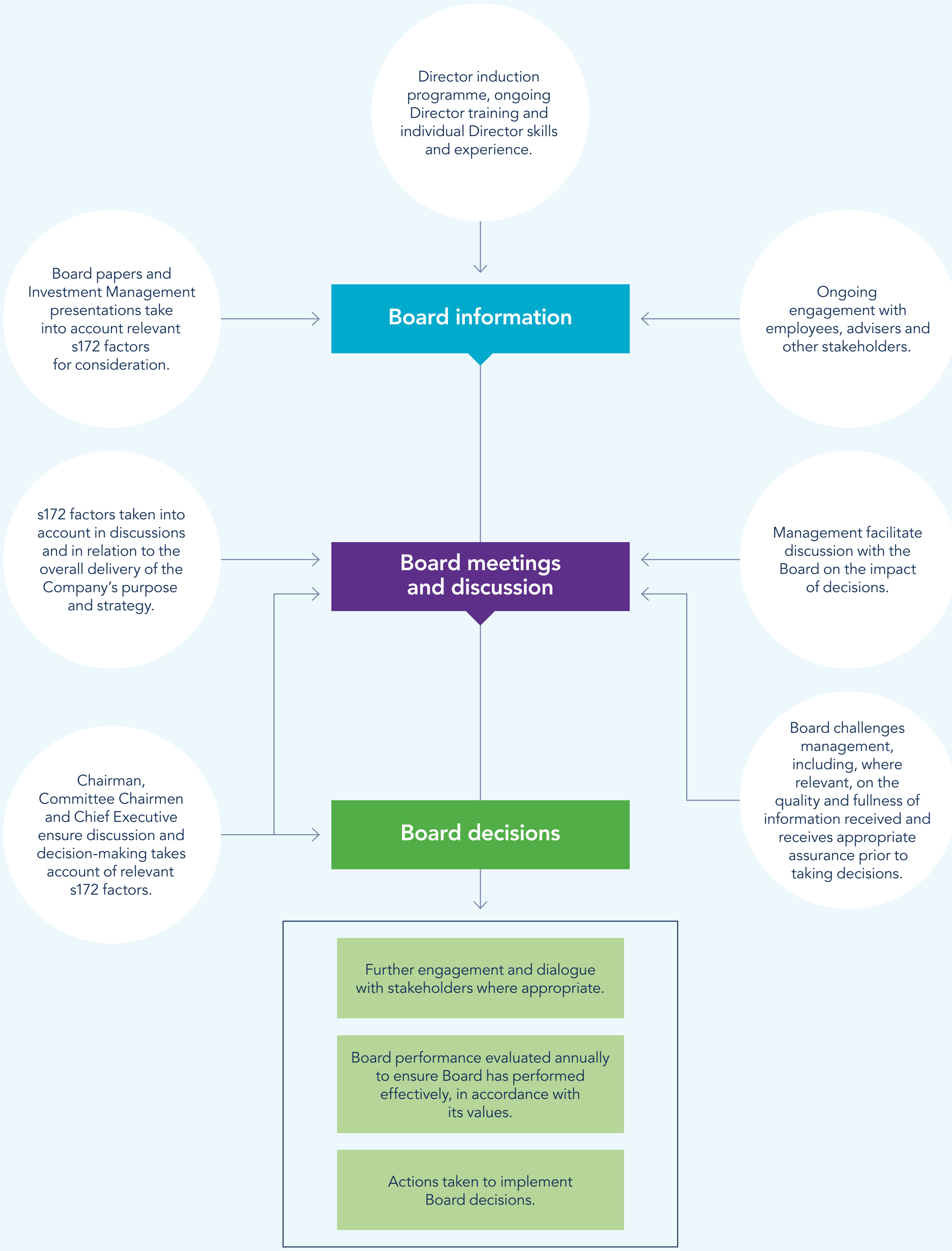
Our business model is set out on pages 12 and 13 and the Board's strategic objectives and key performance indicators are set out on pages 18 and 19.

By considering the Company's purpose together with its strategic priorities and having a clear process in place for decision making, we seek to ensure Board discussion has regard to the potential impact of our decisions on stakeholder groups including those listed in s172 of the Companies Act 2006 ("s172"). Board decisions often involve complex interactions of factors and require Directors to understand and have regard to a wide range of stakeholder interests and concerns.

Under s172 a director of a company must act in a way he considers in good faith would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard to the following factors ("s172 factors"):

The likely consequences of any decision in the long term	Our purpose and strategy, including our long-term responsible investment approach, aims to drive sustainable growth in our investee companies.
The interests of the Company's employees	Our employees are critical to the success of the Company and our approach as a responsible employer is described more fully in the Sustainability section on pages 76 to 80.
The need to foster the Company's business relationships with suppliers, customers and others	We engage with all our third-party service providers, suppliers and customers in an open and transparent way to foster strong business relationships to ensure both the success of the Company and its legal and regulatory compliance.
The impact of the Company's operations on the community and the environment	We use our influence to promote a focus in our investee companies to mitigate adverse environmental and social impacts, and to contribute positively to the communities in which they operate.
The desirability of maintaining a reputation for high standards of business conduct	Our success relies on maintaining a strong reputation and seeking to ensure our values and ethics are aligned to our purpose, our strategy and our ways of working.
The need to act fairly towards all members of the Company	The Board actively engages with its shareholders and takes account of their interests when implementing our strategy.

The diagram below illustrates how consideration of s172 factors flows through our Board discussions and decision making processes.



Directors' duties under Section 172 continued

Engaging with our stakeholders

Our key stakeholders are described below together with why they are important to us and how we engage and foster business relationships with them.

Shareholders

A strong relationship with shareholders is essential for the long-term success of the business. They provide our permanent capital and it is for their benefit that the Directors are required to promote the success of the Company.

The Company has an extensive shareholder engagement programme which enables investors to make informed decisions about their investment in the Company. This year the investor relations programme included, amongst other things, one-to-one meetings with principal shareholders along with large group investor calls, investor roadshows, the Chairman's meetings with shareholders, two capital markets seminars, a shareholder engagement event before the AGM and annual and half-yearly results presentations.

PAGES 102-103
Engaging with shareholders

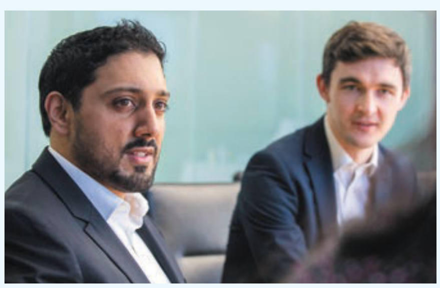
Fund investors

Fund Investors provide capital which we invest as part of our investment management activities and are customers to whom we owe regulatory duties.

The Fund Investor Relations team manages these relationships. There is extensive engagement through regular and ad hoc meetings with fund investors and co-investors, supported by comprehensive reporting and access to a web-based investor portal for fund investors.

The Chief Executive and relevant investment professionals participate in some of these meetings, as appropriate.

Employees and contractors



3i is a people business as our people are critical to the success of the Company in investing capital successfully.

Our approach as a responsible employer is described in the Sustainability section on pages 76 to 80. The Directors' report on page 144 includes details on their engagement with our people. Employees have adapted well to new ways of working and we continue to support them and to maintain strong employee engagement.

Investee companies

The companies in which we invest are the source of returns to our shareholders and other investors.

We take a long-term responsible approach to investment, working with the management teams of investee companies to create value. Our business model is described on pages 12 and 13. The Mait case study on page 33, and details of new investments made in the year on page 25 provide examples of this business model in practice.

The principal engagement with portfolio companies is through the Company's investment teams. One or more of our investment professionals are usually appointed as directors of each investee company. Engagement with investee companies takes place both formally at board level and informally by the Private Equity and Infrastructure investment teams on an ongoing basis. In addition, regular Chairman, CEO and CFO forums share best practice and experience.

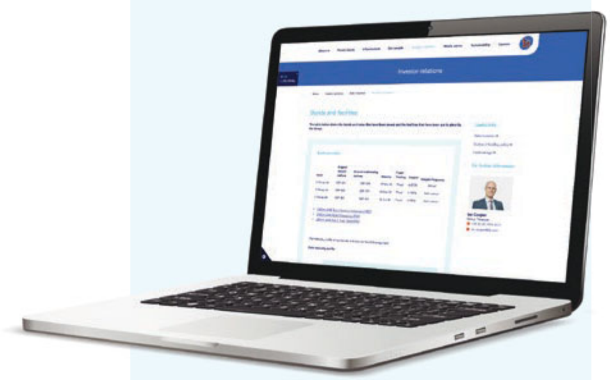
FOR MORE INFORMATION
Sustainability report 2022 pages 48-50
www.3i.com/sustainability/sustainability-reports-library

Bondholders and lenders

Access to bank borrowing and the ability to issue bonds and other debt provides important flexibility and resilience to the Company's financial structure.

Together with the Group Finance Director, the Group Treasurer manages engagement with the holders of the Company's bonds and the lenders in the Company's revolving credit facility. This includes the maintenance of a dedicated section on 3i.com. Lending banks are regularly invited to the Group's results presentation.

FOR MORE INFORMATION
www.3i.com/investor-relations/debt-investors/bonds-and-facilities



Rating agencies

A credit rating is important for the Company to be able to borrow from banks and to issue bonds or other debt.

The Group Treasurer manages engagement with credit rating agencies through regular reviews and updates on the Company's activities, performance and annual meetings with the Group Finance Director and the Treasury team, and senior management from the business lines where necessary.

Government and regulatory bodies

The Company works in a regulated environment and can only continue to operate in compliance with relevant regulation.

Our Group Compliance team and local professionals lead our relationships with national and international regulators.

The Company actively participates in policy forums, engages on regulatory matters and is a member of a number of industry consultative bodies, including, for example, the British Private Equity & Venture Capital Association and Invest Europe.

Third-party professional advisers and service providers

(including due diligence providers, operational support providers, law firms, the Registrars, the external auditor and the Company's corporate brokers).

The Company relies on its extensive network of professional advisers and service providers to help it to originate, analyse and execute new investments, to assist with portfolio management and to support the business operations of the Company.

The investment teams, Executive Directors and functional teams lead these relationships and maintain close and regular dialogue with our professional advisers and service providers. Appropriate measures are in place to ensure there is a Group-wide approach to these relationships.

Members of the 3i Group Pension Plan

Members of the 3i Group Pension Plan are former and current employees to whom the Group has provided commitments regarding their pension provision.

The Group Finance Director and Group Treasurer meet regularly with the Trustees of the 3i Group Pension Plan and also update the Trustees on the Group's strategy and financial performance. The Group provides support to the Trustees through the provision of a pension manager and company secretarial services, and practical support through the provision of facilities to meet and communicate.

Communities

The Company is committed to contributing positively to the communities in which it operates.

For details of the Company's contribution to communities see the Sustainability section on pages 82 and 83.

FOR MORE INFORMATION
www.3i.com/sustainability/corporate-citizenship/charitable-giving

Directors' duties under Section 172 continued

How stakeholder interests have influenced decision making

The Board takes account of the interests of stakeholders as well as the other factors mentioned in section 172 of the Companies Act 2006 in deciding on actions that would likely promote the success of the Company for the benefit of its members as a whole. At each Board meeting Directors are reminded of their duties under section 172. Examples of key decisions taken by the Board and areas which have received Board focus in the year together with details of how the interests of stakeholders and the other factors mentioned in section 172 of the Companies Act 2006 were taken into account are given below. Further detail on Board decision making is given on pages 104 and 105.

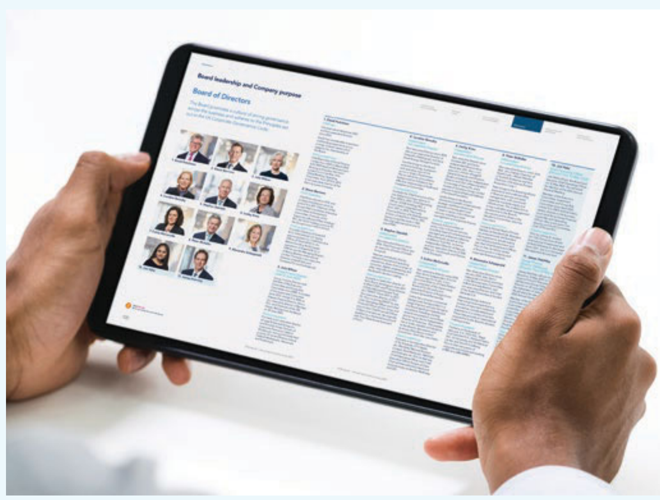
Key decisions in the year

Chairman and Executive Director appointments

In May 2021 it was announced that as part of the long-term succession planning for the Board, Simon Thompson, the then Chairman would not seek re-election at the 2022 AGM but would step down once his successor had been identified and after a suitable handover period. In addition, in November and December 2021 it was announced that Julia Wilson would step down as Group Finance Director after the 2022 AGM, that James Hatchley would succeed her as Group Finance Director and that Jasi Halai would also be promoted to the Board as Chief Operating Officer in the current year.

Accordingly, some of the most significant decisions in the year (which were taken by the Board on the advice of Nominations Committee) related to Board succession. More details on the process followed, relevant considerations (including under s172) and the decisions reached are set out in the Nominations Committee report on page 108. The main considerations were what decisions would best promote the success of the Company.

In managing the Board succession, the Directors were most focused on promoting the success of the Company, and the interests of shareholders and employees in particular.



FY2021 second dividend and FY2022 first dividend

In May 2021 the Board decided on an increased total dividend for FY2021 and in November 2021 a first dividend for FY2022 (in line with the Company's dividend policy announced in May 2018) of one half of the total dividend for the previous year. As in FY2021 during the period of global uncertainty caused by the Covid-19 pandemic, the Board took into account shareholders' desire for income distributions and balanced this against the need to maintain liquidity for new investment and operating expenses. In addition, the Board considered the Company's forward-looking liquidity in light of past and projected investment and realisations and also considered the outlook for the Company. The Board took account of the fact that the Company's investment portfolio had maintained good overall momentum notwithstanding the headwinds created by the Covid-19 pandemic. The economic and geopolitical developments (including inflation, higher energy prices and supply chain issues) were among the other factors taken into account – alongside the Company's strong financial performance and outlook – in decisions taken in the current year in respect of the proposed FY2022 final dividend.

Being thoughtful about setting the dividend was particularly important as it has a direct and indirect effect on all the Company's stakeholders.

Response to the Covid-19 pandemic

As in FY2021, decisions in FY2022 relating to the Covid-19 pandemic focused on supporting our portfolio companies and ensuring the safety and wellbeing of our employees and third-party outsource colleagues. The vast majority of our employees worked remotely for parts of the year and management focused on protecting colleagues' mental health and wellbeing, ensuring communication and providing individual support where needed. Staff returned to the London Office in September 2021 under a new hybrid-working model, and staff returned to overseas offices when appropriate to do so and in accordance with local regulations and advice.

The Company's investment teams have continued working with portfolio companies to assist them in managing operational and financial issues which arose from the pandemic. When considering cases where further financial support for a portfolio company was needed, the Company considered the needs of that portfolio company and its longer-term prospects, as well as the interests of the Company's shareholders.

Ensuring the long-term resilience of the Company and its portfolio throughout the pandemic was critical for all the Company's stakeholders, and most directly in the short term for its employees, service providers and portfolio companies.

»
FOR MORE INFORMATION
Sustainability report
www.3i.com/sustainability/sustainability-reports-library

For the purposes of the UK Companies Act 2006, the Strategic report of 3i Group plc comprises pages 1 to 95.

By order of the Board

Simon Borrows
Chief Executive
11 May 2022

Governance

What's in this section

Chairman's introduction

Effective corporate governance is fundamental to the way 3i, and its portfolio companies, conduct business. By encouraging entrepreneurial and responsible management, effective corporate governance supports the creation of long-term, sustainable value for shareholders and contributes to wider society.

The Board has continued to adapt to the changing circumstances brought on by the Covid-19 pandemic. In line with Government regulations and guidance, Board and Board Committee meetings in the first half of the year were held remotely but in person meetings in London were able to resume in September 2021, with individual Directors attending by video conference where circumstances required it. Directors and management were pleased to be able to meet in person again when it became appropriate to do so.

The Board is more than ever aware of its responsibility to have regard to the interests of a wide group of stakeholders, as it seeks to promote the long-term success of the Group. We remain committed to upholding our values and culture and ensuring that we have both the financial and human resources to manage through the current challenging macro-economic and geopolitical circumstances and deliver our long-term strategy.

This has been a year of considerable change for the Board, and that, together with our continued focus on the resilience of our portfolio, and the health and wellbeing of our employees through the intermittent restrictions of Covid-19, has been much of the Board's focus through the year, as discussed throughout this report.

David Hutchison
Chairman
11 May 2022

UK Corporate Governance Code

Board leadership and Company purpose

The way in which the Principles set out in section 1 of the Code have been applied is described on pages 98 to 104.

Division of responsibility

Pages 105 and 106 explain how the Principles set out in section 2 of the Code have been applied.

Composition, succession and evaluation

Details on how the Company has applied the Principles set out in section 3 of the Code relating to Board composition, succession and evaluation are set out in the Nominations Committee report on pages 107 to 111 and in this Directors' report on page 106.

Audit, risk and internal control

The Audit and Compliance Committee report on pages 112 to 123 and the Risk management section on pages 58 to 71 explain how the Principles set out in section 4 of the Code have been applied.

Remuneration

The Remuneration report on pages 129 to 139 outlines how the Company has applied the Principles set out in section 5 of the Code which relate to remuneration.

Corporate governance statement

The Company seeks to comply with established best practice in the field of corporate governance. The Board has defined the Company's purpose (which is set out on page 1) and determined its values and strategy (which are further described on pages 12 to 19). In support of these and to ensure the Company's culture is aligned with them the Board has adopted core values and global policies which set out the behaviour expected of employees in their dealings with shareholders, customers, colleagues, suppliers and others who engage with the Company.

Throughout the year, the Company complied with the provisions of the UK Corporate Governance Code (the "Code") published by the Financial Reporting Council ("FRC") in July 2018 which is available on the FRC website.

Board leadership and Company purpose

Board of Directors

The Board promotes a culture of strong governance across the business and adheres to the Principles set out in the UK Corporate Governance Code.


1. David Hutchison


2. Simon Borrows

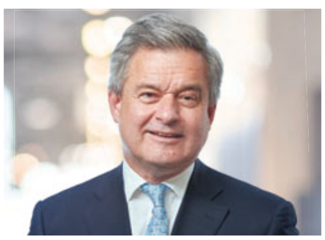

3. Julia Wilson


4. Caroline Banszky

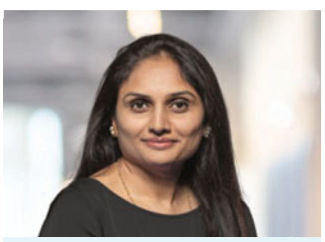

5. Stephen Daintith


6. Lesley Knox


7. Coline McConville


8. Peter McKellar


9. Alexandra Schaapveld


10. Jasi Halai


11. James Hatchley

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Role of the Board

1. David Hutchison
Chairman

Chairman since November 2021 and non-executive Director since 2013.

David has considerable investment and banking experience across a range of asset classes which supports his chairmanship of the Board.

Previous experience
Chief Executive of Social Finance Limited from 2009 to March 2022. Until 2009 Head of UK Investment Banking at Dresdner Kleinwort Limited and a member of its Global Banking Operating Committee. From 2012 to 2017, a non-executive director of the Start-Up Loans Company.

2. Simon Borrows
Chief Executive

Chief Executive since 2012, and an Executive Director since he joined 3i in 2011. Chairman of the Group's Risk Committee, Executive Committee and Investment Committee. Chairman of the Supervisory Board of Peer Holding I B.V., the Dutch holding company for the Group's investment in Action.

Previous experience
Formerly Chairman of Greenhill & Co International LLP, having previously been Co-Chief Executive Officer of Greenhill & Co, Inc. Before founding the European operations of Greenhill & Co in 1998 he was the Managing Director of Baring Brothers International Limited. Formerly a non-executive director of the British Land Company PLC and Inchcape plc.

3. Julia Wilson
Group Finance Director (until 30 June 2022)

Group Finance Director and member of the Executive Committee and Group Risk Committee since 2008. A member of the Investment Committee since 2012. Joined 3i in 2006 as Deputy Finance Director. Also a non-executive director of Barclays PLC, and Chairman of the 100 Group. Retiring from the Board on 30 June 2022.

Previous experience
Formerly a non-executive director of Legal & General Group plc, and formerly Group Director of Corporate Finance at Cable & Wireless plc, having previously held a variety of tax and finance roles at Cable & Wireless plc, Hanson plc and Tomkins plc.

4. Caroline Banszky

Independent non-executive Director

Non-executive Director since 2014. Also a non-executive director of IntegraFin Holdings plc and Gore Street Energy Storage Fund plc.

Caroline brings to the Board extensive banking, investment and operating experience across a range of businesses. This as well as her accountancy background contributes to her effective chairmanship of Audit and Compliance Committee.

Previous experience

Formerly the Chief Executive of the Law Debenture Corporation p.l.c. from 2002 to 2016. Chief Operating Officer of SVB Holdings PLC, a Lloyd's listed integrated vehicle, from 1997 to 2002. Previously, Finance Director of N M Rothschild & Sons Limited from 1995 to 1997, having joined the bank in 1981. She originally trained at what is now KPMG.

5. Stephen Daintith

Independent non-executive Director

Non-executive Director since 2016. Chief Financial Officer and an executive director of Ocado Group plc.

Stephen contributes directly relevant financial and operating experience, drawn from a range of consumer, digital, engineering and other international businesses, to the Board's decision making.

Previous experience

Formerly an executive director of Rolls-Royce Holdings plc from 2017 to March 2021 and Finance Director of Daily Mail and General Trust plc ("DMGT") from 2011 to 2017. Non-executive director of ZPG Plc. Prior to joining DMGT he was Chief Operating Officer and Chief Financial Officer of Dow Jones and prior to that Chief Financial Officer of News International. He originally qualified as a chartered accountant with Price Waterhouse (now part of PwC).

6. Lesley Knox

Independent non-executive Director

Non-executive Director since October 2021 and Senior Independent Director since November 2021. Also a non-executive director of Legal & General Group plc and Dovecot Studios Limited, Senior Independent Director and Chair of Remuneration Committee of Genus Plc, and a trustee of Grosvenor Group Limited pension fund and National Galleries of Scotland Foundation.

Lesley brings to the Board's discussions a wealth of international, strategic and financial services experience having spent over 17 years in senior roles in financial services, including in asset management and corporate finance.

Previous experience

Formerly held a number of senior roles in financial services, including head of institutional asset management at Kleinwort Benson. Also previously served as Chair of Alliance Trust PLC, as Senior Independent Director at Hays plc and non-executive director of SAB Miller plc, Centrica plc and Thomas Cook Group plc.

7. Coline McConville

Independent non-executive Director

Non-executive Director since 2018. Also Senior Independent Director of Fevertree Drinks plc, a non-executive director of Travis Perkins plc, a member of the Supervisory Board of Tui AG and a non-executive director of King's Cross Central General Partnership.

Coline has a diverse commercial background, having worked in a range of sectors and also brings to the Board significant listed board experience including chairing several remuneration committees and acting as Senior Independent Director at Fevertree. This enables her to make valuable contributions to the Board's discussions and to those of the Remuneration Committee, which she now chairs.

Previous experience

Formerly a non-executive director of Tui Travel plc, UTV Media plc, Wembley National Stadium Limited, Shed Media plc, HBOS plc and Inchcape plc. Prior to that was Chief Operating Officer and Chief Executive Officer Europe of Clear Channel International Limited and had previously worked for McKinsey and LEK.

8. Peter McKellar

Independent non-executive Director

Non-executive Director since June 2021. Also Deputy Chairman of AssetCo plc, a Board Member of Scottish Enterprise and Vice Chairman of Investcorp Europe Acquisition Corp 1.

Peter brings to the Board significant experience and understanding of financial services and asset management, with a particular expertise in private equity and infrastructure. This enables him to bring a valuable asset management perspective to the Board's discussions and to those of the Valuations Committee, which he now chairs.

Previous experience

Formerly Global Head of Private Markets at Standard Life Aberdeen plc and previously led Standard Life Investments' private equity and infrastructure business and was their Chief Investment Officer. Prior to that, he held a variety of finance posts in industry and corporate finance positions.

9. Alexandra Schaapveld

Independent non-executive Director

Non-Executive Director since January 2020. Also Senior Independent Director and Chair of the Remuneration Committee at Bumi Armada Berhad, and non-executive director and Chair of the Audit Committee at Société Générale S.A.

Alexandra brings extensive financial services expertise in a number of important markets for 3i as well as considerable board experience in a variety of sectors. These help provide an international perspective to the Board's decision making process.

Previous experience

Formerly on the boards of Vallourec S.A., FMO N.V., Stage Entertainment N.V., Holland Casino N.V., VU University and VU Medical Center and Duin & Kruidberg. Prior to that many years of corporate and investment banking at RBS and ABN AMRO.

10. Jasi Halai

Chief Operating Officer (Director from 12 May 2022)

Jasi Halai will join the Board and become Chief Operating Officer on 12 May 2022. She will stand for election at the 2022 Annual General Meeting.

Member of the Executive Committee, Investment Committee and Group Risk Committee since April 2022. Joined 3i in 2005 and has held a variety of posts in the business, most recently as Group Financial Controller and Operating Officer. Also a non-executive director and Audit Committee Chair of Porvair PLC.

Previous experience

Prior to joining 3i, worked for CDC Group (now British International Investment) and at Actis following its demerger from CDC. Jasi is a Chartered Management Accountant.

11. James Hatchley

Group Finance Director Designate (Director from 12 May 2022)

James Hatchley will join the Board on 12 May 2022 as Group Finance Director Designate and will become Group Finance Director on 30 June 2022 on the retirement of Julia Wilson. He will stand for election at the 2022 Annual General Meeting.

Member of the Executive Committee and Group Risk Committee since April 2022 and a member of the Investment Committee since 2017. Joined 3i in 2017 as the Group's Strategy Director. Also a non-executive director of Great Ormond Street Hospital for Children NHS Foundation Trust.

Previous experience

Prior to joining 3i, was Chief Operating Officer of KKR in Europe and, before that, Co-CEO of Avoca Capital. Earlier in his career, was a corporate finance professional for 20 years, principally with Greenhill & Co. and Schroders.

Board leadership and Company purpose continued

Executive Committee


1. Simon Borrows


2. Julia Wilson


3. James Hatchley


4. Jasi Halai


5. Kevin Dunn


6. Rob Collins


7. Pieter de Jong


8. Julien Marie


9. Phil White


10. Peter Wirtz

1. Simon Borrows
Chief Executive

PAGE 98
See profile

2. Julia Wilson
Group Finance Director
(until 30 June 2022)

PAGE 98
See profile

3. James Hatchley
Group Finance
Director Designate

PAGE 99
See profile

4. Jasi Halai
Chief Operating Officer

PAGE 99
See profile

5. Kevin Dunn
General Counsel and
Company Secretary

Responsible for 3i's legal, compliance, internal audit and company secretarial functions. A member of the Executive Committee and Group Risk Committee since joining 3i in 2007.

Previous experience
Prior to joining 3i, was a Senior Managing Director, running GE's European Leveraged Finance business after serving as European General Counsel for GE. Prior to GE, was a partner at the law firms Travers Smith and Latham & Watkins.

6. Rob Collins
Managing Partner, Head of
North American Infrastructure

Joined 3i in 2017 as the Managing Partner for North American Infrastructure. A member of the Executive Committee since 2018. Also a non-executive director of Smarte Carte, Regional Rail and EC Waste.

Previous experience
Prior to joining 3i, led Hastings' infrastructure investment team in North America and Europe. Founded the infrastructure M&A practice at Morgan Stanley and Greenhill where he was a Managing Director at both firms. Started his infrastructure career at Goldman Sachs after serving as a nuclear-power officer in the US Navy.

7. Pieter de Jong
Co-Head Private Equity

Joined 3i in 2004, served as Managing Director of 3i Benelux between 2011 and 2019. A member of the Executive Committee, Investment Committee and Group Risk Committee since 2019. Also a non-executive director of Mepal, Dutch Bakery and Royal Sanders and a board observer at WP.

Previous experience
Started his career at Stork in the US, before joining Van Den Boom Group, a corporate finance consulting firm in Benelux, where he became partner/owner responsible for M&A. After selling the firm to NIBC in 2000, he headed the M&A department until 2003.

8. Julien Marie
Chief Human Resources Officer

Joined 3i in 2001 as HR Manager and was appointed HR Director in 2004. A member of the Executive Committee and Group Risk Committee since April 2022.

Previous experience
Prior to joining 3i, worked at Bouygues Construction and Bouygues Telecom for six years.

9. Phil White
Managing Partner,
Head of Infrastructure

Joined 3i in 2007. A member of the Executive Committee, Investment Committee and Group Risk Committee since 2014. Also a non-executive director of Ionisos.

Previous experience
Prior to joining 3i, experience in infrastructure investment, advisory and financing, including roles at Macquarie, WestLB and Barclays.

10. Peter Wirtz
Co-Head Private Equity

Joined 3i in 1998. Served as 3i Germany Co-Head between 2009 and 2019. A member of the Executive Committee, Investment Committee and Group Risk Committee since 2019. Also non-executive director of Christ, GartenHaus, MPM and Luqom.

Previous experience
Prior to joining 3i, worked for Deutsche Bank and spent four years with Procter & Gamble in various finance functions.

The role of the Board

The role of the Board is to lead the Company in promoting the long-term sustainable success of the Company, generating value for shareholders and contributing to wider society. The Board has the primary oversight over the Company's purpose, values and strategy and satisfies itself that these and its culture are aligned. The Company's purpose is set out on page 1. The values are described on page 73. All Directors are required to act with integrity, lead by example, and promote the Company's culture and values.

The Board approves the Group's strategic objectives which are set out on pages 18 and 19. It ensures the necessary resources are in place for the Company to meet these objectives through a Board approved planning and budgeting process. The Board measures performance against those objectives using the KPIs set out on page 18 which are reported to the Board in the monthly Board report.

The framework of controls established by the Board to enable risk to be assessed and managed is described in the Risk management section on pages 58 to 71.

PAGE 60
Risk governance structure

The Board ensures that employee policies and practices are consistent with the Company's values and supports the Company's long-term sustainable success during its annual review of the Group Succession Planning and Strategic Capability Review. The Remuneration Committee reviews workforce remuneration and the alignment of incentives and rewards with culture. The Board, through its Audit and Compliance Committee, assesses and monitors behaviours and its adherence to the Company's values. Regular reports from the Internal Audit and Group Compliance teams consider and comment on culture within the business and their consistency with the Company's culture. Arrangements to enable employees to raise any matters of concern are described on page 80.

Attendance at Board and Committee meetings[1]

	Independence	Board	Audit and Compliance Committee	Nominations Committee	Remuneration Committee	Valuations Committee
Total meetings held[1]		7	6	4	5	4
Number attended:						
D A M Hutchison	Independent on appointment	7(7)	–	4(4)	5(5)	4(4)
S A Borrows	Executive Director	7(7)	–	–	–	4(4)
J S Wilson	Executive Director	7(7)	–	–	–	4(4)
C J Banszky	Independent	7(7)	6(6)	4(4)	5(5)	–
S W Daintith	Independent	7(7)	6(6)	4(4)	–	4(4)
L M S Knox[2]	Independent	4(4)	–	2(2)	2(2)	2(2)
C McConville	Independent	7(7)	6(6)	4(4)	5(5)	–
P A McKellar[2]	Independent	6(6)	–	3(3)	3(3)	3(3)
A Schaapveld	Independent	7(7)	6(6)	4(4)	–	4(4)
S R Thompson[3]	Independent on appointment	4(4)	–	2(2)	3(3)	3(3)

1 This table shows the number of scheduled full meetings of the Board and its Committees attended by each Director in the year, together with (in brackets) the number of meetings they were eligible to attend. In addition to these meetings a number of additional meetings of the Board and its Committees were held, often at short notice, to deal with ad hoc business as it arose.
2 Mr McKellar and Ms Knox were appointed to the Board on 1 June 2021 and 1 October 2021 respectively.
3 Mr Thompson retired from the Board on 11 November 2021.

Non-executive Directors also attended a number of other Company meetings to increase their understanding of the principal risks in the business and the strength and depth of our people.

Engaging with shareholders

Approach to investor relations and board oversight

The Board recognises the importance of maintaining an engaged and purposeful relationship with existing and potential shareholders. Shareholders provide our permanent capital and it is for their benefit that the Directors are required to promote the success of the Group. 3i has a comprehensive Investor Relations programme to help investors to understand its performance.

The Chief Executive, the Group Finance Director and the Group Investor Relations Director meet with the Company's principal shareholders and with potential shareholders on a regular basis to discuss the Group's activities, strategy and financial performance.

The Chairman typically offers to meet major shareholders on corporate governance, strategy and management in July after the AGM and is available more often as required. Non-executive Directors are also available to meet shareholders, as required.

The Executive Directors brief the Board on a regular basis on the implementation of the Investor Relations programme and on feedback received from analysts and investors. Any significant concern raised by shareholders in relation to the Group is communicated to the Board.

Investor Relations programme

We engage our market audiences through a full programme of events. Our FY2022 Investor Relations programme is set out below. As a result of travel and meeting restrictions imposed globally to manage the Covid-19 pandemic, and latterly to reflect investor preference, the vast majority of investor meetings and all capital markets events were held virtually.

FY2022

Our FY2022 Investor Relations programme

5 May
- Annual results announcement and presentation webcast
- International investor roadshow

6 June
- International investor roadshow (continued)
- Virtual shareholder presentation

7 July
- Q1 performance update
- Group investor call
- Chairman's meetings with shareholders

9 September
- Private Equity capital markets seminar
- Barclays financial services conference
- Bank of America financial services conference

10 October
- Chairman's meetings with shareholders

11 November
- Half-yearly results announcement and presentation webcast
- International investor roadshow

12 December
- International investor roadshow (continued)

1 January
- Q3 performance update
- BNP Exane retail conference

3 March
- Action capital markets seminar
- Berenberg investor conference
- Group investor call

Website

3i's website provides a brief description of 3i's history, current operations, strategy and portfolio, as well as an archive of over 10 years of news and historical financial information on the Group and details of forthcoming events for shareholders and analysts.

FOR MORE INFORMATION ABOUT 3i AND REGULAR UPDATES
www.3i.com/investor-relations

Institutional investors

The Executive Directors and Investor Relations Director meet with the Group's principal shareholders on a one-on-one basis twice a year, generally following the publication of annual and half-yearly results, but also as required during the year. They also host large group investor calls after the publication of quarterly performance updates, to target both existing and potential shareholders.

The Chairman and Senior Independent Director are available to meet with shareholders as required. Simon Thompson held some meetings with major shareholders in July 2021. David Hutchison also met with those shareholders who requested it in November 2021 after the announcement of his appointment as Chairman.

The Executive Directors and Group Investor Relations Director also meet with potential investors on a regular basis throughout the year, as part of arranged UK and international roadshows and as required.

Throughout the year, the Executive Directors and Group Investor Relations Director participated in conferences for institutional investors organised by Bank of America, Barclays, Exane and Berenberg.

Individual investors

Individual investors are encouraged to engage with the Group and provide feedback through the Group Investor Relations Director and the Company Secretary, whose contact details are available on the website.

Capital markets seminars

We held two capital markets seminars in FY2022, including one in September 2021 and one in March 2022. Both were held virtually via a webcast accessible to all on the 3i website. The presentation materials and on-demand webcasts remain available on the website.

During our September 2021 capital markets seminar we presented on three of our most recent Private Equity investments: GartenHaus, ten23 health and MPM. The presentations were delivered by the Private Equity investment executives responsible for those investments.

The Action capital markets seminar in March 2022 consisted of presentations by the 3i Chief Executive and the management team of Action. This event focused on Action's business model and strategy, its financial performance and its approach to sustainability.

Annual and half-yearly results presentations

The Executive Directors present the annual and half-yearly results via live webcasts accessible to all on the 3i website. Viewers are encouraged to submit questions to the presenters during the webcasts. The presentation materials are made available on the website and the on-demand webcasts remain available on the website for a period of 12 months.

Annual General Meeting

The AGM is an important opportunity for the Board to communicate with its individual shareholders, who are encouraged to ask questions during the meeting, and have an opportunity to meet Directors before and after the formal proceedings.

At the Meeting, business presentations are generally made by the Chairman and the Chief Executive. The Chairmen of the Remuneration, Audit and Compliance and Nominations Committees are generally available to answer shareholders' questions. Business to be discussed at the Meeting is notified to shareholders in advance through the Notice of Meeting and covers matters such as the annual election of Directors, the appointment of the External auditor and the dividend declaration. During the Meeting, shareholders are also asked to approve the financial statements and reports of the Directors and the External auditor. In addition, shareholders are asked to approve the Directors' remuneration report.

In 2021, as a result of the Covid-19 pandemic, shareholders were strongly encouraged not to attend the in-person AGM which was a short functional meeting attended by a bare minimum of Directors and staff to deal with the necessary formal business of the meeting. Instead, shareholders were encouraged to attend a shareholder engagement event held on 15 June 2021 via a webcast. During the webcast, shareholders had the opportunity to listen to presentations from the Chairman and Chief Executive and to ask questions. Shareholders also had the opportunity to email their questions to the Group Investor Relations Director ahead of the webcast, as set out in the Notice of AGM. The shareholder presentation was held before the AGM to provide shareholders with the opportunity to hear from the Chairman and Chief Executive before formulating their voting decisions.

The 2021 Notice of AGM was dispatched to shareholders not less than 20 working days before the Meeting. At that Meeting, voting on each resolution was taken on a poll and the poll results were made available on the Company's website. At the 2021 AGM, all resolutions were passed with at least 90% of the votes in favour.

Board leadership and Company purpose continued

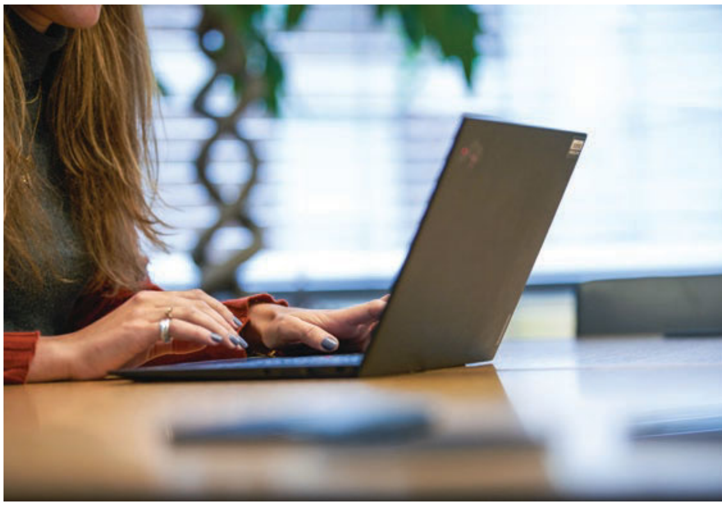
What the Board did in FY2022

The Board met for seven scheduled full meetings during FY2022 and also held a strategy day in December 2021. A table of individual Board member attendance at the scheduled Board and Committee meetings is provided on page 101.

The Board's agenda is set by the Chairman. Board members and, as appropriate, executives from the relevant business areas are invited to present on key items allowing the Board the opportunity to debate and challenge initiatives directly with the senior management team.

As described on page 90, the Board in its decision making has regard to the interests of stakeholders as well as the other factors mentioned in section 172 of the Companies Act 2006 when determining steps that would likely promote the success of the Company for the benefit of its members as a whole. Examples of a number of important decisions taken by the Board in the year together with details of how, where relevant, the Board had regard to the interests of relevant stakeholders are set out on page 94. Our key stakeholders are discussed on pages 92 and 93.

In addition to the Board decisions referred to above, the Board also dealt with its regular annual cycle of business including: the Group's strategic plan; related KPIs and annual budget; regular reports from the Chief Executive and the Board's Committees; updates on the Group's Private Equity and Infrastructure businesses; the recommendations of the Valuations Committee on valuations of investments; the Annual report and accounts, Half-yearly report and quarterly performance updates; and the Group's organisational capability and succession plans.



Division of responsibilities

How the Board operates

The Board ensures that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently.

The Board meets formally on a regular basis and, at each meeting, considers business performance. There is a clear division of responsibilities between the Chairman and Chief Executive. There is a clearly defined schedule of matters reserved for the Board. As a result of the Covid-19 pandemic and in line with Government regulations and guidance, meetings in the year were partly held remotely but in-person meetings in London were able to resume in September 2021, with individual Directors attending by video conference where circumstances required it. Assuming circumstances permit, the Board intends to resume in FY23 its previous practice of holding one meeting a year at or near one of our non-UK offices or one of our portfolio companies, providing a chance for non-executive Directors to meet our local teams and the management of some of our portfolio companies.

The Board is assisted by various Principal Committees of the Board, which report to it regularly and details of their activity in the year are provided on pages 107 to 139.

Matters delegated by the Board to the Chief Executive include implementation of the Board approved strategy, most investment decisions, day-to-day management and operation of the business, the appointment and most remuneration of employees below the Executive Committee, and risk management. The Board receives regular reports on potential conflicts of interests involving Directors and any actual conflicts of interest identified are managed appropriately. This may involve excluding the Director concerned from relevant information and discussions.

Day-to-day management of the Group is the responsibility of the Chief Executive. To assist him in this role, the Chief Executive has established a number of additional management committees, including the Investment Committee, which are outlined in the description of our governance framework on page 60.

Responsibilities of the Chairman

- Leads the Board and is responsible for its overall effectiveness in directing the Company.
- Leads the Board in its oversight of the purpose, values and culture of the Company.
- Leads the Board in setting its agenda, approving strategy, monitoring financial and operational performance, and establishing the Group's risk appetite.
- Organises the business of the Board, ensuring its effectiveness, and maintains an effective system of internal controls.
- Ensures that Directors receive accurate, timely and clear information. This includes ensuring that the non-executive Directors receive regular reports on shareholders' views on the Group.
- Responsible for the composition of the Board, facilitates constructive Board relations and the effective contribution of all non-executive Directors.

Responsibilities of the Chief Executive

- Direct charge of the Group on a day-to-day basis and is accountable to the Board for the financial and operational performance of the Group.
- Chairs the Investment Committee to review the acquisition, management and disposal of investments.
- Leads the Executive management team to develop and implement the Group's strategy and manage the risk and internal control framework.
- Reports to the Board on financial and operational performance, risk management and progress in delivering the strategic objectives.
- Regularly engages with shareholders and other key stakeholders on the Group's activities and progress.

Role of non-executive Directors

- Provide constructive challenge, strategic guidance and hold management to account.
- Scrutinise the performance of management in meeting agreed objectives.
- Seek assurance on the integrity of the financial information and that financial controls and systems of risk management are robust and defensible.
- Determine appropriate levels of remuneration for Executive Directors and Executive Committee and together with the Chairman, have a prime role in appointing Directors and in succession planning for the Board.
- Ensure that they have sufficient time to meet their Board responsibilities.

Role of the Senior Independent Director

- The Senior Independent Director provides a sounding board for the Chairman and serves as an intermediary for the other Directors and the shareholders, and has a prime role in succession planning for the Chair.

Composition, succession and evaluation

Skills and experience

Training and advice

The Company has a training policy which provides a framework within which training for Directors is planned with the objective of ensuring Directors understand the duties and responsibilities of being a director of a listed company. All Directors are required to keep their skills up-to-date and maintain their familiarity with the Company and its business.

On appointment, all non-executive Directors have discussions with the Chairman and the Chief Executive following which appropriate briefings on the responsibilities of Directors, the Company's business and the Company's procedures are arranged. The Company provides opportunities for non-executive Directors to obtain a thorough understanding of the Company's business by meeting members of the senior management team who in turn arrange, as required, visits to investment or support teams.

All non-executive Directors have access to the Company's Compliance e-training modules which are used to train the Company's employees on regulatory compliance matters. In the year, Directors received specific training presentations on Digital Opportunities and Threats relating to 3i and its portfolio and on Remuneration including market context and remuneration structures used within the Group. They also received through the Audit and Compliance Committee updates on developments in relation to regulatory matters, financial and other reporting requirements and the UK and global tax environment. Directors have the opportunity to suggest additional subjects for presentations where they believe it would be helpful.

The Company has procedures for Directors to take independent legal or other professional advice in relation to the performance of their duties. In addition, Directors have access to the advice and services of the General Counsel and Company Secretary, who advises the Board, through the Chairman, on governance matters.

Performance and evaluation

During the year, the Board conducted its annual evaluation of its own performance and that of its committees and individual Directors. The evaluation process was externally facilitated by Lintstock Limited. Lintstock Limited has no other connections with the Company. The evaluation consisted of a questionnaire completed by all Board members and the other members of Executive Committee, one-to-one interviews and a subsequent presentation by Lintstock Limited to the Board. Points arising from the process were then discussed at a Board Meeting.

