Governance

What's in this section

Chairman's introduction

David Hutchison
Chairman

> "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. Our strong corporate governance framework has continued to underpin 3i's purpose and the delivery of our strategy."

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 macroeconomic and geopolitical circumstances and deliver our long-term strategy.

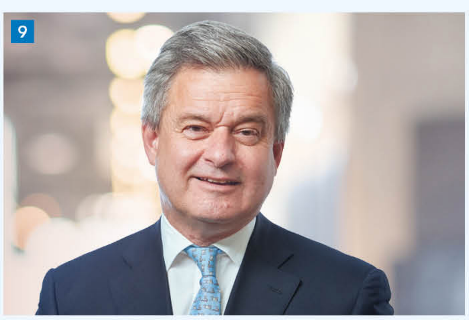
David Hutchison
Chairman

10 May 2023

Board leadership and Company purpose

Board of Directors

The Board promotes a culture of strong governance across the business.



+ PAGES 100
Role of the Board

Board leadership and Company purpose continued
Board of Directors continued

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 James Hatchley
Group Finance Director

Group Finance Director since June 2022 and an Executive Director since May 2022. A member of the Executive Committee, Investment Committee, Group Risk Committee and ESG Committee. Joined 3i in 2017 and was Group Strategy Director until June 2022.

Previous experience
Formerly Chief Operating Officer of KKR in Europe and, before that, Co-CEO of Avoca Capital. Earlier in his career, James was a corporate finance professional for 20 years, principally with Greenhill