The topics covered by the annual Board evaluation included:

- Board composition and expertise;
- Stakeholder engagement;
- Board dynamics;
- Board support;
- The performance of the Board's Committees;
- Management and focus of Board meetings;
- The Board's strategic and operational oversight;
- Risk management and internal control;
- Succession planning and people; and
- Priorities for change.

The overall finding of the review was that an already strong board which benefited from positive relationships had been strengthened over the year by well-directed new non-executive Director appointments. It was expected that any changes to be made to the way the Board operates by the newly appointed Chairman would be evolutionary rather than revolutionary.

The review concluded that the Board's size and composition was broadly appropriate. Whilst no new non-executive Director appointments were anticipated before 2023 the review identified attributes in any new appointees which could be valuable to the Board in due course. The Board recognised the importance of non-executive Directors deepening their understanding of the Company's portfolio investments (and the Company's investment teams) by attending management's semi-annual portfolio company review meetings.

The review also identified priorities for the Board to pursue in the coming year which included:

- Considering wider themes that would affect the Company, its portfolio companies and its future investment strategy including the potential reversal of globalization and the evolution of debt markets;
- Focusing on people and succession across the business; and
- Overseeing the development of the Group's ESG policy.

In her role as Senior Independent Director, Lesley Knox led a review by the Directors of the performance of the Chairman. In view of the Chairman's very recent appointment to the position, discussion in the review was predominantly on matters which Directors would like the Chairman to focus on during the coming year, rather than on backwards looking matters. Ms Knox subsequently reported back to the Board on the review and provided feedback to the Chairman, including on suggested priorities for the coming year.

Nominations Committee report

David Hutchison
Committee Chairman

FOR MORE INFORMATION
Nominations Committee's terms of reference
www.3i.com/investor-relations/governance/principal-board-committees

PAGES 98-99
Composition of the Board

Dear Shareholder

I am pleased to present the Nominations Committee report for the year ended 31 March 2022. My report explains the role of the Committee as well as its work this year.

Role of the Committee

The Committee's principal role is to ensure that the Board has the necessary skills and experience to enable the Group to deliver its current and future strategic objectives. In doing this it reviews the balance and composition of the Board and ensures that plans are in place for orderly succession to both the Board and senior management positions, including contingency plans for unanticipated events. It also reviews the Company's work on diversity and inclusion. The Committee's discussions are complemented by discussions at meetings of the full Board where appropriate.

Directors

Directors' biographical details are set out on pages 98 and 99.

All Directors are subject to re-appointment every year. Accordingly, at the AGM to be held on 30 June 2022, all the Directors will retire from office and, being eligible, will (save for Julia Wilson who is retiring from the Board) seek re-appointment. The Board's recommendation for the re-appointment of Directors is set out in the 2022 Notice of AGM.

Simon Thompson retired from the Board on 11 November 2021 and I succeeded him as Chairman of the Board and of Nominations Committee. Peter McKellar joined the Board on 1 June 2021 and Lesley Knox joined the Board on 11 November 2021. Lesley Knox also succeeded me as Senior Independent Director on 11 November 2021. As Senior Independent Director Lesley provides support to me, acts as an intermediary with the other Directors, if necessary, and oversees my appraisal by the other Directors. Lesley is also available to the Company's shareholders to address any concerns they have been unable to resolve through me, Simon Borrows or Julia Wilson, or where they consider these channels to be inappropriate. Peter McKellar succeeded me as Chairman of Valuations Committee on 11 November 2021.

Membership during the year

Name	Membership status	Meetings
David Hutchison	Chairman since November 2021 and Member since November 2013	4(4)
Simon Thompson	Chairman until November 2021	2(2)
Caroline Banszky	Member since July 2014	4(4)
Stephen Daintith	Member since October 2016	4(4)
Lesley Knox	Member since October 2021	2(2)
Coline McConville	Member since November 2018	4(4)
Peter McKellar	Member since June 2021	3(3)
Alexandra Schaapveld	Member since January 2020	4(4)

The column above headed "Meetings" shows the number of meetings of the Committee attended by each member during the year, together with, in parentheses, the number of meetings they were entitled to attend. As explained below Mr Hutchison and Mr Thompson did not attend meetings relating to Chairman succession. In addition to the meetings shown in the above table there were a number of additional meetings of the sub-committee described in this report which dealt with Chairman succession.

Composition, succession and evaluation continued
Nominations Committee report continued

Activities in the year

Area of focus	What the Committee did	Outcome
Board and senior management succession **The Committee keeps Board and senior management succession under regular review.** **The Committee's approach to succession planning at Board level seeks to ensure that retirements are planned for and take place in a coordinated manner to minimise risk to the Company's strategic objectives through gaps in key skills on the Board or a lack of continuity. Contingency plans to cater for unexpected events are also considered. The Committee regularly discusses planed and contingency succession arrangements for the Executive Directors and other senior positions.**	**Chairman Succession** In the 2021 Report and Accounts, Simon Thompson confirmed that as part of the long-term succession planning for the Board, he would not seek re-election in 2022. Neither Simon Thompson nor David Hutchison played any part in the selection process for the new Chairman. The Committee appointed a sub-committee chaired by Stephen Daintith to conduct the search process for the new Chairman. The sub-committee worked with Russell Reynolds Associates in drawing up a role and person specification for the position and considering both external and internal candidates. As part of the selection process the sub-committee balanced the skills and availability of the potential external candidates against those of the internal candidate and also weighed the potential advantages of fresh ideas from external candidates against the potential advantages of continuity in long-term strategy in deciding what appointment would best promote the success of the Company.	The sub-committee reported back to the Nominations Committee on the process followed in the search process, on its findings, and on its recommendation that David Hutchison be appointed Chairman in succession to Simon Thompson. The Board subsequently appointed David Hutchison to chair the Board.
	Non-executive director appointment The sub-committee tasked with conducting the search process for a new Board Chairman was also tasked with considering the appointment of a further non-executive Director. The sub-committee worked with Russell Reynolds Associates on this process.	Having considered the skills and attributes which would be of greatest value to the Board, the sub-committee recommended the appointment of Lesley Knox as a non-executive Director and the Board subsequently appointed her as Director with effect from 11 November 2021.
	Executive Director appointment On 11 November 2021 the Company announced that Mrs Wilson would retire as Group Finance Director in June 2022. Both the Board and Nominations Committee carefully considered how best to respond to this vacancy. They weighed the possible advantages of seeking external candidates who might bring new skills and experiences to the Group against the possible advantages of making use of and retaining the skills and experience of existing senior executives within the Group and decided that an internal appointment would be most appropriate to best promote the success of the Company.	The Committee recommended to the Board the appointment of James Hatchley (currently Group Strategy Director) as Group Finance Director in succession to Julia Wilson. It also recommended the appointment of Jasi Halai (currently Group Financial Controller and Operating Officer) to the Board as Chief Operating Officer. The Board subsequently appointed James Hatchley and Jasi Halai to the Board with effect from 12 May 2022.

Area of focus	What the Committee did	Outcome
Board and senior management succession continued	**Contingency Executive Director succession plan** The Committee reviewed its short-term contingency succession plans for scenarios where any of the executive Directors were unexpectedly unable to carry out their duties.	The Committee approved revised contingency arrangements (taking account of the appointments of James Hatchley and Jasi Halai) for circumstances where any of the executive Directors suddenly became unable to carry out their duties.
	Senior management succession plans In relation to succession planning below Board level, and as part of the Board's work to support the development of a diverse pipeline of talent, the Committee and the Board considered and discussed the 2021 Group Succession Planning and Strategic Capability Review which was presented to the Directors by the Executive Committee members and the HR Director. This annual review identifies development and succession plans for key staff including all members of Executive Committee and their direct reports with details of short-term contingency arrangements in case of a sudden vacancy, planned successors and identification of those who with further experience could be potential longer-term successors.	The Board and the Committee were able to satisfy themselves as to the appropriateness of the succession planning process in place for senior positions within the Group.

Area of focus	What the Committee did	Outcome
Board Evaluation	Details on how the annual Board evaluation process was conducted and areas covered are on page 106. The evaluation process was externally facilitated by Lintstock Limited.	Details on the outcome of the evaluation are set out on page 106. The evaluation process informed the development of the Board's rolling agenda for the subsequent year and confirmed the Board's key strategic priorities and objective.
	The Committee reviewed the evaluation process which had been followed in the year with a view to identifying whether any changes or improvements should be made for future years.	The Committee noted that under the Code the Company was not required to conduct an externally facilitated board evaluation until FY2025. It was agreed to give further consideration over the coming year to evaluation arrangements going forward.

Area of focus	What the Committee did	Outcome
Size, balance and composition of the Board	The Committee reviewed the size, balance and composition of the Board. This question was also considered as part of the annual Board evaluation. Immediately following the 2022 AGM the Board will comprise 10 Directors, being the Chairman, three executive Directors and six independent non-executive Directors.	The Committee concluded that a nine or 10 member Board was an appropriate size of Board for the Company and that the Board had the right balance of skills and experience.

Composition, succession and evaluation continued
Nominations Committee report continued

Appointments and appointment process

We have a formal, rigorous and transparent process to identify the skills and experience required, appraise suitable candidates and appoint new Directors. In the case of non-executive Directors, the appraisal includes an assessment of whether potential candidates have sufficient time available to fulfil their roles. Recommendations for appointment are put to the full Board for approval. Specialist recruitment consultants assist the Committee with the appointment process for non-executive Directors. During the year the Committee worked with external search consultants Russell Reynolds Associates. Russell Reynolds Associates performed no other services for 3i in the year although it does also perform work for certain of 3i's portfolio companies. During the year, the Committee reviewed its appointment process and agreed the process remained appropriate. Work in the year in relation to Director recruitment is described in the table on page 108.

Board evaluation

In advance of the Board evaluation conducted during the year, the Committee considered and agreed the proposed evaluation process. The evaluation was conducted externally by Lintstock Limited. Lintstock Limited performed no other services for 3i in the year.

Further details are set out on page 106. The evaluation process informs the development of the Board's rolling agenda for the subsequent year and succession planning, by confirming the Board's key strategic priorities and objectives.

Succession planning

With a relatively small Board, few Board vacancies arise in most years. Nonetheless, the Committee and the Board regularly consider succession planning. The Committee's approach to succession planning at Board level seeks to ensure that retirements are planned for and take place in a coordinated manner to minimise risk to the Company's strategic objectives through gaps in key skills on the Board or a lack of continuity. Contingency plans to cater for unexpected events are also considered. Work in the year is described on page 109.

Diversity and inclusion

The Board strongly supports the principle of boardroom diversity. The Board's aim is to have a diverse Board in terms of skills, gender, social and ethnic backgrounds, and cognitive and personal strengths. Where we engage external consultancies on Director appointments they are instructed to put forward a diversity of candidates for consideration. The Board makes appointments on merit and against objective criteria.

The Board currently comprises nine directors of whom five are women and following our June 2022 AGM the Board will comprise 10 Directors of whom five will be women. This exceeds the 33% female gender diversity target set by the Hampton-Alexander review. With effect from 12 May, 2022, the Board will also meet the Parker Review recommendation of having at least one Director from a minority ethnic group and will also meet the targets recently announced by the FCA of at least 40% of the Board being women, at least one of the senior Board positions (Chairman, SID, Chief Executive, or Chief Financial Officer) being held by a woman and at least one Director being from a minority ethnic background.

The Committee reviews and monitors initiatives aimed at developing a diverse pipeline of talent within the Company below Board level through the succession planning process referred to above and the appointments process. As a business with fewer than 240 employees globally, 3i makes relatively few new hires each year but, when hiring, we proactively seek to recruit from a diverse pool of candidates. As importantly, we take a long-term, sustainable approach to improving the diversity of our workforce and are committed to creating an inclusive culture in which both existing and newly-recruited staff can reach their potential, regardless of their gender, social or ethnic backgrounds.

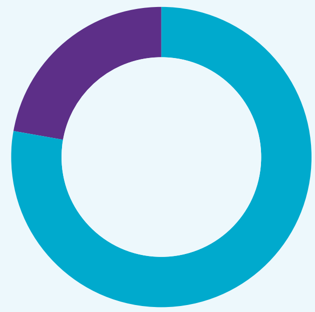
The gender balance of our employees and our senior managers is reported in more detail in the Sustainability section on page 78. At 31 March 2022 our employees were 58.5% male and 41.5% female. The under-representation of females in senior management and investment roles at 3i is an issue we share with much of the European private equity and alternative asset investment sector. Nonetheless, 3i continues focus on increasing the number of females in these roles, whilst recognising that significant change will take time to achieve. As at 31 March 2022, 27% of Executive Committee plus direct reports were female.

As at 31 March 2022, more than one in eight of 3i's total UK employees were people with an ethnic minority (excluding white minority) background. The proportion of our employees from an ethnic minority (excluding white minority) background in mid to higher salary brackets also exceeded one in eight. We have continued our partnership with the Bright Network, who have helped us to source more diverse candidates at graduate level via targeted email campaigns. 3i is a member of the #10000BlackInterns programme, an initiative to offer a practical way to give more black applicants access to a career path in the financial services sector. We also continue to support Career Ready, a mentoring programme that supports young people aged 16 to 18 who lack the opportunities, professional networks or confidence to develop their talents and fulfil their potential. See the Sustainability section on page 76 to 80.

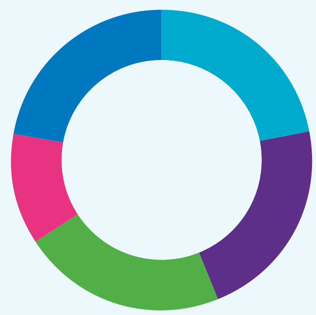
David Hutchison
Chairman, Nominations Committee
11 May 2022

Composition of the Board
at 11 May 2022

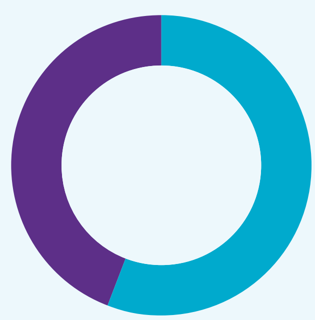
Sector experience



Tenure



Gender diversity



Audit, risk and control

Audit and Compliance Committee report

Caroline Banszky
Committee Chair

Dear Shareholder

I am pleased to present the Audit and Compliance Committee report for the year ended 31 March 2022. My report explains the Committee's work this year.

We held six regular scheduled meetings this year, four of which were coordinated with 3i's external reporting timetable.

In March 2021, the Secretary of State for Business, Energy and Industrial Strategy ("BEIS") issued a wide-ranging consultation on "Restoring trust in audit and corporate governance." The Committee has considered the implications of the consultation for the work of the Committee and the Group more broadly. We responded to the consultation in July 2021 supporting many of the proposals put forward and the Committee will continue to monitor closely any proposed legislation, changes in corporate governance requirements and emerging best practice.

Our Audit and Assurance policy, which can be found on pages 117 to 120 was published for the first time last year. This was in response to the proposals incorporated in the BEIS consultation, although as yet there is no formal requirement to publish such a policy. In line with the draft proposals, we indicated our intention to seek shareholder approval for the policy at the Annual General Meeting in June 2022. This timing, however, was predicated on the finalisation of the Government's reforms. In the absence of legislative progress, we will defer seeking approval and decide how to take this forward once the relevant requirements have been published.

The BEIS consultation also includes a proposal to improve disclosures in relation to business resilience, building on the existing risk, viability and going concern reporting requirements. We welcome this initiative, and have decided to publish a Resilience Statement which incorporates a number of the proposed changes. This can be found on pages 121 to 123. We will refine this statement further again once the relevant requirements have been published.

As part of the Group's management of ESG and sustainability matters, an ESG Committee has been formed, to assist and advise the CEO on all relevant ESG matters including matters relating to sustainability, climate change, bribery and corruption, modern slavery and sanctions. This Committee will advise the CEO directly and through the Group Risk Committee and Investment Committee. As part of the Audit and Compliance Committee's existing remit to oversee and consider the Group's financial statements and non-financial disclosures, it will also oversee developments regarding the statements and disclosures relating to ESG matters.

In advance of each Committee meeting, I met the Group Finance Director, the Group Financial Controller and the Heads of Compliance and Internal Audit to discuss their reports as well as any relevant issues. I also met privately with KPMG as part of my ongoing review of their effectiveness and, periodically, with other members of the 3i senior management team.

I have continued to have regular discussions and planning meetings with management and KPMG on delivering the Annual report and accounts as part of my review of their ongoing effectiveness. As part of my year-end review, I met with KPMG to discuss their approach to audit quality and what assurance had been taken in connection with their audit of 3i. I also met with KPMG's engagement quality controls partner for the 3i audit, an independent audit partner who reviews and challenges the key audit areas, and discussed how the risk assessment would be challenged, audit procedures and conclusions reached by the audit team. I am pleased to report that there were no significant findings arising from KPMG's review.

The rest of the report sets out in detail the Committee's activities in the year. It is structured into four parts:

- **Governance**
- **Report on the year**
- **Internal audit**
- **External audit**

I look forward to engaging with you on the work of the Committee.

Caroline Banszky
Chair, Audit and Compliance Committee
11 May 2022

Membership during the year

Name	Membership status	Meetings
Caroline Banszky	Member since July 2014 and Chairman since January 2015	6(6)
Stephen Daintith	Member since October 2016	6(6)
Coline McConville	Member since November 2018	6(6)
Alexandra Schaapveld	Member since January 2020	6(6)

The column above headed "Meetings" shows the number of meetings of the Committee attended by each member during the year, together with, in parentheses, the number of meetings they were entitled to attend. Other regular attendees at the Committee meetings include the following: Group Chairman; Chief Executive; Group Finance Director; Company Secretary; Group Financial Controller; the Head of Internal Audit; the Head of Compliance; and the External auditor, KPMG LLP.

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FOR MORE INFORMATION
Audit and Compliance Committee's terms of reference
www.3i.com/investor-relations/governance/principal-board-committees

Governance

All members of the Committee are independent non-executive Directors. The Board believes members have the necessary range of financial, risk, control and commercial experience required to provide effective challenge to management. In particular, the Board is satisfied that Caroline Banszky and Stephen Daintith have the recent and relevant financial experience as outlined in the FRC's Corporate Governance Code. The attendance of members at meetings is shown in the table on page 101.

The Committee meets privately for part of its meetings and also has regular private meetings with the External auditor, the Group Finance Director, the Head of Internal Audit and the Head of Compliance in the absence of other members of the management team.

Report on the year

In addition to assessing and evaluating the areas of significant accounting judgement and monitoring the effectiveness of 3i's risk management framework, the Committee particularly focused on a number of topics, which are set out below.

Financial reporting regulators

The Committee considered papers from the FRC, including its annual review of corporate reporting and their published thematic reviews. The Committee reviewed a paper prepared by management, which detailed how it had taken due account of the matters raised and the enhancements it proposed to relevant disclosures in the Half-yearly accounts 2021 and Annual report and accounts 2022. The Committee also considered and incorporated the recent guidance on viability and going concern following the publication by the FRC. The Committee also considered a paper prepared by management, which detailed 3i's approach to the European Single Electronic Format for digital reporting.

What the Committee reviewed in FY2022

Financial reporting

- Annual and half-year reports
- Quarterly performance updates
- Key accounting judgements and estimates
- Update on the relevant thematic reviews, including APM's, from the FRC
- European Single Electronic Format ("ESEF") process
- Reviewed the Annual report to ensure that it is fair, balanced and understandable
- Going concern and viability
- Resilience statement

External audit

- Confirmation of the External auditor independence
- Policy and approval for non-audit fees
- FY2022 audit plan, including significant audit risks (being the valuation of the unquoted investment portfolio and the calculation of carried interest)
- Audit results report, including the results from testing Key Audit Matters
- External auditor performance and effectiveness

Internal control, compliance and risk management

- Review of 3i's system of control and risk management
- External and internal audit reports
- Review of the Viability statement and the supporting stress test scenarios
- Update on cyber security and penetration tests
- IT resilience and disaster recovery
- Staff annual verification exercise
- Audit and Assurance policy

Risk review

- Valuation reports and recommending the investment portfolio valuation to the Board
- Review of investment themes from portfolio company review process and portfolio performance including ESG issues and risks
- Regular reviews of compliance with regulatory rules and compliance monitoring findings
- Annual tax update
- Reports on tax policy and strategy
- Litigation

Audit, risk and control continued
Audit and Compliance Committee report continued

The Group's internal control and risk management systems including those in relation to the financial reporting process include:

- a comprehensive system of key control and oversight processes, including regular reconciliations, line manager reviews and systems' access controls;
- updates for the Committee on accounting developments, including draft and new accounting standards and legislation;
- a separate Valuations Committee which considers the Group's investment valuation policies, application and outcome;
- approval of the Group's budget by the Board and a comprehensive system of financial reporting to the Board, based on the annual budget with monthly reporting of actual results, analysis of variances, scrutiny of key performance indicators and regular re-forecasting;
- reports from Internal Audit on matters relevant to the financial reporting process, including periodic assessments of internal controls, processes and fraud risk;
- independent updates and reports from the External auditor on accounting developments, application of accounting standards, key accounting judgements and observations on systems and controls;
- appointment of experienced and professional staff, both by recruitment and promotion, of the necessary calibre to fulfil their allotted responsibilities; and
- appropriate Board oversight of external reporting.

Taxation

The Committee received an annual update from the Group Tax Director on the Group's taxation status which covered liaison with fiscal authorities in the UK and overseas, the resourcing of elements of the Group's compliance obligations and potential fiscal developments given the current economic climate.

Going concern and viability

The Directors are required to make a statement in the Annual report and accounts as to 3i's viability. The Committee provides advice to the Board on the form and content of the statement, including the underlying assumptions. In advance of the year end the Committee reviewed the Group's proposed stress test scenarios to support the Going concern basis and Viability statement. At the year end, the Committee evaluated a report from management setting out its view of 3i's viability and content of the proposed Viability statement. This report was based on the Group's strategic plan and covered forecasts for investments and realisations, liquidity and gearing, including forecast outcomes of the stress test of the plan and forecast capital and liquidity performance against an assessment of the Group's risk profile. It incorporated the 31 March 2022 valuations, and consideration of a range of economic outcomes. The Committee discussed whether the choice of the three-year period remained appropriate. It concluded that it remained the most appropriate period and provided more certainty on the Group's performance due to the nature of the Group's business and its risk appetite to invest in Private Equity and Infrastructure investments for a period of four to five years, whilst acknowledging the reduced reliability of assumptions in the later period of the plan.

The Directors believe the Group has sufficient financial resources and liquidity and is well placed to manage business risks in the current economic environment, and can continue operations for the foreseeable future based on a range of economic outcomes. The Directors have also considered key dependencies set out within the Risk management section including investment and operational requirements.

Taking into account the assessment of the Group's stress testing results and its risk appetite statement (as disclosed on page 59), the Committee agreed to recommend the Viability statement and three-year viability period to the Board for approval.

Areas of accounting judgement and control focus

The Committee pays particular attention to matters it considers to be important by virtue of their complexity, level of judgement and potential impact on the financial statements and wider business model. Significant areas of focus considered by the Committee are detailed in the table below, alongside the actions taken by the Committee (with appropriate challenge from the External auditor) to address them.

Areas of accounting judgement and control focus

Valuation of the proprietary capital investment portfolio

Area of significant attention

The most material area of judgement and estimation in the financial statements, and noted as a significant risk and Key Audit Matter by the External auditor, relates to the valuation of the unquoted proprietary capital investment portfolio, which at 31 March 2022 was £13,242 million, or 89% of gross assets, under the Investment basis.

In recognition of the importance of this area, the Board has a Valuations Committee to review the valuations policy, process and application to individual investments. The Valuations Committee provides quarterly oral reports to the Audit and Compliance Committee and the Board.

What the Committee reviewed and concluded

On behalf of the Board, the Committee received and evaluated quarterly reports from the Chairman of the Valuations Committee and the External auditor, with particular focus on the assumptions supporting the valuation of unquoted asset investments, any valuation uncertainties and the proposed disclosure in the financial statements. Members of the Committee also attend the Valuations Committee meetings.

The detail on the key valuation considerations and the review and challenge undertaken in the year is included in the Valuations Committee report on pages 124 to 128.

The Committee reviewed and concluded that no fair value adjustment should be made to the investment entity subsidiaries' NAVs and judgement for control is appropriate for those investees and funds consolidated within the Group.

Carried interest payable

Area of significant attention

The valuation of the proprietary capital portfolio is a primary input into the carried interest payable and receivable balances, which are determined by reference to the valuation at 31 March 2022. The Private Equity 2019-22 vintage came to the end of its investment period, and the performance hurdle for this vintage has been met on an accruals basis.

What the Committee reviewed and concluded

Internal Audit reviews the carried interest balances and carry plan distributions made to plan participants before the payments are made. Summaries of the work done are included in updates to the Committee.

The Committee reviewed the carried interest payable as part of the overall summary prepared by management to support the Annual report and accounts 2022.

Fair, balanced and understandable and the presentation of 3i's reports and accounts

Area of significant attention

Under the UK Corporate Governance Code, the Board should establish arrangements to ensure the Annual report presents a fair, balanced and understandable assessment of the Group's position and prospects.

The Group prepares the non-GAAP Investment basis financial statements to provide a disaggregated view of the underlying portfolio alongside the IFRS basis to aid in the understanding of the results and performance of the underlying portfolio.

What the Committee reviewed and concluded

The Committee reviewed the Half-yearly and Annual financial statements as well as the Quarterly performance updates with management, focusing on the integrity and clarity of disclosure and enabling the Board to provide the fair, balanced and understandable confirmation to shareholders in the Annual report and accounts 2022.

A report summarising the considerations for the Annual report and accounts 2022 was reviewed by the Committee in advance of the year end and a summary of the detailed procedures undertaken was prepared alongside the Annual report and accounts 2022.

Audit, risk and control continued
Audit and Compliance Committee report continued

Internal audit

The Committee continued to monitor the scope, activity, and resources of the Group's Internal Audit function, including approving the internal audit plan and assessing whether its operating model remained effective. The Committee monitors internal audit activity quarterly, which includes the results of its reviews of 3i's investment offices and updates on outstanding agreed actions from previous reports, as well as other areas of identified higher risk. The Committee concluded that the Internal Audit function remained appropriate.

During the year, the Committee Chairman engaged an external provider to carry out an external quality assessment of the Internal Audit function. Overall, the assessment found that the function generally conforms to the Chartered Institute of Internal Auditors ("IIA") Standards. This is the highest rating available under the IIA Quality Assessment Manual.

Risk and internal control reviews

The Committee is responsible on behalf of the Board for overseeing the effectiveness of the Group's risk management and internal control systems. It monitors the activities of the Group Risk Committee ("GRC"), the risk management processes in place and Internal Audit's assessment of the effectiveness of controls, the use of the Group's whistleblowing facility and compliance with the UK Bribery Act.

As highlighted on page 61 in the Risk management section, a report summarising each quarterly GRC meeting, along with the risk report considered, is provided to the Committee for review and discussion. This includes a twice yearly update on key ESG and sustainability risks and developments across the portfolio. In addition, the Head of Internal Audit prepares an annual report providing an independent assessment of the effectiveness of 3i's risk management and internal control systems for presentation to the Committee.

The overall risk management and internal control process is regularly reviewed by the Committee as well as the Board and complies with the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting issued by the FRC. The Committee performed its annual review of the system's effectiveness and reported its conclusions to the Board. The process has been in place for the year under review and up to the date of approval of this Annual report and accounts 2022.

External audit

The Committee has responsibility for making recommendations to the Board on the appointment of the External auditor, determining its independence from the Group and its management and agreeing the scope and fee for the audit.

Auditor independence

The Group has a policy for setting out what non-audit services can be purchased from the firm appointed as External auditor. The aim of the policy is to support and safeguard the objectivity and independence of the External auditor and to comply with the FRC's Ethical Standards for auditors. It also ensures that where fees for approved non-audit services are greater than a pre-determined limit, they are subject to the Committee Chairman's prior approval. The policy permits certain non-audit services to be procured, following approval, when the Committee continues to see benefits for the Group in engaging KPMG. Examples of this include work:

- that is closely related to the external audit;
- where a detailed understanding of the Group is required; and
- where KPMG is able to provide a higher quality and/or better value service than other potential providers.

The key principle of our policy is that permission to engage the External auditor will always be refused when a threat to independence and/or objectivity is present or perceived. In line with KPMG's publicly announced policy, 3i will not generally use KPMG for any non-audit services that are not closely related to KPMG's role as 3i's External auditor. This includes investment-related services such as due diligence.

All proposals for services with KPMG must be forwarded to the Group Financial Controller in the first instance and will require approval by the Chairman of the Audit and Compliance Committee above a defined limit and provided the work is not closely related to KPMG's role of 3i's External auditor. Examples of services that require additional approval include:

- the fee exceeds £100,000; or
- the service is work other than services closely related to KPMG's role as 3i's External auditor.

Smaller engagements less than £100,000 are approved by the Group Financial Controller on behalf of the Committee.

KPMG has reviewed its own independence in line with these criteria and its own ethical guideline standards. This includes the review of due diligence processes undertaken within the Group's investment activities. KPMG has confirmed to the Committee that following its review it is satisfied that it has acted in accordance with relevant regulatory and professional requirements.

Audit and non-audit fees

The total audit fee for the year was £2.7 million (2021: £2.5 million). Non-audit fees paid to the External auditor were £0.3 million (2021: £0.3 million). The Committee concluded that these fees fell within its criteria for engaging KPMG and do not believe they pose a threat to the External auditor's independence or objectivity.

Assessing external audit effectiveness

The Committee reviews the effectiveness of KPMG through the use of questionnaires completed by management, by considering the extent of its contribution at Committee meetings throughout the course of the year, and in one-to-one meetings.

The FY2022 evaluation also reviewed the quality of the audit process, the use of KPMG's valuation specialists to support the audit of the portfolio valuations and the technical knowledge of the team.

The Committee concluded that the audit was effective and that there should be a resolution to shareholders to recommend the re-appointment of KPMG LLP at the 2022 AGM.

Audit and Assurance policy

As an investment company, our business model is to allocate, invest and manage risk capital. We do this from a platform that has good and responsible values, a grounded team culture, a prudent financial approach and a wide international reach and diversity through our well-established office network. Our investment executives are able to use the power of broader portfolio experience and learnings to grow and improve each specific investment. This only works with rigorous processes, robust central control and an uncompromising attitude to the resilience of the investment portfolio, all of which is governed by the Investment Committee.

Through a comprehensive and consistent process, we apply a high degree of judgement in setting the investment valuations which underpin our periodic reported financial performance and are the most material area of judgement in the financial statements. The Valuations Committee sets policy and provides oversight of the integrity of this valuation process. On behalf of the Board, the Audit and Compliance Committee receives quarterly reports from the Chairman of the Valuations Committee and the External auditor, with a focus on key assumptions, valuation uncertainties and disclosure in the financial statements. As a FTSE100 company, transparency and integrity of our reporting of investment outcomes and valuations is fundamental.

Purpose and scope

This Audit and Assurance policy ("Policy") sets out how the Board ensures that our investment, valuation and reporting processes and controls (in the broadest sense) are adhered to, and that the employee culture is aligned with our strategic delivery, providing appropriate mitigation of the risk and judgement inherent in our business model. The Policy covers external and internal audit activities and other sources of assurance available to the Board.

The scope and nature of the Group's audit and assurance activities are influenced by the Group's legal, regulatory, governance and operating structures. As a listed company, the Group is subject to the Listing Rules of the UK Listing Authority and the provisions of the UK Corporate Governance Code. In headcount terms, 3i is a relatively small organisation with a non-hierarchical operating structure.

The Group provides investment management and other services for which regulatory authorisation is required. It does not, however, have permission to deal with retail clients. 3i is regulated in a number of jurisdictions; primarily in the UK by the Financial Conduct Authority. The contracts for 3i's investment services and its regulatory authorisations carry a wide range of obligations which are incorporated into the Group's systems and controls and apply to all staff. These requirements include the need to maintain minimum levels of regulated capital which are monitored by way of an Internal Capital Adequacy Assessment Process ("ICAAP"). With effect from 1 January 2022, the Group is subject to the FCA's MIFIDPRU sourcebook, the result of which is that the Group's ICAAP will be replaced by the internal capital and risk assessment of 3i Investments plc. The assessment involves the use of stress testing scenarios which also link into the Group's viability assessment work.

Development

This Policy is owned by the Board and developed based on a range of inputs including the views of Executive Committee and assurance providers, and benchmarking against emerging good practice. The Policy is reviewed at least annually and its operation overseen by the Audit and Compliance Committee.

Risk and assurance

The Group Risk Committee, Executive Committee and senior managers are required to provide the Audit and Compliance Committee with regular updates on a range of topics to enable the Committee to form a view on the adequacy of the planned assurance work in relation to the Group's principal risks, risk mitigation plans and any significant new risks, themes or developments.

Both the External and Internal auditors are expected to form an independent view on the principal risks and the controls to mitigate these, taking into account the risk profile and strategy of the business and the assessment performed by the Group Risk Committee. This in turn provides the basis for making informed risk-based decisions regarding the scope and focus of assurance work. The auditors are required to present details of their respective risk assessments, areas of focus and audit approach to the Audit and Compliance Committee for its consideration and input.

In addition to scheduled updates from Finance, Group Compliance, IT and Tax, the Audit and Compliance Committee may seek assurance work in other areas from time to time, either from internal sources or externally commissioned work. The oversight work of the other Board Committees, notably the Valuations and Remuneration Committees, is also taken into consideration.

Viability and going concern

There is an established process for preparing the Group's Viability statement, coordinated by Group Finance. This involves engagement with 3i's Group Strategy team and Private Equity and Infrastructure business lines to develop a range of plausible and relevant stress test scenarios, which are also linked back to the Group's principal risks.

The views of the Group Risk Committee are sought on the test scenarios, results and proposed disclosures. This is then presented to the Audit and Compliance Committee for consideration and input. The External auditor also provides independent assurance on the reasonableness of the inputs, key assumptions and stress test scenario analysis, in the context of its work on viability and going concern.

Audit, risk and control continued
Audit and Assurance policy continued

Key internal controls and assurance

The design of the Group's key control framework is directly linked to the Group's risk mitigation plans, and is summarised in the table below.

The Audit and Compliance Committee requisitions assurance work which focuses on the design and effectiveness of the internal control framework. The adequacy of assurance coverage is considered as part of the presentation of the respective External and Internal audit assurance plans described above. Use is also made of external benchmarking and frameworks to provide additional assurance in specific areas. For example, the NIST Cybersecurity Framework is deployed to assess and improve 3i's ability to prevent, detect and respond to cyber attacks. Assurance work is expected to adapt to changes to the Group's risk and operating profile, illustrated by the examples in the Audit and Assurance approach section on page 119.

3i is reliant on a number of key third-party suppliers, notably in the areas of IT and accounting support services. For the purposes of oversight and management, these suppliers are grouped into tiers based on their business criticality using a bespoke Supplier Relationship Management Toolkit and taking into account their impact on 3i's regulated investment activities. This tool provides a structured and consistent risk-based approach to assessing supplier performance, including areas such as data security and business resilience. 3i also engages the services of a procurement specialist to provide supplier management and procurement support. From an assurance standpoint, 3i obtains copies of Independent Service Auditor's Reports where available and Internal Audit carries out reviews of the key supplier relationship management processes as part of its cyclical programme of work.

Given the importance of people to 3i's business, the Board carries out an annual in-depth review of succession planning and other key people related matters, and receives regular updates from across the business. The Remuneration Committee oversees 3i's remuneration arrangements, designed to ensure there is appropriate alignment between staff performance, conduct and behaviours on the one hand, and the Group's strategic objectives, risk appetite and internal control framework on the other.

Summary of Key control framework

Investment process
- Due diligence process
- Investment procedures
- Investment Committee review and approval
- ESG and sustainability assessment

Investment portfolio companies
- 3i appointed directors
- Minimum required governance standards
- Investment procedures for investment and portfolio company management
- Responsible Investment policy

Investment portfolio management
- Monthly portfolio company dashboards and performance monitoring
- Six-monthly investment and portfolio company reviews
- 3i board representatives and active management of senior appointments
- Setting and monitoring of ESG and sustainability requirements

Viability and going concern
- Stress testing methodology and modelling
- Analysis of assets and liabilities
- Capital adequacy review process
- Group strategy and liquidity forecasting models

Valuations process
- Approved Valuations policy
- Investment and portfolio company review processes
- Central oversight by the Valuations team, Investment Committee and Valuations Committee

Financial reporting
- Framework of key financial controls and reconciliations
- Portfolio, fund and partnership accounting processes
- Documented analyses of complex transactions and changes in accounting requirements and disclosures

People and culture
- Values framework and HR policies
- Performance management framework
- Remuneration policies
- Conduct and compliance policies and monitoring
- Succession planning process

Advisory relationships
- Pre-approved suppliers of investment due diligence services
- Tendering and approval process for other advisers, eg legal, tax
- Monitoring of performance and patronage
- Confidentiality and conflicts management

Third-party service suppliers
- Use of 3i's Supplier Relationship Management tool
- Required contractual protections, eg data security and business continuity
- Oversight and governance frameworks for critical suppliers
- Independent service organisation reports

Balance sheet management
- Treasury policy and control framework
- Liquidity monitoring framework
- Fund transfer and release controls
- Portfolio concentration and vintage control monitoring framework

Change management
- Approval process for changes to corporate structure or new products/business areas
- Ongoing monitoring of legal and regulatory changes
- Active participation and engagement with government, regulators and trade bodies

IT systems and security
- IT policies and procedures
- Access and data security controls
- Back-up and disaster recovery procedures and testing
- IT & cyber security monitoring and control framework, and regular penetration tests

In addition to the direct work of the Board and its Committees, both Group Compliance and Internal Audit are required to provide an independent view on conduct, culture, behaviours and other people related matters as an integral part of their monitoring and review work. Internal Audit also carries out an annual review of the implementation of 3i's key remuneration policies.

In order to assist in its annual review of the effectiveness of internal systems and controls, the Audit and Compliance Committee also requires an annual risk and control effectiveness review from Internal Audit and an end-of-audit report from the External auditor. In addition, the Executive Committee, in turn supported by their direct reports, is required to sign-off an annual control attestation which is coordinated by Group Compliance and reviewed and reported on independently by Internal Audit to the Audit and Compliance Committee.

Reporting of control findings

For monitoring and reporting purposes, a significant control failure or weakness is defined as one resulting in or with potential to result in a material misstatement in the financial statements or loss to the business, or significant reputational damage, penalties or sanctions.

Both the External and Internal Auditors are required to provide the Audit and Compliance Committee with details of their respective reporting frameworks including, for example, materiality limits, risk ratings and reporting thresholds. This is to ensure there is a degree of consistency and understanding of the definitions applied. It further assists in understanding the nature and severity of any control findings reported; the appropriateness of proposed remedial actions, timelines and ownership; and the need for disclosure.

The Board and Executive Committee have a very limited tolerance for operational risk events and errors. Accordingly, a relatively low reporting threshold is applied by both Group Compliance and Internal Audit with respect to any findings. This involves both a qualitative and quantitative impact assessment. A similarly low threshold is set for the Group's risk log reporting process, under which any financial losses or exposures greater than £20,000 must be reported.

Assurance over company reporting

The Group's approach to assurance over company reporting is grounded in a culture of transparency and openness. The External auditor, for example, holds regular catch-up meetings with senior managers across the business, the Audit and Compliance Committee chairman and Internal Audit throughout the year, not only during the reporting cycle.

The Group aims to identify changes in reporting requirements and potential technical accounting or disclosure issues at an early stage and to engage fully with the External auditor, Audit and Compliance Committee and external advisers as appropriate. Areas of greater complexity or judgement are documented to facilitate the overall process and regular updates are provided to the Audit and Compliance Committee. In more specialist areas where there is limited in-house expertise, such as reporting on climate change, the Group seeks to employ external experts both to assist with the analysis and, where appropriate, provide assurance on the relevant reporting.

The External auditor's report in the Annual report and accounts provides a comprehensive overview of key audit matters, audit scope and materiality. This includes details of the main audit risks and the approach taken to information in the Annual report other than the audited financial statements. The other information in the Annual report includes the presentation of the financial results on a separate non-GAAP Investment basis, in the interest of transparency and understanding, which are reconciled to the audited accounts prepared using the IFRS basis of consolidation. The Group's half-yearly financial report is subject to a review in accordance with the relevant auditing standards on the review of interim financial statements. Details are set out in the External auditor's report in the full-year and half-year reports.

The preparation of 3i's external reporting is subject to a well-established input, review and verification process, covering the financial statements and other information in the Annual report; the Half-yearly report; and other reporting by the Company. The process involves close engagement with 3i's investment and professional service teams and Internal Audit to ensure that the reporting is fair, balanced and understandable, as well as complete and accurate. The Audit and Compliance Committee is briefed and consulted at each stage of the process.

Audit and assurance approach

The Group's audit and assurance approach is adapted to reflect changing circumstances. Specific examples during the year included:

- increased focus on new and emerging cyber security risks, and additional management updates and assurance work in relation to: (i) protective and detective cyber controls; (ii) results of penetration and other tests; and (iii) cyber and IT security staff training and awareness;
- a review, with input from Internal Audit, of lessons learned from the experience of the pandemic and consideration of a broader range of "severe but plausible" business disruption scenarios;
- additional processes put in place to assess the impact of increased market and geopolitical uncertainties, including sanctions, on investment portfolio company performance and valuations (and subject to additional assurance work where appropriate);
- greater focus on the review of sustainability reporting, covering reporting obligations, data capture, and related internal processes and controls; engaged EY's sustainability practice to advise on 3i's climate disclosures and related processes;
- ongoing assurance with respect to the oversight and performance of key service providers, including business continuity arrangements; and
- independent views sought from Group Compliance and Internal Audit on people related matters; for example, the transition to a hybrid working model, staff morale, conduct, culture and behaviours.

Audit, risk and control continued
Audit and Assurance policy continued

Approach to investment portfolio companies

The companies in 3i's proprietary capital and managed investment portfolios operate independently of 3i, with their own boards. 3i's oversight is exercised through the appointment of 3i investment executives to serve as directors on the boards. Each board is responsible for its own audit and assurance arrangements including the appointment of their external auditors and, where appropriate, internal auditors.

3i sets minimum governance standards for its investment portfolios overseen by the 3i appointed directors. The standards cover the overall governance structure; independent financial review; internal controls; IT systems and cyber security; legal and regulatory compliance; critical incident management; and financial reporting.

These governance standards form part of a broader range of ESG and sustainability measures applied by 3i to each investment portfolio company, benchmarked against industry standards for the relevant sector. Reporting against these standards and the development of specific action plans is an integral part of 3i's semi-annual investment portfolio company review process.

3i's Internal Auditors provide an independent assessment of the completeness and accuracy of the investment portfolio company review reports as part of their work on 3i's investment business units.

Approach to fraud risk

The assessment of fraud risk forms part of the assurance planning presented to the Audit and Compliance Committee. Internal Audit, for example, undertakes a detailed fraud risk assessment and carries out a cyclical programme of anti-fraud assurance work, the results of which are reported to the Audit and Compliance Committee.

3i investment executives are required to report any significant fraud incidents occurring at the investment portfolio company level. This includes details of the root cause and remedial actions. This reporting enables both the Group Risk and Audit and Compliance Committees to assess any potential reputational risks to 3i and possible reporting or notification requirements.

Auditor independence and effectiveness

The Audit and Compliance Committee assesses the independence and effectiveness of both the External and Internal Auditors at least annually and in accordance with the relevant professional standards and FRC Guidance. In addition, the Committee Chairman meets regularly with the external audit team and Head of Internal Audit. Internal Audit also reports against a small number of agreed key performance indicators and is subject to an external quality assessment at least every five years.

Assurance resourcing

There are a number of different categories of assurance activities. The Audit and Compliance Committee's involvement in the review of assurance budgets and resourcing is based on the profile, risk and nature of those activities. The overall objective is to ensure that resourcing is adequate to meet assurance needs of the Board in a way which is operationally efficient and reflects any relevant external developments.

The audit scoping and fees for the External auditor is reviewed and approved in detail by the Audit and Compliance Committee on an annual basis. The Committee also reviews any fees paid for non-audit services and fees paid by 3i's investment portfolio companies, as part of its assessment of the External auditor's objectivity and independence.

Resourcing for Internal Audit, including any co-sourcing needs, is reviewed annually and confirmed on a regular basis directly with the Head of Internal Audit, to ensure that this is sufficient to support the requirements of the agreed assurance plan. The Head of Internal Audit is responsible for the associated budgeting and management of costs.

There are a range of "2nd line" functions and roles which are also an important source of assurance. These include, for example, Group Compliance, the Chief Information Security Officer, and Health and Safety officer. Assurance work may also be requisitioned from external providers in specialist areas, such as the measurement of greenhouse gas emissions, or in the form of expert advice on specific matters. The review of resourcing for these areas forms an integral part of the Group's budgeting process and is the responsibility of the relevant Executive Committee member. The Group's operating costs budget is subject to Board approval.

Further information

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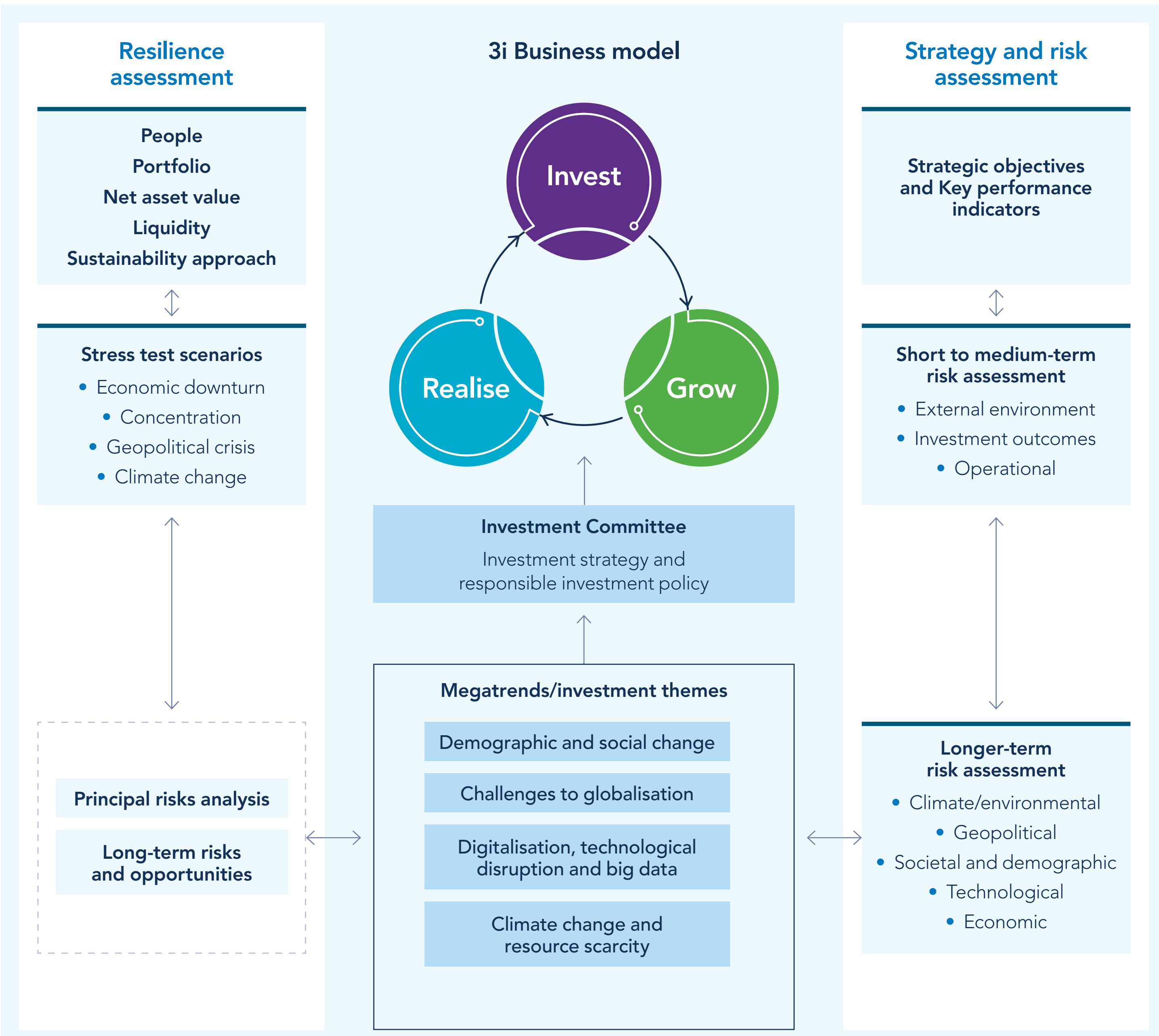
Resilience statement

Our resilience is dependent on the success of our investment strategy, careful management of our balance sheet and costs, and the ability to attract and retain a capable and diverse team. This is underpinned by a strong institutional culture and values, robust corporate governance, and effective risk and operational management.

The success of our investment strategy, in particular, requires a long-term, responsible and risk-based approach to building a resilient portfolio with strong growth potential, and maintaining and developing the expertise, relationships and institutional culture to support this. This foundation supports 3i's ability to generate attractive returns through sustainable growth.

Our resilience assessment draws upon a number of interdependent components, illustrated below. Further information can be found in the sections on the Group's business strategy (pages 12-17) and Approach to risk management and Sustainability (pages 50-74).



Audit, risk and control continued
Resilience statement continued

Short-term resilience

In assessing our short-term resilience, we undertake regular portfolio monitoring, including six-monthly strategic portfolio company reviews and monthly trading updates for each portfolio company. These reviews highlight and appraise sources of risk at a portfolio company level and feed into the quarterly valuation process. Regular portfolio updates are provided to the Board and Audit and Compliance Committee.

We also carry out regular assessments of the Group's operational resilience, including key people risks, IT systems and security infrastructure, and critical third-party suppliers.

Active management of liquidity underpins our short-term resilience, which is supported by the ready availability of short-term funding and a conservative balance sheet policy that ensures a low level of structural gearing at the holding company level. This short-term resilience was demonstrated throughout the Covid-19 pandemic, with 3i continuing to invest in new acquisitions and buy-and-build opportunities.

The identification of material uncertainties, that could cast significant doubt over the ability of the Group to continue as a going concern, forms the basis of the Directors' Going concern statement below.

Going concern statement

Going concern is assessed for a period of at least 12 months from the date that the Annual report and accounts is approved. The Directors are required to evaluate that the Group has adequate resources to continue in operational existence for at least the next 12 months. The Directors have made an assessment of going concern, taking into account both the Group's current performance and outlook using the information available up to the date of issue of these financial statements.

In carrying out their assessment on going concern and short-term resilience, the Directors considered a wide range of information, including:

- details of the Group's business and operating models and strategy;
- details of the approach to managing risk;
- a summary of the financial position considering performance;
- the risk appetite profile; and
- the ongoing impact on the Group of the Covid-19 pandemic and ongoing geopolitical uncertainties.

The Group monitors its funding position and its liquidity risk throughout the year to ensure it has access to sufficient funds to meet forecast cash requirements.

At 31 March 2022, the Group remained well funded with liquidity of £729 million (31 March 2021: £725 million). Liquidity comprised cash and deposits of £229 million (31 March 2021: £225 million) and undrawn RCF of £500 million (31 March 2021: £500 million). During the year the Group successfully extended its RCF by one year to March 2027 and this continues to have no financial covenants. To preserve liquidity, the Group monitors liquidity regularly, ensuring it is adequate and sufficient and is underpinned by its monitoring of investments, realisations, operating expenses and receipt of portfolio cash income.

Liquidity is also central to the Group's dividend policy to maintain or grow the dividend year-on-year. This policy is subject to maintaining a conservative balance sheet approach and is therefore informed by the outlook for investment and realisation levels. Allowing the Group to exercise discretion over the level of dividends paid ensures that the Directors can recommend a sustainable dividend which takes into account the need to maintain liquidity for new investment and operating expenses.

The Directors have acknowledged their responsibilities in relation to the financial statements for the year to 31 March 2022. After making the assessment on going concern and short-term resilience, the Directors considered it appropriate to prepare the financial statements of the Company and the Group on a going concern basis. The Group has sufficient financial resources and liquidity and is well positioned to manage business risks in the current economic environment and can continue operations for a period of at least 12 months from the date of this report. The Directors have concluded that there are no material uncertainties that could cast significant doubt over the short-term resilience of the Group or its ability to continue as a going concern over the duration of that period. The Directors have also considered key dependencies set out within the Risk Management section, including investment and operational requirements.

Medium-term resilience

The assessment of medium-term resilience, which includes the modelling of stress tests and reverse stress tests, considers the viability and performance of the Group in the event of specific stressed scenarios which are assumed to occur over a five-year horizon in line with the Group's strategic planning process.

The stress testing focuses upon the principal risks, but also considers those new and emerging risks which are considered to be of sufficient importance to require active monitoring by the Group Risk Committee ("GRC"); these include, for example, concentration risk in the portfolio, and the impact of climate change. The medium-term resilience of the Group is examined through analysing the impact of these scenarios on key metrics such as net asset value and liquidity.

In each stress test scenario, the Group remains viable. The medium-term resilience of 3i is further supported by the availability of controllable management actions that can mitigate the impact of certain stress events. These actions include, for example, the flexing of investment and dividend levels for liquidity purposes.

Viability statement

The stress testing as detailed above forms the basis of the Viability statement. 3i conducts its strategic planning over a five-year period; the Viability statement is based on the first three years, which reflects the nature of the Group's business and its risk appetite to invest in Private Equity and Infrastructure investments for a period of four to five years and, therefore, provides more certainty over the forecasting assumptions used. The Directors assess 3i's viability and medium-term resilience over a three-year period from the date that the Annual report and accounts is approved. 3i's strategic plan and associated principal risks, as set out on pages 67 to 71, are the foundation of the Directors' assessment.

The assessment is overseen by the Group Finance Director and is subject to challenge by the GRC, review by the Audit and Compliance Committee and approval by the Board.

The Group's strategic plan projects the performance, net asset value and liquidity of 3i over a five-year period and is presented at the Directors' annual strategy meeting in December and updated throughout the year as appropriate. At the strategy meeting, the Directors consider the strategy and opportunities for, and threats to, each business line and the Group as a whole. The outcome of those discussions is included in the next iteration of the strategic plan which is then used to support the assessment of viability and medium-term resilience. The current iteration of the strategic plan reflects the effect of the Covid-19 pandemic and other recent economic developments.

The Group's viability testing considers multiple severe, yet plausible, individual and combined stress scenarios. These scenarios include a range of estimated impacts, primarily based on providing additional support to portfolio companies as a result of the downturn and delaying the Group's ability to realise and make new investments. A key judgement applied is the extent of a continued Covid-19 related impact on trading activity and restrictions alongside the likely recovery profile of portfolio companies. The scenarios tested are as follows:

- Widespread economic turmoil – considers a disrupted recovery in the wake of Covid-19 in which persistent inflation and supply chain disruption leads into a recession with a significant impact on valuations and realisations;
- Concentration risk – considers a material event in a single large asset in the investment portfolio;
- Combined scenario with a widespread economic turmoil and concentration risk – considers both scenarios occurring at the same time;
- Geopolitical consequences of Russia's invasion of Ukraine – considers the impact of sanctions, higher energy and commodity prices;
- Loss of key personnel – considers the impact of the loss of key personnel;
- Impact of a significant event – considers the impact of certain portfolio companies not being able to withstand the impact of the event, leading to a permanent loss in value following operational underperformance, covenant breaches, fraud, or a cyber security breach or other ESG issues; and
- Climate change – considers the impact of climate change on 3i's portfolio, driven by changes in consumer behaviour, regulations, and other physical and business risks.

The assessment projects the amount of capital the Group needs in the business to cover its risks, including financial and operational risks, under such stress scenarios. The results of each of the stress test scenarios indicate that the Group is able to meet its obligations as they fall due for the viability period over three years from the date of approval of these financial statements by, in certain cases, making use of controllable management actions. In all these scenarios the Directors expect the Group to be able to recover without a permanent long-term impact on its solvency or capital requirements. Mitigating actions within management control include reduced new investment levels and drawing on the existing RCF. The analysis shows that, while there may be a significant impact on the Group's reported performance in the short term under a number of these scenarios, the resilience and quality of the balance sheet is such that solvency is maintained, and the business remains viable.

As part of the assessment of viability and medium-term resilience, the Group also undertakes reverse stress tests to identify the circumstances under which the Group's business model would no longer remain viable. These circumstances include a prolonged delay in the projected realisation date of investments, at the same time as continued investment by the Group at a level not supported by the liquidity forecast. In the absence of any mitigating management actions, these reverse stress tests determine the point at which the Group would lack the liquidity to remain viable. Overall, the reverse stress tests are sufficiently improbable as to provide a low likely risk of impact to the Group's viability and medium-term resilience. In practice, in the event of a market downturn and a significant delay in realisations, mitigating actions within management control would be exercised to provide sufficient liquidity.

Taking the inputs from the strategic planning process and its stress scenarios, the Directors reviewed an assessment of the potential effects of 3i's principal risks on its current portfolio and forecast investment and realisation activity, and the consequent impact on 3i's capital and liquidity.

Based on this assessment, the Directors have a reasonable expectation that the Company and the Group will be able to continue in operation and meet all their liabilities as they fall due up to at least the end of the three-year period of the assessment.

Long-term resilience

The long-term resilience of our business is underpinned by our capabilities as a leading investor in the Private Equity and Infrastructure sectors and our effective risk management of the core elements of our business model (pages 12 to 13). This includes our long-term responsible approach to investment, conservative balance sheet strategy and an effective team built on a consistent set of shared values.

Fundamental to our long-term resilience is our investment strategy. We invest capital in businesses to deliver capital returns and portfolio and fund management cash income to cover our costs, and increase returns to our investors. Our long-term investment horizon is possible because we have a permanent capital base and are not driven by fundraising cycles. We adopt a thematic approach to origination and portfolio construction which in turn supports long-term sustainable growth in the portfolio.

Crucially, this investment approach can be adapted in response to new and emerging risks and challenges including climate change, societal and demographic trends and technological changes. It also informs decision taking on portfolio realisations enabling the composition of the investment portfolio to evolve over time.

The analysis and management of our principal risks is focused on the short to medium term, and used as a basis to develop a range of stress test scenarios. Although these are modelled over a five-year horizon, the resilience shown by the Group, and its ability to recover from these stressed situations, supports the assessment of our resilience over a longer term. The availability and effectiveness of management actions employed in the stress testing demonstrates the flexibility with which we can respond to new and emerging risks.

Audit, risk and control continued

Valuations Committee report

Peter McKellar
Committee Chairman

Dear Shareholder

I am pleased to present my first Valuations Committee report for the year ended 31 March 2022. I would like to thank the previous Committee Chairman, David Hutchison, for his stewardship of this role over the last eight years and look forward to his continued valuable contribution to this Committee. My report explains the role of the Committee, as well as the work we reviewed this year.

The Valuations Committee plays a key role in providing the Board with assurance that the valuation methodology and process are robust and independently challenged. During the year, we met four times as part of the Group's external reporting timetable. We reviewed and challenged the assumptions behind management's proposed asset valuations and reported to the Audit and Compliance Committee and the Board.

Our principal focus was the Group's unquoted investments in Private Equity and Infrastructure, as well as in Scandlines, as a high level of judgement is required to value this portfolio of assets. This portfolio accounts for 93% of 3i's proprietary capital invested. The valuation of the Group's principal Infrastructure investment, namely the quoted holding in 3iN, represents 7% of 3i's proprietary capital, and the valuation is based on the share price of the listed company at the relevant balance sheet date.

At each meeting we received a detailed report from the Group Finance Director recommending the proposed valuation of the Group's investment portfolio. This report highlights the main drivers of value movement, analysed between performance (movement in earnings and net debt), multiple movements and other factors. At each meeting, we also reviewed selected assets for detailed discussion; examples of such assets covered during the year included Action, Audley Travel, BoConcept, Evernex, Cirtec, Formel D, Luqom, SaniSure and WP.

Membership during the year

Name	Membership status	Meetings
David Hutchison	Member since December 2013. Chairman until November 2021 and Member thereafter	4(4)
Simon Borrows	Member since May 2012	4(4)
Stephen Daintith	Member since October 2016	4(4)
Lesley Knox	Member since October 2021	2(2)
Peter McKellar	Member since June 2021. Chairman since November 2021	3(3)
Alexandra Schaapveld	Member since January 2022	4(4)
Simon Thompson	Member since June 2015. (Retired from Board November 2021)	3(3)
Julia Wilson	Member since December 2008	4(4)

The column above headed "Meetings" shows the number of meetings of the Committee attended by each member during the year, together with, in parentheses, the number of meetings they were entitled to attend. Other regular attendees at the Committee meetings include the following: Audit and Compliance Committee Chairman; Group Financial Controller; Group General Counsel; Managing Partners of Private Equity; and the External auditor, KPMG.

FOR MORE INFORMATION
Valuations Committee's terms of reference
www.3i.com/investor-relations/governance/principal-board-committees

I met the Group Financial Controller in advance of each meeting to discuss the key valuation assumptions and to review management's paper before circulation. I also met the External auditor, KPMG, privately to discuss the results of its quarterly reviews. These reviews challenged management's approach to valuations, the selection of comparable companies and the relevance of earnings adjustments. Additionally, KPMG selected a sample of 11 assets across the half-year and full-year end for an in-depth review by its specialist valuations team to help to derive an independent valuation range. In January 2022, KPMG and I discussed their approach to the year-end audit.

In advance of the full-year and half-year reporting, management hold individual portfolio company reviews with the respective investment teams. Non-executive Directors, including members of the Committee, attended a significant proportion of the meetings held in September 2021 and March 2022 and were represented at the reviews of the five largest Private Equity portfolio company investments, as well as Scandlines.

In the 12 months to 31 March 2022, the Valuation Committee has remained focused, in particular, on the varying degrees of Covid-19 restrictions across the geographies in which our portfolio companies operate and its aftermath, including disruption to global supply chains and inflationary and labour market pressures. Since the start of the pandemic our portfolio has demonstrated resilience and an ability to adapt quickly and respond effectively to the various changes in Covid-19 restrictions and the emerging macro-economic challenges. More recently, the Committee has focused on the portfolio exposure to the economic effects of Russia's invasion of Ukraine. From our rigorous portfolio monitoring we have established that our direct exposure, via portfolio company operations and markets, is limited for this geographical region, whilst we continue to monitor closely the indirect exposure to, and impact on, global supply chains, energy and commodity pricing, and potential exit and refinancing events.

For all of the aforementioned challenges, our valuation approach remains consistent. The valuation inputs for the Group's portfolio companies are reviewed on a case-by-case basis and considered against business plans, shorter and longer-term views on trading and sector performance, and for those assets particularly challenged by the impact of Covid-19 induced restrictions, and consequent supply chain and inflationary pressures, management reviewed a wider range of inputs to support the fair value of investments, including estimates of run-rate, forecast earnings and the maintainability of these, in addition to historic earnings. Earnings directly attributable to Russia were valued at nil. The judgements applied and resulting valuations were discussed with the Committee and the External auditor throughout the year.

ESG, has been an important aspect of the Group's investment strategy for well over a decade. The assessment of climate change in our portfolio is viewed through both a risk management and value accretive lens, whereby, those portfolio companies who are operating sustainably or generating sustainable solutions may generate enhanced value against their peers. Our work on capturing systematic data, for example to quantify carbon emissions in the portfolio, is at a relatively early stage. As part of our case-by-case review of our portfolio companies the risks and opportunities from climate change are an important consideration in the overall discussion on fair value.

The rest of this report sets out in more detail what the Committee did in the year.

Peter McKellar
Chairman, Valuations Committee
11 May 2022

Audit, risk and control continued
Valuations Committee report continued

The Committee focused on the following significant issues in FY2022:

Earnings and multiple assumptions

Area of significant attention

Of the total portfolio by value 31% (excluding Action) was valued using a multiple of earnings at 31 March 2022. This requires judgement as the earnings of the portfolio company may be adjusted so that they are considered "maintainable". We also apply a liquidity discount to the enterprise value determined according to factors such as our alignment with management and other shareholders and our investment rights in the company. The liquidity discounts vary between 5%-15% of the enterprise value of each portfolio company.

There is also a significant degree of judgement in selecting the set of comparable quoted companies and transactions which are used as a key data point in determining the appropriate multiple to generate an enterprise value. Multiples are selected by reference to the market valuation of quoted comparable companies, M&A transactions and input in certain cases from corporate finance advisers. We also take into account growth profile, geographic location, business mix, degree of diversification, and leverage/refinancing risk. The multiple implied by the quoted comparables may be adjusted if, in certain cases, the longer-term view (cycle or exit plan) supports the use of a different multiple. This continues to be an important exercise given the market volatility we have seen as a result of the Covid-19 pandemic, subsequent macro-economic pressures and more recent geopolitical events. We continue to consider the impact of IFRS 16 and ASC 842 on the quoted comparable companies and the portfolio.

Private Equity assets are typically valued using a multiple of earnings. However, alternative valuation methodologies, such as Discounted Cash Flow ("DCF") valuations, may be considered as an alternative benchmark for potential values or as a cross check relative to the earnings-based value.

In the year, the Committee placed a key focus on:

- the revised projections for the portfolio company versus performance;
- impact on projections of frequent changes in Covid-19 regional restrictions and lockdowns, supply chain disruptions, inflationary pressures and sanctions imposed on operations in Russia and the ability of the business to navigate them;
- the maintainability of earnings and the impact of one-off related normalisation adjustments; and
- our long-term, through the cycle view on multiples against the distortion of capital markets and the average of the quoted comparable peer sets.

What the Committee reviewed and concluded

Earnings data is received monthly from Private Equity portfolio companies and monitored closely by management. Actual earnings may then be adjusted in management's proposed valuations, for example, to reflect a full year's trading of an acquired business, removing profit from discontinued activities, any forecast uncertainty or to exclude exceptional transaction costs. Material adjustments are highlighted to the Committee in the quarterly report for review and approval.

All multiples used by management have been adjusted where the longer-term view of the exit or multiple supports the use of a different multiple. Notable changes in multiples commonly result from significant bolt-on acquisitions, enhanced portfolio value or market sentiment in that sector, are presented to the Committee quarterly and adjustments are reviewed by the Committee at each meeting.

The Committee continued to consider the impact of IFRS 16 and ASC 842 on the quoted comparable companies and the portfolio. Importantly, this has no impact on fundamental valuations since the substance of the lease does not change the economics and cash flow generating capacity of the businesses.

The Committee focused on the following significant issues in FY2022:

Action

Area of significant attention

Action forms 50% of the total portfolio by value. Valued on a multiple of earnings basis, Action is the largest investment for the Group and, therefore, it is a key area of focus.

Action's run-rate earnings grew significantly in the 12 months to the end of Action's P3 2022 (which ended on 3 April 2022), despite periods of Covid-19 restrictions and some store closures, supply chain challenges and price inflation. The business has continued to be highly cash generative and Action paid total dividends of €669 million to all shareholders in the year.

Action was valued using its 12 month run-rate earnings to P3 2022 of €1,012 million and, post a liquidity discount of 5%, a run-rate multiple of 18.5x (31 March 2021: 18.5x).

When considering the multiple for Action we have paid particular attention to the following areas:

- the appropriateness of the comparable peers from both a forward and backward looking view; and
- market performance of peers compared to that of Action.

Management also cross checked the earnings based valuation against a DCF model.

What the Committee reviewed and concluded

The Committee considered the strength of Action's performance in the year and the various mitigations it undertook to navigate the various Covid-19 and macro-economic challenges.

The Committee reviewed the work done by management on the comparable peer set and Action's relative performance, as well as the potential use of the DCF model. The Committee agreed with management's approach of valuing Action on the basis of a multiple of earnings, but noted that the DCF model provides a useful reference point.

The Committee reviewed the run-rate adjustment and earnings normalisations to ensure a consistent valuation methodology was applied.

Assets valued using a DCF basis

Area of significant attention

For assets valued using a DCF basis, which represent 7% of the portfolio, the key valuation judgements relate to longer-term assumptions that drive the underlying business plan and cash flows and decisions on the appropriate discount rates.

Scandlines, Smarte Carte, Regional Rail, Audley Travel and our new investment in EC Waste are the significant investments valued using a DCF valuation.

What the Committee reviewed and concluded

Material assumptions in the DCF valuations and any changes to these assumptions are reviewed by the Committee. Sensitivity to assumptions is also noted. Any material changes are reviewed by the Committee and external advice is sought from time to time.

The Committee reviewed and challenged the cash flow projections, terminal values and discount rates selected by management with reference to market transactions, weighted average cost of capital calculations and other public data. Any material changes are reviewed by the Committee.

Audit, risk and control continued
Valuations Committee report continued

The Committee focused on the following significant issues in FY2022:

	Area of significant attention	What the Committee reviewed and concluded
Imminent sale assets	At any point in time it is likely that a number of potential exit processes from the portfolio are underway. Judgement is applied by management as to the likely eventual exit proceeds and certainty of completion. This means that in some cases an asset may not be moved to an imminent sales basis until very shortly before completion; in other cases, the move may occur on signing, even if the time to completion is a period of some months. However, as a general rule an asset moves to an imminent sale basis only when a process is materially complete and the remaining risks are estimated to be small, given the completion risk around unquoted equity transactions.	Active sales processes are reviewed by the Committee, including details such as the timeline to potential completion, the number and make-up of bidders for investments, execution and due diligence risks, and regulatory or competition clearance issues. Management propose a treatment for each asset in a sales process, which the Committee reviews at each meeting. The Committee discussed the disposal of Magnitude Software. The asset was acquired in 2019 and achieved over a 100% uplift on exit relative to the opening value. There were no other material realisations in the year. Although not an area of valuation judgement, the Committee reviews the results of the back-testing that management prepares on all assets disposed of to reconcile the price achieved with the carrying value at the last quarterly valuation. In the case of Magnitude Software, its strategic importance to the buyer and an earlier than expected exit, led to the significant value uplift on opening value.

Review process

As part of its challenge and review process, the Committee:

- considered the management information provided to support the Committee's review of the valuations, including management's responses to any challenges raised by the Committee members or the External auditor;
- sought assurance from the External auditor as to whether and how they had considered the appropriateness of valuations and the underlying assumptions made;
- reviewed the consistency of the views of management and the External auditor and their valuation specialists; and
- reviewed and challenged the differential between carrying values and those implied by the multiple of comparable quoted companies and transactions.

The Committee was satisfied that the application of the valuation policy and process was appropriate during the period under review, and recommended the portfolio valuation to the Audit and Compliance Committee and the Board at each quarter end for approval by the Board.

In addition, the Committee is responsible for keeping the Group's valuation policy under review and recommending any changes to the policy to the Audit and Compliance Committee and the Board. The policy is reviewed at least annually, with the last update in April 2022. Ahead of IPEV's expected publication of revised valuation guidelines in 2022, management participated in the consultation process and on publication of these revised IPEV valuation guidelines, we will update our 3i valuation policy accordingly.

More information on our valuation methodology, including definitions and rationale, is included in the Portfolio valuation – an explanation section on pages 212 and 213.

External audit

As part of its external audit, KPMG reviews the proposed investment portfolio valuation to determine that the valuation policy is being complied with and that there is consistent application and support for the underlying assumptions. As part of its year-end audit, and to support its opinion on the Financial statements as a whole, KPMG's specialist valuations team reviews a selection of investments to provide assurance on its overall audit conclusion on the appropriateness of 3i's portfolio valuation as a separate report to the Valuations Committee.

Remuneration

Directors' remuneration report

Coline McConville
Committee Chair

FOR MORE INFORMATION
Remuneration Committee's terms of reference
www.3i.com/investor-relations/governance/principal-board-committees

Dear Shareholder

I am pleased to present the Directors' Remuneration report for 3i for the financial year 1 April 2021 to 31 March 2022. The Directors' remuneration policy which was approved at the 2020 AGM can be found on our website www.3i.com.

This letter summarises the key Executive Director remuneration issues considered by the Committee in the year and decisions we arrived at. The Group's clear and consistent strategy continues to be well executed. Our diversified portfolio has demonstrated resilience and an ability to generate sustained growth and returns for shareholders despite a range of macro-economic headwinds, including supply chain and inflationary pressures, the impact of Covid-19 restrictions and, more recently, the conflict in Ukraine.

The FY2022 scorecard shows not only very strong performance against the financial metrics, but also very good performance against the qualitative measures set for the year including good progress in developing the Group's ESG strategy and in preparing to report against the TCFD framework by the 2024 deadline set by the FCA for asset managers. An ESG Committee has been established by management, which is working with EY's sustainability practice on a roadmap to achieve TCFD alignment, improve our procedures for ESG data collection and assurance and facilitate climate scenario analysis to advance the Group's understanding of climate-related risk and opportunities in our investment portfolio.

This year's excellent results are reflected in the outcomes against the FY2022 scorecard, and the Committee determined that the FY2022 bonus awards be set at 98% of maximum (FY2021: 92% of maximum). In this very strong year the Group's return on equity was 44%, and Executive Director bonuses increased by 9%.

As announced during the year, Julia Wilson, Group Finance Director, will be retiring after the AGM in June 2022 and will be succeeded by James Hatchley. As a good leaver, Julia's share awards will be treated in line with the Policy with no discretion under the Remuneration Policy applied. We have also promoted Jasi Halai, currently Group Financial Controller and Operating Officer to the Board as Chief Operating Officer. The FY2023 remuneration arrangements for James and Jasi are set out in the FY2023 Implementation Report starting on page 131.

Our Remuneration Policy is due to be reviewed during the year and presented to shareholders for approval at the 2023 AGM. As part of the Policy review in FY2023, the salary levels and incentive opportunities for the new Group Finance Director and Chief Operating Officer will be reviewed, taking into account the talent market in our sector and their performance and development into their roles. The Committee will consult with shareholders on any significant changes during FY2023.

We review compensation across the 3i business to ensure it remains appropriate for the talented individuals we have working in the Group. We have seen a marked increase in hiring approaches from competing investment firms, particularly those seeking to rapidly build their capacity with a view to becoming listed. The Committee will continue to ensure our remuneration framework rewards meet the Group's strategic objectives while also endeavouring to attract and retain key talent.

I hope that you will find this report a clear account of the way in which the Committee has implemented the Remuneration Policy during the year and I look forward to your support for our Annual Report on remuneration at the upcoming AGM.

Membership during the year

Name	Membership status	Meetings
Coline McConville	Chair since June 2020 and Member since December 2018	5(5)
Caroline Banszky	Member since November 2015	5(5)
David Hutchison	Member since December 2013	5(5)
Lesley Knox	Member since November 2021	2(2)
Peter McKellar	Member since June 2021	3(3)
Simon Thompson	Member until November 2021	3(3)

The column above headed "Meetings" shows the number of meetings of the Committee attended by each member during the year, together with, in parentheses, the number of meetings they were entitled to attend. The Chief Executive, the Remuneration Director and the General Counsel, Company Secretary and Head of Human Resources attend Committee meetings by invitation, other than when their personal remuneration is being discussed.

Remuneration continued
Directors' remuneration report continued

FY2022 Annual bonus

Quantitative measures (70% weighting)

Portfolio returns (excl Action):	Portfolio returns (Action):	Portfolio returns (3iN):	Portfolio returns (Scandlines):	Operating cash Profit:
28.3%	63.3%	17.0%	26.0%	£340m

Qualitative measures (30% weighting)

- 93% of our portfolio by value grew adjusted earnings to the end of 2021, with particularly strong performance from our assets operating in the consumer and healthcare sectors;
- significant, high-quality investment activity with €625m of new capital invested in six new portfolio companies in Private Equity and £1,129m of new 3iN capital committed in Core/PPP, whilst remaining disciplined on price in these highly competitive asset classes;
- effective portfolio management by delivering organic growth; supporting portfolio companies in managing supply chain disruption and pricing pressures; generating value accretion through our portfolio company acquisitions, completing 15 bolt-on acquisitions, including two transformational acquisitions; effective management of the transition of Chief Executive at Action;
- management of internal promotions and changes at Executive Committee and Board level, including James Hatchley replacing Julia Wilson as Finance Director, Jasi Halai appointed as Chief Operating Officer and Scott Moseley and Bernardo Sottomayer succeeding Phil White as Co-Heads of the European Infrastructure business;
- securing the next generation of Private Equity leaders through the promotion of six investors to Partner this year; and
- good progress in developing the Group's ESG strategy highlighted at the start of my letter.

The Committee considered performance in the round, taking into account both quantitative and qualitative performance criteria set out above, and determined that the pay-out of 98% of maximum bonus was fair and justified.

2019 Long-term incentive award vesting in FY2022

Our Long-term incentive plan is designed to align our Executive Directors with our primary target of growing shareholder returns. Given the importance of long-term shareholder returns, our LTIP awards contain both a relative and absolute total shareholder return target measured over three years (relative TSR being measured against the FTSE 350). The plan awards a fixed number of shares at the beginning of the three-year performance period, which are released to the Executive Directors based upon shareholder return performance.

Relative shareholder returns over the last three years were in the upper quartile against the FTSE 350, and accordingly this portion (50%) of the 2019 LTIP vested in full. Absolute shareholder returns over the last three years were 18.2% per annum as compared to the maximum threshold of 18% per annum. Therefore, this portion (50%) of the LTIP vested in full. In aggregate, the LTIP therefore vested in full.

The Committee considered performance in the round when assessing the LTIP vesting and determined that the pay-out is a fair reflection of overall performance, the shareholder experience, the employee experience, and the wider stakeholder experience over the three-year performance period, and therefore no discretion has been applied.

Alignment through significant personal shareholdings of the executives

The Executive Directors are also aligned with shareholders through their material shareholdings (Mr Borrows 35,708% of base salary; Mrs Wilson 5,233% of base salary), which are significantly above the shareholding requirements set for them. Further, Executive Directors are expected to maintain a shareholding in the Company for two years post-employment.

Looking forward

A Group-wide 4% increase to salaries will take place in FY2023 which will also be applied to Executive Director salaries. The Committee and the Board, respectively, reviewed the Chairman and the non-Executive Director fees, which have remained unchanged since 2018 and have agreed to increase the base fee by 5%. These fees will continue to be reviewed annually.

The Committee continues to be of the view that the current remuneration framework remains fit-for-purpose, rewards progress in meeting the Group's strategic objectives and ensures alignment with shareholders while reflecting the risk profile of the firm. Therefore, there are no proposed changes to the annual bonus and LTIP schemes for FY2023. Further details on how the remuneration policy will be implemented in respect of FY2023 are set out on page 137.

Coline McConville
Chair, Remuneration Committee
11 May 2022

The Annual report of remuneration (Implementation report)

During FY2022, we operated under the remuneration policy approved at the 2020 AGM, which can be found on our website at **www.3i.com**.

Director remuneration for the year (audited)

Single total figure of remuneration for each Director

	FY2022								FY2021							
£'000	Salary/ fees	Benefits	Pension	Total Fixed Pay	Annual bonus	LTIP	Total Variable Pay	Total	Salary/ fees	Benefits	Pension	Total Fixed Pay	Annual bonus	LTIP	Total Variable Pay	Total
S A Borrows	661	16	18	695	2,613	3,426	6,038	6,733	647	16	18	681	2,382	2,247	4,629	5,310
J S Wilson	481	18	51	550	1,188	1,355	2,543	3,093	471	18	49	538	1,083	1,021	2,104	2,642
D A M Hutchison	187	–	–	187	–	–	–	187	101	–	–	101	–	–	–	101
S R Thompson	191	–	–	191	–	–	–	191	310	–	–	310	–	–	–	310
J P Asquith	–	–	–	–	–	–	–	–	87	–	–	87	–	–	–	87
C J Banszky	93	–	–	93	–	–	–	93	93	–	–	93	–	–	–	93
S W Daintith	81	–	–	81	–	–	–	81	81	–	–	81	–	–	–	81
P Grosch	–	–	–	–	–	–	–	–	164	–	–	164	–	–	–	164
L M S Knox	44	–	–	44	–	–	–	44	–	–	–	–	–	–	–	–
P A McKellar	72	–	–	72	–	–	–	72	–	–	–	–	–	–	–	–
C McConville	93	–	–	93	–	–	–	93	90	–	–	90	–	–	–	90
A Schaapveld	81	–	–	81	–	–	–	81	85	–	–	85	–	–	–	85

- Benefits for Executive Directors include a car allowance, provision of health insurance and, for Mrs Wilson, the value of the Share Incentive Plan matching share awards.
- Mr Borrows and Mrs Wilson received salary supplements in lieu of pension contributions of £18k and £51k respectively. These supplements were in line with pension contributions for the Group's employees generally.
- Annual bonus awards made in respect of the year are delivered as 60% 3i Group plc shares deferred over four years, and the remaining 40% as a cash payment in May 2022. All annual bonus awards are subject to the malus/clawback policy. Those shares deferred over four years are released in four equal annual instalments commencing June 2023 and all share awards carry the right to receive dividends and other distributions.
- In addition to the table above, dividends or dividend equivalents on unvested deferred share awards were paid during the year (Mr Borrows: £125k, Mrs Wilson: £57k).
- The values shown in the LTIP column represent the performance shares vesting from the 2019 LTIP, together with the value of accrued dividends on those shares. The shares have been valued using the three month average closing share price to 31 March 2022 (1,341.92 pence). The 2019 LTIP value attributable to share price growth since the awards were granted is £634k and £288k for Mr Borrows and Mrs Wilson respectively. Further detail is provided on page 133.
- The fees shown for the non-executive Directors include fees used to purchase shares in the Company.
- Non-executive Directors receive reimbursement for their reasonable expenses for attending Board meetings. The Group meets the associated tax cost.
- Mrs Wilson retained Directors' fees of £90k from Barclays plc.

FY2022 performance

Formulaic performance measures (70% of total. FY2022 payout 70%)[1]

Area of strategic focus	Weighting	Metric	Threshold	Maximum	Performance	Pay-out
Portfolio returns (excl. Action)	30%	Private Equity Gross investment return (% of opening portfolio value)	10%	16%	28.3%	100%
Portfolio returns (Action)	27.5%	Gross investment return (% of opening portfolio value)	15%	25%	63.3%	100%
Portfolio returns	7.5%	3iN total return	8%[2]	10%[2]	17.0%	100%
Portfolio returns	2.5%	Scandlines return	8%	10%	26.0%	100%
Operating performance	2.5%	Operating Cash Profit	£0m	>£0m	£340m[3]	100%

1 In the Remuneration report last year, it was stated that 67.5% would be based on quantitative measures. This was updated to a 70%/30% split shortly following publication of the Annual Report to increase slightly the focus on portfolio returns.
2 The threshold and maximum return targets are set in line with 3iN's public return objectives.
3 Excluding the dividend received from Action (£284million) the operating cash profit was £56million.

The Annual report of remuneration continued

Qualitative performance measures (30% of total. FY2022 payout 28%)

Area of strategic focus	Weighting	Metric	Expectation	Performance	Comments
Investment management and operations	7.5%	Private Equity portfolio earnings growth	>12%	24%	93% of our portfolio by value grew earnings to the end of 2021, with particularly strong performance from our assets operating in the consumer and healthcare sectors.
		New capital invested in Private Equity	Up to €700m	€625m	We invested in six new portfolio companies, Mepal, Dutch Bakery, Yanga, MAIT, insightsoftware and ten23 health. In the year, we completed several self-funded bolt-on acquisitions. This included three for MAIT and one for Dutch Bakery, each within 12 months of the completion of our original investment.
		New 3iN capital committed in Core/PPP	£500m	£1,129m	There was significant investment activity during the year, in which we remained disciplined on price in a highly competitive asset class. During the year the 3iN team completed the acquisitions of DNS:NET (€190m) and SRL Traffic Systems (£191m). The team also completed the acquisition of the remaining 50% stake in 3iN's existing portfolio company ESVAGT and agreed to acquire Global Cloud Xchange.
Development of portfolio assets		Development of assets relative to their investment plans			Effective portfolio management by supporting them in addressing supply chain disruption and price pressures as well as by delivering organic growth, generating value accretion through our portfolio company acquisitions, completing 15 bolt-on acquisitions, including two transformational acquisitions. Also, we managed effectively the transition of the Chief Executive at Action to lead it into the next phase of its growth and development. In aggregate, we generated total Private Equity proceeds of £684 million, including the sale of Magnitude Software which achieved a money multiple of 2.5x after only a two and a half year hold.
ESG	10%	Environmental, social and governance targets across the portfolio and 3i Group			We have made good progress in the year in developing the Group's ESG strategy and in preparing to report against the TCFD framework by the 2024 deadline set by the FCA for asset managers such as 3i. An ESG Committee has been established by management, which is working with EY's sustainability practice to establish a roadmap to achieve TCFD alignment, improve our procedures for ESG data collection and assurance and facilitate climate scenario analysis to advance the Group's understanding of climate-related risk and opportunities in our portfolio companies. The Board has received regular reports on progress, and this complex project is ongoing.
Strategy	5%	Development of the strategic vision of the Group and progress of corporate projects			Further progress in aligning the portfolio with long term structural growth trends and developing the potential long term hold asset strategy with a focus on the healthcare and consumer portfolio. During the year we realised £96 million of proceeds from the partial disposal of Regional Rail and an £65 million syndication of our new investment in EC Waste to two external blue-chip investors who have committed to make further investments alongside 3i in its North American Infrastructure platform. 3i has earmarked a $300 million commitment to the platform. During the Covid-19 pandemic, we have continued to work closely with our portfolio companies to ensure the safety and wellbeing of their employees and to manage the range of operational issues they have faced as a result of public health measures, as well as providing financial support where required. The £5 million Covid-19 charitable fund we set up in May 2020 to alleviate the hardships suffered by many as a result of the pandemic has now been fully deployed.
People	7.5%	Development of the quality and strength of the Group's staff			The Board reviews and approves the succession plan each year, and this year has seen a number of changes at Executive Committee and Board. James Hatchley will succeed Julia Wilson as Group Finance Director and Jasi Halai, currently Group Financial Controller, will become Chief Operating Officer. Phil White will step down as Managing Partner and Head of Infrastructure, remaining with the business on a part-time basis as Vice Chairman of Infrastructure. Scott Moseley and Bernardo Sottomayor will succeed him as Managing Partners and Co-Heads of European Infrastructure, and will join the Executive Committee. Strong progress was made on the next generation of Private Equity leaders through the promotion of six investors to Partner. During the year employees were invited to participate in a number of focus groups, facilitated by an external consultant, to share their views and suggest practical actions to improve Diversity, Equity and Inclusion at 3i. We continue to take part in various initiatives to improve DE&I internally and across the industry, including sponsorship of Level 20, offering internships as part of GAIN (Girls are Investors) and #10000BlackInterns programmes and facilitated ten 3i employees to mentor disadvantaged students through Career Ready's mentoring programme.

Consistent with previous years, the Board did not set a threshold and maximum for all metrics, and set expectations rather than targets for some. This is because the timing of investments and realisations is highly sensitive to market conditions, and a more prescriptive approach would run the risk of creating perverse incentives for executives. For example, setting a target level of realisations may result in the earlier sale of assets than would otherwise be appropriate, and setting a target level of investments may result in investing at inflated prices.

Chief Executive and Group Finance Director Annual bonus outcomes

In light of the performance detailed above, and following an assessment taking into account the shareholder, employee, and wider stakeholder experience, the Committee awarded Mr Borrows a bonus in respect of FY2022 of £2,613k (being 98% of his maximum bonus opportunity), and awarded Mrs Wilson a bonus in respect of FY2022 of £1,188k (being 98% of her maximum bonus opportunity). In each case, 40% of the award will be paid in cash immediately and 60% will be deferred into the Company's shares vesting in equal instalments over four years. Annual bonus awards are subject to the malus/clawback policy.

Share awards vesting in FY2022 subject to performance conditions

2019 Long-term incentive award (audited)

The Long-term incentive awards granted in June 2019 to Mr Borrows and Mrs Wilson were subject to performance conditions based on absolute and relative Total Shareholder Return over the three financial years to 31 March 2022. The table below shows the achievement against these conditions and the resulting proportion of the awards which will vest in June 2022.

	Weighting	Threshold		Maximum		Actual		Total
Total Shareholder Return Measure	%	Performance	% vesting	Performance	% vesting	Performance	% vesting	% vesting
Absolute Total Shareholder Return	50%	10% pa	20%	18% pa	100%	18.2%	100%	100%
Relative Total Shareholder Return (as measured against the FTSE 350 Index)	50%	Median	25%	Upper quartile	100%	Above Upper quartile	100%	

The table below shows the grants made to each Executive Director on 27 June 2019 at a share price of 1,074.9 pence and the resulting number of shares that will vest due to the achievement against the performance targets as set out above. The value of the shares vesting has been included in the single figure table using the three month average closing share price to 31 March 2022 of 1,341.92 pence.

	Basis of award at grant	Face value at grant	Number of shares awarded at 1,074.9p per share	% vesting	Number of shares vesting	Value of shares vesting at 1,341.92p per share
S A Borrows	Face value award of 4 times base salary of £638k	£2,550k	237,268	100%	237,268	£3,184k
J S Wilson	Face value award of 2.5 times base salary of £464k	£1,159k	107,849	100%	107,849	£1,447k

The proportion of the award vesting will be released 50% in June 2022, 25% in June 2023 and 25% in June 2024 together with the value of dividends that would have been received during the period from grant to the release date.

Change in the remuneration of the Directors compared to other employees

The table below shows the percentage change in remuneration paid to each Director and employees as a whole between the year to 31 March 2021 and the year to 31 March 2022. Shares are subject to the malus/clawback policy.

			FY2022			FY2021
	Salary/Fees	Benefits	Bonus	Salary/Fees	Benefits	Bonus
S A Borrows	3%	0%	9%	0%	0%	149%
J S Wilson	3%	0%	9%	0%	(5)%	149%
S R Thompson[1]	(38)%	–	–	0%	–	–
C J Banszky	0%	–	–	0%	–	–
S W Daintith	0%	–	–	0%	–	–
D A M Hutchison[1]	85%	–	–	9%	–	–
L M S Knox	–	–	–	–	–	–
P A McKellar	–	–	–	–	–	–
C McConville	3%	–	–	3%	–	–
A Schaapveld	(5)%	–	–	467%	–	–
All other employees	7%	9%	32%	2%	2%	76%

1 S Thompson stepped down from the Board in November 2021; D A M Hutchison was appointed Chairman November 2021. The change in the fees shown above is due to part year payments.

The Annual report of remuneration continued

Details of share awards granted in the year

LTIP

Performance share awards were granted to the two Executive Directors during the year as shown in the table below.

Description of award	A performance share award, which releases shares, subject to satisfying the performance conditions, on the fifth anniversary of award.
Face value	Chief Executive – 400% of salary, being 211,095 shares. Group Finance Director – 250% of salary, being 95,952 shares. The share price used to make the award was the average mid-market closing price over the five working days starting with the day of the announcement of the 2021 annual results (1,226.3p).
Performance period	1 April 2021 to 31 March 2024.
Performance targets	50% of the award is based on absolute TSR measured over the performance period, and vests: • 0% vesting below 10% pa TSR; • 20% vesting at 10% pa TSR; • straight-line vesting between 10% and 18% pa TSR; and • 100% vesting at 18% pa TSR. 50% of the award is based on relative TSR measured against the FTSE 350 Index over the performance period, and vests: • 0% vesting for below median performance against the index; • 25% vesting for median performance against the index; • 100% vesting for upper quartile performance against the index; and • straight-line vesting between median and upper quartile performance. Total shareholder returns are calculated based on the average closing share price over the first three months of the calendar year.
Remuneration Committee discretion	The Committee can reduce any award which would otherwise vest if there are unauthorised breaches of the Group's liquidity and gearing policies or where significant adjustment is required to ensure the outcome is a fair reflection of the performance of the Company and the individual.

Deferred bonuses awarded in FY2022

The two Executive Directors are considered to be Identified Staff and, for awards made during FY2022, 60% of their annual bonuses were delivered in 3i Group plc shares deferred over four years (and which vest one quarter per annum over those four years). The remaining 40% was delivered as a cash bonus in May 2021. The following awards were made on 4 June 2021 in respect of FY2020 performance:

			60% of FY2021 bonus deferred for four years
	Face value at grant	Number of shares awarded at 1,226.3p per share	Vesting
S A Borrows	£1,412k	115,174	Four equal instalments annually from 1 June 2022
J S Wilson	£650k	52,965	

These face values were reported in the FY2021 single figure of remuneration for each Director. The share price used to calculate face value was the average of the mid-market closing prices over the five working days starting with the date of the announcement of the Company's results for the year ended 31 March 2021 (13 May 2021 to 19 May 2021), which was 1,226.3 pence. These awards are not subject to further performance conditions.

Share Incentive Plan

During the year, Mrs Wilson participated in the HMRC approved Share Incentive Plan which allowed employees to invest up to £150 per month from pre-tax salary in ordinary shares ("partnership shares"). For each partnership share, the Company grants two free ordinary shares ("matching shares") which are forfeited if the participant resigns within three years of grant. Dividends are reinvested in further ordinary shares ("dividend shares").

During the year, Mrs Wilson purchased 138 partnership shares, and received 276 matching shares and 651 dividend shares at prices ranging between 1,188.67p and 1,470.17p per share, with an average price of 1,314.97p.

Hedging of share awards

As a matter of policy the Group ensures that it holds the maximum potential number of shares granted under the LTIP and Deferred Share Plan from the date of grant. Shares are purchased by the Employee Benefit Trust in the market as and when required to ensure that coverage is maintained.

Pension arrangements (audited)

Mr Borrows and Mrs Wilson receive pension benefits on the same percentage basis of their pensionable salaries as other employees of the Company. During the year, they received salary supplements in lieu of pension of £18k and £51k respectively.

Payments to past Directors (audited)

No payments to past Directors were made in the year.

Payments for loss of office (audited)

No payments to Directors for loss of office were made in the year.

Statement of Directors' shareholding and share interests (audited)

The Company's share ownership and retention policy requires Executive Directors to build up over time and thereafter maintain a shareholding in the Company's shares equivalent to at least 3.0 times gross salary in the case of the Chief Executive and 2.0 times gross salary for the Group Finance Director. In addition, shareholding targets have been introduced for other members of the Executive Committee at 1.5 times their gross salaries and for partners in the Group's businesses at 1.0 times their gross salaries. Since 2018 non-executive Directors and the Chairman are required to build up over time and thereafter maintain a shareholding in the Company's shares equivalent to at least 1 times their respective annual base fees (cash and shares).

Executive Directors are expected to maintain a shareholding in the Company for two years post employment at the lower of their shareholding at the time they leave employment and the levels set out above.

Details of Directors' interests (including interests of their connected persons) in the Company's shares as at 31 March 2022 are shown in the table below. The closing share price on 31 March 2022 was 1,388.50p.

	Owned outright[1]	Deferred shares[2]	Subject to performance	Shareholding requirement	Current shareholding (% salary)
S A Borrows[3]	15,948,486	658,823	535,325	300%	35,708
J S Wilson[3,4]	1,272,705	310,874	243,329	200%	5,233

	Shares owned outright	Shareholding requirement	Current shareholding (% base fee)
C J Banszky[3]	24,731	100%	528
S W Daintith[3]	9,977	100%	213
D A M Hutchison[3]	83,411	100%	374
C McConville[3]	7,811	100%	167
L M S Knox[3]	532	100%	11
P A McKellar[3]	100,955	100%	2,157
A Schaapveld[3]	3,229	100%	69

1 The share interests shown for Mrs Wilson include shares held in the 3i Group Share Incentive Plan. The owned outright column includes partnership and dividend shares under the SIP. The deferred shares column includes matching shares under the SIP.
2 The number of shares shown includes the 2019 Performance Share award. The performance against the performance targets results in 100% of the shares being released as described on page 133.
3 Directors are restricted from hedging their exposure to the 3i share price.
4 From 1 April 2022 to 1 May 2022, Mrs Wilson became interested in a further 11 shares overall outright (SIP Partnership Shares) and a further 22 deferred shares (SIP Matching Shares). There were no other changes to Directors' share interests in that period.

Treatment of Julia Wilson's share awards

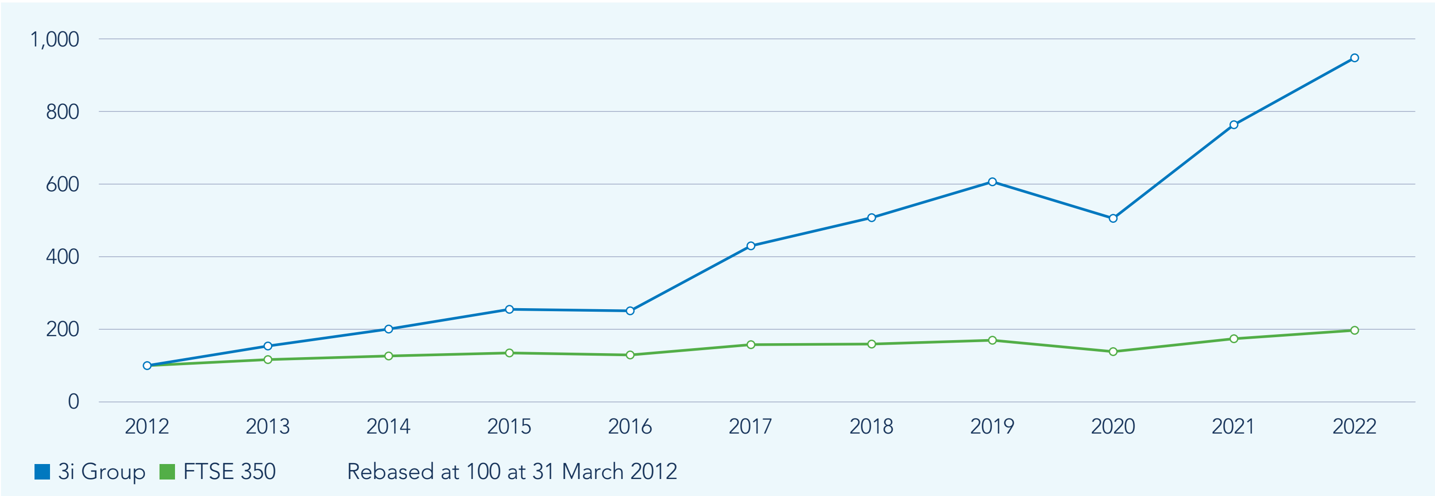
Julia Wilson is retiring in the coming year and will be treated as a good leaver for the purposes of our Remuneration Policy. Of the shares shown above, her outstanding deferred bonus awards will vest on the normal vesting dates. Outstanding LTIP awards will vest on the normal vesting dates, subject to performance, and be pro-rated for time up to her retirement date. All awards will remain subject to our malus and clawback policy.

The Annual report of remuneration continued

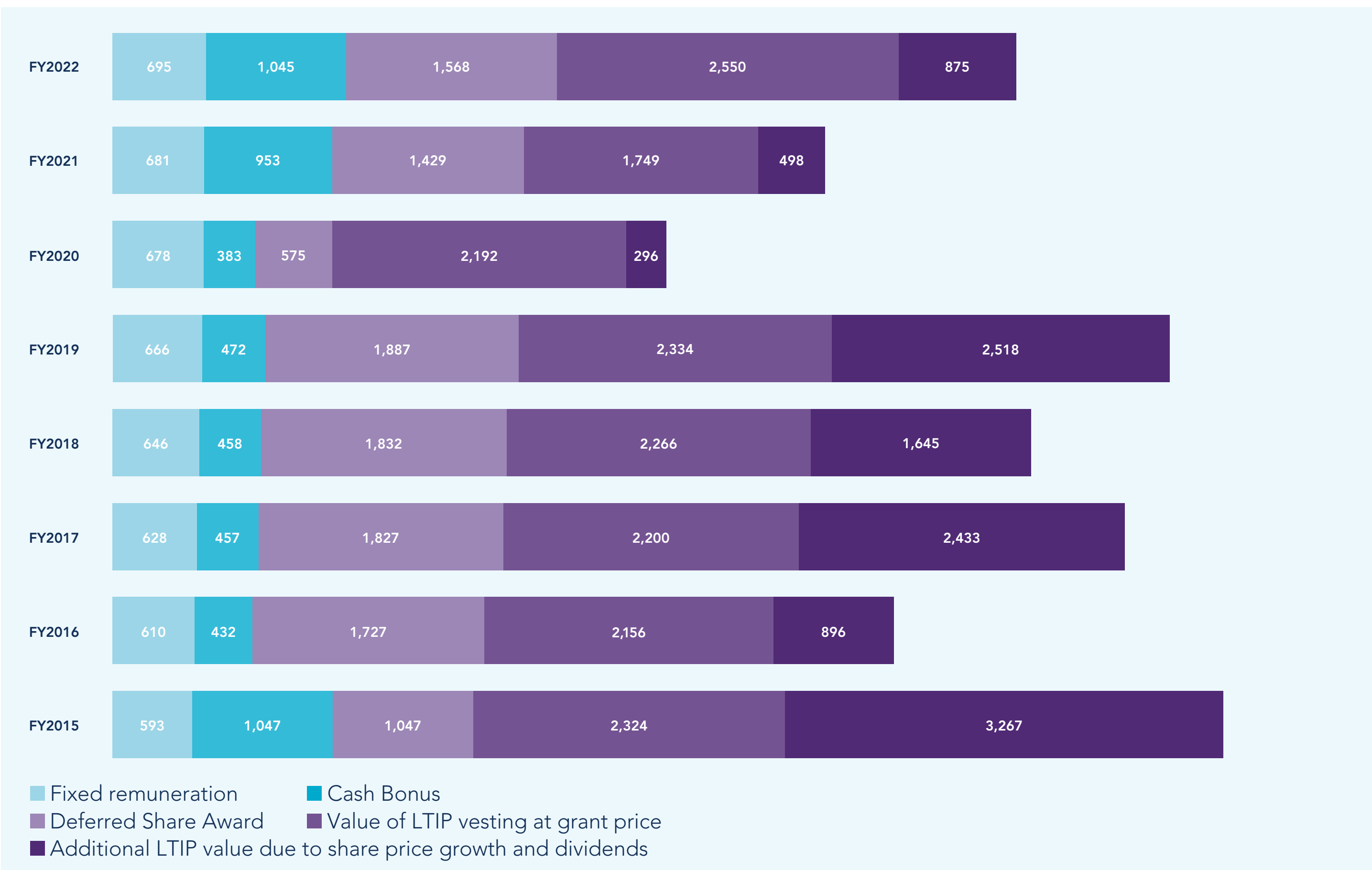
Performance graph – TSR graph

This graph compares the Company's total shareholder return for the 10 financial years to 31 March 2022 with the total shareholder return of the FTSE 350 Index. The FTSE 350 Index is considered to be an appropriate comparator as it reflects both the variety of the Company's portfolio of international investments as well as the diverse currencies in which those investments are denominated.

3i total shareholder return vs FTSE 350 total return over the 10 years to 31 March 2022



Chief Executive's single figure remuneration history (£'000)



Performance table

Table of historic Chief Executive data

Year	Chief Executive	Single figure of total remuneration £'000	Percentage of maximum annual bonus paid	Percentage of maximum LTIP vesting
FY2022	S A Borrows	6,733	98%	100%
FY2021	S A Borrows	5,310	92%	70.63%
FY2020	S A Borrows	4,124	37%	91.2%
FY2019	S A Borrows	7,877	92.5%	100%
FY2018	S A Borrows	6,847	92.5%	100%
FY2017	S A Borrows	7,544	95%	100%
FY2016	S A Borrows	5,821	92.5%	98%
FY2015	S A Borrows	8,278	92.5%	90.85%
FY2014	S A Borrows	3,222	92.5%	0%
FY2013[1]	S A Borrows	2,932	90%	n/a
	M J Queen	429	0%	0%

1 M J Queen ceased to be a Director on 16 May 2012. Mr Borrows was appointed Chief Executive on 17 May 2012 having previously been Chief Investment Officer.

Relative importance of spend on pay

	FY2022	FY2021	Change %
Remuneration of all employees	**£89m**	£76m	17%
Dividends paid to shareholders	**£389m**	£338m	15%

Statement of implementation of the remuneration policy in the coming year

The table below sets out how the Committee intends to operate the remuneration policy in FY2023. As part of the Policy review in FY2023, the salary levels and incentive opportunities for the new Group Finance Director and Chief Operating Officer will be reviewed, taking into account the talent market in our sector and their performance and development into their roles.

Policy element	Implementation of policy during FY2023
Base salary	A Group-wide 4% increase to salaries will take place in FY2023. The 4% increase will also be applied to current Executive Director salaries. Effective from 1 July 2022, salaries for the current Executive Directors will therefore be as follows: • Chief Executive: £693,243 (4%) • Retiring Group Finance Director: £504,176 (4%) The salaries of the newly appointed Executive Directors will be as follows: • New Group Finance Director: £488,800 • Chief Operating Officer: £338,000
Pension	No changes to the current arrangements are proposed for FY2023 and a pension contribution or salary supplement will be as follows: • Chief Executive: £18k • Retiring Group Finance Director: 12% of salary • New Group Finance Director: 12% of salary • Chief Operating Officer: 12% of salary
Annual bonus	The maximum annual bonus opportunities for FY2023 will remain unchanged, in line with the remuneration policy, as follows: • Chief Executive: 400% of salary • New Group Finance Director: 250% of salary • Chief Operating Officer: 225% of salary • The retiring Group Finance Director will not be eligible for a bonus in FY2023 Any bonus will be awarded based on a balanced scorecard of both financial and strategic measures agreed by the Committee, alongside a consideration of the wider context of personal performance (including values and behaviours), risk, market and other factors. The Committee has agreed that the scorecard for the year will be driven 70% by quantitative financial targets around portfolio returns and similar metrics, with the balance measured against a series of investment management, strategic and people goals. The Committee considers that the specific targets and expectations contained within the FY2023 scorecard are commercially sensitive and therefore will not be disclosed in advance. We will report to shareholders next year on performance and the resulting bonus out-turns. At least 50% of any bonus award will be deferred into shares vesting in equal instalments over four years. Awards are subject to the Company's malus and clawback policy.

The Annual report of remuneration continued

Policy element	Implementation of policy during FY2023
Benefits	No changes to the current arrangements are proposed for FY2023. Benefits will continue to include a car allowance, provision of health insurance and any Share Incentive Plan matching share awards.
Long-term Incentive Plan	Awards under the Long-term Incentive Plan in FY2023 will remain unchanged and be made as follows: • Chief Executive: 400% of salary • New Group Finance Director: 250% of salary • Chief Operating Officer: 225% of salary • The retiring Group Finance Director will not be eligible for an award in FY2023 Performance will be measured over a three-year period and will be determined by the Remuneration Committee. Performance measures remain unchanged from the previous year and will be as follows: 50% of the award is based on absolute TSR measured over the performance period, and vests: • 0% vesting below 10% pa TSR; • 20% vesting at 10% pa TSR; • straight-line vesting between 10% and 18% pa TSR; and • 100% vesting at 18% pa TSR. 50% of the award is based on relative TSR measured against the FTSE 350 Index over the performance period, and vests: • 0% for below median performance against the index; • 25% for median performance against the index; • 100% for upper quartile performance against the index; and • straight-line vesting between median and upper quartile performance. Total shareholder returns are calculated based on the average closing share price over the first three months of the calendar year. Awards are subject to the Company's malus and clawback policy. To the extent that shares vest, awards are subject to a holding period whereby they are released on or around (but not earlier than) fifth anniversary of grant. The Chief Executive, Group Finance Director and Chief Operating Officer do not to participate in carried interest plans or similar arrangements.
Shareholding requirements	Shareholding requirements will be as follows: • Chief Executive: 300% of salary • Group Finance Director: 200% of salary • Chief Operating Officer: 200% of salary • Non-executive Directors (including the Company Chairman): 100% of base fee (cash and shares) • Executive Directors will be expected to maintain a shareholding in the Company for two years post employment at the lower of their shareholding at the time they leave employment and of the levels set out above. Deferred bonus awards and shares to be released under the Long Term Incentive Plan may be reduced or withheld if the post-employment shareholding targets for the Executive Directors are not met.
Non-executive Director fees	The base fees for the non-executive Directors have increased by 5% and in FY2023 will be: **Chairman fee:** £252,000 plus £73,500 in 3i shares **Non-executive Directors:** Board membership base fee: £52,500 plus £15,750 in 3i shares Senior Independent Director fee: £10,000 Committee Chairman: £20,000 Committee member: £8,000 Committee fees are payable in respect of the Audit and Compliance Committee, Remuneration Committee and Valuations Committee.

Policy element	Implementation of policy during FY2023
Malus and clawback policy	Long-term incentive awards and deferred bonus share awards made during the year to Executive Directors, may be forfeited or reduced in exceptional circumstances on such basis as the Committee considers to be fair, reasonable and proportionate taking into account an individual's role and responsibilities. Such exceptional circumstances include: (1) a material misstatement in the financial statements of the Company or Group or any Member of the Group; or (2) where an individual has caused, wholly or in part, a material loss for the Group as a result of: (i) reckless, negligent or wilful actions or omissions; or (ii) inappropriate values or behaviour. (3) an error in assessing any applicable Performance Conditions or the number of shares; (4) the assessment of any applicable Performance Conditions and/or the number of shares to be released being based on inaccurate or misleading information; (5) misconduct on the part of the individual concerned; (6) a Member of the Group is censured by a regulatory body or suffers a significant detrimental impact on its reputation, provided that the Committee determines that the individual was responsible for, or had management oversight over, the actions, omissions or behaviour that gave rise to that censure or detrimental impact; or (7) the Company (or entities representing a material proportion of the Group) becomes insolvent or otherwise suffers a corporate failure so that ordinary shares in the Company cease to have material value, provided that the individual is responsible (in whole or in part) for that insolvency or failure. In exceptional circumstances (and on such basis as the Committee considers fair, reasonable and proportionate taking into account an individual's role and responsibilities), the Group may recover amounts that have been paid or released from awards (including cash bonus awards), as long as a written request for the recovery of such sums is made in the two-year period from the date of payment or release and in circumstances where either (a) there has been a material misstatement of Group financial statements or (b) the Group suffers a material loss. In arriving at its decision, the Committee will take into consideration such evidence as it may reasonably consider relevant including as to the impact of the affected individual's conduct, values or behaviours on the material misstatement or material loss, as the case may be.

Remuneration Committee advisers

The Committee appointed Deloitte LLP as advisers in 2013 and during the year they provided the Committee with external, independent advice.

Deloitte LLP are members of the Remuneration Consultants Group and as such, voluntarily operate under the code of conduct in relation to executive remuneration consulting in the UK. During the year, Deloitte LLP also provided 3i with certain tax advisory services. The Committee has reviewed the advice provided during the year and is satisfied that it has been objective and independent. The total fees for advice during the year were £37,200 (excluding VAT) (2021: £49,050 (excluding VAT)).

Result of voting at the 2020 AGM

At the 2021 AGM, shareholders approved the Remuneration report that was published in the 2021 Annual report and accounts. At the 2020 AGM, shareholders approved the Directors' remuneration policy. The results for both of these votes are shown below:

Resolution	Votes for	Votes against	Total votes cast	Votes withheld
Approval of the Directors' remuneration report at the 2021 AGM	699,531,211 (95.65%)	31,777,691 (4.35%)	731,308,902	22,901,140
Approval of the Directors' remuneration policy at the 2020 AGM	716,053,723 (94.24%)	43,782,598 (5.76%)	759,836,321	2,395,365

The Remuneration policy is available on 3i's website **www.3i.com**.

Audit

The tables in this report (including the Notes thereto) on pages 131 to 139 marked as "audited" have been audited by KPMG.

By order of the Board

Coline McConville
Chair, Remuneration Committee
11 May 2022

Additional statutory and corporate governance information

This section of the Directors' report contains the corporate governance statement required by FCA Disclosure Guidance and Transparency Rule 7.2.

Corporate governance

Throughout the year, the Company complied with the provisions of the UK Corporate Governance Code (the "Code") published by the FRC in July 2018 and which is available on the FRC website.

The Group's internal control and risk management systems, including those in relation to the financial reporting process, are described on page 116.

Directors and independence

Directors' biographical details are set out on pages 98 and 99. The Board currently comprises the Chairman, six non-executive Directors and two Executive Directors. Mr D A M Hutchison (Chairman from 11 November 2021), Ms C J Banszky, Mr S A Borrows, Mr S W Daintith, Ms C L McConville, Ms A Schaapveld and Mrs J S Wilson all served as Directors throughout the year under review. Mr P A McKellar joined the Board on 1 June 2021 and Mrs L M S Knox joined the Board on 1 October 2021 and they both remained in office for the remainder of the year. Mr S R Thompson served as a Director (and Chairman) throughout the year until his retirement from the Board on 11 November 2021. It has been announced that following the year end Ms J H Halai and Mr J G Hatchley will be appointed as additional executive Directors with effect from 12 May 2022.

The Board regularly considers the independence of non-executive Directors. The Board considers all of the Company's non-executive Directors to be independent. The Chairman was independent on appointment as Chairman.

Investment policy

The UK Listing Authority's Listing Rules require 3i, as a closed-ended investment fund, to publish an investment policy. Shareholder approval is required for material changes to this policy. Non-material changes can be made by the Board. The current policy is set out below. No changes have been made to the policy since it was published in the Company's 2018 Report and Accounts.

- 3i is an investment company which aims to provide its shareholders with quoted access to private equity and infrastructure returns. Currently, its main focus is on making quoted and unquoted equity and/or debt investments in businesses and funds in Europe, Asia and the Americas. The geographies, economic sectors, funds and asset classes in which 3i invests continue to evolve as opportunities are identified. Proposed investments are assessed individually and all significant investments require approval from the Group's Investment Committee. Overall investment targets are subject to periodic reviews and the investment portfolio is also reviewed to monitor exposure to specific geographies, economic sectors and asset classes.
- 3i seeks to diversify risk through significant dispersion of investments by geography, economic sector, asset class and size as well as through the maturity profile of its investment portfolio.
- Although 3i does not set maximum exposure limits for asset allocations, it does have a maximum exposure limit that, save as mentioned below, no investment will be made unless its cost[1] does not exceed 15% of the investment portfolio value as shown in the last published valuation. A further investment may be made in an existing portfolio business provided the aggregate cost of that investment and of all other unrealised investments in that portfolio business does not exceed 15% of the investment portfolio value as shown in the last published valuation. A higher limit of 30% will apply to the Company's investment in 3i Infrastructure plc. For the avoidance of doubt, 3i may retain an investment, even if its carrying value is greater than 15% or 30% (as the case may be) of the portfolio value at the time of an updated valuation.
- Investments are generally funded with a mixture of debt and shareholders' funds with a view to maximising returns to shareholders, whilst maintaining a strong capital base. 3i's gearing depends not only on its level of debt, but also on the impact of market movements and other factors on the value of its investments. The Board takes this into account when, as required, it sets a precise maximum level of gearing. The Board has therefore set the maximum level of gearing at 150% and has set no minimum level of gearing. If the gearing ratio should exceed the 150% maximum limit, the Board will take steps to reduce the gearing ratio to below that limit as soon as practicable thereafter. 3i is committed to achieving balance sheet efficiency.

1 Where 3i makes an investment in an existing portfolio business as part of a restructuring or reorganisation of its investment in that existing portfolio business (which restructuring or reorganisation may involve, without limitation, 3i disposing of all or part of its existing investment in the relevant portfolio business and reinvesting all or part of the proceeds into a different entity which acquires or holds the relevant portfolio business or a substantial part thereof), the cost of that investment, for the purposes of determining the maximum exposure limit under this policy, shall, to the extent that the investment does not increase 3i's exposure to the relevant portfolio business, be deemed to be the cost of 3i's existing investment in the relevant portfolio business (or, in the case of a partial reinvestment, the pro-rated cost of 3i's existing investment in the relevant portfolio business) immediately prior to the restructuring or reorganisation. If 3i's investment includes a further investment, such that 3i increases its overall exposure to the relevant portfolio business as part of the restructuring or reorganisation, the cost of any such further investment at the date of such investment shall be added to the cost of the investment in the existing portfolio business as determined pursuant to the previous sentence.

Appointment and re-election of Directors

Subject to the Company's Articles of Association, the Companies Acts and satisfactory performance evaluation, non-executive Directors are appointed for an initial three-year term. Before the third and sixth anniversaries of first appointment, the Director discusses with the Board whether it is appropriate for a further three-year term to be served.

Under the Company's Articles of Association, the minimum number of Directors is two and the maximum is 20, unless otherwise determined by the Company by ordinary resolution. Directors are appointed by ordinary resolution of shareholders or by the Board. The Company's Articles of Association provide for Directors to retire by rotation at an AGM if they were appointed by the Board since the preceding AGM, they held office during the two preceding AGMs but did not retire at either of them, they held non-executive office for a continuous period of nine years or more at the date of that AGM, or they choose to retire from office. As a matter of good corporate governance all Directors submit themselves to re-election at every AGM.

Shareholders can remove any Director by special resolution and appoint another person to be a Director in their place by ordinary resolution. Shareholders can also remove any Director by ordinary resolution of which special notice has been given.

Subject to the Company's Articles of Association, retiring Directors are eligible for re-appointment. The office of Director is vacated if the Director resigns, becomes bankrupt or is prohibited by law from being a Director or where the Board so resolves following the Director suffering from ill health or being absent from Board meetings for 12 months without the Board's permission.

The Board's responsibilities and processes

The composition of the Board and its Committees as well as the Board's key responsibilities and the way in which it and its Committees work are described on pages 98 to 139. The Board is responsible to shareholders for the overall management of the Group and may exercise all the powers of the Company subject to the provisions of relevant statutes, the Company's Articles of Association and any directions given by special resolution of the shareholders. The Articles of Association empower the Board to offer, allot, grant options over or otherwise deal with or dispose of the Company's shares as the Board may decide.

The Companies Act 2006 authorises the Company to make market purchases of its own shares if the purchase has first been authorised by a resolution of the Company.

The Board's diversity policies in relation to Directors are described in the Nominations Committee report on page 110 and such policies in relation to employees are described on page 76.

At the AGM in June 2021, shareholders renewed the Board's authority to allot ordinary shares and to repurchase ordinary shares on behalf of the Company subject to certain limits. Details of the authorities which the Board will be seeking at the 2022 AGM are set out in the 2022 Notice of AGM.

Matters reserved for the Board

The Board has approved a formal schedule of matters reserved to it and its duly authorised Committees for decision. These include matters such as the Group's overall strategy, strategic plan and annual operating budget; approval of the Company's financial statements and changes to accounting policies or practices; changes to the capital structure or regulated status of the Company; major capital projects or changes to business operations; investments and divestments above certain limits; policy on borrowing, gearing, hedging and treasury matters; and adequacy of internal control systems.

Rights and restrictions attaching to shares

A summary of the rights and restrictions attaching to shares as at 31 March 2022 is set out below.

The Company's Articles of Association may be amended by special resolution of the shareholders in a general meeting. Holders of ordinary shares enjoy the rights set out in the Articles of Association of the Company and under the laws of England and Wales. Any share may be issued with or have attached to it such rights and restrictions as the Company by ordinary resolution or, failing such resolution, the Board may decide.

Holders of ordinary shares are entitled to attend, speak and vote at general meetings and to appoint proxies and, in the case of corporations, corporate representatives to attend, speak and vote at such meetings on their behalf. To attend and vote at a general meeting a shareholder must be entered on the register of members at such time (not being earlier than 48 hours before the meeting) as stated in the Notice of general meeting. On a poll, holders of ordinary shares are entitled to one vote for each share held.

Holders of ordinary shares are entitled to receive the Company's Annual report and accounts, to receive such dividends and other distributions as may lawfully be paid or declared on such shares and, on any liquidation of the Company, to share in the surplus assets of the Company after satisfaction of the entitlements of the holders of any shares with preferred rights as may then be in issue.

There are no restrictions on the transfer of fully paid shares in the Company, save that the Board may decline to register: a transfer of uncertificated shares in the circumstances set out in the Uncertificated Securities Regulations 2001; a transfer to more than four joint holders; a transfer of certificated shares which is not in respect of only one class of share; a transfer which is not accompanied by the certificate for the shares to which it relates; a transfer which is not duly stamped in circumstances where a duly stamped instrument is required; or a transfer where in accordance with section 794 of the Companies Act 2006 a notice (under section 793 of that Act) has been served by the Company on a shareholder who has then failed to give the information required within the specified time.

In the latter circumstances the Company may make the relevant shares subject to certain restrictions (including in respect of the ability to exercise voting rights, to transfer the shares validly and, except in the case of a liquidation, to receive the payment of sums due from the Company).

Additional statutory and corporate governance information continued

There are no shares carrying special rights with regard to control of the Company. There are no restrictions placed on voting rights of fully paid shares, save where in accordance with Article 12 of the Company's Articles of Association a restriction notice has been served by the Company in respect of shares for failure to comply with statutory notices or where a transfer notice (as described below) has been served in respect of shares and has not yet been complied with. Where shares are held on behalf of former or current employees under employee share schemes, those participants can give instructions to the holder of such shares as to how votes attached to such shares should be exercised.

In the circumstances specified in Article 38 of the Company's Articles of Association the Company may serve a transfer notice on holders of shares. The relevant circumstances relate to: (a) potential tax disadvantage to the Company, (b) the number of "United States Residents" who own or hold shares being 75 or more, or (c) the Company being required to be registered as an investment company under relevant US legislation. The notice would require the transfer of relevant shares and, pending such transfer, the rights and privileges attaching to those shares would be suspended.

The Company is not aware of any agreements between holders of its securities that may restrict the transfer of shares or exercise of voting rights.

Share capital and debentures

The issued ordinary share capital of the Company as at 1 April 2021 was 973,166,947 ordinary shares and at 31 March 2022 was 973,238,638 ordinary shares of 73 19/22 pence each. It increased over the year by 71,691 ordinary shares on the issue of shares to the Trustee of the 3i Group Share Incentive Plan.

At the Annual General Meeting ("AGM") on 1 July 2021, the Directors were authorised to repurchase up to 97,000,000 ordinary shares in the Company (representing approximately 10% of the Company's issued ordinary share capital as at 10 May 2021) until the Company's AGM in 2022 or 30 September 2022, if earlier. This authority was not exercised in the year. Details of the authorities which the Board will be seeking at the 2022 AGM are set out in the 2022 Notice of AGM.

As at 31 March 2022 the Company had sterling fixed rate notes in issue as detailed in Note 17 to the accounts.

The Articles of Association also specifically empower the Board to exercise the Company's powers to borrow money and to mortgage or charge the Company's assets and any uncalled capital and to issue debentures and other securities.

Portfolio management and voting policy

In relation to unquoted investments, the Group's approach is to seek to add value to the businesses in which the Group invests through the Group's extensive experience, resources and contacts and through active engagement with the Boards of those companies. In relation to quoted investments, the Group's policy is to exercise voting rights on all matters affecting its interests.

Tax and investment company status

The Company is an investment company under section 833 of the Companies Act 2006. HM Revenue & Customs has approved the Company as an Investment Trust under section 1158 of the Corporation Tax Act 2010 and the Company directs its affairs to enable it to continue to remain so approved.

Where appropriate, the Company looks to the provisions included within the Association of Investment Companies SORP.

Major interests in ordinary shares

The table below shows notifications of major voting interests in the Company's ordinary share capital (notifiable in accordance with Chapter 5 of the FCA's Disclosure Guidance and Transparency Rules or section 793 Companies Act 2006) which had been received by the Company as at 31 March 2022 and 30 April 2022.

	As at 31 March 2022	% of issued share capital	As at 30 April 2022	% of issued share capital
Artemis Investment Management LLP	48,015,003	4.93	48,120,868	4.94
BlackRock, Inc	108,856,605	11.18	110,837,692	11.39
Legal & General Investment Management Limited	30,332,995	3.12	30,332,995	3.12
Threadneedle Asset Management Limited	34,057,065	3.50	33,070,028	3.40
Vanguard Group Inc	41,143,526	4.23	41,765,737	4.29

3i Investments plc

3i Investments plc is authorised by the FCA to, among other things, manage Alternative Investment Funds ("AIFs"). It is currently the Alternative Investment Fund Manager ("AIFM") of seven AIFs, including the Company and 3iN. In compliance with regulatory requirements, 3i Investments plc has ensured that a depository has been appointed for each AIF. This is Citibank UK Limited.

The Annual report and accounts meet certain investor disclosure requirements as set out in FUND 3.2.2R, 3.2.3R, 3.2.5R and 3.2.6R of the FCA's Investment Funds sourcebook ("FUND Disclosures") for the Company as a standalone entity. The Company's profit for the year is stated in its Statement of changes in equity and its Financial position is shown on page 152. The Company performs substantially all of its investment related activities through its subsidiaries and therefore the Group's Consolidated statement of comprehensive income is considered to be more useful to investors than a Company statement.

Furthermore, in some instances the relevant FUND Disclosures have been made in relation to the Group on a consolidated basis rather than in respect of the Company on a solo basis. This is because the Company operates through its group subsidiaries and therefore reporting on the Group's activities provides more relevant information on the Company and its position. There have been no material changes to the disclosures required to be made under FUND 3.2.2R in the past year.

Although certain FUND Disclosures are made in this Annual report, full disclosures are summarised on the 3i website at www.3i.com. This will be updated as required and changes noted in future Annual reports.

For the purposes of the FUND Disclosures set out in FUND 3.3.5(R) (5) and (6), the total amount of remuneration paid by the AIFM to its staff for the year to 31 March 2022 was £147 million, of which £41 million was fixed remuneration and £106 million was variable remuneration. The total number of beneficiaries is 239. The aggregate total remuneration paid to AIFM Remuneration Code Staff for the year to 31 March 2022 was £36 million, of which £29 million was paid to senior management and £7 million was paid to other AIFM Remuneration Code Staff. A summary of the remuneration policy of 3i can be found on the Company's website.

Dividends

A first FY2022 dividend of 19.25 pence per ordinary share in respect of the year to 31 March 2022 was paid on 12 January 2022. The Directors recommend a second FY2022 dividend of 27.25 pence per ordinary share be paid in respect of the year to 31 March 2022 to shareholders on the Register at the close of business on 17 June 2022.

The trustee of The 3i Group Employee Trust and the trustee of the 2010 Carry Trust have each waived (subject to certain minor exceptions) dividends declared on shares in the Company held by those trusts and the Trustee of The 3i Group Share Incentive Plan has waived dividends on unallocated shares in the Company held by it.

Directors' conflicts of interests, external appointments and indemnities

Directors have a statutory duty to avoid conflicts of interest with the Company. The Company's Articles of Association enable Directors to approve conflicts of interest and include other conflict of interest provisions. The Company has implemented processes to identify potential and actual conflicts of interest. Such conflicts are then considered for approval by the Board, subject, if necessary, to appropriate conditions.

The Board has adopted a policy on Directors' other appointments under which additional external appointments should not be undertaken without prior approval of the Board. Executive Directors should not take on more than one non-executive directorship in a FTSE 100 company or other significant appointment.

As permitted by the Company's Articles of Association during the year and as at the date of this Directors' report, there were in place Qualifying Third-Party Indemnity Provisions (as defined under relevant legislation) for the benefit of the Company's Directors and Qualifying Pension Scheme Indemnity Provisions for the benefit of the directors of one associated company, Gardens Pension Trustees Limited.

Directors' employment contracts

Mr S A Borrows and Mrs J S Wilson each have (and following their appointment as Directors on 12 May 2022, Ms J H Halai and Mr J G Hatchley will have) employment contracts with the Group with notice periods of 12 months where notice is given by the Group and six months where notice is given by the Director. Save for these notice periods their employment contracts have no unexpired terms. None of the other Directors has a service contract with the Company.

Employment

The employment policy of the Group is one of equal opportunity in the selection, training, career development and promotion of employees, regardless of age, gender, sexual orientation, ethnic origin, religion and whether disabled or otherwise. Further details on equal opportunities and diversity are included in the Strategic report on page 76 and in the Nominations Committee report on page 110.

3i treats applicants and employees with disabilities fairly and provides facilities, equipment and training to assist disabled employees to do their jobs. Arrangements are made as necessary to ensure support to job applicants who happen to be disabled and who respond to requests to inform the Company of any requirements. Should an employee become disabled during their employment, efforts would be made to retain them in their current employment or to explore the opportunities for their retraining or redeployment within 3i. Financial support is also provided by 3i to support disabled employees who are unable to work, as appropriate to local market conditions.

Additional statutory and corporate governance information continued

3i's principal means of keeping in touch with the views of its employees is through employee appraisals, informal consultations, team briefings and employee conferences. Managers throughout 3i have a continuing responsibility to keep their staff informed of developments and to communicate financial results and other matters of interest. This is achieved by structured communication including regular meetings of employees. Members of the Board have regular formal and informal interaction with a significant number of 3i employees, including through office visits and one-to-one meetings.

3i is an equal opportunities employer and has clear grievance and disciplinary procedures in place. 3i also has an employee assistance programme which provides a confidential, free and independent counselling service and is available to all UK employees and their families in the UK.

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 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 those 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. Remuneration policy is reviewed by the 3i Group plc Remuneration Committee, comprising 3i Group plc non-executive Directors.

Where appropriate, employees are eligible to participate in 3i share schemes to encourage employees' involvement in 3i's performance. Investment executives in the Private Equity business line may also participate in carried interest schemes, which allow executives to share directly in future profits on 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 conditions.

Employees are able to raise in confidence with the Company any matters of concern. Issues can be raised with line management, the Internal Audit team and the Human Resources team as appropriate. Employees can also raise matters with an externally run confidential telephone reporting line, and can do so anonymously if they wish. Matters raised are investigated and followed up as appropriate. The Board monitors any matters reported to the externally run telephone reporting line through an annual report to Audit and Compliance Committee from Internal Audit.

Workforce engagement

The Company has a Staff Engagement Strategy which has been adopted by the Board as the most appropriate way for the Company to comply with the relevant requirements of the UK Corporate Governance Code. This is in preference to adopting one of the three workforce engagement examples specifically mentioned in the UK Corporate Governance Code. The Board believes this Strategy is appropriate and proportionate in the context of an office-based workforce of fewer than 240 people worldwide, all of whom engage regularly with members of senior management. Before the Covid-19 pandemic interrupted such contact, senior management and members of the Board would meet in person formally and informally with staff in a variety of contexts including office visits, investment reviews, Board and Committee presentations and Board dinners with investment teams. Following the ending of Covid-19 restrictions these events are now able to take place once more. A general "open door" policy (whether physically or virtually) adopted by senior management encourages interaction with staff. The Human Resources team are a point of contact for all members of staff and they as well as line managers report issues requiring management attention to senior management as they occur. The Internal Audit and Group Compliance teams consider employee matters including culture, compliance with the Company's values and staff turnover in their reports to senior management. The formal annual appraisal process provides a further opportunity for engagement.

During periods of remote working in the year, managers arranged regular virtual team meetings. Senior managers attended these meetings periodically to keep in touch with the teams for which they were responsible. Whilst in person Board meetings moved to virtual or hybrid ones in the first half of the year, Directors continued to receive updates on employee matters in presentations from the business line heads as well as from the HR Director in the annual Board consideration of the Group Succession Planning and Strategic Capability Review. Non-executive Directors continued to meet with a wide range of members of the investment teams at the twice yearly Portfolio Company Review meetings, albeit that in the first half of the year these were held virtually.

Political donations

In line with Group policy, during the year to 31 March 2022 no donations were made to political parties or organisations, or independent election candidates, and no political expenditure was incurred.

Significant agreements

As at 31 March 2022, the Company was party to one agreement subject to a renegotiation period on a change of control of the Company following a takeover bid. This agreement is a £500 million multi-currency Revolving Credit Facility Agreement dated 13 March 2020, between the Company, Barclays Bank PLC and a number of other banks. The Company is required to promptly notify Barclays Bank PLC, as agent bank, of a change of control. This opens a 20-day negotiation period to determine if each lender is willing to continue participating in the facility. For any lender with whom no agreement is reached, amounts outstanding to that lender would be repayable and their commitment cancelled, with no less than 10 business days' notice after the end of the negotiation period.

Internal control and risk management systems

A description of the Group's internal control and risk management systems in relation to the financial reporting process is set out in the Audit and Compliance Committee report on page 116.

Going concern

The Directors have acknowledged their responsibilities in relation to the financial statements for the year to 31 March 2022.

After making enquiries, the Directors considered it appropriate to prepare the financial statements of the Company, and the Group, on a going concern basis. The Viability statement is included on page 122.

Audit information

Pursuant to section 418(2) of the Companies Act 2006, each of the Directors confirms that:

- so far as they are aware, there is no relevant audit information of which the Company's Auditor is unaware; and
- they have taken all steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the Company's Auditor is aware of such information.

Appointment of Auditor

In accordance with section 489 of the Companies Act 2006, a resolution proposing the reappointment of KPMG LLP as the Company's Auditor will be put to members at the forthcoming AGM.

Information required by Listing Rule 9.8.4

Information required by Listing Rule 9.8.4 not included in this section of the Directors' report may be found as set out below:

Topic	Location
Capitalised interest	Portfolio income on page 46
Share allotments	Note 20 on page 176

Information included in the Strategic report

In accordance with section 414 C (11) of the Companies Act 2006, the following information otherwise required to be set out in the Directors' report has been included in the Strategic report: risk management objectives and policies; post-balance sheet events; likely future developments in the business; engagement with suppliers, customers and others; employee involvement; and greenhouse gas emissions. The Directors' Viability statement is also shown in the Strategic report on page 122.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual report and the Group and parent Company financial statements for each financial year in accordance with applicable United Kingdom law and regulations. They are required to prepare the Group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and applicable law and have elected to prepare the parent Company financial statements on the same basis.

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of their profit or loss for that period. In preparing each of the Group and parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Additional statutory and corporate governance information continued

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic report, Directors' report, Directors' remuneration report and Corporate governance statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement of the Directors in respect of the Annual financial report

The Directors confirm that to the best of their knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

The Directors consider this Annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

The Directors of the Company and their functions are listed on pages 98 and 99.

3i Group plc is registered in England with company number 1142830.

Directors' report

For the purposes of the UK Companies Act 2006, the Directors' report of 3i Group plc comprises the Governance section on pages 97 to 146 other than the Directors' remuneration report on pages 129 to 139.

The Strategic report, Directors' report and Directors' remuneration report have been drawn up and presented in accordance with and in reliance upon English company law and the liabilities of the Directors in connection with those reports shall be subject to the limitations and restrictions provided by that law.

By order of the Board

K J Dunn
Company Secretary
11 May 2022

Registered office:
16 Palace Street
London SW1E 5JD

Audited financial statements

What's in this section

Consolidated statement of comprehensive income

for the year to 31 March

	Notes	2022 £m	2021 £m
Realised profits over value on the disposal of investments	2	**89**	9
Unrealised profits on the revaluation of investments	3	**1,781**	1,217
Fair value movements on investment entity subsidiaries	12	**1,974**	792
Portfolio income			
Dividends		**206**	49
Interest income from investment portfolio		**30**	22
Fees receivable	4	**6**	13
Foreign exchange on investments		**(9)**	(195)
Movement in the fair value of derivatives	18	**2**	24
Gross investment return		**4,079**	1,931
Fees receivable from external funds	4	**62**	44
Operating expenses	5	**(127)**	(111)
Interest receivable		**–**	(1)
Interest payable		**(53)**	(47)
Exchange movements		**16**	17
Income from investment entity subsidiaries		**32**	22
Other income		**2**	1
Operating profit before carried interest		**4,011**	1,856
Carried interest			
Carried interest and performance fees receivable	4,14	**53**	5
Carried interest and performance fees payable	15	**(46)**	(6)
Operating profit before tax		**4,018**	1,855
Tax charge	8	**(5)**	–
Profit for the year		**4,013**	1,855
Other comprehensive income that may be reclassified to the income statement			
Exchange differences on translation of foreign operations		**(1)**	(3)
Other comprehensive income/(expense) that will not be reclassified to the income statement			
Re-measurements of defined benefit plans	26	**2**	(126)
Other comprehensive income/(expense) for the year		**1**	(129)
Total comprehensive income for the year ("Total return")		**4,014**	1,726

Earnings per share			
Basic (pence)	9	**415.4**	192.4
Diluted (pence)	9	**414.3**	191.9

The Notes to the accounts section forms an integral part of these financial statements.

Consolidated statement of financial position

as at 31 March

	Notes	2022 £m	2021 £m
Assets			
Non-current assets			
Investments			
Quoted investments	11,13	**934**	797
Unquoted investments	11,13	**5,708**	4,213
Investments in investment entity subsidiaries	12	**6,791**	4,905
Investment portfolio		**13,433**	9,915
Carried interest and performance fees receivable	14	**9**	9
Other non-current assets	16	**45**	52
Intangible assets		**6**	8
Retirement benefit surplus	26	**53**	55
Property, plant and equipment		**3**	5
Right of use asset		**13**	16
Derivative financial instruments	18	**7**	16
Deferred income taxes	8	**1**	1
Total non-current assets		**13,570**	10,077
Current assets			
Carried interest and performance fees receivable	14	**51**	8
Other current assets	16	**104**	21
Current income taxes		**1**	2
Derivative financial instruments	18	**10**	10
Cash and cash equivalents		**212**	216
Total current assets		**378**	257
Total assets		**13,948**	10,334
Liabilities			
Non-current liabilities			
Trade and other payables	19	**(14)**	(17)
Carried interest and performance fees payable	15	**(42)**	(49)
Loans and borrowings	17	**(775)**	(975)
Retirement benefit deficit	26	**(26)**	(29)
Lease liability		**(9)**	(13)
Deferred income taxes	8	**(1)**	(1)
Provisions		**(3)**	(2)
Total non-current liabilities		**(870)**	(1,086)
Current liabilities			
Trade and other payables	19	**(80)**	(62)
Carried interest and performance fees payable	15	**(35)**	(17)
Loans and borrowings	17	**(200)**	–
Lease liability		**(5)**	(4)
Current income taxes		**(4)**	(1)
Total current liabilities		**(324)**	(84)
Total liabilities		**(1,194)**	(1,170)
Net assets		**12,754**	9,164
Equity			
Issued capital	20	**719**	719
Share premium		**789**	788
Capital redemption reserve		**43**	43
Share-based payment reserve	27	**33**	34
Translation reserve		**(6)**	(5)
Capital reserve		**10,151**	6,733
Revenue reserve		**1,125**	916
Own shares	21	**(100)**	(64)
Total equity		**12,754**	9,164

The Notes to the accounts section forms an integral part of these financial statements.

David Hutchison
Chairman

11 May 2022

Consolidated statement of changes in equity

for the year to 31 March

2022	Share capital £m	Share premium £m	Capital redemption reserve £m	Share-based payment reserve £m	Translation reserve £m	Capital reserve[1] £m	Revenue reserve[1] £m	Own shares £m	Total equity £m
Total equity at the start of the year	**719**	**788**	**43**	**34**	**(5)**	**6,733**	**916**	**(64)**	**9,164**
Profit for the year	–	–	–	–	–	**3,547**	**466**	–	**4,013**
Exchange differences on translation of foreign operations	–	–	–	–	**(1)**	–	–	–	**(1)**
Re-measurements of defined benefit plans	–	–	–	–	–	**2**	–	–	**2**
Total comprehensive income for the year	–	–	–	–	**(1)**	**3,549**	**466**	–	**4,014**
Share-based payments	–	–	–	**18**	–	–	–	–	**18**
Release on exercise/forfeiture of share awards	–	–	–	**(19)**	–	–	**19**	–	–
Exercise of share awards	–	–	–	–	–	**(18)**	–	**18**	–
Ordinary dividends	–	–	–	–	–	**(113)**	**(276)**	–	**(389)**
Purchase of own shares	–	–	–	–	–	–	–	**(54)**	**(54)**
Issue of ordinary shares	–	**1**	–	–	–	–	–	–	**1**
Total equity at the end of the year	**719**	**789**	**43**	**33**	**(6)**	**10,151**	**1,125**	**(100)**	**12,754**

1 Refer to Note 20 for the nature of the capital and revenue reserves.

2021	Share capital £m	Share premium £m	Capital redemption reserve £m	Share-based payment reserve £m	Translation reserve £m	Capital reserve[1] £m	Revenue reserve[1] £m	Own shares £m	Total equity £m
Total equity at the start of the year	719	788	43	33	(2)	5,432	822	(78)	7,757
Profit for the year	–	–	–	–	–	1,707	148	–	1,855
Exchange differences on translation of foreign operations	–	–	–	–	(3)	–	–	–	(3)
Re-measurements of defined benefit plans	–	–	–	–	–	(126)	–	–	(126)
Total comprehensive income for the year	–	–	–	–	(3)	1,581	148	–	1,726
Share-based payments	–	–	–	19	–	–	–	–	19
Release on exercise/forfeiture of share awards	–	–	–	(18)	–	–	18	–	–
Exercise of share awards	–	–	–	–	–	(14)	–	14	–
Ordinary dividends	–	–	–	–	–	(266)	(72)	–	(338)
Purchase of own shares	–	–	–	–	–	–	–	–	–
Issue of ordinary shares	–	–	–	–	–	–	–	–	–
Total equity at the end of the year	719	788	43	34	(5)	6,733	916	(64)	9,164

1 Refer to Note 20 for the nature of the capital and revenue reserves.

The Notes to the accounts section forms an integral part of these financial statements.

Consolidated cash flow statement

for the year to 31 March

	Notes	2022 £m	2021 £m
Cash flow from operating activities			
Purchase of investments		**(324)**	(126)
Proceeds from investments		**294**	184
Amounts paid to investment entity subsidiaries		**(349)**	(879)
Amounts received from investment entity subsidiaries		**685**	281
Net cash flow from derivatives		**11**	7
Portfolio interest received		**3**	–
Portfolio dividends received		**204**	48
Portfolio fees received		**9**	7
Fees received from external funds		**68**	39
Carried interest and performance fees received	14	**10**	6
Carried interest and performance fees paid	15	**(14)**	(33)
Operating expenses paid		**(105)**	(103)
Co-investment loans (paid)/received		**(3)**	12
Tax received/(paid)		**1**	(1)
Interest received		**–**	(1)
Net cash flow from operating activities		**490**	(559)
Cash flow from financing activities			
Issue of shares		**1**	1
Purchase of own shares	21	**(54)**	–
Dividend paid	10	**(389)**	(338)
Proceeds from long-term borrowing		**–**	395
Lease payments		**(4)**	(5)
Interest paid		**(52)**	(46)
Net cash flow from financing activities		**(498)**	7
Cash flow from investing activities			
Purchases of property, plant and equipment		**–**	(1)
Net cash flow from investing activities		**–**	(1)
Change in cash and cash equivalents		**(8)**	(553)
Cash and cash equivalents at the start of the year		**216**	771
Effect of exchange rate fluctuations		**4**	(2)
Cash and cash equivalents at the end of the year		**212**	216

The Notes to the accounts section forms an integral part of these financial statements.

Company statement of financial position

as at 31 March

	Notes	2022 £m	2021 £m
Assets			
Non-current assets			
Investments			
Quoted investments	11,13	**934**	797
Unquoted investments	11,13	**5,708**	4,213
Investment portfolio		**6,642**	5,010
Carried interest and performance fees receivable	14	**62**	38
Interests in Group entities	23	**6,801**	4,921
Other non-current assets	16	**24**	22
Derivative financial instruments	18	**7**	16
Total non-current assets		**13,536**	10,007
Current assets			
Carried interest and performance fees receivable	14	**26**	–
Other current assets	16	**89**	5
Derivative financial instruments	18	**10**	10
Cash and cash equivalents		**188**	195
Total current assets		**313**	210
Total assets		**13,849**	10,217
Liabilities			
Non-current liabilities			
Loans and borrowings	17	**(775)**	(975)
Total non-current liabilities		**(775)**	(975)
Current liabilities			
Trade and other payables	19	**(667)**	(536)
Loans and borrowings	17	**(200)**	–
Total current liabilities		**(867)**	(536)
Total liabilities		**(1,642)**	(1,511)
Net assets		**12,207**	8,706
Equity			
Issued capital	20	**719**	719
Share premium		**789**	788
Capital redemption reserve		**43**	43
Share-based payment reserve	27	**33**	34
Capital reserve		**10,577**	7,109
Revenue reserve		**146**	77
Own shares	21	**(100)**	(64)
Total equity		**12,207**	8,706

The Company profit for the year to 31 March 2022 is £3,925 million (2021: £1,651 million).

The Notes to the accounts section forms an integral part of these financial statements.

David Hutchison
Chairman
11 May 2022

Company statement of changes in equity

for the year to 31 March

2022	Share capital £m	Share premium £m	Capital redemption reserve £m	Share-based payment reserve £m	Capital reserve[1] £m	Revenue reserve[1] £m	Own shares £m	Total equity £m
Total equity at the start of the year	719	788	43	34	7,109	77	(64)	8,706
Profit for the year	–	–	–	–	3,599	326	–	3,925
Total comprehensive income for the year	–	–	–	–	3,599	326	–	3,925
Share-based payments	–	–	–	18	–	–	–	18
Release on exercise/forfeiture of share awards	–	–	–	(19)		19	–	–
Exercise of share awards	–	–	–	–	(18)	–	18	–
Ordinary dividends	–	–	–	–	(113)	(276)	–	(389)
Purchase of own shares	–	–	–	–	–	–	(54)	(54)
Issue of ordinary shares	–	1	–	–	–	–	–	1
Total equity at the end of the year	719	789	43	33	10,577	146	(100)	12,207

1 Refer to Note 20 for the nature of the capital and revenue reserves.

2021	Share capital £m	Share premium £m	Capital redemption reserve £m	Share-based payment reserve £m	Capital reserve[1] £m	Revenue reserve[1] £m	Own shares £m	Total equity £m
Total equity at the start of the year	719	788	43	33	5,812	57	(78)	7,374
Profit for the year	–	–	–	–	1,577	74	–	1,651
Total comprehensive income for the year	–	–	–	–	1,577	74	–	1,651
Share-based payments	–	–	–	19	–	–	–	19
Release on exercise/forfeiture of share awards	–	–	–	(18)	–	18	–	–
Exercise of share awards	–	–	–	–	(14)	–	14	–
Ordinary dividends	–	–	–	–	(266)	(72)	–	(338)
Purchase of own shares	–	–	–	–	–	–	–	–
Issue of ordinary shares	–	–	–	–	–	–	–	–
Total equity at the end of the year	719	788	43	34	7,109	77	(64)	8,706

1 Refer to Note 20 for the nature of the capital and revenue reserves.

The Notes to the accounts section forms an integral part of these financial statements.

Company cash flow statement

for the year to 31 March

	Notes	2022 £m	2021 £m
Cash flow from operating activities			
Purchase of investments		**(324)**	(126)
Proceeds from investments		**294**	184
Amounts received from subsidiaries		**803**	530
Amounts paid to subsidiaries		**(509)**	(1,249)
Net cash flow from derivatives		**11**	7
Portfolio interest received		**3**	–
Portfolio dividends received		**204**	48
Portfolio fees paid		**(2)**	(1)
Carried interest and performance fees received	14	**3**	38
Co-investment loans (paid)/received		**(3)**	12
Interest received		**–**	(1)
Income taxes received		**2**	–
Net cash flow from operating activities		**482**	(558)
Cash flow from financing activities			
Issue of shares		**1**	1
Purchase of own shares	21	**(54)**	–
Dividend paid	10	**(389)**	(338)
Proceeds from long-term borrowing		**–**	395
Interest paid		**(51)**	(45)
Net cash flow from financing activities		**(493)**	13
Change in cash and cash equivalents		**(11)**	(545)
Cash and cash equivalents at the start of the year		**195**	742
Effect of exchange rate fluctuations		**4**	(2)
Cash and cash equivalents at the end of the year		**188**	195

The Notes to the accounts section forms an integral part of these financial statements.

Significant accounting policies

Reporting entity

3i Group plc (the "Company") is a public limited company incorporated and domiciled in England and Wales. The consolidated financial statements ("the Group accounts") for the year to 31 March 2022 comprise of the financial statements of the Company and its consolidated subsidiaries (collectively, "the Group").

The Group accounts have been prepared and approved by the Directors in accordance with section 395 of the Companies Act 2006 and the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008. The Company has taken advantage of the exemption in section 408 of the Companies Act 2006 not to present its Company statement of comprehensive income and related Notes.

A Basis of preparation

The Group and Company accounts have been prepared and approved by the Directors in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and in accordance with UK-adopted international accounting standards. The financial statements are presented to the nearest million sterling (£m), the functional currency of the Company.

The Group did not implement the requirements of any new standards in issue for the year ended 31 March 2022. No other standards or interpretations have been issued that are expected to have a material impact on the Group's financial statements.

The principal accounting policies applied in the preparation of the Group accounts are disclosed below, but where possible, they have been shown as part of the Note to which they specifically relate in order to assist the reader's understanding. These policies have been consistently applied and apply to all years presented, except for in relation to the adoption of new accounting standards.

Going concern

These financial statements have been prepared on a going concern basis as disclosed in the Directors' report. The Directors have made an assessment of going concern for a period of at least 12 months from the date of approval of the accounts, taking into account the Group's current performance, financial position and the principal and emerging risks facing the business.

As detailed in the Strategic report on pages 1 to 95, the Group generated an excellent result despite varying degrees of Covid-19 restrictions, macro-economic pressures and more recent geopolitical uncertainties. The Group has no direct exposure to Russia or Ukraine, and the exposure across the portfolio is limited, therefore this has no impact on the Going Concern of the Group. As we enter the next financial year, both our Private Equity and Infrastructure portfolios are well positioned to continue on their respectively growth trajectories.

The Directors' assessment of going concern, which takes into account this business model and the Group's liquidity of £729 million, indicates that the Group and parent company will have sufficient funds to continue as a going concern, for at least the next 12 months from the date of approval of the accounts. As detailed within the Financial review on pages 45 to 49 the Group covers its cash operating costs, £110 million at 31 March 2022, with cash income generated by our Private Equity and Infrastructure businesses and Scandlines, £450 million at 31 March 2022. The Group's liquidity comprised of cash and deposits of £229 million (31 March 2021: £225 million) and an undrawn multi-currency facility of £500 million (31 March 2021: £500 million), which has no financial covenants. During the year the Group successfully extended its multi-currency facility by one year to March 2027 to further support the Group's long-term liquidity.

The Group manages liquidity with the aim of ensuring it is adequate and sufficient, by regular monitoring of investments, realisations, operating expenses and portfolio cash income and there have been no post balance sheet changes that would be materially detrimental to liquidity. Within the next 12 months the Group's £200 million fixed rate bond is due for repayment and the Group is expected to have adequate liquidity to meet the liability as it falls due. The Directors are of the opinion that the Group's cash flow forecast is sufficient to support the Group given the current market, economic conditions and outlook.

In addition, the Directors have modelled a number of severe, yet plausible, individual and combined stress scenarios over a three-year period to March 2025. The scenarios include the consideration of the potential impact of a disrupted recovery in the wake of Covid-19 in which persistent inflation and supply chain disruption leads into a recession, as well as the impact of a significant downturn event specifically on the Group's largest asset. These scenarios include a range of estimated impacts, primarily based on providing additional support to portfolio companies. The scenarios are most sensitive to a delay in realisations which contribute to liquidity of the Group. A key judgement applied is the extent of recessionary impacts alongside the likely recovery profile of portfolio companies. The severe scenarios include assumptions modelling a combined scenario of a recessionary environment modelled alongside the impact of a significant downturn event on the Group's largest asset and the impact of climate change on the underlying portfolio.

The results of each of the stress test scenarios indicate that the Group is able to meet its obligations as they fall due for a period of at least 12 months from the date of approval of these financial statements including, where appropriate, making use of controllable management actions. In all these scenarios the Directors expect the Group to be able to recover without a permanent long-term impact on its solvency or capital requirements. Mitigating actions within management control include for example, drawing on the existing RCF or temporarily reducing new investment levels.

Having performed the assessment on going concern, the Directors considered it appropriate to prepare the financial statements of the Company and Group on a going concern basis, and have concluded that the Group has sufficient financial resources, is well placed to manage business risks in the current economic environment, and can continue operations for a period of at least 12 months from the date of issue of these financial statements.

Significant accounting policies continued

B Basis of consolidation

In accordance with IFRS 10 the Company meets the criteria as an investment entity and therefore is required to recognise subsidiaries that also qualify as investment entities at fair value through profit or loss. It does not consolidate the investment entities it controls. Subsidiaries that provide investment related services, such as advisory, management or employment services, are not accounted for at fair value through profit and loss and continue to be consolidated unless those subsidiaries qualify as investment entities, in which case they are recognised at fair value. Subsidiaries are entities controlled by the Group. Control, as defined by IFRS 10, is achieved when the Group has all of the following:

- power over the relevant activities of the investee;
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to affect those returns through its power over the investee.

The Group is required to determine the degree of control or influence the Group exercises and the form of any control to ensure that the financial treatment is accurate.

Subsidiaries are fully consolidated from the date on which the Group effectively obtains control. All intragroup balances and transactions with subsidiaries are eliminated upon consolidation. Subsidiaries are de-consolidated from the date that control ceases.

The Group comprises several different types of subsidiaries. For a new subsidiary, the Group assesses whether it qualifies as an investment entity under IFRS 10, based on the function the entity performs within the Group. For existing subsidiaries, the Group annually reassesses the function performed by each type of subsidiary to determine if the treatment under IFRS 10 exception from consolidation is still appropriate. The types of subsidiaries and their treatment under IFRS 10 are as follows:

General Partners ("GPs") – Consolidated

General Partners provide investment management services and do not hold any direct investments in portfolio assets. These entities are not investment entities.

Investment managers/advisers – Consolidated

These entities provide investment related services through the provision of investment management or advice. They do not hold any direct investments in portfolio assets. These entities are not investment entities.

Holding companies of investment managers/advisers – Consolidated

These entities provide investment related services through their subsidiaries. Typically they do not hold any direct investment in portfolio assets and these entities are not investment entities.

Limited Partnerships and other intermediate investment holding structures – Fair valued

The Group makes investments in portfolio assets through its ultimate parent company as well as through other limited partnerships and corporate subsidiaries which the Group has created to align the interests of the investment teams with the performance of the assets through the use of various carried interest schemes. The purpose of these limited partnerships and corporate holding vehicles, many of which also provide investment related services, is to invest for investment income and capital appreciation. These partnerships and corporate subsidiaries meet the definition of an investment entity and are accounted for at fair value through profit and loss.

Portfolio investments – Fair valued

Under IFRS 10, the test for accounting subsidiaries takes wider factors of control as well as actual equity ownership into account. In accordance with the investment entity exception, these entities have been held at fair value with movements in fair value being recognised in profit or loss.

Associates – Fair valued

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Investments that are held as part of the Group's investment portfolio are carried in the Consolidated statement of financial position at fair value even though the Group may have significant influence over those companies.

Further detail on our application of IFRS 10 can be found in the Reconciliation of Investment basis to IFRS section.

C Critical accounting judgements and estimates

The reported results of the Group are sensitive to the accounting policies, assumptions and estimates that underpin the preparation of its financial statements. UK company law and IFRS require the Directors, in preparing the Group's financial statements, to select suitable accounting policies, apply them consistently and make judgements and estimates that are reasonable and prudent. The Group's estimates and assumptions are based on historical experience and expectation of future events and are reviewed periodically. The actual outcome may be materially different from that anticipated.

(a) Critical judgements

In the course of preparing the financial statements, one judgement has been made in the process of applying the Group's accounting policies, other than those involving estimations, that has had a significant effect on the amounts recognised in the financial statements as follows:

I. Assessment as an investment entity

The Board has concluded that the Company continues to meet the definition of an investment entity, as its strategic objective of investing in portfolio investments and providing investment management services to investors for the purpose of generating returns in the form of investment income and capital appreciation remains unchanged.

(b) Critical estimates

In addition to these significant judgements the Directors have made two estimates, which they deem to have a significant risk of resulting in a material adjustment to the amounts recognised in the financial statements within the next financial year. The details of these estimates are as follows:

I. Fair valuation of the investment portfolio

The investment portfolio, a material group of assets of the Group, is held at fair value. Details of valuation methodologies used and the associated sensitivities are disclosed in Note 13 Fair values of assets and liabilities in this document. Further information can be found in Portfolio valuation – an explanation on pages 212 and 213. Given the importance of this area, the Board has a separate Valuations Committee to review the valuations policies, process and application to individual investments. A report on the activities of the Valuations Committee (including a review of the assumptions made) is included in the Valuations Committee report on pages 124 to 128.

II. Carried interest payable

Carried interest payable is calculated based on the underlying agreements, and assuming all portfolio investments are sold at their fair values at the balance sheet date. The actual amounts of carried interest paid will depend on the cash realisations of these portfolio investments and valuations may change significantly in the next financial year. The fair valuation of the investment portfolio is itself a critical estimate, as detailed above. The sensitivity of carried interest payable to movements in the investment portfolio is disclosed in Note 15.

Significant accounting policies continued

D Other accounting policies

(a) Gross investment return

Gross investment return is equivalent to "revenue" for the purposes of IAS 1. It represents the overall increase in net assets from the investment portfolio net of deal-related costs and includes foreign exchange movements in respect of the investment portfolio. The substantial majority is investment income and outside the scope of IFRS 15. It is analysed into the following components with the relevant standard shown where appropriate:

i. Realised profits or losses over value on the disposal of investments are the difference between the fair value of the consideration received in accordance with IFRS 13 less any directly attributable costs, on the sale of equity and the repayment of interest income from the investment portfolio, and its carrying value at the start of the accounting period, converted into sterling using the exchange rates in force at the date of disposal.

ii. Unrealised profits or losses on the revaluation of investments are the movement in the fair value of investments in accordance with IFRS 13 between the start and end of the accounting period converted into sterling using the exchange rates in force at the date of fair value assessment.

iii. Fair value movements on investment entity subsidiaries are the movements in the fair value of Group subsidiaries which are classified as investment entities under IFRS 10. The Group makes investments in portfolio assets through these entities which are usually limited partnerships or corporate subsidiaries.

iv. Portfolio income is that portion of income that is directly related to the return from individual investments. It is recognised to the extent that it is probable that there will be economic benefit and the income can be reliably measured. The following specific recognition criteria must be met before the income is recognised:

- Dividends from equity investments are recognised in profit or loss when the shareholders' rights to receive payment have been established;
- Interest income from the investment portfolio is recognised as it accrues. When the fair value of an investment is assessed to be below the principal value of a loan, the Group recognises a provision against any interest accrued from the date of the assessment going forward until the investment is assessed to have recovered in value; and
- The accounting policy for fee income is included in Note 4.

v. Foreign exchange on investments arises on investments made in currencies that are different from the functional currency of the Company being sterling. Investments are translated at the exchange rate ruling at the date of the transaction in accordance with IAS 21. At each subsequent reporting date, investments are translated to sterling at the exchange rate ruling at that date.

vi. Movement in the fair value of derivatives relates to the change in fair value of forward foreign exchange contracts which have been used to minimise foreign currency risk in the investment portfolio. See Note 18 for more details.

(b) Foreign currency translation

For the Company and those subsidiaries and associates whose balance sheets are denominated in sterling, which is the Company's functional and presentational currency, monetary assets and liabilities and non-monetary assets held at fair value denominated in foreign currencies are translated into sterling at the closing rates of exchange at the balance sheet date. Foreign currency transactions are translated into sterling at the average rates of exchange over the year and exchange differences arising are taken to profit or loss.

The statements of financial position of subsidiaries, which are not held at fair value, denominated in foreign currencies are translated into sterling at the closing rates. The statements of comprehensive income for these subsidiaries and associates are translated at the average rates and exchange differences arising are taken to other comprehensive income. Such exchange differences are reclassified to profit or loss in the period in which the subsidiary or associate is disposed of.

(c) Treasury assets and liabilities

Short-term treasury assets, and short and long-term treasury liabilities are used in order to manage cash flows.

Cash and cash equivalents comprise cash at bank and amounts held in money market funds which are readily convertible into cash and there is an insignificant risk of changes in value. Financial assets and liabilities are recognised in the balance sheet when the relevant Group entity becomes a party to the contractual provisions of the instrument. De-recognition occurs when rights to cash flows from a financial asset expire, or when a liability is extinguished.

Notes to the accounts

1 Segmental analysis

Operating segments are the components of the Group whose results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance.

The Chief Executive, who is considered to be the chief operating decision maker, managed the Group on the basis of business divisions determined with reference to market focus, geographic focus, investment funding model and the Group's management hierarchy. A description of the activities, including returns generated by these divisions and the allocation of resources, is given in the Strategic report. For the geographical segmental split, revenue information is based on the locations of the assets held. To aid the readers' understanding we have split out Action, Private Equity's largest asset, into a separate column. Action is not regarded as a reported segment as the chief operating decision maker reviews performance, makes decisions and allocates resources to the Private Equity segment, which includes Action.

The segmental information that follows is presented on the basis used by the Chief Executive to monitor the performance of the Group. The reported segments are Private Equity, Infrastructure and Scandlines.

The segmental analysis is prepared on the Investment basis. The Investment basis is an APM and we believe it provides a more understandable view of performance. For more information on the Investment basis and a reconciliation between the Investment basis and IFRS, see pages 53 to 56.

Investment basis **Year to 31 March 2022**	**Private Equity £m**	*Of which Action £m*	**Infrastructure £m**	**Scandlines £m**	**Total[4] £m**
Realised profits over value on the disposal of investments	**228**	–	**10**	**–**	**238**
Unrealised profits on the revaluation of investments	**3,545**	*2,655*	**178**	**101**	**3,824**
Portfolio income					
Dividends	**331**	*288*	**31**	**13**	**375**
Interest income from investment portfolio	**73**	–	**12**	**–**	**85**
Fees receivable	**6**	*1*	**(3)**	**–**	**3**
Foreign exchange on investments	**(11)**	*(56)*	**13**	**(4)**	**(2)**
Movement in the fair value of derivatives	**–**	–	**–**	**2**	**2**
Gross investment return	**4,172**	*2,888*	**241**	**112**	**4,525**
Fees receivable from external funds	**4**	–	**58**	**–**	**62**
Operating expenses	**(83)**	–	**(43)**	**(2)**	**(128)**
Interest receivable					**–**
Interest payable					**(53)**
Exchange movements					**9**
Other income					**2**
Operating profit before carried interest					**4,417**
Carried interest					
Carried interest and performance fees receivable	**3**	–	**51**	**–**	**54**
Carried interest and performance fees payable	**(416)**	–	**(38)**	**–**	**(454)**
Operating profit before tax					**4,017**
Tax charge					**(5)**
Profit for the year					**4,012**
Other comprehensive income					
Re-measurements of defined benefit plans					**2**
Total return					**4,014**
Realisations[1]	**684**	–	**104**	**–**	**788**
Cash investment[2]	**(457)**	–	**(85)**	**(1)**	**(543)**
Net divestment/(investment)	**227**	–	**19**	**(1)**	**245**
Balance sheet					
Opening portfolio value at 1 April 2021	**8,814**	*4,566*	**1,159**	**435**	**10,408**
Investment[3]	**568**	–	**85**	**1**	**654**
Value disposed	**(456)**	–	**(94)**	**–**	**(550)**
Unrealised value movement	**3,545**	*2,655*	**178**	**101**	**3,824**
Other movement (including foreign exchange)	**(51)**	*(56)*	**24**	**(4)**	**(31)**
Closing portfolio value at 31 March 2022	**12,420**	*7,165*	**1,352**	**533**	**14,305**

1 Realised proceeds may differ from cash proceeds due to timing of cash receipts. During the year, Private Equity received £3 million of cash proceeds which were recognised as realised proceeds in FY2021. Infrastructure recognised £32 million of realised proceeds which are to be received in FY2023 and Private Equity recognised £1 million of realised proceeds which are to be received in FY2023.
2 Cash investment per the segmental analysis is different to cash investment per the cash flow due to a £53 million syndication in Infrastructure which was recognised in FY2022 and to be received in FY2023.
3 Includes capitalised interest and other non-cash investment.
4 The total is the sum of Private Equity, Infrastructure and Scandlines, "Of which Action" is part of Private Equity.

A number of items are not managed by segment by the chief operating decision maker and therefore have not been allocated to a specific segment.

Notes to the accounts continued

1 Segmental analysis continued

Investment basis Year to 31 March 2021	Private Equity £m	*Of which Action £m*	Infrastructure £m	Scandlines £m	Total[4] £m
Realised profits over value on the disposal of investments	29	*–*	6	–	35
Unrealised profits on the revaluation of investments	2,161	*1,202*	168	22	2,351
Portfolio income					
Dividends	53	*–*	29	–	82
Interest income from investment portfolio	55	*–*	10	–	65
Fees receivable	9	*1*	–	–	9
Foreign exchange on investments	(371)	*(181)*	(39)	(17)	(427)
Movement in the fair value of derivatives	–	*–*	4	20	24
Gross investment return	1,936	*1,022*	178	25	2,139
Fees receivable from external funds	4	*–*	40	–	44
Operating expenses	(70)	*–*	(40)	(2)	(112)
Interest receivable					(1)
Interest payable					(47)
Exchange movements					7
Other income					1
Operating profit before carried interest					2,031
Carried interest					
Carried interest and performance fees receivable	(3)	*–*	8	–	5
Carried interest and performance fees payable	(173)	*–*	(11)	–	(184)
Operating profit before tax					1,852
Tax charge					–
Profit for the year					1,852
Other comprehensive expense					
Re-measurements of defined benefit plans					(126)
Total return					1,726
Realisations[1]	114	*–*	104	–	218
Cash investment[2]	(508)	*(9)*	(2)	–	(510)
Net (investment)/divestment	(394)	*(9)*	102	–	(292)
Balance sheet					
Opening portfolio value at 1 April 2020	6,552	*3,536*	1,117	429	8,098
Investment[3]	633	*9*	2	–	635
Value disposed	(85)	*–*	(98)	–	(183)
Unrealised value movement	2,161	*1,202*	168	22	2,351
Other movement (including foreign exchange)	(447)	*(181)*	(30)	(16)	(493)
Closing portfolio value at 31 March 2021	8,814	*4,566*	1,159	435	10,408

1 Realised proceeds may differ from cash proceeds due to timing of cash receipts. During the year, Private Equity received £105 million of cash proceeds which were recognised as realised proceeds in FY2020 and recognised £4 million of realised proceeds in Private Equity which was received in FY2022.
2 Cash investment per the segmental analysis is different to cash investment per the cash flow due to £31 million of syndication in Private Equity which was recognised in FY2020 and received in FY2021.
3 Includes capitalised interest and other non-cash investment.
4 The total is the sum of Private Equity, Infrastructure and Scandlines, "Of which Action" is part of Private Equity.

A number of items are not managed by segment by the chief operating decision maker and therefore have not been allocated to a specific segment.

1 Segmental analysis continued

Investment basis Year to 31 March 2022	UK £m	Northern Europe £m	North America £m	Other £m	Total £m
Realised profits over value on the disposal of investments	**1**	**48**	**185**	**4**	**238**
Unrealised profits on the revaluation of investments	**276**	**3,053**	**493**	**2**	**3,824**
Portfolio income	**60**	**390**	**13**	**–**	**463**
Foreign exchange on investments	**–**	**(78)**	**76**	**–**	**(2)**
Movement in fair value of derivatives	**–**	**2**	**–**	**–**	**2**
Gross investment return	**337**	**3,415**	**767**	**6**	**4,525**
Realisations	**10**	**328**	**442**	**8**	**788**
Cash investment	**(25)**	**(374)**	**(144)**	**–**	**(543)**
Net (investment)/divestment	**(15)**	**(46)**	**298**	**8**	**245**
Balance sheet					
Closing portfolio value at 31 March 2022	**1,948**	**10,388**	**1,947**	**22**	**14,305**

Investment basis Year to 31 March 2021	UK £m	Northern Europe £m	North America £m	Other £m	Total £m
Realised profits over value on the disposal of investments	2	8	–	25	35
Unrealised profits/(losses) on the revaluation of investments	280	1,773	300	(2)	2,351
Portfolio income	47	93	13	3	156
Foreign exchange on investments	–	(289)	(135)	(3)	(427)
Movement in fair value of derivatives	–	20	4	–	24
Gross investment return	329	1,605	182	23	2,139
Realisations	2	88	74	54	218
Cash investment	(171)	(175)	(164)	–	(510)
Net (investment)/divestment	(169)	(87)	(90)	54	(292)
Balance sheet					
Closing portfolio value at 31 March 2021	1,645	7,260	1,481	22	10,408

2 Realised profits over value on the disposal of investments

	2022 Unquoted investments £m	Total £m
Realisations	**323**	**323**
Valuation of disposed investments	**(234)**	**(234)**
	89	**89**
Of which:		
– profits recognised on realisations	**89**	**89**
	89	**89**

	2021 Unquoted investments £m	Total £m
Realisations	83	83
Valuation of disposed investments	(74)	(74)
	9	9
Of which:		
– profits recognised on realisations	9	9
	9	9

Notes to the accounts continued

3 Unrealised profits on the revaluation of investments

	2022 Unquoted investments £m	2022 Quoted investments £m	Total £m
Movement in the fair value of investments	**1,644**	**137**	**1,781**
Of which:			
– unrealised profits	**1,658**	**137**	**1,795**
– unrealised losses	**(14)**	**–**	**(14)**
	1,644	**137**	**1,781**

	2021 Unquoted investments £m	2021 Quoted investments £m	Total £m
Movement in the fair value of investments	1,135	82	1,217
Of which:			
– unrealised profits	1,170	82	1,252
– unrealised losses	(35)	–	(35)
	1,135	82	1,217

4 Revenue

Accounting policy:

The following items from the Consolidated statement of comprehensive income fall within the scope of IFRS 15:

Fees receivable are earned for providing services to 3i's portfolio companies, which predominantly fall into one of two categories:

Negotiation and other transaction fees are earned for providing services relating to a specific transaction, such as when a portfolio company is bought, sold or refinanced. These fees are generally of a fixed nature and the revenue is recognised in full at the point of transaction completion.

Monitoring and other ongoing service fees are earned for providing a range of services to a portfolio company over a period of time. These fees are generally of a fixed nature and the revenue is recognised evenly over the period, in line with the services provided.

Fees receivable from external funds are earned for providing management and advisory services to a variety of fund partnerships and other entities. Fees are typically calculated as a percentage of the cost or value of the assets managed during the year and are paid quarterly, based on the assets under management at that date. The revenue is recognised evenly over the period, in line with the services provided.

Carried interest and performance fees receivable – the accounting policy for carried interest and performance fees receivable is shown in Note 14.

Items from the Consolidated statement of comprehensive income which fall within the scope of IFRS 15 are included in the table below:

Year to 31 March 2022	Private Equity £m	Infrastructure £m	Total £m
Total revenue by geography[1]			
UK	**7**	**105**	**112**
Northern Europe	**4**	**2**	**6**
North America	**5**	**(3)**	**2**
Other	**–**	**1**	**1**
Total	**16**	**105**	**121**
Revenue by type			
Fees receivable[2]	**9**	**(3)**	**6**
Fees receivable from external funds	**5**	**57**	**62**
Carried interest and performance fees receivable[2]	**2**	**51**	**53**
Total	**16**	**105**	**121**

1 For fees receivable from external funds and carried interest and performance fees receivable the geography is based on the domicile of the fund.
2 Fees receivable and carried interest receivable above are different to the Investment basis figures included in Note 1. This is due to the fact that Note 1 is disclosed on the Investment basis and the table above is shown on the IFRS basis. For an explanation of the Investment basis and a reconciliation between Investment basis and IFRS basis see pages 53 to 56.

4 Revenue continued

Year to 31 March 2021	Private Equity £m	Infrastructure £m	Total £m
Total revenue by geography[1]			
UK	–	43	43
Northern Europe	8	4	12
North America	–	–	–
Other	6	1	7
Total	14	48	62
Revenue by type			
Fees receivable[2]	13	–	13
Fees receivable from external funds	4	40	44
Carried interest and performance fees receivable[2]	(3)	8	5
Total	14	48	62

1 For fees receivable from external funds and carried interest and performance fees receivable the geography is based on the domicile of the fund.
2 Fees receivable and carried interest receivable above are different to the Investment basis figures included in Note 1. This is due to the fact that Note 1 is disclosed on the Investment basis and the table above is shown on the IFRS basis. For an explanation of the Investment basis and a reconciliation between Investment basis and IFRS basis see pages 53 to 56.

Consolidated statement of financial position

As at 31 March 2022, other current assets in the Consolidated statement of financial position include balances relating to fees receivable from portfolio and fees receivable from external funds of £4 million and £1 million respectively (31 March 2021: £1 million and £2 million respectively). As at 31 March 2022, other non-current assets in the Consolidated statement of financial position includes balances relating to fees receivable from external funds of nil (31 March 2021: £7 million). Details of the carried interest and performance fees receivable included in the Consolidated statement of financial position are shown in Note 14. These are different to the balances included in the Investment basis Consolidated statement of financial position. For an explanation of the Investment basis and a reconciliation between Investment basis and IFRS basis see pages 53 to 56.

5 Operating expenses

Operating expenses of £127 million (2021: £111 million) recognised in the IFRS Consolidated statement of comprehensive income, include the following amounts:

	2022 £m	2021 £m
Depreciation of property, plant and equipment	**2**	2
Depreciation of right of use assets	**4**	4
Amortisation of intangible assets	**1**	1
Audit fees (Note 7)	**3**	3
Staff costs (Note 6)	**89**	76
Redundancy costs	**2**	–

Including expenses incurred in the entities accounted for as investment entity subsidiaries of £1 million (2021: £1 million), the Group's total operating expenses on the Investment basis for the year were £128 million (2021: £112 million).

6 Staff costs

The table below is prepared in accordance with Companies Act requirements, which is consistent with both the IFRS and the Investment basis.

	2022 £m	2021 £m
Wages and salaries	**68**	58
Social security costs	**10**	9
Share-based payment costs (Note 27)	**8**	6
Pension costs	**3**	3
Total staff costs	**89**	76

The average number of employees during the year was 234 (2021: 234), of which 152 (2021: 152) were employed in the UK.

Notes to the accounts continued

6 Staff costs continued

Wages and salaries shown above include salaries paid in the year, as well as bonuses and portfolio incentive schemes relating to the year ended 31 March 2022. These costs are included in operating expenses. The table below analyses these costs between fixed and variable elements.

	2022 £m	2021 £m
Fixed staff costs	**41**	41
Variable staff costs[1]	**48**	35
Total staff costs	**89**	76

1 Includes cash bonuses and equity and cash settled share awards.

More detail on this information is included in the Directors' remuneration report on pages 129 to 139.

7 Information regarding the Group's Auditor

During the year, the Group received the following services from its External auditor, KPMG LLP. The table below is prepared in accordance with Companies Act requirements, which is consistent with both the IFRS and the Investment basis.

		2022 £m	2021 £m
Audit services			
Statutory audit	– Company	**1.5**	1.5
	– UK subsidiaries	**0.7**	0.7
	– Overseas subsidiaries	**0.5**	0.3
Total audit services		**2.7**	2.5
Non-audit services			
Other assurance services		**0.3**	0.3
Total audit and non-audit services		**3.0**	2.8

8 Tax

Accounting policy:

Tax represents the sum of the tax currently payable, withholding taxes suffered and deferred tax. Tax is charged or credited in the Consolidated statement of comprehensive income, except where it relates to items charged or credited directly to equity, in which case the tax is also dealt with in equity.

The tax currently payable is based on the taxable profit for the year. This may differ from the profit included in the Consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

To enable the tax charge to be based on the profit for the year, deferred tax is provided in full on temporary timing differences, at the rates of tax expected to apply when these differences crystallise. In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%, which was substantively enacted on 24 May 2021. Therefore, the deferred tax assets and liabilities have been calculated using the corporation tax rate in the UK of 25% (2021: 19%).

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

IFRIC 23 has been applied to the recognition and measurement of uncertain tax provisions held at the year end and there are no material uncertain tax positions in the year.

8 Tax continued

	2022 £m	2021 £m
Current taxes		
Current year:		
UK	**1**	–
Overseas	**4**	1
Prior year:		
UK	**–**	–
Deferred taxes		
Current year	**–**	(1)
Total tax charge in the Consolidated statement of comprehensive income	**5**	–

Reconciliation of tax in the Consolidated statement of comprehensive income

The tax charge for the year is different to the standard rate of corporation tax in the UK, currently 19% (2021: 19%), and the differences are explained below:

	2022 £m	2021 £m
Profit before tax	**4,018**	1,855
Profit before tax multiplied by rate of corporation tax in the UK of 19% (2021: 19%)	**763**	352
Effects of:		
Non-taxable capital profits due to UK approved investment trust company status	**(702)**	(341)
Non-taxable dividend income	**(67)**	(12)
	(6)	(1)
Other differences between accounting and tax profits:		
Permanent differences – non-deductible items	**7**	3
Temporary differences on which deferred tax is not recognised	**–**	(5)
Overseas countries' taxes	**4**	1
Tax losses carried forward	**–**	2
Total income tax charge in the Consolidated statement of comprehensive income	**5**	–

The affairs of the Group's parent company are directed so as to allow it to meet the requisite conditions to continue to operate as an approved investment trust company for UK tax purposes. An approved investment trust company is a UK investment company which is required to meet certain conditions set out in the UK tax rules to obtain and maintain its tax status. This approval allows certain investment profits of the Company, broadly its capital profits, to be exempt from tax in the UK.

Including a net tax charge of nil (2021: nil) in investment entity subsidiaries, the Group recognised a total tax charge of £5 million (2021: nil) under the Investment basis.

Deferred income taxes

	2022 £m	2021 £m
Opening deferred income tax asset/(liability)		
Tax losses on deferred tax asset	**1**	–
Income in accounts taxable in the future on deferred tax liability	**(1)**	(1)
	–	(1)
Recognised through Consolidated statement of comprehensive income		
Tax losses recognised on deferred tax asset	**–**	1
Income in accounts taxable in the future on deferred tax liability	**–**	–
	–	1
Closing deferred income tax asset/(liability)		
Tax losses on deferred tax asset	**1**	1
Income in accounts taxable in the future on deferred tax liability	**(1)**	(1)
	–	–

Notes to the accounts continued

8 Tax continued

At 31 March 2022, the Group had carried forward tax losses of £1,384 million (31 March 2021: £1,388 million), capital losses of £87 million (31 March 2021: £87 million) and other deductible temporary differences of £50 million (31 March 2021: £53 million). With the additional restrictions on utilising brought forward losses introduced from 1 April 2017, and the uncertainty that the Group will generate sufficient or relevant taxable profits not covered by the Investment Trust exemption in the foreseeable future to utilise these amounts, no deferred tax asset has been recognised in respect of these losses. Deferred tax assets and liabilities have been calculated using the corporation tax rate in the UK of 25% (2021: 19%).

9 Per share information

The calculation of basic net assets per share is based on the net assets and the number of shares in issue at the year end. When calculating the diluted net assets per share, the number of shares in issue is adjusted for the effect of all dilutive share awards. Dilutive share awards are equity awards with performance conditions attached see Note 27 Share-based payments for further details.

	2022	2021
Net assets per share (£)		
Basic	**13.24**	9.50
Diluted	**13.21**	9.47
Net assets (£m)		
Net assets attributable to equity holders of the Company	**12,754**	9,164

	2022	2021
Number of shares in issue		
Ordinary shares	**973,238,638**	973,166,947
Own shares	**(10,212,745)**	(8,530,634)
	963,025,893	964,636,313
Effect of dilutive potential ordinary shares		
Share awards	**2,705,623**	2,656,230
Diluted shares	**965,731,516**	967,292,543

The calculation of basic earnings per share is based on the profit attributable to shareholders and the weighted average number of shares in issue. The weighted average shares in issue for the year to 31 March 2022 are 966,091,793 (2021: 964,217,242). When calculating the diluted earnings per share, the weighted average number of shares in issue is adjusted for the effect of all dilutive share awards. The diluted weighted average shares in issue for the year to 31 March 2022 are 968,636,820 (2021: 966,547,522).

	2022	2021
Earnings per share (pence)		
Basic	**415.4**	192.4
Diluted	**414.3**	191.9
Earnings (£m)		
Profit for the year attributable to equity holders of the Company	**4,013**	1,855

10 Dividends

	2022 pence per share	2022 £m	2021 pence per share	2021 £m
Declared and paid during the year				
Ordinary shares				
Second dividend	**21.0**	**203**	17.5	169
First dividend	**19.25**	**186**	17.5	169
	40.25	**389**	35.0	338
Proposed dividend	**27.25**	**262**	21.0	203

The Group introduced a simplified dividend policy in May 2018. In accordance with this policy, subject to maintaining a conservative balance sheet approach, the Group aims to maintain or grow the dividend each year. The first dividend has been set at 50% of the prior year's total dividend.

10 Dividends continued

The dividend can be paid out of either the capital reserve or the revenue reserve subject to the investment trust rules, see Note 20 for details of reserves.

The distributable reserves of the parent company are £3,968 million (31 March 2021: £3,811 million) and the Board reviews the distributable reserves bi-annually, including consideration of any material changes since the most recent audited accounts, ahead of proposing any dividend. The Board also reviews the proposed dividends in the context of the requirements of being an approved investment trust. Shareholders are given the opportunity to approve the total dividend for the year at the Company's Annual General Meeting. Details of the Group's continuing viability and going concern can be found in the Risk management section.

11 Investment portfolio

Accounting policy:

Investments are recognised and de-recognised on the date when their purchase or sale is subject to a relevant contract and the associated risks and rewards have been transferred. The Group manages its investments with a view to profiting from the receipt of investment income and capital appreciation from changes in the fair value of investments.

All investments are initially recognised at the fair value of the consideration given and are subsequently measured at fair value, in accordance with the Group's valuation policies.

Quoted investments are accounted for at fair value through profit and loss. Fair value is measured using the closing bid price at the reporting date, where the investment is quoted on an active stock market.

Unquoted investments, including both equity and loans, are accounted for at fair value through profit and loss. Fair value is determined in line with 3i's valuation policy, which is compliant with the fair value guidelines under IFRS and the International Private Equity and Venture Capital ("IPEV") Valuation Guidelines, details of which are available in "Portfolio valuation – an explanation" on pages 212 and 213.

Interest bearing loans accrue interest which is either settled in cash or capitalised on a regular basis and included as part of the principal loan balance. The capitalisation of accrued interest is treated as part of investment additions during the year. If the fair value of an investment is assessed to be below the principal value of the loan the Group recognises a fair value reduction against any interest income accrued from the date of the assessment going forward. "Capitalisation at nil value" is the term used to describe the capitalisation of accrued interest which has been fully provided for. These transactions are disclosed as additions to portfolio cost with an equal reduction made where loan notes have nil value.

In accordance with IFRS 10, the proportion of the investment portfolio held by the Group's unconsolidated subsidiaries is presented as part of the fair value of investment entity subsidiaries, along with the fair value of their other assets and liabilities. A reconciliation of the fair value of Investments in investment entities is included in Note 12.

	Group 2022 £m	Group 2021 £m	**Company 2022 £m**	Company 2021 £m
Opening fair value	**5,010**	3,454	**5,010**	3,454
Additions	**138**	881	**138**	881
– of which loan notes with nil value	**(4)**	(24)	**(4)**	(24)
Disposals, repayments and write-offs	**(282)**	(333)	**(282)**	(333)
Fair value movement[1]	**1,781**	1,217	**1,781**	1,217
Other movements and net cash movements[2]	**(1)**	(185)	**(1)**	(185)
Closing fair value	**6,642**	5,010	**6,642**	5,010
Quoted investments	**934**	797	**934**	797
Unquoted investments	**5,708**	4,213	**5,708**	4,213
Closing fair value	**6,642**	5,010	**6,642**	5,010

1 All fair value movements relate to assets held at the end of the year.
2 Other movements includes the impact of foreign exchange.

3i's investment portfolio is made up of longer-term investments, with average holding periods greater than one year, and thus is classified as non-current.

Additions in the year included cash investment of £324 million (2021: £126 million), a syndication receivable of £53 million (2021: nil), the transfer of assets to investment entity subsidiaries of £157 million (2021: £721 million from investment entities), and £24 million (2021: £34 million) in capitalised interest received by way of loan notes, £4 million of which (2021: £24 million) was written down to nil.

Notes to the accounts continued

11 Investment portfolio continued

Disposals, repayments and write-offs in the year include £48 million (2021: £259 million) of transfer of assets to investment entity subsidiaries.

Included within profit or loss is £30 million (2021: £22 million) of interest income. Interest income included £17 million (2021: £10 million) of accrued income capitalised during the year noted above, £3 million (2021: nil) of cash income and £10 million (2021: £12 million) of accrued income remaining uncapitalised at the year end.

Quoted investments are classified as Level 1 and unquoted investments are classified as Level 3 in the fair value hierarchy, see Note 13 for details.

12 Investments in investment entity subsidiaries

Accounting policy:

Investments in investment entity subsidiaries are accounted for as financial instruments at fair value through profit and loss in accordance with IFRS 9.

These entities are typically limited partnerships and other intermediate investment holding structures which hold the Group's interests in investments in portfolio companies. The fair value can increase or decrease from either amounts paid to or received from the investment entity subsidiaries or valuation movements in line with the Group's valuation policy.

Substantially all of these entities meet the definition of a Fund under the IPEV guidelines and the fair value of these entities is their net asset value.

We determine that, in the ordinary course of business, the net asset value of investment entity subsidiaries is considered to be the most appropriate to determine fair value. At each reporting period, we consider whether any additional fair value adjustments need to be made to the net asset value of the investment entity subsidiaries. These adjustments may be required to reflect market participants' considerations about fair value that may include, but are not limited to, liquidity and the portfolio effect of holding multiple investments within the investment entity subsidiary. There was no particular circumstance to indicate that a fair value adjustment was required (31 March 2021: no adjustment required) and, after due consideration, we concluded that the net asset values were the most appropriate reflection of fair value at 31 March 2022.

Level 3 fair value reconciliation – investments in investment entity subsidiaries

Non-current	**Group 2022 £m**	Group 2021 £m
Opening fair value	**4,905**	3,936
Amounts paid to investment entity subsidiaries	**349**	879
Amounts received from investment entity subsidiaries	**(685)**	(281)
Fair value movements on investment entity subsidiaries	**1,974**	792
Transfer of portfolio investments to/(from) investment entity subsidiaries	**205**	(462)
Transfer of assets to investment entity subsidiaries	**43**	41
Closing fair value	**6,791**	4,905

Transfer of portfolio investments from investment entity subsidiaries includes the transfer of investment portfolio between investment entity subsidiaries and the Company at fair value. The consideration for these transfers can either be cash or intra-group receivables.

Restrictions

3i Group plc, the ultimate parent company, receives dividend income from its subsidiaries. There are no restrictions on the ability to transfer funds from these subsidiaries to the Group at 31 March 2022.

Support

3i Group plc continues to provide, where necessary, ongoing support to its investment entity subsidiaries for the purchase of portfolio investments. The Group's current commitments are disclosed in Note 24.

13 Fair values of assets and liabilities

Accounting policy:

Financial instruments are initially classified at either amortised cost or fair value through profit or loss. Financial instruments classified at fair value through profit or loss are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in profit or loss in the Statement of comprehensive income. Financial instruments classified at amortised cost are subsequently measured at amortised cost using the effective interest method with interest income or expense and foreign exchange gains and losses recognised in profit or loss in the Statement of comprehensive income.

(A) Classification

The following tables analyse the Group's assets and liabilities in accordance with the categories of financial instruments in IFRS 9:

	Group 2022 Classified at fair value through profit and loss £m	**Group 2022 Other financial instruments at amortised cost £m**	**Group 2022 Total £m**	Group 2021 Classified at fair value through profit and loss £m	Group 2021 Other financial instruments at amortised cost £m	Group 2021 Total £m
Assets						
Quoted investments	**934**	**–**	**934**	797	–	797
Unquoted investments	**5,708**	**–**	**5,708**	4,213	–	4,213
Investments in investment entities	**6,791**	**–**	**6,791**	4,905	–	4,905
Other financial assets	**54**	**172**	**226**	61	55	116
Total	**13,487**	**172**	**13,659**	9,976	55	10,031
Liabilities						
Loans and borrowings	**–**	**975**	**975**	–	975	975
Other financial liabilities	**–**	**185**	**185**	–	163	163
Total	**–**	**1,160**	**1,160**	–	1,138	1,138

	Company 2022 Classified at fair value through profit and loss £m	**Company 2022 Other financial instruments at amortised cost £m**	**Company 2022 Total £m**	Company 2021 Classified at fair value through profit and loss £m	Company 2021 Other financial instruments at amortised cost £m	Company 2021 Total £m
Assets						
Quoted investments	**934**	**–**	**934**	797	–	797
Unquoted investments	**5,708**	**–**	**5,708**	4,213	–	4,213
Other financial assets	**34**	**184**	**218**	39	52	91
Total	**6,676**	**184**	**6,860**	5,049	52	5,101
Liabilities						
Loans and borrowings	**–**	**975**	**975**	–	975	975
Other financial liabilities	**–**	**667**	**667**	–	536	536
Total	**–**	**1,642**	**1,642**	–	1,511	1,511

Within the Company, Interests in Group entities of £6,801 million (31 March 2021: £4,921 million) includes £6,792 million (31 March 2021: £4,907 million) held at fair value and £9 million (31 March 2021: £14 million) held at cost less impairment.

(B) Valuation

The fair values of the Group's financial assets and liabilities not held at fair value, are not materially different from their carrying values, with the exception of loans and borrowings. The fair value of the loans and borrowings is £1,069 million (31 March 2021: £1,161 million), determined with reference to their published market prices. The carrying value of the loans and borrowings is £975 million (31 March 2021: £975 million) and accrued interest payable (included within trade and other payables) is £13 million (31 March 2021: £13 million).

13 Fair values of assets and liabilities continued

Valuation hierarchy

The Group classifies financial instruments measured at fair value according to the following hierarchy:

Level	Fair value input description	Financial instruments
Level 1	Quoted prices (unadjusted) from active markets	Quoted equity instruments
Level 2	Inputs other than quoted prices included in Level 1 that are observable either directly (ie as prices) or indirectly (ie derived from prices)	Derivative financial instruments
Level 3	Inputs that are not based on observable market data	Unquoted investments

Unquoted equity instruments and debt instruments are measured in accordance with the IPEV Guidelines with reference to the most appropriate information available at the time of measurement. Further information regarding the valuation of unquoted equity instruments can be found in the section Portfolio valuation – an explanation on pages 212 and 213.

The table below shows the classification of financial instruments held at fair value into the valuation hierarchy at 31 March 2022:

	Group 2022 Level 1 £m	Group 2022 Level 2 £m	Group 2022 Level 3 £m	Group 2022 Total £m	Group 2021 Level 1 £m	Group 2021 Level 2 £m	Group 2021 Level 3 £m	Group 2021 Total £m
Assets								
Quoted investments	**934**	**–**	**–**	**934**	797	–	–	797
Unquoted investments	**–**	**–**	**5,708**	**5,708**	–	–	4,213	4,213
Investments in investment entity subsidiaries	**–**	**–**	**6,791**	**6,791**	–	–	4,905	4,905
Other financial assets	**–**	**17**	**37**	**54**	–	26	35	61
Total	**934**	**17**	**12,536**	**13,487**	797	26	9,153	9,976

We determine that, in the ordinary course of business, the net asset value of an investment entity subsidiary is considered to be the most appropriate to determine fair value. The underlying portfolio is valued under the same methodology as directly held investments, with any other assets or liabilities within investment entity subsidiaries fair valued in accordance with the Group's accounting policies. Note 12 details of the Directors' considerations about the fair value of the underlying investment entity subsidiaries.

Movements in the directly held investment portfolio categorised as Level 3 during the year are set out in the table below:

	Group 2022 £m	Group 2021 £m	Company 2022 £m	Company 2021 £m
Opening fair value	**4,213**	3,036	**4,213**	3,036
Additions	**138**	584	**138**	584
– of which loan notes with nil value	**(4)**	(24)	**(4)**	(24)
Disposals, repayments and write-offs	**(282)**	(333)	**(282)**	(333)
Fair value movement[1]	**1,644**	1,135	**1,644**	1,135
Other movements and net cash movements[2]	**(1)**	(185)	**(1)**	(185)
Closing fair value	**5,708**	4,213	**5,708**	4,213

1 All fair value movements relate to assets held at the end of the year.
2 Other movements include the impact of foreign exchange and accrued interest.

Unquoted investments valued using Level 3 inputs also had the following impact on profit and loss: realised profits over value on disposal of investments of £89 million (2021: £9 million), dividend income of £179 million (2021: £33 million) and foreign exchange losses of £9 million (2021: £195 million).

Assets move between Level 1 and Level 3 when an unquoted equity investment lists on a quoted market exchange. There were no transfers in or out of Level 3 during the year. In the 12 months to 31 March 2022, two assets changed valuation basis within Level 3, one moving from an earnings-based valuation to a Sum-of-the parts valuation and another moving from fair value in line with price of recent investment to an earnings-based valuation. The changes in valuation methodology in the period reflect our view of the most appropriate method to determine the fair value of the two assets at 31 March 2022. Further information can be found in the Private Equity and Infrastructure sections of the Business and Financial reviews starting on page 21.

The following table summarises the various valuation methodologies used by the Group to fair value Level 3 instruments, the inputs and the sensitivities applied and the impact of those sensitivities to the unobservable inputs. The significant majority of our portfolio has so far mitigated the impacts of supply chain disruption and inflation via pricing mechanisms and diversifying supplier base, an important consideration in our portfolio valuation at 31 March 2022. As part of our case-by-case review of our portfolio companies the risks and opportunities from climate change are an important consideration in the overall discussion on fair value. These risks are adequately captured in the multiple sensitivity. All numbers in the table below are on an Investment basis.

13 Fair values of assets and liabilities continued

Level 3 unquoted investments

Methodology	Description	Inputs	Fair value at 31 March 2022 (£m)	Sensitivity on key unobservable input	Fair value impact of sensitivities (£m) +5%/-5%
Earnings (Private Equity)	Most commonly used Private Equity valuation methodology Used for investments which are typically profitable and for which we can determine a set of listed companies and precedent transactions, where relevant, with similar characteristics	Earnings multiples are applied to the earnings of the Company to determine the enterprise value **Earnings multiples** When selecting earnings multiples, we consider: 1. Comparable listed companies current performance and through the cycle averages 2. Relevant market transaction multiples 3. Company performance, organic growth and value-accretive add-ons, if any 4. Exit expectations and other company specific factors For point 1 and 2 of the above we select companies in the same industry and, where possible, with a similar business model and profile in terms of size, products, services and customers, growth rates and geographic focus The pre-discount multiple ranges from 8.0x – 20.0x (2021: 8.5x – 19.5x) Other inputs: **Earnings** Reported earnings are adjusted for non-recurring items, such as restructuring expenses, for significant corporate actions and, in exceptional cases, run-rate adjustments to arrive at maintainable earnings The most common measure is earnings before interest, tax, depreciation and amortisation ("EBITDA") Earnings are usually obtained from portfolio company management accounts to the preceding quarter end, with reference also to forecast earnings and the maintainable view of earnings Action, our largest asset, we value using run-rate earnings	**11,586** (2021: 8,393)	For the assets valued on an earnings basis, we have applied a 5% sensitivity to the earnings multiple Action is our largest asset, and we have included a 5% sensitivity on Action's earnings multiple of 19.5x (equivalent to 18.5x net)	**695** (2021: 528) **(697)** (2021: (539)) **417** (2021: 283) **(417)** (2021: (284))
Discounted cash flow (Private Equity/ Infrastructure/ Scandlines)	Appropriate for businesses with long-term stable cash flows, typically in Infrastructure or, alternatively, businesses where DCF is more appropriate in the short term	Long-term cash flows are discounted at a rate which is benchmarked against market data, where possible, or adjusted from the rate at the initial investment based on changes in the risk profile of the investment	**1,023** (2021: 831)	For the assets valued on a DCF basis, we have applied a 5% sensitivity to the discount rate	**(41)** (2021: (38)) **37** (2021: 40)
NAV (Private Equity/ Infrastructure)	Used for investments in unlisted funds	Net asset value reported by the fund manager. The valuation of the underlying portfolio is consistent with IFRS	**77** (2021: 69)	A 5% increase on closing NAV	**4** (2021: 3)
Other (Private Equity/ Infrastructure)	Used where elements of a business are valued on different bases	Values of separate elements prepared on one of the methodologies listed above	**556** (2021: 104)	A 5% increase in the closing value	**28** (2021: 5)

Notes to the accounts continued

14 Carried interest and performance fees receivable

Accounting policy:

The Group earns a share of profits ("carried interest receivable") from funds which it manages on behalf of third parties. These profits are earned when the funds meet certain performance conditions and are paid by the fund when these conditions have been met on a cash basis. In certain limited circumstances the carried interest received may be subject to clawback provisions if the performance of the fund deteriorates materially following carried interest being paid.

Carried interest receivable

The carried interest receivable recognised at the balance sheet date is calculated based on the valuation of the remaining portfolio assets in the fund at that date, discounted to reflect the estimated realisation dates. An assessment of whether it is sufficiently certain that there will not be a significant reversal of this revenue is carried out on a fund by fund basis, based on its specific circumstances, including consideration of: remaining duration of the fund, position in relation to the cash hurdle, the number of assets remaining in the fund and the potential for clawback.

Following initial recognition, carried interest receivable is accounted for under the amortised cost method in accordance with IFRS 9.
This includes the requirement to calculate expected credit losses at inception. Given that carried interest is received from a small number of entities which are managed by the Group and are paid shortly following receipt of the proceeds or finalisation of the calculation which causes the payments to become due, the expected credit losses for these receivables are expected to be negligible.

Performance fees receivable

The Group earns performance fees from the investment management services it provides to 3i Infrastructure plc ("3iN") when 3iN's total return for the year exceeds a specified threshold. These fees are calculated on an annual basis and paid in three equal instalments over three years. The second and third instalments will only be recognised and received if either (a) 3iN's performance in the year in which the instalment is paid also triggers payment of a performance fee in respect of that year, or (b) if 3iN's performance over the three years starting with the year in which the performance fee is earned exceeds a specified threshold.

The Group also earns performance fees from the investment management services it provides to 3i Managed Infrastructure Acquisitions LP ("3i MIA") when the net asset value of the fund exceeds the performance threshold. These fees are calculated on an annual basis, and are recognised and paid at the end of successive five year performance periods. The first five year performance period ended on 31 March 2022. In accordance with IFRS 15, revenue from performance fees is recognised when it is sufficiently certain that there will not be a significant reversal, which is usually at the end of the relevant financial year or performance period, when the calculation is finalised and agreed.

Following initial recognition, performance fees receivable are accounted for under the amortised cost method in accordance with IFRS 9. This includes the requirement to calculate expected credit losses at inception. Given that performance fees are received from a small number of entities which are managed by the Group and are paid shortly following receipt of the proceeds or finalisation of the calculation which causes the payments to become due, the expected credit losses for these receivables are expected to be negligible.

	Group 2022 Carried interest receivable £m	**Group 2022 Performance fees receivable £m**	**Group 2022 Total £m**	Group 2021 Carried interest receivable £m	Group 2021 Performance fees receivable £m	Group 2021 Total £m
Opening carried interest and performance fees receivable	**9**	**8**	**17**	12	6	18
Carried interest and performance fees receivable recognised in profit and loss during the year	**2**	**51**	**53**	(3)	8	5
Received in the year	**(2)**	**(8)**	**(10)**	–	(6)	(6)
Other movements[1]	**–**	**–**	**–**	–	–	–
Closing carried interest and performance fees receivable	**9**	**51**	**60**	9	8	17
Of which: receivable in greater than one year	**9**	**–**	**9**	9	–	9

1 Other movements include the impact of foreign exchange.

14 Carried interest and performance fees receivable continued

	Company 2022 Carried interest receivable £m	Company 2022 Performance fees receivable £m	Company 2022 Total £m	Company 2021 Carried interest receivable £m	Company 2021 Performance fees receivable £m	Company 2021 Total £m
Opening carried interest and performance fees receivable	**38**	**–**	**38**	68	–	68
Carried interest and performance fees receivable recognised in profit and loss during the year	**29**	**25**	**54**	9	–	9
Received in the year	**(3)**	**–**	**(3)**	(38)	–	(38)
Other movements[1]	**(1)**	**–**	**(1)**	(1)	–	(1)
Closing carried interest and performance fees receivable	**63**	**25**	**88**	38	–	38
Of which: receivable in greater than one year	**62**	**–**	**62**	38	–	38

1 Other movements include the impact of foreign exchange.

The closing carried interest receivable balance above is calculated using the fair value of the assets in the relevant funds at the balance sheet date. The carried interest receivable recognised in profit and loss during the year predominantly relates to changes in the fair value of the investments in the relevant funds.

As explained in the accounting policy above, no expected credit losses have been recognised for carried interest and performance fees receivable as these are deemed to be negligible.

15 Carried interest and performance fees payable

Accounting policy:

The Group offers investment executives the opportunity to participate in the returns from investments subject to certain performance conditions. "Carried interest and performance fees payable" is the term used for amounts payable to executives on these investment-related transactions.

A variety of asset pooling arrangements are in place so that participants may have an interest in one or more carried interest plans and participants include current and former investment participants. Carried interest payable is accrued if its performance conditions, measured at the balance sheet date, would be achieved if the remaining assets in that plan were realised at fair value. An accrual is made equal to the participants' share of profits in excess of the performance conditions in place in the carried interest plan, discounted to reflect the likely actual cash payment date, which may be materially later than the time of the accrual.

The Infrastructure performance fee payable is accrued based on the expected award. A significant proportion of the amount awarded is deferred over time and may be granted in 3i Group plc shares. This is recognised over the vesting period in line with the requirements of IFRS 2 or IAS 19, depending on the type of award.

Under IFRS 10, where carried interest payable reduces the fair value of an investment entity subsidiary, that movement is recorded through "Fair value movements on investment entity subsidiaries". At 31 March 2022, £885 million of carried interest payable was recognised in the Consolidated statement of financial position of these investment entity subsidiaries (31 March 2021: £494 million).

	Group 2022 £m	Group 2021 £m
Opening carried interest and performance fees payable	**66**	107
Carried interest and performance fees payable recognised in profit and loss during the year	**46**	6
Cash paid in the year	**(14)**	(33)
Other movements[1]	**(21)**	(14)
Closing carried interest and performance fees payable	**77**	66
Of which: payable in greater than one year	**42**	49

1 Other movements include the impact of foreign exchange and a transfer from trade and other payables.

The carry payable expense in the table above includes a £16 million (2021: £16 million) charge arising from Infrastructure share-based payment carry related schemes. The charge includes £12 million (2021: £13 million) of equity awards and £1 million expense (2021: £1 million credit) of cash-settled awards, see Note 27 Share-based payments for further details and £3 million (2021: £4 million) of social security cost.

Notes to the accounts continued

15 Carried interest and performance fees payable continued

A 5% increase in the valuation of all individual assets in the underlying investment portfolio (including those portfolio investments held by investment entity subsidiaries) would result in a £1 million increase in carried interest payable (31 March 2021: £1 million). Including carried interest payable recognised in investment entity subsidiaries, it would result in a £54 million increase (31 March 2021: £31 million).

A 5% decrease in the valuation of all individual assets in the underlying investment portfolio would result in a £1 million decrease in carried interest payable (31 March 2021: £1 million). Including carried interest payable recognised in investment entity subsidiaries, it would result in a £54 million decrease (31 March 2021: £31 million).

16 Other assets

Accounting policy:

Assets, other than those specifically accounted for under a separate policy, are stated at their cost less impairment losses. Financial assets are recognised at amortised cost in accordance with IFRS 9, which includes the requirement to calculate expected credit losses ("ECLs") on initial recognition. Any ECLs are recognised directly in profit and loss, with any subsequent reversals recognised in the same location.

	Group 2022 £m	Group 2021 £m	**Company 2022 £m**	Company 2021 £m
Prepayments	**2**	2	**–**	–
Other debtors	**63**	68	**29**	24
Proceeds/syndication receivable	**84**	3	**84**	3
Total other assets	**149**	73	**113**	27
Of which: receivable in greater than one year	**45**	52	**24**	22

At 31 March 2022 no ECLs have been recognised against other assets as they are negligible (31 March 2021: nil).

17 Loans and borrowings

Accounting policy:

All loans and borrowings are initially recognised at the fair value of the consideration received. After initial recognition, these are subsequently measured at amortised cost using the effective interest method, which is the rate that exactly discounts the estimated future cash flows through the expected life of the liabilities. Financial liabilities are derecognised when they are extinguished.

	Group 2022 £m	Group 2021 £m
Loans and borrowings are repayable as follows:		
Within one year	**200**	–
Between the second and fifth year	**–**	200
After five years	**775**	775
	975	975

Principal borrowings include:

	Rate	Maturity	**Group 2022 £m**	Group 2021 £m	**Company 2022 £m**	Company 2021 £m
Fixed rate						
£200 million notes (public issue)	6.875%	2023	**200**	200	**200**	200
£375 million notes (public issue)	5.750%	2032	**375**	375	**375**	375
£400 million notes (public issue)	3.750%	2040	**400**	400	**400**	400
			975	975	**975**	975
Committed multi-currency facilities						
£500 million	SONIA+0.50%	2027	**–**	–	**–**	–
Total loans and borrowings			**975**	975	**975**	975

17 Loans and borrowings continued

The syndicated multi-currency facility of £500 million has no financial covenants. During the year the maturity of the facility was extended by one year to March 2027.

All of the Group's borrowings are repayable in one instalment on the respective maturity dates. None of the Group's interest-bearing loans and borrowings are secured on the assets of the Group. The fair value of the loans and borrowings is £1,069 million (31 March 2021: £1,161 million), determined with reference to their published market prices. The loans and borrowings are included in Level 1 of the fair value hierarchy. The interest payable for loans and borrowings recognised within profit and loss is £52 million (2021: £50 million) and the interest paid for loans and borrowings recognised within the Consolidated cash flow statement is £52 million (2021: £45 million).

In accordance with the FCA's Investment Funds sourcebook (FUNDS 3.2.2R and Fund 3.2.6R), 3i Investments plc, as AIFM of the Company, is required to calculate leverage and disclose this to investors. The leverage is calculated using the gross method and commitment method. Gross method calculates the overall exposure over the net asset value whereas the commitment method calculates the net exposure over the net asset value. Leverage at 31 March 2022 for the Group is 127% (31 March 2021: 131%) and the Company is 123% (31 March 2021: 130%) under both the gross method and the commitment method. The leverage for 3i Investments plc at 31 March 2022 is 100% (31 March 2021: 100%) under both the gross method and the commitment method.

Under the Securities Financing Transactions Regulation and the FCA's Investment Funds sourcebook (FUNDS 3.2.4A), 3i is required to disclose certain information relating to the use of securities financing transactions ("SFTs") and total return swaps. At 31 March 2022, 3i was not party to any transactions involving SFTs or total return swaps.

Reconciliation of liabilities arising from financing activities

The changes in the Group's liabilities arising from financing activities are classified as follows:

	Loans and borrowings 2022 £m	**Lease liability 2022 £m**	Loans and borrowings 2021 £m	Lease liability 2021 £m
Opening liability	**975**	**17**	575	20
Additions	**–**	**1**	400	2
Repayments	**–**	**(4)**	–	(5)
Closing liability	**975**	**14**	975	17

18 Derivatives

Accounting policy:

Derivative financial instruments are accounted for at fair value through profit and loss in accordance with IFRS 9. They are revalued at the balance sheet date based on market prices, with any change in fair value being recorded in profit and loss. Derivatives are recognised in the Consolidated statement of financial position as a financial asset when their fair value is positive and as a financial liability when their fair value is negative. The Group's derivative financial instruments are not designated as hedging instruments.

Statement of comprehensive income	**Group 2022 £m**	Group 2021 £m	**Company 2022 £m**	Company 2021 £m
Movement in the fair value of derivatives	**2**	24	**2**	24

Statement of financial position	**Group 2022 £m**	Group 2021 £m	**Company 2022 £m**	Company 2021 £m
Non-current assets				
Forward foreign exchange contracts	**7**	16	**7**	16
Current assets				
Forward foreign exchange contracts	**10**	10	**10**	10

The Company entered into forward foreign exchange contracts to minimise the effect of fluctuations arising from movements in exchange rates in the value of the Group's investment in Scandlines.

As at 31 March 2022 the notional amount of the forward foreign exchange contracts held by the Company was €500 million (31 March 2021: €500 million) for Scandlines.

Notes to the accounts continued

19 Trade and other payables

Accounting policy:

Liabilities, other than those specifically accounted for under a separate policy, are stated based on the amounts which are considered to be payable in respect of goods or services received up to the balance sheet date. Financial liabilities are recognised at amortised cost in accordance with IFRS 9.

	Group 2022 £m	Group 2021 £m	**Company 2022 £m**	Company 2021 £m
Trade and other payables	**94**	79	**15**	12
Amounts due to subsidiaries	**–**	–	**652**	524
Total trade and other payables	**94**	79	**667**	536
Of which: payable in greater than one year	**14**	17	**–**	–

20 Issued capital and reserves

Accounting policy:

Ordinary shares issued by the Group are recognised at the proceeds or fair value received with the excess of the amount received over nominal value being credited to the share premium account. Direct issue costs net of tax are deducted from equity.

Capital reserve recognises all profits and losses that are capital in nature or have been allocated to capital, which include the accumulation of investment gains and losses as well as changes to the value of financial instruments measured at fair value through profit and loss.

Revenue reserve recognises all profits and losses that are revenue in nature or have been allocated to revenue and is the accumulation of revenue profits and losses.

Issued and fully paid	**2022 Number**	**2022 £m**	2021 Number	2021 £m
Ordinary shares of 73 19/22p				
Opening balance	**973,166,947**	**719**	973,074,585	719
Issued under employee share plans	**71,691**	**–**	92,362	–
Closing balance	**973,238,638**	**719**	973,166,947	719

The Company issued 71,691 ordinary shares to the Trustee of the 3i Group Share Incentive Plan for a total cash consideration of £939,023 at various prices from 1,189 pence to 1,470 pence per share (being the market prices on the issue dates which were the last trading day of each month in the year, with the exception of December 2021, when the issue date was 5 January 2022). These shares were ordinary shares with no additional rights attached to them and had a total nominal value of £52,954.

21 Own shares

Accounting policy:

Own shares are recorded by the Group when ordinary shares are acquired by the Company or by The 3i Group Employee Benefit Trust. Own shares are deducted from shareholders' equity. A transfer is made to retained earnings at their weighted average cost in line with the vesting of own shares held for the purposes of share-based payments. The number of own shares held by the Trust and the schemes are described in Note 27.

	Group 2022 £m	Group 2021 £m	**Company 2022 £m**	Company 2021 £m
Opening cost	**64**	78	**64**	78
Additions	**54**	–	**54**	–
Awards granted	**(18)**	(14)	**(18)**	(14)
Closing cost	**100**	64	**100**	64

During the year, the 3i Group Employee Benefit Trust acquired 4 million shares at an average price of 1,348 pence per share. During the year to 31 March 2021 the trust did not acquire any shares.

22 Capital structure

The capital structure of the Group consists of shareholders' equity and net debt or cash. The type and maturity of the Group's borrowings are analysed further in Note 17. Capital is managed with the objective of maximising long-term return to shareholders, whilst maintaining a capital base to allow the Group to operate effectively in the market and sustain the future development of the business.

	Group 2022 £m	Group 2021 £m	**Company 2022 £m**	Company 2021 £m
Cash and deposits	**212**	216	**188**	195
Borrowings and derivative financial liabilities	**(975)**	(975)	**(975)**	(975)
Net debt[1]	**(763)**	(759)	**(787)**	(780)
Total equity	**12,754**	9,164	**12,208**	8,706
Gearing (net debt/total equity)	**6%**	8%	**6%**	9%

1 The above numbers have been prepared under IFRS and differ from the Investment basis as detailed in the Strategic report.

Capital constraints

The Group is generally free to transfer capital from subsidiary undertakings to the parent company, subject to maintaining each subsidiary with sufficient reserves to meet local statutory/regulatory obligations. No significant constraints (as discussed in Note 12) have been identified and the Group has been able to distribute profits as appropriate.

The Group's regulatory capital requirement was until 1 January 2022 calculated in accordance with Capital Requirements Directive III and reviewed regularly by the Board of 3i Investments plc, an investment firm regulated by the FCA, and the Group's Audit and Compliance Committee. In addition, the Group's Internal Capital Adequacy Assessment Process ("ICAAP") report has been updated as appropriate and reviewed by the Board of 3i Investments plc and the Audit and Compliance Committee in line with the Individual Capital Guidance given by the FCA.

With effect from 1 January 2022, the Group is subject to the FCA's MIFIDPRU sourcebook ("MIFIDPRU"), the result of which is that the Group's ICAAP will be replaced by the Internal Capital and Risk Assessment ("ICARA") of 3i Investments plc. 3i Investments plc's and the Group's regulatory capital requirement is now calculated in accordance with MIFIDPRU 2.5, 4.3, 4.5 and 4.6.

23 Interests in Group entities

Accounting policy:

The Company has controlling equity interests in, and makes loans to, both consolidated and fair valued Group entities. Equity investments in, and loans to, investment entities are held at fair value in the Company's accounts. The net assets of these entities are deemed to represent fair value. Equity investments in other subsidiaries are held at cost less impairment and any loans to these subsidiaries are held at amortised cost in accordance with IFRS 9, which includes the requirement to calculate expected credit losses on initial recognition.

	Company 2022 Equity investments £m	**Company 2022 Loans £m**	**Company 2022 Total £m**
Opening book value	**2,387**	**2,534**	**4,921**
Additions	**61**	**505**	**566**
Share of profits from partnership entities	**–**	**391**	**391**
Disposals and repayments	**–**	**(649)**	**(649)**
Fair value movements	**1,464**	**99**	**1,563**
Exchange movements	**–**	**9**	**9**
Closing book value	**3,912**	**2,889**	**6,801**

Notes to the accounts continued

23 Interests in Group entities continued

	Company 2021 Equity Investments £m	Company 2021 Loans £m	Company 2021 Total £m
Opening book value	2,318	1,705	4,023
Additions	19	880	899
Share of profits from partnership entities	–	231	231
Disposals and repayments	(214)	(681)	(895)
Fair value movements	264	414	678
Exchange movements	–	(15)	(15)
Closing book value	2,387	2,534	4,921

Equity investments in, and loans to investment entities are held at fair value, equity investments in other subsidiaries are held at cost less impairment. The measurements at fair value and cost less impairment are assessed against the Company's equity and loan instruments into these subsidiaries, which are eliminated on consolidation for the Group. For this reason equity investments and loans into investments entities do not form part of the investment portfolio for the Company and instead are included within interests in Group entities. Details of significant Group entities are given in Note 30.

24 Commitments

Accounting policy:

Commitments represent amounts the Group has contractually committed to pay third parties but do not yet represent a charge or asset. This gives an indication of committed future cash flows. Commitments are recognised in the balance sheet at the point of settlement subject to associated risks and rewards being transferred. Commitments at the year end do not impact the Group's financial results for the year.

	Group 2022 due within 1 year £m	**Group 2022 due between 2 and 5 years £m**	**Group 2022 due over 5 years £m**	**Group 2022 Total £m**	Group 2021 due within 1 year £m	Group 2021 due between 2 and 5 years £m	Group 2021 due over 5 years £m	Group 2021 Total £m
Unquoted investments	**20**	**–**	**–**	**20**	18	8	–	26

	Company 2022 due within 1 year £m	**Company 2022 due between 2 and 5 years £m**	**Company 2022 due over 5 years £m**	**Company 2022 Total £m**	Company 2021 due within 1 year £m	Company 2021 due between 2 and 5 years £m	Company 2021 due over 5 years £m	Company 2021 Total £m
Unquoted investments	**20**	**–**	**–**	**20**	18	8	–	26

The amounts shown above include £5 million of commitments made by the Group and Company, to invest in one company and £15 million by the Group and Company to invest into funds (31 March 2021: £7 million into two companies and £19 million into funds). The Group and Company were contractually committed to these investments as at 31 March 2022.

25 Contingent liabilities

Accounting policy:

Contingent liabilities are potential liabilities where there is even greater uncertainty, which could include a dependency on events not within the Group's control, but where there is a possible obligation. Contingent liabilities are only disclosed and not included within the Consolidated statement of financial position.

The Company has provided a guarantee to the Trustees of the 3i Group Pension Plan ("the Plan") in respect of liabilities of 3i plc to the Plan.

At 31 March 2022, there was no material litigation outstanding, nor any other matter, against the Company or any of its subsidiary undertakings, which may indicate the existence of a contingent liability.

26 Retirement benefits

Accounting policy:

Payments to defined contribution retirement benefit plans are charged to profit and loss as they fall due.

For defined benefit retirement plans, the cost of providing benefits is determined using the projected unit method with actuarial valuations being carried out at each balance sheet date. Interest on the net defined benefit asset/liability, calculated using the discount rate used to measure the defined benefit obligation, is recognised in profit and loss. Re-measurement gains or losses are recognised in full as they arise in other comprehensive income.

A retirement benefit deficit is recognised in the Consolidated statement of financial position to the extent that the present value of the defined benefit obligations exceeds the fair value of plan assets.

A retirement benefit surplus is recognised in the Consolidated statement of financial position where the fair value of plan assets exceeds the present value of the defined benefit obligations limited to the extent that the Group can benefit from that surplus. Where the retirement benefit scheme is in surplus this is recognised net being the lower of any surplus in the fund and the asset ceiling.

(i) Defined contribution plans

The Group operates a number of defined contribution retirement benefit plans for qualifying employees throughout the Group. The assets of these plans are held separately from those of the Group. The total expense recognised, in operating expenses, in profit and loss is £3 million (2021: £3 million), which represents the contributions paid to these defined contribution plans. There were no outstanding payments due to these plans at the balance sheet date.

(ii) Defined benefit plans

The Group operates a final salary defined benefit plan for qualifying employees of its subsidiaries in the UK ("the Plan"). The Plan is approved by HMRC for tax purposes, is operated separately from the Group and governed by an independent set of Trustees, whose appointment and powers are determined by the Plan's documentation.

Membership of the Plan has not been offered to new employees joining 3i since 1 April 2006. The Plan was closed to the future accrual of benefits by members with effect from 5 April 2011, although the final salary link is maintained on existing accruals. 3i employees who are members of the Plan have been invited to join the Group's defined contribution plan with effect from 6 April 2011. The defined benefit plan is a funded scheme, the assets of which are independent of the Company's finances and administered by the Trustees. The Trustees are responsible for managing and investing the Plan's assets and for monitoring the Plan's funding position.

The valuation of the Plan was updated on an IAS 19 basis by an independent qualified actuary as at 31 March 2022.

Qualifying employees in Germany are entitled to a pension based on their length of service. The future liability calculated by German actuaries is £26 million (31 March 2021: £29 million). There was no expense (2021: nil) recognised in operating expenses, in profit and loss for the year and a £3 million gain (2021: £4 million loss) in other comprehensive income for this scheme. Changes in the present value of the obligation, assumptions and sensitivities of this scheme have not been disclosed as they are not material.

The amount recognised in the Consolidated statement of financial position in respect of the Group's defined benefit plans is as follows:

	2022 £m	2021 £m
Present value of funded obligations	**641**	710
Fair value of the Plan assets	**(723)**	(795)
Asset restriction	**29**	30
Retirement benefit surplus in respect of the Plan	**(53)**	(55)
Retirement benefit deficit in respect of other defined benefit schemes	**26**	29

A retirement benefit surplus under IAS 19 is recognised in respect of the Plan on the basis that the Group is entitled to a refund of any remaining surplus once all benefits have been settled in the expected course. The asset restriction relates to tax that would be deducted at source in respect of a refund of the Plan surplus.

Notes to the accounts continued

26 Retirement benefits continued

The amounts recognised in the Consolidated statement of comprehensive income in respect of the Plan are as follows:

	2022 £m	2021 £m
Included in interest payable		
Interest income on net defined benefit asset	**1**	4
Included in other comprehensive income		
Re-measurement loss	**(3)**	(187)
Asset restriction	**2**	65
Total re-measurement loss and asset restriction	**(1)**	(122)
Total	**–**	(118)

The total re-measurement gain recognised in other comprehensive income was £2 million (2021: £126 million loss). There was a £3 million gain on our overseas schemes (2021: £4 million loss), as noted above.

Changes in the present value of the defined benefit obligation were as follows:

	2022 £m	2021 £m
Opening defined benefit obligation	**710**	692
Interest on Plan liabilities	**13**	15
Re-measurement (gain)/loss:		
– gain from change in demographic assumptions	**(1)**	(11)
– (gain)/loss from change in financial assumptions	**(53)**	98
– experience loss/(gain)	**2**	(10)
Benefits paid	**(30)**	(74)
Closing defined benefit obligation	**641**	710

Changes in the fair value of the Plan assets were as follows:

	2022 £m	2021 £m
Opening fair value of the Plan assets	**795**	958
Interest on Plan assets	**15**	21
Actual return on Plan assets less interest on Plan assets	**(55)**	(110)
Expenses	**(2)**	–
Benefits paid	**(30)**	(74)
Closing fair value of the Plan assets	**723**	795

The fair value of the Plan's assets at the balance sheet date is as follows:

	2022 £m	2021 £m
Annuity contracts	**643**	709
Liquidity fund	**79**	84
Other	**1**	2
	723	795

26 Retirement benefits continued

In May 2020, the Plan's Trustees completed a £650 million buy-in transaction with Legal & General, an insurance policy that is designed to provide cash flows that exactly match the value and timing of the benefits payable to the members it covers. This insurance policy, alongside previous buy-in policies entered into with Pension Insurance Corporation and Legal & General in March 2017 and February 2019 respectively, means that the Plan benefits of all members are now insured and 3i, as sponsor, is no longer exposed to longevity, interest or inflation risk and therefore funding requirements.

On an IAS 19 basis, the fair value of the insurance policy will match the present value of the liabilities being insured. The Trustees of the Plan will consider in due course whether to move to a buy-out, which would involve converting the buy-in policies held within the Plan into individual annuity policies in the names of Plan members.

The Plan's assets do not include any of the Group's own equity instruments nor any property in use by the Group.

Changes in the asset restriction were as follows:

	2022 £m	2021 £m
Opening asset restriction	**30**	93
Interest on asset restriction	**1**	2
Re-measurements	**(2)**	(65)
Closing asset restriction	**29**	30

The principal assumptions made by the actuaries and used for the purpose of the year end valuation of the Plan were as follows:

	2022	2021
Discount rate	**2.7%**	1.9%
Expected rate of pension increases	**0.0% to 3.9%**	0% to 3.5%
Retail Price Index ("RPI") inflation	**3.8%**	3.4%
Consumer Price Index ("CPI") inflation	**3.0%**	2.6%

In addition, it is assumed that members exchange 25% of their pension for a lump sum at retirement on the conversion terms in place at 31 March 2022 with an allowance for the terms to increase in future. The duration of the Plan's defined benefit obligation at the accounting date was around 17 years.

The post-retirement mortality assumption used to value the benefit obligation at 31 March 2022 is 90% of the S3NA very light mortality tables, allowing for improvements in line with the CMI 2021 core projections with a long-term annual rate of improvement of 1.75% (31 March 2021: 90% of the base mortality tables, allowing for improvements in line with the CMI 2020 core projections with a long-term annual rate of improvement of 1.75%). The life expectancy of a male member reaching age 60 in 2042 (31 March 2021: 2041) is projected to be 32.6 (31 March 2021: 32.6) years compared to 30.8 (31 March 2021: 30.8) years for someone reaching 60 in 2022.

As the Plan was closed to future accrual of benefits by members with effect from 5 April 2011, the Group ceased to make regular contributions to the Plan in the year to 31 March 2012. The latest triennial valuation for the Plan was completed in September 2020, based on the position as at 30 June 2019. The outcome was an actuarial surplus of £89 million. This valuation is produced for funding purposes and is calculated on a different basis to the IAS 19 valuation net asset of £53 million which is shown in the Note above. In light of the results of the triennial valuation, the third buy-in policy secured with Legal & General, which took place after the triennial valuation date and the Plan's resulting strong financial position, it was agreed it was not necessary for the Group to make any contributions to the Plan.

For the year to 31 March 2022 the defined benefit surplus is not impacted by changes in assumptions and sensitivity assumptions are nil (2021: nil) this is because the defined benefit obligation is matched by annuity contracts following the third and final buy-in policy secured with Legal & General.

Notes to the accounts continued

27 Share-based payments

Accounting policy:

The Group has equity-settled and cash-settled share-based payment transactions with certain employees. Equity-settled schemes are measured at fair value at the date of grant, which is then recognised in profit or loss over the period that employees provide services, generally the period between the start of the performance period and the vesting date of the shares. The number of share awards expected to vest takes into account the likelihood that performance and service conditions included in the terms of the award will be met.

Fair value is measured by use of an appropriate model which takes into account the current share price, the risk-free interest rate, the expected volatility of the share price over the life of the award and any other relevant factors. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of 3i Group plc. The charge is adjusted at each balance sheet date to reflect the actual number of forfeitures, cancellations and leavers during the year. The movement in cumulative charges since the previous balance sheet is recognised in profit and loss, with a corresponding entry in equity.

Liabilities arising from cash-settled share-based payment transactions are recognised in profit or loss over the vesting period. They are fair valued at each reporting date. The cost of cash settled share-based payment transactions is adjusted for the forfeitures of the participants' rights that no longer meet the plan requirements as well as for early vesting.

The cost of the share-based payments is allocated either to operating expenses or carried interest depending on the original driver of the award. Executive Director Long-term Incentive Plans are allocated to operating expenses.

To ensure that employees' interests are aligned with shareholders, a significant amount of variable compensation paid to higher earning employees is deferred into shares that vest over a number of years. For legal, regulatory or practical reasons certain participants may be granted cash settled awards under these schemes, which are intended to replicate the financial effects of a share award without entitling the participant to acquire shares. The weighted average fair value grant price for cash settled awards granted during the year was 1,252p (31 March 2021: 890p) and the reporting price for these awards at 31 March 2022 was 1,389p (31 March 2021: 1,154p). The carrying amount of liabilities arising from cash settled awards at 31 March 2022 is £13 million (31 March 2021: £12 million). The total equity settled share-based payment reserve at 31 March 2022 is £33 million (31 March 2021: £34 million).

The cost of the share-based payments is allocated either to operating expenses or carried interest depending on the original driver of the award. Executive Director Performance Share Awards are allocated to operating expenses.

The total cost recognised in the Consolidated statement of comprehensive income is shown below:

	2022 £m	2021 £m
Share awards included as operating expenses[1]	**8**	6
Share awards included as carried interest[1]	**12**	13
Cash-settled share awards[2]	**5**	2
	25	21

1 Credited to equity.
2 For the year ended 31 March 2022, £4 million (2021: £3 million) is recognised in operating expenses and £1 million expense (2021: £1 million credit) is recognised in carried interest.

Movements in share awards

The number of equity and cash settled share-based awards outstanding as at 31 March is as follows:

	2022 Number	2021 Number
Outstanding at the start of the year	**10,081,598**	6,772,722
Granted	**2,482,423**	6,480,993
Exercised	**(2,943,603)**	(2,810,733)
Forfeited	**(86,684)**	(302,414)
Lapsed	**(173,139)**	(58,970)
Outstanding at the end of year	**9,360,595**	10,081,598
Weighted average remaining contractual life of awards outstanding in years	**2.2**	2.5
Weighted average fair value of awards granted (pence)	**1,021**	766
Weighted average market price at date of exercise (pence)	**1,245**	843
Exercisable at the end of the year	**15,381**	15,381

27 Share-based payments continued

Details of the different types of awards are as follows:

Performance Share Awards

Performance Share Awards are granted to employees and Executive Directors under the 3i Group Discretionary Share Plan 2020 (and predecessor rules).

Employees

Performance Share Awards granted to employees (other than Executive Directors) after the financial year end are subject to performance conditions based on absolute and relative Total Shareholder Return over three financial years. Awards performance vest, to the extent they satisfy the performance conditions, following the three-year performance period and are then released in the third year from the date of grant together with a payment equal to the dividends which would have been paid on the released shares during the period from grant to release. The method of settlement can either be equity or cash depending on the type of award. The equity awards are measured using the Monte Carlo model. The model simulates the Total Shareholder Return which has been incorporated into the fair value at grant date by applying a discount to the valuation obtained.

Executive Directors

Performance Share Awards granted to Executive Directors after the financial year end are subject to performance conditions based on absolute and relative Total Shareholder Return over three financial years. Awards performance vest, to the extent they satisfy the performance conditions, following the three-year performance period. Outstanding Executive Director awards granted up to and including 2019 are released, to the extent they have performance vested, together with a payment equal to the value of the dividends which would have been paid on the released shares during the period from grant to release as to 50% in year three and 25% in each of years four and five. Executive Director Performance Share Awards granted from 2020 onwards are released, to the extent they have performance vested, in the fifth year from the date of grant together with a payment equal to the value of the dividends that would have been paid on the released shares during the period from grant to release. The method of settlement is equity. These awards are measured using the Monte Carlo model. The model simulates the Total Shareholder Return which has been incorporated into the fair value at the grant date by applying a discount to the valuation obtained. The features of the Group's share schemes for Executive Directors are described in the Directors' remuneration report on pages 129 to 139.

Restricted Share Awards

Restricted Share Awards are granted under the 3i Group Deferred Bonus Plan 2020 (and predecessor rules) and are granted to employees and Executive Directors after the financial year end and are subject to continued service conditions. The shares subject to the awards are transferred to the participants on grant subject to forfeiture if the service condition is not fulfilled and cease to be subject to forfeiture in equal proportions over the three years following grant or over four years in the case of certain such awards granted to members of the Executive Committee. Cash dividends are received by participants on the shares during the period in which they remain subject to forfeiture. The method of settlement can either be equity or cash depending on the type of award. The equity awards are measured using the Black Scholes model.

Deferred Share Awards

Deferred Share Awards were granted under the 3i Group Deferred Bonus Plan and were subject to continued service conditions. Subject to fulfilment of the service conditions awards vested in the third year following grant and were exercisable in the third to tenth years following grant. Deferred Share Awards are no longer being made and all outstanding awards have vested.

Infrastructure Performance Fee Share Awards

Infrastructure Performance Fee Share Awards are granted to employees in the Infrastructure team under the 3i Special Share Award Plan. Awards are granted to employees after the financial year end and are subject to performance conditions based on receipt by 3i plc of certain instalments of performance fees payable by 3i Infrastructure plc under the terms of its Investment Management Agreement with 3i. The shares vest and are released, subject to satisfying the performance conditions, in equal instalments in the first and second years after grant together with payments equal to the value of the dividends which would have been paid on the released shares during the period from grant to release. If the performance condition is not met in year one, the award does not lapse but is retested in year two when some or all of the shares may vest. The method of settlement can either be equity or cash depending on the type of award. The equity awards are measured using the Black Scholes model.

Notes to the accounts continued

27 Share-based payments continued

Measurement of fair values

The fair value of the plans have been measured using both the Monte Carlo model and Black Scholes model for equity share awards. The inputs used in the measurement of the grants are based on the following assumptions:

	Monte Carlo model		Black Scholes	
	2022	2021	**2022**	2021
Share price at grant date (pence)[1]	**1,220**	849	**1,282**	870
Fair value at grant date (pence)[1]	**499**	250	**1,177**	777
Exercise price (pence)	**–**	–	**–**	–
Expected volatility (weighted average)	**28.2%**	26.0%	**30.8%**	30.9%
Expected life (weighted average)	**4 years**	4 years	**3 years**	3 years
Dividend yield	**–**	–	**3.0%**	4.0%
Risk free interest rate	**0.16%**	0.02%	**0.22%**	0.01%

1 Where share awards are granted on multiple dates the average price is disclosed.

Expected volatility was determined by reviewing share price volatility for the expected life of each award up to the date of grant.

Holdings of 3i Group plc shares

The Group has established an employee benefit trust and the total number of 3i Group plc shares held in this trust at 31 March 2022 was 10 million (31 March 2021: 9 million). Dividend rights have been waived on these shares. During the year, the trust acquired 4 million shares at an average price of 1,348 pence per share. During the year to 31 March 2021 the trust did not acquire any shares. The total market value of the shares held in trust based on the year end share price of 1,389 pence (31 March 2021: 1,154 pence) was £142 million (31 March 2021: £98 million).

28 Financial risk management

Introduction

A review of the Group's objectives, policies and processes for managing and monitoring risk is set out in the Risk management section on pages 58 to 71. This Note provides further detail on financial risk management, cross-referring to the Risk management section where applicable, and includes quantitative data on specific financial risks.

The Group is a highly selective investor and each investment is subject to an individual risk assessment through an investment approval process. The Group's Investment Committee is part of the overall risk management framework set out in the Risk section. The risk management processes of the Company are aligned with those of the Group and both the Group and the Company share the same financial risks.

Financial risks

Concentration risk

3i seeks to diversify risk through significant dispersion of investments by geography, economic sector, asset class and size as well as through the maturity profile of its investment portfolio. Although 3i does not set maximum limits for asset allocation, it does have a maximum exposure limit for the cost of new investments. This is detailed in the Investment policy on page 140 in the Governance section. Quantitative data regarding the concentration risk of the portfolio across geographies can be found in the Segmental analysis in Note 1 and in the 20 large investments table on pages 210 and 211.

Action is the largest asset in the Group's investment portfolio and a 5% increase or decrease in value would result in a £358 million (31 March 2021: £228 million) or £(358) million (31 March 2021: £(228) million) impact on the overall Group portfolio value.

Credit risk

The Group is subject to credit risk on its unquoted investments, derivatives, cash and deposits. The maximum exposure is the balance sheet amount. The Group's cash is held with a variety of counterparties with 88% of the Group's surplus cash held on demand in AAA rated money market funds (31 March 2021: 90%).

The credit quality of unquoted investments, which are held at fair value and include debt and equity elements, is based on the financial performance of the individual portfolio companies. The credit risk relating to these assets is based on their enterprise value and is reflected through fair value movements. Further detail can be found in the Price risk – market fluctuations disclosure in this Note and the sensitivity disclosure to changes in the valuation assumptions is provided in the valuation section of Note 13.

28 Financial risk management continued

Liquidity risk

The liquidity outlook is monitored at least monthly by management and regularly by the Board in the context of periodic strategic reviews of the balance sheet. The new investment pipeline and forecast realisations are closely monitored and assessed against our vintage control policy, as described on page 58 of the Risk management section. The table below analyses the maturity of the Group's gross contractual liabilities.

Financial liabilities

As at 31 March 2022	Due within 1 year £m	Due between 1 and 2 years £m	Due between 2 and 5 years £m	Due more than 5 years £m	£m Total £m
Gross commitments:					
Fixed loan notes	**250**	**36**	**110**	**1,106**	**1,502**
Committed multi-currency facility	**1**	**1**	**3**	**–**	**5**
Carried interest and performance fees payable within one year	**35**	**–**	**–**	**–**	**35**
Trade and other payables	**80**	**–**	**–**	**14**	**94**
Lease liabilities	**4**	**5**	**5**	**–**	**14**
Total	**370**	**42**	**118**	**1,120**	**1,650**

Gross commitments include principal amounts and interest and fees where relevant. Carried interest and performance fees payable within non-current liabilities of £35 million (31 March 2021: £49 million) has no stated maturity as it results from investment related transactions and it is not possible to identify with certainty the timing of when the investments will be sold. Carried interest and performance fees payable within non-current liabilities is shown after discounting, which has an impact of £2 million (31 March 2021: £1 million).

As at 31 March 2021	Due within 1 year £m	Due between 1 and 2 years £m	Due between 2 and 5 years £m	Due more than 5 years £m	£m Total £m
Gross commitments:					
Fixed loan notes	50	250	110	1,143	1,553
Committed multi-currency facility	1	1	2	–	4
Carried interest and performance fees payable within one year	17	–	–	–	17
Trade and other payables	63	–	–	17	80
Lease liabilities	4	4	9	–	17
Total	135	255	121	1,160	1,671

The Company disclosures are the same as those for the Group with the following exceptions: carried interest and performance fees payable due within one year is nil (31 March 2021: nil), trade and other payables due within one year is £667 million (31 March 2021: £536 million), trade and other payables due more than five years nil (31 March 2021: nil) and lease liabilities due within one year nil (31 March 2021: nil), lease liabilities due between one and two years nil (31 March 2021: nil) and lease liabilities due between two and five years nil (31 March 2021: nil).

Market risk

The valuation of the Group's investment portfolio is largely dependent on the underlying trading performance of the companies within the portfolio but the valuation and other items in the financial statements can also be affected by interest rate, currency and quoted market fluctuations. The Group's sensitivity to these items is set out below.

(i) Interest rate risk

On the liability side, the direct impact of a movement in interest rates is limited to any drawings under the committed multi-currency facility as the Group's outstanding debt is fixed rate. The sensitivities below arise principally from changes in interest receivable on cash and deposits.

An increase of 100 basis points, based on the closing balance sheet position over a 12-month period, would lead to an approximate increase in total comprehensive income of £2 million (2021: £2 million) for the Group and £2 million (2021: £2 million) for the Company. In addition, the Group and Company have indirect exposure to interest rates through changes to the financial performance and the valuation of portfolio companies caused by interest rate fluctuations.

(ii) Currency risk

The Group's net assets in sterling, euro, US dollar, Danish krone and all other currencies combined are shown in the table on the next page. This sensitivity analysis is performed based on the sensitivity of the Group's net assets to movements in foreign currency exchange rates assuming a 10% movement in exchange rates against sterling. The sensitivity of the Company to foreign exchange risk is not materially different from the Group.

Notes to the accounts continued

28 Financial risk management continued

The Group considers currency risk on specific investment and realisation transactions. Further information on how currency risk is managed is provided on page 69.

As at 31 March 2022	**Sterling £m**	**Euro £m**	**US dollar £m**	**Danish krone £m**	**Other £m**	**Total £m**
Net assets	**1,562**	**8,953**	**2,033**	**184**	**22**	**12,754**
Sensitivity analysis						
Assuming a 10% movement in exchange rates against sterling:						
Impact on net assets	**n/a**	**895**	**203**	**18**	**2**	**1,118**

As at 31 March 2021	Sterling £m	Euro £m	US dollar £m	Danish krone £m	Other £m	Total £m
Net assets	1,254	6,237	1,489	162	22	9,164
Sensitivity analysis						
Assuming a 10% movement in exchange rates against sterling:						
Impact on net assets	n/a	622	149	16	2	789

(iii) Price risk – market fluctuations

The Group's management of price risk, which arises primarily from quoted and unquoted equity instruments, is through the careful consideration of the investment, asset management and divestment decisions at the Investment Committee. The Investment Committee's role in risk management is detailed on page 63 in the Risk management section. A 5% change in the fair value of those investments would have the following direct impact in profit or loss:

Group	**Quoted investment £m**	**Unquoted investment £m**	**Investment in Investment entity subsidiaries £m**	**Total £m**
At 31 March 2022	**47**	**285**	**340**	**672**
At 31 March 2021	40	211	245	496

Company	**Quoted investment £m**	**Unquoted investment £m**	**Total £m**
At 31 March 2022	**47**	**285**	**332**
At 31 March 2021	40	211	251

29 Related parties and interests in other entities

The Group has various related parties stemming from relationships with limited partnerships managed by the Group, its investment portfolio (including unconsolidated subsidiaries), its advisory arrangements and its key management personnel. In addition, the Company has related parties in respect of its subsidiaries. Some of these subsidiaries are held at fair value (unconsolidated subsidiaries) due to the treatment prescribed in IFRS 10.

Related parties

Limited partnerships

The Group manages a number of external funds which invest through limited partnerships. Group companies act as the general partners of these limited partnerships and exert significant influence over them. The following amounts have been included in respect of these limited partnerships:

Statement of comprehensive income	**Group 2022 £m**	Group 2021 £m	**Company 2022 £m**	Company 2021 £m
Carried interest receivable	**28**	(3)	**54**	9
Fees receivable from external funds	**17**	17	**–**	–

Statement of financial position	**Group 2022 £m**	Group 2021 £m	**Company 2022 £m**	Company 2021 £m
Carried interest receivable	**34**	9	**88**	38

29 Related parties and interests in other entities continued

Investments

The Group makes investments in the equity of unquoted and quoted investments where it does not have control but may be able to participate in the financial and operating policies of that company. IFRS presumes that it is possible to exert significant influence when the equity holding is greater than 20%. The Group has taken the investment entity exception as permitted by IFRS 10 and has not equity accounted for these investments, in accordance with IAS 28, but they are related parties. The total amounts included for investments where the Group has significant influence but not control are as follows:

Statement of comprehensive income	**Group 2022 £m**	Group 2021 £m	**Company 2022 £m**	Company 2021 £m
Realised profits over value on the disposal of investments	**–**	8	**–**	8
Unrealised profits on the revaluation of investments	**98**	225	**98**	225
Portfolio income	**20**	19	**20**	18

Statement of financial position	**Group 2022 £m**	Group 2021 £m	**Company 2022 £m**	Company 2021 £m
Unquoted investments	**674**	578	**674**	578

Advisory and management arrangements

The Group acted as Investment Manager to 3i Infrastructure plc ("3iN"), which is listed on the London Stock Exchange, for the year to 31 March 2022. The following amounts have been recognised in respect of the management relationship:

Statement of comprehensive income	**Group 2022 £m**	Group 2021 £m	**Company 2022 £m**	Company 2021 £m
Unrealised profits on the revaluation of investments	**137**	82	**137**	82
Fees receivable from external funds	**44**	25	**–**	–
Performance fees receivable	**26**	8	**–**	–
Dividends	**27**	16	**27**	16

Statement of financial position	**Group 2022 £m**	Group 2021 £m	**Company 2022 £m**	Company 2021 £m
Quoted equity investments	**934**	797	**934**	797
Performance fees receivable	**26**	8	**–**	–

Subsidiaries

Transactions between the Company and its fully consolidated subsidiaries, which are related parties of the Company, are eliminated on consolidation. Details of related party transactions between the Company and its subsidiaries are detailed below.

Management, administrative and secretarial arrangements

The Company has appointed 3i Investments plc, a wholly-owned subsidiary of the Company incorporated in England and Wales, as its investment manager. 3i Investments plc received a fee of £8 million (2021: £8 million) from 3i plc, a fellow subsidiary, for this service.

The Company has appointed 3i plc, a wholly-owned subsidiary of the Company incorporated in England and Wales, to provide the Company with a range of administrative and secretarial services. 3i plc received a fee of £148 million (2021: £107 million) for this service.

Key management personnel

The Group's key management personnel comprise the members of the Executive Committee and the Board's non-executive Directors. The following amounts have been included in respect of these individuals:

Statement of comprehensive income	**Group 2022 £m**	Group 2021 £m
Salaries, fees, supplements and benefits in kind	**4**	4
Cash bonuses	**2**	2
Carried interest and performance fees payable	**35**	16
Share-based payments	**10**	9
Termination payments	**–**	–

Notes to the accounts continued

29 Related parties and interests in other entities continued

Statement of financial position	Group 2022 £m	Group 2021 £m
Bonuses and share-based payments	**14**	15
Carried interest and performance fees payable within one year	**4**	1
Carried interest and performance fees payable after one year	**69**	42

No carried interest was paid or accrued for the Executive or non-executive Directors (2021: nil). Carried interest paid in the year to other key management personnel was £7 million (2021: £48 million).

Unconsolidated structured entities

The application of IFRS 12 requires additional disclosure on the Group's exposure to unconsolidated structured entities.

The Group has exposure to a number of unconsolidated structured entities as a result of its investment activities across its Private Equity and Infrastructure business lines. The nature, purpose and activities of these entities are detailed below along with the nature of risks associated with these entities and the maximum exposure to loss.

Closed-end limited partnerships

The Group manages a number of closed-end limited partnerships, which are either Private Equity or Infrastructure focused, in return for a management fee. The purpose of these partnerships is to invest in Private Equity or Infrastructure investments for capital appreciation. Limited Partners, which in some cases may include the Group, finance these entities by committing capital to them and cash is drawn down or distributed for financing investment activity.

The Group's attributable stakes in these entities are held at fair value, fees receivable are recognised on an accruals basis and carried interest is accrued when relevant performance hurdles are met.

The risk and maximum exposure to loss arising from the Group's involvement with these entities are summarised below:

	Carrying amount			
Balance sheet line item of asset or liability	Assets £m	Liabilities £m	Net £m	Maximum loss exposure £m
Unquoted investments	**77**	**–**	**77**	**77**
Carried interest receivable	**34**	**–**	**34**	**34**
Total	**111**	**–**	**111**	**111**

At 31 March 2021, the carrying amount of assets and maximum loss exposure of unquoted investments and carried interest receivable was £69 million and £9 million respectively. The carrying amount of liabilities was nil.

At 31 March 2022, the total assets under management relating to these entities was £6.0 billion (31 March 2021: £4.4 billion). The Group earned fee income of £17 million (2021: £17 million) and a carried interest expense of £28 million (2021: £3 million credit) in the year.

Regulatory information relating to fees

3i Investments plc acts as the AIFM of 3i Group plc. In performing the activities and functions of the AIFM, the AIFM or another 3i company may pay or receive fees, commissions or non-monetary benefits to or from third parties of the following nature:

Transaction fees

3i companies receive monitoring and directors' fees from portfolio companies. The amount is agreed with the portfolio company at the time of the investment but may be re-negotiated. Where applicable, 3i may also receive fees on the completion of transactions such as acquisitions, refinancings or syndications either from the portfolio company or a co-investor. Transaction fees paid to 3i are included in portfolio income.

Payments for third-party services

3i companies may retain the services of third-party consultants; for example, for an independent director or other investment management specialist expertise. The amount paid varies in accordance with the nature of the service and the length of the service period and is usually, but not always, paid/reimbursed by the portfolio companies. The payment may involve a flat fee, retainer or success fee. Such payments, where borne by 3i companies, are usually included in portfolio income.

Payments for services from 3i companies

One 3i company may provide investment advisory services to another 3i company and receive payment for such services.

30 Subsidiaries and related undertakings

IFRS 10 deems control, as opposed to equity ownership, as the key factor when determining what meets the definition of a subsidiary. If a group is exposed to, or has rights to, variable returns from its involvement with the investee, then under IFRS 10 it has control. This is inconsistent with the UK's Companies Act 2006, where voting rights being greater than 50% is the key factor when identifying subsidiaries.

Under IFRS 10, 30 of the Group's portfolio company investments are considered to be accounting subsidiaries. As the Group applies the investment entity exception available under IFRS 10, these investee companies are classified as investment entity subsidiaries.

The Companies Act 2006 requires disclosure of certain information about the Group's related undertakings. Related undertakings are subsidiaries, joint ventures, associates and other significant holdings. In this context, significant means either a shareholding greater than or equal to 20% of the nominal value of any class of shares or a book value greater than 20% of the Group's assets.

The Company's related undertakings at 31 March 2022 are listed below:

Description	Holding/share class	Footnote
Subsidiaries		
3i Holdings plc	100% ordinary shares	1
3i Investments plc	100% ordinary shares	1
3i plc	100% ordinary shares	1
3i International Holdings	100% ordinary shares	1
Investors in Industry plc	100% ordinary shares/cumulative preference shares	1
Mayflower GP Limited	100% ordinary shares	17
3i Assets LLP	100% partnership interest	1
3i Corporation	100% ordinary shares	2
3i Deutschland Gesellschaft für Industriebeteiligungen mbH	100% ordinary shares	4
Gardens Nominees Limited	100% ordinary shares	1
Gardens Pension Trustees Limited	100% ordinary shares	1
3i Europe plc	100% ordinary shares	1
3i Nominees Limited	100% ordinary shares	1
3i Osprey GP Limited	100% ordinary shares	1
3i Investments GP Limited	100% ordinary shares	17
3i Nordic plc	100% ordinary shares	1
3i GP 2004 Limited	100% ordinary shares	3
3i Ademas LP	100% partnership interest	3
The 3i Group Employee Trust	n/a	6
3i International Services plc	100% ordinary shares	1
3i EFV Nominees A Limited	100% ordinary shares	1
3i EFV Nominees B Limited	100% ordinary shares	1
3i India Private Limited	100% ordinary shares	7
3i Sports Media (Mauritius) Limited	100% ordinary shares	8
3i Asia Limited	100% ordinary shares	8
3i EFV GP Limited	100% ordinary shares	1
3i Infraprojects (Mauritius) Limited	100% ordinary shares	8
3i Research (Mauritius) Limited	100% ordinary shares	8
IIF SLP GP Limited	100% ordinary shares	3
3i Buyouts 2010 A LP	85% partnership interest	1
3i Buyouts 2010 B LP	79% partnership interest	1
3i Buyouts 2010 C LP	60% partnership interest	1
GP CCC 2010 Limited	100% ordinary shares	3
3i GC GP Limited	100% ordinary shares	1
3i GP 2010 Limited	100% ordinary shares	1
3i Growth Capital A LP	100% partnership interest	1
3i Growth Capital G LP	100% partnership interest	1
3i Growth 2010 LP	85% partnership interest	1
Strategic Investments FM (Mauritius) Alpha Limited	70% ordinary shares	8

Notes to the accounts continued

30 Subsidiaries and related undertakings continued

Description	Holding/share class	Footnote
3i GC Nominees A Limited	100% ordinary shares	1
3i GC Nominees B Limited	100% ordinary shares	1
3i India Infrastructure Fund B LP	99% partnership interest	1
3i 2004 GmbH & Co KG	100% partnership interest	4
3i General Partner 2004 GmbH	100% ordinary shares	4
Pan European Growth Co-invest 2006-08 LP	100% partnership interest	1
Pan European Growth (Dutch)A Co-invest 2006-08 LP	100% partnership interest	1
Asia Growth Co-invest 2006-08 LP	100% partnership interest	1
3i GP 2006-08 Limited	100% ordinary shares	17
Pan European Growth (Nordic) Co-invest 2006-08 LP	100% partnership interest	1
GP CCC 08-10 Limited	100% ordinary shares	37
3i GP 08-10 Limited	100% ordinary shares	1
3i PE 2013-16A LP	100% partnership interest	1
3i PE 2013-16C LP	100% partnership interest	1
3i GP 2013 Ltd	100% ordinary shares	1
GP 2013 Ltd	100% ordinary shares	3
3i BIFM Investments Limited	100% ordinary shares	1
BIIF GP Limited	100% ordinary shares	1
BAM General Partner Limited	100% ordinary shares	1
BEIF Management Limited	100% ordinary shares	1
3i BIIF GP LLP	100% partnership interest	1
3i PE 2016-19 A LP	100% partnership interest	1
3i Managed Infrastructure Acquisitions GP (2017) LLP	100% partnership interest	1
3i Managed Infrastructure Acquisitions GP Limited	100% ordinary shares	1
3i 2016 Gmbh & Co. KG	100% partnership interest	4
3i European Operational Projects GmbH & Co. KG	100% partnership interest	4
GP 2016 Limited	100% ordinary shares	3
3i GP 2016 Limited	100% ordinary shares	1
3i European Operational Projects GP s.a.r.l	100% ordinary shares	10
3i SCI Holdings Limited	100% ordinary shares	1
3i North American Infrastructure Partners, LLC	80% ordinary shares	18
3i Abaco ApS	100% ordinary shares	25
3i Investments (Luxembourg) S.A.	100% ordinary shares	10
3i 2019-22 DLP SCSp	100% partnership interest	10
3i PE 2019-22 A LP	100% partnership interest	1
3i PE 2019-22 B LP	100% partnership interest	1
3i PE 2019-22 Warehouse LP	100% partnership interest	3
3i 2020 Co-investment LP	100% partnership interest	3
3i GP 2019 Limited	100% ordinary shares	1
3i GP 2020 Limited	100% ordinary shares	3
3i GP 2019 s.a.r.l	100% ordinary shares	10
3i GP 2019 (Scots) Limited	100% ordinary shares	3
3i 2020 Co-investment GP s.a.r.l	100% ordinary shares	10
3i France SAS	100% ordinary shares	16
3i IP Acquisitions Limited	100% ordinary shares	1
3i IP Acquisitions GP LLP	100% partnership interest	1
2020 Co-Investment 1 LP	100% partnership interest	1
2020 Co-Investment 2 LP	94% partnership interest	1
3i IIF GP 2020 Limited	100% ordinary shares	1

30 Subsidiaries and related undertakings continued

Description	Holding/share class	Footnote
3i IIF GP LLP	100% partnership interest	1
3i IP Acquisitions LP	100% partnership interest	1
Coral LP	50% carried interest units	3
3i Benelux B.V.	100% ordinary shares	12
3i Mountain LP	99% partnership interest	3
3i NAI Holdings GP Limited	100% ordinary shares	3
3i PE 2022-25 A LP	100% partnership interest	1
3i PE 2022-25 B LP	100% partnership interest	1
3i GP 2022 Limited	100% ordinary shares	1
3i GP 2022 (Scots) Limited	100% ordinary shares	3
3i North American Infrastructure Fund A LP	100% equity units	28
3i NAI Holdings LP	100% partnership interest	3
3i North American Infrastructure GP, LLC	100% equity units	28
3i ECW Coinvest GP, LLC	100% equity units	28
3i RR Coinvest GP, LLC	100% equity units	28

Associates		
3i Growth Carry A LP	25% partnership interest	3
3i Growth Carry B LP	25% partnership interest	3
Strategic Investments FM (Mauritius) B Limited	36% ordinary shares	8
3i Growth Capital B LP	36% partnership interest	1
Moon Topco GmbH	49% ordinary shares	13
Layout Holdco A/S	49% ordinary shares	14
Boketto Holdco Limited	47% ordinary shares	15
Klara HoldCo S.A.	43% ordinary shares	10
Shield Holdco LLC	49% ordinary shares	34
Q Holdco Limited	42% ordinary shares	20
3i Infrastructure plc	30% ordinary shares	19
Peer Holding I B.V.	49% ordinary shares	21
AES Engineering Limited	43% ordinary shares	22
Chrysanthes 1 s.a.r.l	49% ordinary shares	10
Carter Thermal Industries Limited	32% ordinary shares	23
Harper Topco Limited	42% ordinary shares	24
Orange County Fundo de Investmento EM Particpacoes	39% equity units	27
Tato Holdings Limited	27% ordinary shares	30
Lilas 1 SAS	49% ordinary shares	31
Nimbus Communications Ltd	30% ordinary shares	32
Aurela TopCo Gmbh	49% ordinary shares	5
Retina Holdco BV	49% ordinary shares	29
C Medical Holdco, LLC	49% ordinary shares	2
Crown Holdco BV	49% ordinary shares	12
3i India Infrastructure Holdings Ltd	21% ordinary shares	8
Racing Topco GmbH	49% ordinary shares	26
Panda Holdco LLC	49% ordinary shares	2
Scandlines Infrastructure ApS	35% ordinary shares	33
Alinghi 1 S.A.S	49% ordinary shares	11
CTS BP Holdings GP LLC	49% ordinary shares	2
New Amsterdam Software GP LLC	49% ordinary shares	34
Garden & House International GmbH	36% ordinary shares	35

Notes to the accounts continued

30 Subsidiaries and related undertakings continued

Description	Holding/share class	Footnote
T&J Holdco Limited	49% ordinary shares	9
WHCG GP LLC	49% ordinary shares	2
Hydra Holdco BV	49% ordinary shares	12
European Bakery Group BV	49% ordinary shares	12
Himalaya Topco BV	49% ordinary shares	12
MAIT Group GmbH	49% ordinary shares	36
Ten23 Health GP LLC	49% ordinary shares	2

There no joint ventures or other significant holdings. The 20 large portfolio companies by fair value are detailed on pages 210 and 211. The combination of the table above and that on pages 210 and 211 is deemed by the Directors to fulfil the requirements under IFRS 12 on the disclosure of material subsidiaries.

Footnote	Address
1	16 Palace Street, London, SW1E 5JD, UK
2	1 Grand Central Place, East 42nd Street, Suite 4100, New York, NY 10165, USA
3	50 Lothian Road, Festival Square, Edinburgh, EH3 9WJ, UK
4	OpernTurm, Bockenheimer Landstresse 2-4, 60306 Frankfurt am Main, Germany
5	Seelbüde 13, 36110 Schlitz, Germany
6	13 Castle Street, St Helier, JE1 1ES, Jersey
7	Level 7, The Capital B-Wing, Bandra Kurla Complex, Bandra East, Mumbai, 400051, India
8	5th Floor, Ebene Esplanade, 24 Bank Street, Cybercity, Ebene, Mauritius
9	Floor 2, Trident 3, Trident Business Park, Styal Road, Manchester, M22 5XB, UK
10	9 Rue Sainte Zithe, L-2763 Luxembourg, Grand Duchy of Luxembourg
11	16 place de l'Iris, 92 400 Courbevoie, France
12	Cornelis Schuytstraat 72, 1071JL Amsterdam, Netherlands
13	Einsteinring 10, 85609 Aschheim, Germany
14	Mørupvej 16 Mørup, 7400 Herning, Denmark
15	New Mill, New Mill Lane, Witney, Oxfordshire, OX29 9SX, UK
16	29-31, rue de Berri, 75008 Paris, France
17	31st Floor, 40 Bank Street, London, E14 5NR, UK
18	1209 Orange Street, Wilmington, Delaware 19801, USA
19	12 Castle Street, St Helier, JE2 3RT, Jersey
20	1 Bartholomew Lane, London, EC2N 2AX, UK
21	Perenmarkt 15, Zwaagdijk East, 1681PG, Netherlands
22	Bradmarsh Business Park, Mill Close, Rotherham, South Yorkshire, S60 1BZ, UK
23	90 Lea Ford Road, Birmingham, B33 9TX, UK
24	1st James Court, Whitefriars, Norwich, Norfolk, NR3 1RU, UK
25	Holbergsgade 14, 2tv, 1057, Copenhagen, Denmark
26	Schanzenstr. 6-20, Gebäude 2.08, 51063 Cologne, Germany
27	Avenida Brigadeiro Faria Lima, 2055, 19 andar, 01452-001 – Sao Paulo, SP, Brazil
28	Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle, Delaware, 19801, USA
29	Papland 21, 4206CK Gorinchem, Netherlands
30	Thor Specialities (Uk) Ltd, Wincham Avenue, Wincham, Northwich, England, CW9 6GB, UK
31	Park a Eco Vendee Sud Loire, 85600, Bouffere, France
32	44 Oberoi Complex, Andthei (West), Mumbai, India
33	Havneholmen 25, 8. Kobenhavn V, 1561, Denmark
34	251 Little Falls Drive, Wilmington, DE 19808, New Castle, US
35	Bahrenfelder Chaussee 49, 22761, Hamburg, Germany
36	Berner Feld 10, 78628 Rottweil, Germany
37	Third Floor Finlay House, 10-14 West Nile Street, Glasgow, G1 2PP, UK

KPMG LLP's independent auditor's report

to the members of 3i Group plc

1. Our opinion is unmodified

In our opinion:

- the financial statements of 3i Group plc give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2022, and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of, and as applied in accordance with the provisions of, the Companies Act 2006.

What our opinion covers

We have audited the Group and Parent Company financial statements of 3i Group plc ("the Group") for the year ended 31 March 2022 (FY2022) included in the Annual Report and Accounts, which comprise:

Group (3i Group plc and its subsidiaries)	Parent Company (3i Group plc)
Consolidated statement of comprehensive income	Company statement of financial position
Consolidated statement of financial position	Company statement of changes in equity
Consolidated statement of changes in equity	Company cash flow statement
Consolidated cash flow statement	Notes to the Parent Company Financial Statements, including the summary of significant accounting policies
Notes to the Consolidated Financial Statements, including the summary of significant accounting policies	

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion and matters included in this report are consistent with those discussed and included in our reports to the Audit and Compliance Committee ("ACC").

We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities.

KPMG LLP's independent auditor's report to the members of 3i Group plc continued

2. Overview of our audit

Factors driving our view of risks

The year ended 31 March 2022 is our second year as the Group's auditor. Following our FY2021 audit, and considering developments affecting the Group since then, we have updated our risk assessment.

Covid-19 continues to have a significant impact on the macro-economic environment. The first half of FY2022 saw some strong indicators of recovery from Covid-19 across countries and sectors 3i invest in. The recovery was slowed in the last quarter of 2021 due to the emergence of the Omicron variant. As the world started to recover from the Omicron variant in early 2022, the conflict between Russia and Ukraine led to further geopolitical uncertainty which increased pressure on areas such as inflation, raw material prices and supply chain disruptions further impacting the performance of portfolio companies. The level of judgment required to be exercised by the Group in valuations of unquoted investments, in particular as a result of volatility in earnings (including earnings adjustments) and comparable company multiples, continued to be a focus area.

Carried Interest payable, by virtue of its relationship with the valuation of the investment portfolio inherent in the calculation, has been similarly impacted. In addition, a number of new schemes were introduced during the year.

As part of our risk assessment, we have maintained our focus on the valuation of the unquoted investment portfolio held directly and by investment entity subsidiaries and on completeness and accuracy of carried interest payable. We have designed our audit procedures accordingly. This has included specific focus on adjustments to maintainable earnings for multiples-based valuations and on key assumptions in discounted cash flow models. We have further considered the impact of Covid-19 recovery and the geopolitical uncertainties on respective portfolio companies and selected specific companies for additional review by our valuation specialists by considering each portfolio company against a set criterion for investigation including materiality, impact of current geopolitical uncertainty, Covid-19 and other market pressures, and any changes in the circumstances of individual investment.

Key Audit Matters		Items
Valuation of Unquoted Investments and investment entity subsidiaries	↔	4.1
Completeness and Accuracy of Carried Interest payable	↔	4.2

⊕ Newly identified risk
↔ Similar risk to FY2021
↓ Decreased risk since FY2021
↑ Increased risk since FY2021

Audit and compliance committee ("ACC") interaction

During the year, the ACC met 6 times. KPMG are invited to attend all ACC meetings and are provided with an opportunity to meet with the ACC in private sessions without the Executive Directors being present. For each Key Audit Matter, we have set out communications with the ACC in section 4, including matters that required particular judgement for each.

The matters included in the Audit and Compliance Committee Chair's report on page 112 are consistent with our observations of those meetings.

Our independence

We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities.

We have not performed any non-audit services during FY2022 or subsequently which are prohibited by the FRC Ethical Standard.

We were first appointed as auditor by the shareholders for the year ended 31 March 2021. The period of total uninterrupted engagement is for the two financial years ended 31 March 2022.

The Group lead engagement partner will rotate every five years. This is the second set of 3i Group's financial statements signed by Jonathan Mills and, he will be required to rotate off after the FY2025 audit.

Total audit fee	£2.7m (FY2021: £2.26m)
Audit related fees (including interim review)	£0.3m (FY2021: £0.26m)
Non-audit fee as a % of audit fee %	11.1% (FY2021: 11.5%)
Date first appointed	25 June 2020
Uninterrupted audit tenure	2 years
Next financial period which requires a tender	31 March 2031
Tenure of Group signing partner	2 years

Materiality (item 6 below)

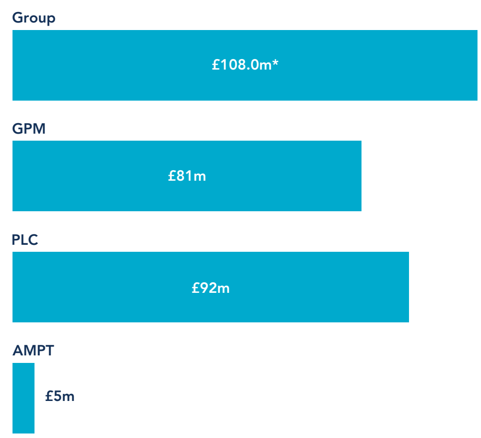
The scope of our work is influenced by our view of materiality and our assessed risk of material misstatement.

We have determined overall materiality for 3i Group at £108.0m (FY2021: £89.0m).

A key judgment in determining materiality (and performance materiality) was the appropriate benchmark to select, based on our expectation of the needs of shareholders. We considered which benchmarks and Key Performance Indicators have the greatest bearing on shareholder decisions.

We determined that the valuation of the investment portfolio remains the main measure as it is the key financial measure focused on by the Group's shareholders. As such, we based our materiality on Total Assets, of which it represents 0.77% (FY2021: 0.9%).

Materiality levels used in our audit



* 0.77% of Total Assets

Group	Group Materiality
GPM	Group Performance Materiality[1]
PLC	Parent Company Materiality
AMPT	Reporting Differences Threshold

1 The Parent Company is the only component scoped in for group reporting and accordingly represents both the highest and lowest component materiality.

KPMG LLP's independent auditor's report to the members of 3i Group plc continued

Group scope (item 7 below)

We have performed risk assessment and planning procedures and determined the Group's components that require involvement from component auditors. We have scoped one (FY2021: two) component for full scope audits of financial information for consolidation purposes.

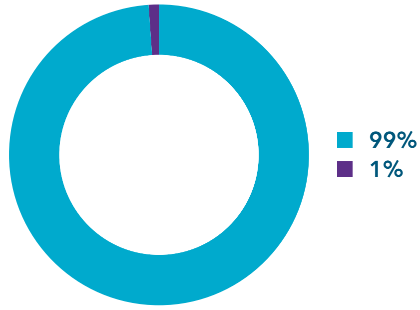
We have performed audit procedures centrally across the Group, set out in more detail in item 7. In addition, we have performed group level analysis on the remaining components to determine whether further risks of material misstatement exist in those components.

We consider the scope of our audit, as agreed with the Audit and Compliance Committee, to be an appropriate basis for our audit opinion.

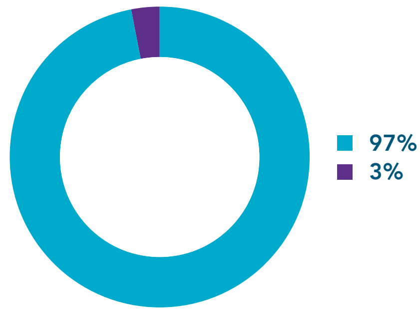
- Full scope audit
- Remaining components

Coverage of Group financial statements

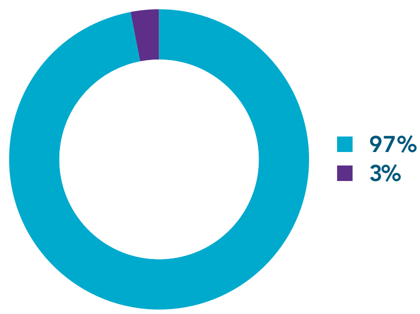
Total assets



Revenue



Profit before tax



The impact of climate change on our audit

In planning our audit, we have considered the potential impacts of climate change on the Group's business and its financial statements.

Climate change impacts the Group in a variety of ways including the impact of climate risk on investment valuations, potential reputational risk associated with the Group's delivery of its climate related initiatives, and greater emphasis on climate related narrative and disclosure in the annual report. The Group's exposure to climate change is primarily through the portfolio companies, as the key valuation assumptions and estimates may be impacted by climate change risks.

As a part of our audit, we have made enquiries of management to understand the extent of the potential impact of climate change risk on the Group's financial statements and the Group's preparedness for this. We have performed a risk assessment of how the impact of climate change may affect the financial statements and our audit, in particular over the valuation of portfolio companies. We held discussions with our own climate change professionals to challenge our risk assessment.

On the basis of risk assessment procedures performed above, we concluded that, while climate change posed a risk to the determination of the valuation of investee companies due to the potential impact on the maintainability of valuation earnings or free cash flow forecast, the risk was not significant when we considered the portfolio of the investments. As a result, there was no material impact from this on our key audit matters.

We have also read the disclosure of climate related information in the front half of the annual report as set out on pages 84 to 89 and considered consistency with the financial statements and our audit knowledge. We have not been engaged to provide assurance over the accuracy of these disclosures.

3. Going concern, viability and principal risks and uncertainties

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Parent Company or the Group or to cease their operations, and as they have concluded that the Parent Company's and the Group's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Going concern

We used our knowledge of the Group and Parent Company, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group's and Parent Company's financial resources or ability to continue operations over the going concern period. The risks that management considered most likely to adversely affect the Group's and Parent Company's available financial resources over this period are;

- Widespread economic turmoil disrupting the Covid-19 recovery alongside geopolitical uncertainties contributing to persistent inflation and continued supply chain disruptions impacting liquidity through the need to provide further liquidity support to the portfolio; and
- A material downturn in performance of the Group's largest asset, Action.

We critically assessed the assumptions in the Directors' downside scenarios relevant to liquidity metrics, in particular, in relation to the continued impact of Covid-19 and geopolitical uncertainties on the severely impacted portfolio companies, the expected recovery for these companies, and the potential liquidity support required. We assessed whether the scenarios applied take into account all reasonably possible downsides.

Our procedures also included an assessment of whether the going concern disclosure in Accounting Policy A to the financial statements gives a complete and accurate description of the Directors' assessment of going concern.

Accordingly, based on those procedures, we found the Directors' use of the going concern basis of preparation without any material uncertainty for the Group and Parent Company to be acceptable. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Parent Company will continue in operation.

Our conclusions

- We consider that the Directors' use of the going concern basis of accounting in the preparation of the Group's and Company's financial statements is appropriate.
- We have not identified, and concur with the Directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Parent Company's ability to continue as a going concern for the going concern period.
- We have nothing material to add or draw attention to in relation to the Directors' statement in Accounting Policy A to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Parent Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements, and we found the going concern disclosure in Accounting Policy A to be acceptable.
- The related statement under the Listing Rules set out on pages 122 and 123 is materially consistent with the financial statements and our audit knowledge.

KPMG LLP's independent auditor's report to the members of 3i Group plc continued

Disclosures of emerging and principal risks and longer-term viability

Our responsibility

We are required to perform procedures to identify whether there is a material inconsistency between the Directors' disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge.

Based on those procedures, we have nothing further to add or draw attention to in relation to:

- the Directors' confirmation within the Viability Statement that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks and Uncertainties disclosures describing these risks and explaining how they are being managed and mitigated; and
- the Directors' explanation in the Viability Statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Under the Listing Rules we are also required to review the Viability Statement on pages 122 and 123.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgments that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Parent Company's longer-term viability.

Our conclusions

We have nothing material to add or draw attention to in relation to these disclosures.

We have concluded that these disclosures are materially consistent with the financial statements and our audit knowledge.

4. Key audit matters

What we mean

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on:

- the overall audit strategy;
- the allocation of resources in the audit; and
- directing the efforts of the engagement team.

We include below the key audit matters (unchanged from FY2021) in decreasing order of audit significance together with our key audit procedures to address those matters and our results from those procedures. These matters were addressed, and our results are based on procedures undertaken for the purpose of our audit of the financial statements as a whole. We do not provide a separate opinion on these matters.

4.1 Valuation of unquoted investments and investment entity subsidiaries (Group and Parent Company)

Financial Statement Elements	FY2022	FY2021	Our assessment of risk vs FY2021	Our results
Unquoted investments – Group (Note 11)	**£5,708m**	£4,213m	Our assessment is the risk is similar to FY2021.	FY2022: Acceptable (FY2021: Acceptable)
Unquoted investments – Parent Company (Note 11)	**£5,708m**	£4,213m		
Investments in investment entity subsidiaries – Group (Note 12)	**£6,791m**	£4,905m		
Interest in Group entities – Parent Company (Note 23)	**£6,801m**	£4,921m		

KPMG LLP's independent auditor's report to the members of 3i Group plc continued

Description of the Key Audit Matter	Our response to the risk
Subjective valuation The proprietary investments portfolio comprises a number of unquoted investments. These are held by the Group and the Parent Company, both directly and indirectly within unconsolidated investment entities whose fair value consists primarily of the valuation of the unquoted investments it holds. As these investments are unquoted and illiquid, the fair value is determined through the application of valuation techniques. The application of valuation techniques involves the exercise of significant judgement by the Group and Parent Company in relation to the choice of valuation technique employed and inputs into the respective models (e.g., earnings multiple, discount rate). During the year, the investment portfolio has begun to recover from the effects of Covid-19. The impact of Covid-19, and related recovery, on individual portfolio companies vary, particularly for assets which were more significantly impacted by Covid-19 such as investments in the travel and automotive sectors. Accordingly, the level of judgment required to be exercised by the Group and the Parent Company, in particular as a result of volatility in earnings (including earnings adjustments) and comparable company multiples remains high in FY2022. We have considered the impact of the Covid-19 recovery and the geopolitical uncertainty in our risk assessment and have designed our audit procedures accordingly. This has included specific focus on adjustments to maintainable earnings for multiples-based valuations and on key assumptions in projected cash flows for discounted cash flow models. The effect of these matters is that, as part of our risk assessment, we determined that the subjective estimates in fair value measurement of certain unquoted investments, as detailed above, have a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount.	**Our procedures to address the risk included:** **Control design:** We obtained an understanding of the Group and Parent Company's processes to determine the fair value of unquoted investments. We documented and assessed the design and implementation of the investment valuation processes and controls. We performed the tests below rather than seeking to rely on any of the Group and Parent Company's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. **Methodology choice:** In the context of the requirements of IFRS13 and the provisions of the International Private Equity and Venture Capital Valuation Guidelines, we challenged the appropriateness of the valuation basis selected. **Benchmarking assumptions:** We challenged the Group and Parent Company on key judgments affecting portfolio company valuations, such as the maintainability of the earnings used in valuations, the choice of benchmark for earnings multiples, projected cash flows, discount factors and terminal value for discounted cash flow valuations. We compared key underlying financial data to external sources such as financial information of comparable businesses, the portfolio company audited accounts and management information as applicable. We challenged the assumptions around maintainability of earnings based on the plans of portfolio companies and whether these are achievable. Our work included consideration of events which occurred subsequent to the year end up until the date of this audit report. **Historical comparisons:** We assessed investment realisations in the period and compared actual investment sales proceeds to prior valuations to understand the reasons for significant variances and determined whether they are indicative of bias and error in the Group and Parent Company's approach to valuations. We also assessed the historical accuracy of earnings by comparing previously reported earnings to audited earnings at the portfolio company level. **Our valuations expertise:** For a sample of investments, selected based on audit materiality and risk profile of each investment, we used our own valuations specialists to assist us in assessing the principles and appropriateness of the valuation methodology, critically reviewing the key assumptions, and independently providing a reasonable range for earnings multiples. **Assessing transparency:** We considered the appropriateness, in accordance with relevant accounting standards, of the disclosures in respect of unquoted investments and the effect of changing one or more inputs to reasonably possible alternative valuation assumptions.

Communications with the 3i Group plc Audit and Compliance Committee and Valuations committee

We discussed with and reported to the Audit and Compliance Committee and the Valuations Committee:

- Our approach to the audit of the fair value of the unquoted investment portfolio including details of our planned substantive procedures and the extent of our control reliance.
- Our conclusions on the appropriateness of 3i's fair value methodology and policy.
- Our conclusions on the appropriateness of the valuation for individual portfolio companies and, for our sample of investments subject to valuation specialists' review, an indication of where the Group's valuation point lay within our reasonable range.
- The adequacy of the disclosures, particularly as it relates to the sensitivity of the valuation inputs.

Areas of particular auditor judgement

We identified the following as the areas of particular auditor judgement:

- The appropriateness of the valuation of unquoted investments and in particular, the selection of key inputs into the valuation models.

Our results

Based on the risk identified and our procedures performed, we consider the valuation of the unquoted investments to be acceptable (FY2021: acceptable).

Further information in the Annual Report and Accounts: See the Audit and Compliance Committee Report on pages 112 to 116 and the Valuations Committee report on pages 124 to 128 for details on how the committees considered Valuations as an area of significant attention, page 169 for the accounting policy on unquoted investments, and page 169 on the accounting policy for unquoted investment entities.

KPMG LLP's independent auditor's report to the members of 3i Group plc continued

4.2 Completeness and accuracy of carried interest payable (GROUP AND PARENT COMPANY)

Financial Statement Elements	FY2022	FY2021	Our assessment of risk vs FY2021	Our results
Carried interest and performance fees payable (Note 15)	**£885m**	£494m	Our assessment is the risk is similar to FY2021.	FY2022: Acceptable (FY2021: Acceptable)

Description of the Key Audit Matter

Subjective estimate

Carried interest payable predominantly impacts the valuation of investment entity subsidiaries due to the relationship of the payable balance on the Net Asset Value ('NAV') of the investment entity subsidiaries. Carried interest payable is calculated as a function of the investment returns that would be achieved if the investments within each fund or scheme were realised at fair value at the year-end date, subject to the relevant hurdle rates or performance conditions being met.

The actual amounts of carried interest paid will depend on the cash realisations of these portfolio investments and valuations may change significantly in the future. The valuation of the unquoted investment portfolio is itself a critical estimate which is discussed further in section 4.1.

The effect of these matters is that, as part of our risk assessment, we determined that the subjective estimates in carried interest payable, as detailed above, has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. The financial statements (Note 15) disclose the sensitivity estimated by the Group and the Parent Company.

Calculation error

Due to the number of bespoke, complex agreements and the manual nature of the calculation and recognition process, there is an increased risk of error in relation to carried interest payable.

Our response to the risk

Our procedures included:

- The key input to the estimate of carried interest payable is the valuation of unquoted investment portfolio. Our approach to valuation of unquoted investments is outlined in section 4.1.

Control design: We obtained an understanding of the Group and Parent Company's processes to determine the carried interest payable. We documented and assessed the design and implementation of the processes and controls. We performed the tests below rather than seeking to rely on any of the Group's and Parent Company's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.

Test of details: We selected a sample of carried interest payable calculations and vouched amounts accrued and/or paid back to management calculations and, where relevant, to bank statements.

Methodology implementation: For the sample selected, we obtained the relevant agreements and agreed the methodology used in management's calculations to the relevant agreements.

Reperformance: For the sample selected, we vouched key inputs, including estimated valuations, relevant hurdles, and performance obligations, to supporting documentation. We independently reperformed calculations and compared our reperformance to management's calculations.

Completeness: To assess the completeness of carry expense/payable recorded, we reperformed calculations of the funds' investment returns and compared them to the relevant hurdle rates or performance conditions.

Communications with the 3i Group plc Audit and Compliance Committee

We discussed with and reported to the Audit and Compliance Committee:

- Our approach to the audit of Carried Interest payable.
- Our conclusions on the Carried Interest payable balance held within investment entities.

Areas of particular auditor judgement

We identified the following as the areas of particular auditor judgement:

- Valuation of unquoted investments as an input to the Carried Interest payable calculation.

Our results

Based on the risk identified, our procedures performed, we found the Carried interest payable balance to be acceptable (FY2021: acceptable).

Further information in the Annual Report and Accounts: See the Audit and Compliance Committee Report on pages 112 to 116 details on how they considered Carried interest payable as an area of significant attention and what the Audit and Compliance Committee reviewed and concluded on this area, pages 173 to 174 for the accounting policy and the sensitivity disclosure on Carried interest payable, and page 168 for accounting policy for investment in investment entity subsidiaries.

5. Our ability to detect irregularities, and our response

Fraud – identifying and responding to risks of material misstatement due to fraud	
Fraud risk assessment	To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. In this risk assessment we considered the following: • Our meetings throughout the year with the Group General Counsel and Head of Compliance including obtaining and reviewing supporting documentation such as; – Board and Audit and Compliance Committee minutes; – Internal audit reports; – Internal risk registers; and – Breaches registers. • Enquiries of finance team, the Group General Counsel, the Head of Compliance, internal audit, and the Audit and Compliance Committee as to whether they have knowledge of any actual, suspected, or alleged fraud. • Consideration of the Group's remuneration policies, key drivers for remuneration and bonus levels; and • Discussions among the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. The engagement team includes audit partners and staff who have extensive experience of working with companies in the same sectors as 3i operates, and this experience was relevant to the discussion about where fraud risks may arise.
Risk communications	We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.
Fraud risks	As required by auditing standards, and taking into account possible pressures to meet performance targets, we performed procedures to address the risk of management override of controls, in particular the risk that Group management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as the valuation of unquoted investment portfolio. On this audit we assessed there to be no fraud risk related to revenue recognition because the Group has a relatively simple revenue model with no material estimation or judgement; the highly formulaic nature and low volume of individual revenue transactions means there is a remote risk of material misstatement from fraudulent manipulation; and opportunities for a material misstatement due to fraudulent revenue recognition are limited by the control environment. We identified additional fraud risks relating to the valuation of unquoted investments held on balance sheet and within underlying investment entities. As these investments are unquoted and illiquid, they are valued using valuation techniques. Such techniques are subjective and involve the exercise of judgement by the Group and Parent Company over areas such as the maintainability of the earnings used in valuations, the choice of benchmark for earnings multiples, projected cash flows, discount factors and terminal value for discounted cash flow valuations. In addition, the valuation of unquoted investments drives the remuneration of the Executive Directors, and is a key indicator for their performance. Due to the highly judgemental nature of these valuations, the reliance on unobservable inputs, and the linkage to Executive Directors' remuneration, we consider there to be increased risk of fraud in relation to the valuation of unquoted investment portfolio.
Procedures to address fraud risks	Our audit procedures included evaluating the design, implementation, and operating effectiveness of internal controls relevant to mitigate these risks. We also performed substantive audit procedures including: • Comparing journal entries to supporting documentation for a selection based on risk, for example, post-close journals, those posted by senior finance management, those posted to unusual accounts or those containing unusual journal descriptions; and • Assessing significant accounting estimates, including valuation of unquoted investments, for any indicators of management bias.
Link to KAMs	Further detail in respect of fraud risks identified over the valuation of unquoted investments is contained within the key audit matter disclosures in section 4.1 of this report.

KPMG LLP's independent auditor's report to the members of 3i Group plc continued

Laws and regulations – identifying and responding to risks of material misstatement relating to compliance with laws and regulations	
Risk assessment	We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements. For this risk assessment, matters considered included the following: • our general commercial and sector experience; • discussion with the Directors and other management (as required by auditing standards); • inspection of the Group's regulatory and legal correspondence; • inspection of the policies and procedures regarding compliance with laws and regulations; and • relevant discussions with the Group's external legal counsel. As the Group operates in a highly regulated environment, our assessment of risks of material misstatement also took into account the control environment including the entity's higher-level procedures for complying with regulatory requirements. Our assessment included inspection of key frameworks, policies, and standards in place, understanding and evaluating the role of the compliance function in establishing these and monitoring compliance and testing of related controls around whistleblowing and complaints.
Risk communications	Our communication of identified laws and regulations risks was made throughout our team and we remained alert to any indications of non-compliance throughout the audit. This included communication from the Group to component audit teams of relevant laws and regulations identified at Group level.
Direct laws context and link to audit	The potential effect of these laws and regulations on the financial statements varies considerably. Firstly, the Group is subject to laws and regulations that directly affect the financial statements including: • Financial reporting legislation (including related companies legislation); • Taxation legislation (direct and indirect); and • Distributable profits legislation. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.
Most significant indirect law/ regulation areas	Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Group's license to operate in countries where the non-adherence to laws could prevent trading in such countries. We identified the following areas as those most likely to have such an effect: • Anti-bribery and corruption; • Competition legislation; • Pensions legislation; • Health and safety legislations; • Market abuse regulations; and • Certain aspects of company legislation recognising the financial and regulated nature of the Group's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.
Context of the ability of the audit to detect fraud or breaches of law or regulation	Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

6. Our determination of materiality

The scope of our audit was influenced by our application of materiality. We set quantitative thresholds and overlay qualitative considerations to help us determine the scope of our audit and the nature, timing, and extent of our procedures, and in evaluating the effect of misstatements, both individually and in the aggregate, on the financial statements as a whole.

£108.0m
(FY2021: £89.0m)
Materiality for the financial statements as a whole

What we mean

This is the amount representing the total magnitude of misstatements that we expect to influence the economic decisions of the users of these financial statements.

Basis for determining materiality and judgements applied

Our assessment of overall Group materiality was £108.0m (FY2021: £89.0m). This was derived from the total assets figure for FY2022 (FY2021: total assets).

In our view, the use of total assets is consistent with the view that shareholders consider the valuation of the quoted and unquoted investment portfolio as the primary financial indicator to understand the Group's performance. In determining the materiality benchmark, we had regard to shareholder commentary on the Group.

The £108.0m was determined by applying a percentage to the total assets. When using an asset-related measure to determine overall materiality, KPMG's approach is to apply a percentage between 0.5% – 1% to the measure. In setting overall materiality, we applied a rate of 0.77% (FY2021: 0.9%), which is lower than the top end of the allowable percentage range.

Materiality for the Parent Company financial statements as a whole was set at £92.0m (FY2021: £68.6m), determined with reference to a benchmark of Parent Company total assets (FY2021: total assets) (of which it represents 0.66% FY2021: 0.67%).

£81.0m
(FY2021: £57.8m)
Performance materiality

What we mean

Our procedures on individual account balances and disclosures were performed to performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

Basis for determining performance materiality and judgements applied

We have considered performance materiality at a level of 75% (FY2021: 65%) of materiality for 3i Group's financial statements as a whole to be appropriate. We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk and it is our second year of performing the audit.

The Parent Company performance materiality was set at £69m (FY2021: £44.6m).

£5.0m
(FY2021: £4.0m)
Audit misstatement posting threshold

What we mean

This is the amount below which identified misstatements are considered to be clearly trivial from a quantitative point of view. We may become aware of differences below this threshold which could alter the nature, timing, and scope of our audit procedures, for example if we identify smaller differences which are indicators of fraud.

This is also the amount above which all differences identified are communicated to 3i Group plc's Audit and Compliance Committee.

Basis for determining the audit misstatement reporting threshold and judgements applied

We set our audit misstatement posting threshold at 5% of our materiality (FY2021: 5%), rounded down to the nearest £million. We will also report to the Audit and Compliance Committee any items that warrant reporting on qualitative grounds.

The overall materiality for the Group at £108.0m compares as follows to the main Financial Statement captions amounts.

	Net assets	Gross investment income	Profit for the year
	31 March 2022	For the year ended 31 March 2022	For the year ended 31 March 2022
Financial Statement Caption	**£12,754 (FY2021 £9,164m)**	**£4,079 (FY2021 £1,931m)**	**£4,013 (FY2021 £1,855m)**
Group Materiality as % of caption	**0.8% (FY2021: 1%)**	**2.6% (FY2021: 4.6%)**	**2.7% (FY2021: 4.8%)**

KPMG LLP's independent auditor's report to the members of 3i Group plc continued

7. The scope of our audit

Group scope

What we mean

How the Group audit team determined the procedures to be performed across the Group by component audit teams.

We have performed risk assessment and planning procedures and determined the Group's components that require involvement from component auditors. We have scoped two components for audits of financial information for consolidation purposes.

Scope	Number of components	Range of materiality applied
Full scope audit	1 (FY2021: 2)	£92.0m (FY2021: £6m – £68.6m)
Audit of account balance	0 (FY2021: 0)	n/a (FY2021: n/a)
Specified audit procedures	0 (FY2021: 0)	n/a (FY2021: n/a)

We have also performed audit procedures centrally across the Group, and beyond the component scope set out above, in the following areas:

- Consolidation of the financial information;
- Journal entry analysis, to identify journals with higher risk such as those posted by Group management into component books, and manual entries into accounts where these are not expected (e.g., Revenue);
- Share based payments; and
- Defined Benefit Pension.

In addition, we have performed Group level analysis on the remaining components to determine whether further risks of material misstatement exist in those components.

Group audit team oversight

What we mean

The extent of the Group audit team's involvement in component audits.

Only the Parent Company was scoped in for full scope audit. As this audit is performed by the Group engagement team, no additional audit team oversight was required.

8. Other information in the annual report

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

All other information	
Our responsibility Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge.	**Our conclusions** Based solely on that work we have not identified material misstatements or inconsistencies in the other information.
Strategic report and Directors' report	
Our responsibility and conclusions Based solely on our work on the other information described above we are required to report to you as follows: • we have not identified material misstatements in the strategic report and the Directors' report; • in our opinion the information given in those reports for the financial year is consistent with the financial statements; and • in our opinion those reports have been prepared in accordance with the Companies Act 2006.	
Directors' remuneration report	
Our responsibility We are required to form an opinion as to whether the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.	**Our conclusions** In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.
Corporate governance disclosures	
Our responsibility We are required to perform procedures to identify whether there is a material inconsistency between the financial statements and our audit knowledge, and: • the Directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced, and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy; • the section of the annual report describing the work of the Audit and Compliance Committee, including the significant issues that the Audit and Compliance Committee considered in relation to the financial statements, and how these issues were addressed; and • the section of the annual report that describes the review of the effectiveness of the Group's risk management and internal control systems.	**Our conclusions** Based on those procedures, we have concluded that each of these disclosures is materially consistent with the financial statements and our audit knowledge.
We are also required to review the part of Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.	We have nothing to report in this respect.
Other matters on which we are required to report by exception	
Our responsibility Under the Companies Act 2006, we are required to report to you if, in our opinion: • adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or • the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or • certain disclosures of Directors' remuneration specified by law are not made; or • we have not received all the information and explanations we require for our audit.	**Our conclusions** We have nothing to report in these respects.

KPMG LLP's independent auditor's report to the members of 3i Group plc continued

9. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on pages 145 and 146, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

10. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Jonathan Mills (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
Canary Wharf
London
E14 5GL
11 May 2022

Portfolio and other information

What's in this section

20 large investments

The 20 investments listed below account for 93% of the portfolio at 31 March 2022 (31 March 2021: 95%). All investments have been assessed to establish whether they classify as accounting subsidiaries under IFRS and/or subsidiaries under the UK Companies Act. This assessment forms the basis of our disclosure of accounting subsidiaries in the financial statements.

The UK Companies Act defines a subsidiary based on voting rights, with a greater than 50% majority of voting rights resulting in an entity being classified as a subsidiary. IFRS 10 applies a wider test and, if a Group is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect these returns through its power over the investee then it has control, and hence the investee is deemed an accounting subsidiary. Controlled subsidiaries under IFRS are noted below. None of these investments are UK Companies Act subsidiaries.

In accordance with Part 5 of The Alternative Investment Fund Managers Regulations 2013 ("the Regulations"), 3i Investments plc, as AIFM, requires all controlled portfolio companies to make available to employees an annual report which meets the disclosure requirements of the Regulations. These are available either on the portfolio company's website or through filing with the relevant local authorities.

Investment Description of business	Business line Geography First invested in Valuation basis	**Residual cost[1] March 2022 £m**	Residual cost[1] March 2021 £m	**Valuation March 2022 £m**	Valuation March 2021 £m	Relevant transactions in the year
Action* General merchandise discount retailer	Private Equity Netherlands 2011/2020 Earnings	**623**	623	**7,165**	4,566	£284 million cash dividend received
3i Infrastructure plc* Quoted investment company, investing in infrastructure	Infrastructure UK 2007 Quoted	**305**	305	**934**	797	£27 million dividend received
Scandlines Ferry operator between Denmark and Germany	Scandlines Denmark/ Germany 2018 DCF	**530**	529	**533**	435	£13 million dividend received
Cirtec Medical* Outsourced medical device manufacturing	Private Equity US 2017 Earnings	**172**	172	**513**	444	Acquisition of Cardea Catheter Innovations in July 2021
Luqom* Online lighting specialist retailer	Private Equity Germany 2017 Earnings	**196**	110	**448**	307	Acquisition of Lampemesteren in April 2021 and £81 million further investment in the year
Tato Manufacturer and seller of speciality chemicals	Private Equity UK 1989 Earnings	**2**	2	**407**	368	£14 million dividend received
Q Holding* Manufacturer of precision engineered elastomeric components	Private Equity US 2014 Sum of the parts	**162**	162	**398**	187	Sale of QSR division agreed in April 2022
Hans Anders* Value-for-money optical retailer	Private Equity Netherlands 2017 Earnings	**269**	268	**345**	262	Acquisition of Eyes! NV and Eyes Society BV in December 2021. £19 million dividend received
Havea* Manufacturer of natural healthcare and cosmetics products	Private Equity France 2017 Earnings	**196**	187	**304**	242	Acquisition of ixX Pharma in September 2021

Investment Description of business	Business line Geography First invested in Valuation basis	**Residual cost[1] March 2022 £m**	Residual cost[1] March 2021 £m	**Valuation March 2022 £m**	Valuation March 2021 £m	Relevant transactions in the year
Royal Sanders* Private label and contract manufacturing producer of personal care products	Private Equity Netherlands 2018 Earnings	**136**	136	**297**	364	£84 million distribution received. Acquisition of Otto Cosmetic in February 2022
Evernex* Provider of third-party maintenance services for data centre infrastructure	Private Equity France 2019 Earnings	**285**	272	**291**	281	Acquisition of Emcon-IT in October 2021
SaniSure* Manufacturer, distributor and integrator of single-use bioprocessing systems and components	Private Equity US 2019 Earnings	**76**	135	**277**	183	Returned £59 million of investment to 3i in July 2021. Acquisition of GL Engineering in December 2021
AES Manufacturer of mechanical seals and support systems	Private Equity UK 1996 Earnings	**30**	30	**269**	212	Acquisition of JAtech Services in November 2021
WP* Supplier of plastic packaging solutions	Private Equity Netherlands 2015 Earnings	**239**	222	**234**	259	
Smarte Carte* Provider of self-serve vended luggage carts, electronic lockers and concession carts	Infrastructure US 2017 DCF	**187**	176	**207**	160	
BoConcept* Urban living designer	Private Equity Denmark 2016 Earnings	**99**	165	**184**	161	£90 million distribution received
MPM* An international branded, premium and natural pet food company	Private Equity UK 2020 Earnings	**139**	128	**162**	124	
GartenHaus* An online retailer of garden buildings, sheds, saunas and related products	Private Equity Germany 2020 Earnings	**121**	72	**131**	66	Acquisition of Outdoor Toys in October 2021 with £45 million of further funding from 3i
Basic-Fit Discount gyms operator	Private Equity Netherlands 2013 Quoted	**11**	23	**129**	214	Proceeds received of £146 million
Audley Travel* Provider of experiential tailor-made travel	Private Equity UK 2015 DCF	**243**	197	**117**	85	Further investment of £25 million
		4,021	3,914	**13,345**	9,717	

* Controlled in accordance with IFRS.
1 Residual cost includes cash investment and interest net of cost disposed.

Portfolio valuation – an explanation

Policy

The valuation policy is the responsibility of the Board, with additional oversight and annual review from the Valuations Committee. The policy is reviewed at least annually, with the last update in April 2022. Our policy is to value 3i's investment portfolio at fair value and we achieve this by valuing investments on an appropriate basis, applying a consistent approach across the portfolio. The policy ensures that the portfolio valuation is compliant with the fair value guidelines under IFRS and, in so doing, is also compliant with the IPEV guidelines. The policy covers the Group's Private Equity, Infrastructure and Scandlines investment valuations. Valuations of the investment portfolio of the Group and its subsidiaries are performed at each quarter end.

Fair value is the underlying principle and is defined as "the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date" (IPEV guidelines, December 2018). We have continued to consider the additional IPEV guidelines issued in March 2020 in light of the Covid-19 pandemic. Fair value is an estimate and, as such, determining fair value requires the use of judgement.

The quoted assets in our portfolio are valued at their closing bid price at the balance sheet date. The majority of the portfolio, however, is represented by unquoted investments.

Private Equity unquoted valuation

To arrive at the fair value of the Group's unquoted Private Equity investments, we first estimate the entire value of the company we have invested in – the enterprise value. We then apportion that enterprise value between 3i, other shareholders and lenders.

Determining enterprise value

The enterprise value is determined using one of a selection of methodologies depending on the nature, facts and circumstances of the investment.

Where possible, we use methodologies which draw heavily on observable market prices, whether listed equity markets or reported merger and acquisition transactions, and trading updates from our portfolio.

As unquoted investments are not traded on an active market, the Group adjusts the estimated enterprise value by a liquidity discount. The liquidity discount is applied to the total enterprise value and we apply a higher discount rate for investments where there are material restrictions on our ability to sell at a time of our choosing. A small number of our private equity investments are valued using a discounted cash flow ("DCF"), and for these assets we do not apply a liquidity discount.

The table on the next page outlines in more detail the range of valuation methodologies available to us, as well as the inputs and adjustments necessary for each. Through mitigating actions already put in place, our portfolio is well positioned to navigate through the impact of supply chain disruption and inflation. We have considered the fair value of our investments on a case-by-case basis considering historical, current and forward looking data. Where forward looking data forms the base of a valuation, the accuracy, reliability and maintainability of these forecasts has been considered.

Apportioning the enterprise value between 3i, other shareholders and lenders

Once we have estimated the enterprise value, the following steps are taken:

1. We subtract the value of any claims, net of free cash balances that are more senior to the most senior of our investments.
2. The resulting attributable enterprise value is apportioned to the Group's investment, and equal ranking investments by other parties, according to contractual terms and conditions, to arrive at a fair value of the entirety of the investment. The value is then distributed amongst the different loan, equity and other financial instruments accordingly.
3. If the value attributed to a specific shareholder loan investment in a company is less than its carrying value, a shortfall is implied, which is recognised in our valuation. In exceptional cases, we may judge that the shortfall is temporary; to recognise the shortfall in such a scenario would lead to unrepresentative volatility and hence we may choose not to recognise the shortfall.

Other factors

In applying this framework, there are additional considerations that are factored into the valuation of some assets.

Impacts from structuring

Structural rights are instruments convertible into equity or cash at specific points in time or linked to specific events. For example, where a majority shareholder chooses to sell, and we have a minority interest, we may have the right to a minimum return on our investment.

Debt instruments, in particular, may have structural rights. In the valuation, it is assumed third parties, such as lenders or holders of convertible instruments, fully exercise any structural rights they might have if they are "in the money", and that the value to the Group may therefore be reduced by such rights held by third parties. The Group's own structural rights are valued on the basis they are exercisable on the reporting date.

Assets classified as "terminal"

If we believe an investment has more than a 50% probability of failing in the 12 months following the valuation date, we value the investment on the basis of its expected recoverable amount in the event of failure. It is important to distinguish between our investment failing and the business failing; the failure of our investment does not always mean that the business has failed, just that our recoverable value has dropped significantly. This would generally result in the equity and loan components of our investment being valued at nil. Value movements in the period relating to investments classified as terminal are classified as provisions in our value movement analysis.

Infrastructure unquoted valuation

The primary valuation methodology used for unquoted Infrastructure investments is the discounted cash flow method. Fair value is estimated by deriving the present value of the investment using reasonable assumptions of expected future cash flows and the terminal value and date, and the appropriate risk-adjusted discount rate that quantifies the risk inherent to the investment. The discount rate is estimated with reference to the market risk-free rate, a risk-adjusted premium and information specific to the investment or market sector.

Scandlines unquoted valuation

Scandlines is valued on a DCF basis. This is consistent with the Infrastructure methodology.

Methodology	Description	Inputs	Adjustments	% of investment basis portfolio valued on this basis
Earnings (Private Equity)	Most commonly used Private Equity valuation methodology Used for investments which are typically profitable and for which we can determine a set of listed companies and precedent transactions, where relevant, with similar characteristics	Earnings multiples are applied to the earnings of the Company to determine the enterprise value **Earnings multiples** When selecting earnings multiple, we consider: 1. Comparable listed companies current performance and through the cycle averages 2. Relevant market transaction multiples 3. Company performance, organic growth and value-accretive add-ons, if any 4. Exit expectations and other company specific factors For points 1 and 2 of the above we select companies in the same industry and, where possible, with a similar business model and profile in terms of size, products, services and customers, growth rates and geographic focus **Earnings** Reported earnings adjusted for non-recurring items, such as restructuring expenses, for significant corporate actions and, in exceptional cases, run-rate adjustments to arrive at maintainable earnings Most common measure is earnings before interest, tax, depreciation and amortisation ("EBITDA") Earnings are usually obtained from the management accounts to the preceding quarter end, with reference also to forecast earnings and the maintainable view of earnings Action, our largest asset, is valued using run-rate earnings	A liquidity discount is applied to the enterprise value, typically between 5% and 15%, using factors such as our alignment with management and other investors and our investment rights in the deal structure	**81%**
Discounted cash flow (Private Equity/ Infrastructure/ Scandlines)	Appropriate for businesses with long-term stable cash flows, typically in Infrastructure or alternatively businesses where the DCF is more appropriate in the short term	Long-term cash flows are discounted at a rate which is benchmarked against market data, where possible, or adjusted from the rate at the initial investment based on changes in the risk profile of the investment	Discount already implicit in the discount rate applied to long-term cash flows – no further discounts applied	**7%**
Quoted (Infrastructure/ Private Equity)	Used for investments in listed companies	Closing bid price at balance sheet date	No adjustments or discounts applied	**7%**
NAV (Private Equity/ Infrastructure)	Used for investments in unlisted funds	Net asset value reported by the fund manager	Typically no further discount applied in addition to that applied by the fund manager	**1%**
Other (Private Equity/ Infrastructure)	Used where elements of a business are valued on different bases	Values of separate elements prepared on one of the methodologies listed above	Discounts applied to separate elements as above	**4%**

Consistent with IPEV guidelines, all equity investments are held at fair value using the most appropriate methodology and no investments are held at historical cost.

Information for shareholders

Financial calendar

Ex-dividend date	Thursday 16 June 2022
Record date	Friday 17 June 2022
Annual General Meeting	Thursday 30 June 2022
Second FY2022 dividend to be paid	Friday 22 July 2022
Half-year results (available online only)	November 2022
First FY2023 dividend expected to be paid	January 2023

Information on ordinary shares

Shareholder profile: Location of investors at 31 March 2022

UK	62.6%
North America	21.5%
Continental Europe	13.4%
Other international	2.5%

Share price

Share price at 31 March 2022	1,388.5p
High during the year 4 January 2022	1,503.5p
Low during the year 7 March 2022	1,138.5p

Dividends paid in the year to 31 March 2022

Second FY2021 dividend, paid 23 July 2021	21.0p
First FY2022 dividend, paid 12 January 2022	19.25p

Balance analysis summary

	Number of holdings			Balance as at 31 March 2022			
Range	Individuals	Corporate bodies	Number of shares	% shares	Total holdings	Individual shares	Corporate shares
1–1,000	10,194	516	4,615,197	0.5	10,710	4,367,453	247,744
1,001–10,000	4,400	596	11,521,617	1.2	4,996	9,419,447	2,102,170
10,001–100,000	114	496	22,103,008	2.3	610	2,490,364	19,612,644
100,001–1,000,000	7	393	148,281,644	15.2	400	1,692,215	146,589,429
1,000,001–10,000,000	0	124	338,366,734	34.8	124	0	338,366,734
10,000,001–highest	0	18	448,350,438	46.0	18	0	448,350,438
Total	**14,715**	**2,143**	**973,238,638**	**100.00**	**16,858**	**17,969,479**	**955,269,159**

The table above provides details of the number of shareholdings within each of the bands stated in the register of members at 31 March 2022.

The Common Reporting Standard

Tax legislation under the Organisation for Economic Co-operation and Development ("OECD") Common Reporting Standard for Automatic Exchange of Financial Account Information requires investment trust companies to provide personal information about certain investors who hold shares in investment trusts to HMRC. As an investment company, 3i Group plc is therefore required to provide information annually to the local tax authority on certain certificated shareholders and corporate entities. This information includes country of tax residency as well as details of shares held and dividends received. The local tax authority to which the information is initially passed may in turn exchange the information with the tax authorities of another country or countries in which the shareholder may be tax resident, where those countries (or tax authorities in those countries) have entered into agreements to exchange financial account information. Certain shareholders have been and will in future be sent a certification form for the purposes of collecting required information.

Boiler room and other scams

Shareholders should be wary of any unsolicited investment advice, offers to buy shares at a discounted price or offers to buy 3i shareholdings. These fraudsters use persuasive and high-pressure tactics to lure shareholders into scams. We have become aware of what appears to be an increase in calls to current and former 3i shareholders.

The Financial Conduct Authority ("FCA") has found that victims of share fraud are often seasoned investors with victims losing an average of £20,000.

Please keep in mind that firms authorised by the FCA are unlikely to contact you unexpectedly with an offer to buy or sell shares. You should consider getting independent financial or professional advice before you hand over any money or even share any information with them.

If you receive any unsolicited approaches or investment advice, you should proceed with caution. Steps that you might wish to take could include the following:

- always ensure the firm is on the FCA Register and is allowed to give financial advice before handing over your money. You can check at www.fca.org.uk/register;
- double-check the caller is from the firm they say they are – ask for their name and telephone number and say you will call them back. Check their identity by calling the firm using the contact number listed on the FCA Register. This is important as there have been instances where an authorised firm's website has been cloned but with a few subtle changes, such as a different phone number or false email address;
- check the FCA's list of known unauthorised overseas firms. However, these firms change their name regularly, so even if a firm is not listed it does not mean they are legitimate. Always check that they are listed on the FCA Register; and
- if you have any doubts, call the FCA Consumer Helpline on 0800 111 6768. If you deal with an unauthorised firm, you will not be eligible to receive payment under the Financial Services Compensation Scheme.

Annual reports and Half-yearly reports online

If you would prefer to receive shareholder communications electronically in future, including annual reports and notices of meetings, please visit our Registrars' website at **www.shareview.co.uk/clients/3isignup** and follow the instructions there to register.

The 2022 Half-yearly report will be available online only. Please register to ensure you are notified when it becomes available at **www.3i.com/investor-relations/financial-news**.

More general information on electronic communications is available on our website at **www.3i.com/investor-relations/shareholder-information**.

Investor relations enquiries

For all investor relations enquiries about 3i Group plc, including requests for further copies of the Report and accounts, please contact:

Investor relations
3i Group plc
16 Palace Street
London, SW1E 5JD

Telephone +44 (0)20 7975 3131

email **IRTeam@3i.com**

or visit the Investor relations section of our website at **www.3i.com/investor-relations**, for full up-to-date investor relations information, including the latest share price, results presentations and financial news.

Registrars

For shareholder administration enquiries, including changes of address please contact:

Equiniti
Aspect House
Spencer Road
Lancing
West Sussex, BN99 6DA

Telephone 0371 384 2031

Lines are open from 8.30am to 5.30pm, Monday to Friday (international callers +44 121 415 7183).

Glossary

2013-2016 vintage includes Aspen Pumps, Audley Travel, Basic-Fit, Dynatect, Kinolt, ATESTEO, JMJ, Q Holding, WP, Scandlines further (completed in December 2013), Christ, Geka, Óticas Carol and Blue Interactive.

2016-2019 vintage includes BoConcept, Cirtec Medical, Formel D, Hans Anders, arriva, Luqom, Havea, Royal Sanders, Magnitude Software and Schlemmer.

2019-2022 vintage includes Evernex, SaniSure, GartenHaus, MPM, WilsonHCG, Dutch Bakery, ten23 health, insightsoftware, MAIT, Mepal and Yanga.

Alternative Investment Funds ("AIFs") At 31 March 2022, 3i Investments plc as AIFM, managed seven AIFs. These were 3i Group plc, 3i Growth Capital B LP, 3i Growth Capital C LP, 3i Europartners Va LP, 3i Europartners Vb LP, 3i Managed Infrastructure Acquisitions LP and 3i Infrastructure plc. 3i Investments (Luxembourg) SA as AIFM, managed one AIF, 3i European Operational Projects SCSp.

Alternative Investment Fund Manager ("AIFM") is the regulated manager of AIFs. Within 3i, these are 3i Investments plc and 3i Investments (Luxembourg) SA.

APAC The Asia Pacific region.

Approved Investment Trust Company This is a particular UK tax status maintained by 3i Group plc, the parent company of 3i Group. An approved Investment Trust company is a UK company which meets certain conditions set out in the UK tax rules which include a requirement for the company to undertake portfolio investment activity that aims to spread investment risk and for the company's shares to be listed on an approved exchange. The "approved" status for an investment trust must be agreed by the UK tax authorities and its benefit is that certain profits of the company, principally its capital profits, are not taxable in the UK.

Assets under management ("AUM") A measure of the total assets that 3i has to invest or manages on behalf of shareholders and third-party investors for which it receives a fee. AUM is measured at fair value. In the absence of a third-party fund in Private Equity, it is not a measure of fee generating capability.

B2B Business-to-business.

Board The Board of Directors of the Company.

Buyouts 2010-2012 vintage includes Action, Amor, Element, Etanco, Hilite, OneMed and Trescal.

CAGR is the compound annual growth rate.

Capital redemption reserve is established in respect of the redemption of the Company's ordinary shares.

Capital reserve recognises all profits and losses that are capital in nature or have been allocated to capital. Following changes to the Companies Act, the Company amended its Articles of Association at the 2012 Annual General Meeting to allow these profits to be distributable by way of a dividend.

Carried interest payable is accrued on the realised and unrealised profits generated taking relevant performance hurdles into consideration, assuming all investments were realised at the prevailing book value. Carried interest is only actually paid when the relevant performance hurdles are met and the accrual is discounted to reflect expected payment periods.

Carried interest receivable The Group earns a share of profits from funds which it manages on behalf of third parties. These profits are earned when the funds meet certain performance conditions and are paid by the fund once these conditions have been met on a cash basis. The carried interest receivable may be subject to clawback provisions if the performance of the fund deteriorates following carried interest being paid.

Company 3i Group plc.

DACH The region covering Austria, Germany and Switzerland.

Discounting The reduction in present value at a given date of a future cash transaction at an assumed rate, using a discount factor reflecting the time value of money.

EBITDA is defined as earnings before interest, taxation, depreciation and amortisation and is used as the typical measure of portfolio company performance.

EBITDA multiple Calculated as the enterprise value over EBITDA, it is used to determine the value of a company.

EMEA The region covering Europe, the Middle East and Africa.

Executive Committee The Executive Committee is responsible for the day-to-day running of the Group (see page 100).

Fair value movements on investment entity subsidiaries The movement in the carrying value of Group subsidiaries, classified as investment entities under IFRS 10, between the start and end of the accounting period converted into sterling using the exchange rates at the date of the movement.

Fair value through profit or loss ("FVTPL") is an IFRS measurement basis permitted for assets and liabilities which meet certain criteria. Gains and losses on assets and liabilities measured as FVTPL are recognised directly in the Statement of comprehensive income.

Fee income (or Fees receivable) is earned for providing services to 3i's portfolio companies and predominantly falls into one of two categories. Negotiation and other transaction fees are earned for providing transaction related services. Monitoring and other ongoing service fees are earned for providing a range of services over a period of time.

Fees receivable from external funds are earned for providing management and advisory services to a variety of fund partnerships and other entities. Fees are typically calculated as a percentage of the cost or value of the assets managed during the year and are paid quarterly, based on the assets under management to date.

Foreign exchange on investments arises on investments made in currencies that are different from the functional currency of the Company. Investments are translated at the exchange rate ruling at the date of the transaction. At each subsequent reporting date investments are translated to sterling at the exchange rate ruling at that date.

Gross investment return ("GIR") includes profit and loss on realisations, increases and decreases in the value of the investments we hold at the end of a period, any income received from the investments such as interest, dividends and fee income, movements in the fair value of derivatives and foreign exchange movements. GIR is measured as a percentage of the opening portfolio value.

Growth 2010-2012 vintage includes Element, Hilite, BVG, Go Outdoors, Loxam, Touchtunes and WFCI.

Interest income from investment portfolio is recognised as it accrues. When the fair value of an investment is assessed to be below the principal value of a loan, the Group recognises a provision against any interest accrued from the date of the assessment going forward until the investment is assessed to have recovered in value.

International Financial Reporting Standards ("IFRS") are accounting standards issued by the International Accounting Standards Board ("IASB"). The Group's consolidated financial statements are required to be prepared in accordance with IFRS.

Investment basis Accounts prepared assuming that IFRS 10 had not been introduced. Under this basis, we fair value portfolio companies at the level we believe provides useful comprehensive financial information. The commentary in the Strategic report refers to this basis as we believe it provides a more understandable view of our performance.

IRR Internal Rate of Return.

Key Performance Indicator ("KPI") is a measure by reference to which the development, performance or position of the Group can be measured effectively.

Like-for-like compare financial results in one period with those for the previous period.

Liquidity includes cash and cash equivalents (as per the Investment basis Consolidated cash flow statement) and undrawn RCF.

Money multiple is calculated as the cumulative distributions plus any residual value divided by paid-in capital.

Net asset value ("NAV") is a measure of the fair value of our proprietary investments and the net costs of operating the business.

Operating cash profit is the difference between our cash income (consisting of portfolio interest received, portfolio dividends received, portfolio fees received and fees received from external funds as per the Investment basis Consolidated cash flow statement) and our operating expenses and lease payments (as per the Investment basis Consolidated cash flow statement).

Operating profit includes gross investment return, management fee income generated from managing external funds, the costs of running our business, net interest payable, exchange movements, other income, carried interest and tax.

Organic growth is the growth a company achieves by increasing output and enhancing sales internally.

Glossary continued

Performance fee receivable The Group earns a performance fee from the investment management services it provides to 3i Infrastructure plc ("3iN") when 3iN's total return for the year exceeds a specified threshold. This fee is calculated on an annual basis and paid in cash early in the next financial year.

Portfolio effect is the level of risk based on the diversity of the investment portfolio.

Portfolio income is that which is directly related to the return from individual investments. It is comprised of dividend income, income from loans and receivables and fee income.

Proprietary Capital is shareholders' capital which is available to invest to generate profits.

Public Private Partnership ("PPP") is a government service or private business venture which is funded and operated through a partnership of government and one or more private sector companies.

Realised profits or losses over value on the disposal of investments is the difference between the fair value of the consideration received, less any directly attributable costs, on the sale of equity and the repayment of loans and receivables and its carrying value at the start of the accounting period, converted into sterling using the exchange rates at the date of disposal.

Revenue reserve recognises all profits and losses that are revenue in nature or have been allocated to revenue.

Segmental reporting Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Executive who is considered to be the Group's chief operating decision maker. All transactions between business segments are conducted on an arm's length basis, with intrasegment revenue and costs being eliminated on consolidation. Income and expenses directly associated with each segment are included in determining business segment performance.

Share-based payment reserve is a reserve to recognise those amounts in retained earnings in respect of share-based payments.

SORP means the Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts.

Syndication is the sale of part of our investment in a portfolio company to a third party, usually within 12 months of our initial investment and for the purposes of facilitating investment by a co-investor or portfolio company management in line with our original investment plan. A syndication is treated as a negative investment rather than a realisation.

Total return comprises operating profit less tax charge less movement in actuarial valuation of the historic defined benefit pension scheme.

Total shareholder return ("TSR") is the measure of the overall return to shareholders and includes the movement in the share price and any dividends paid, assuming that all dividends are reinvested on their ex-dividend date.

Translation reserve comprises all exchange differences arising from the translation of the financial statements of international operations.

Unrealised profits or losses on the revaluation of investments is the movement in the carrying value of investments between the start and end of the accounting period converted into sterling using the exchange rates at the date of the movement.

Artist: Paresh Nrshinga

3i Group plc

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London, SW1E 5JD, UK

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An investment company as defined by section 833 of the Companies Act 2006

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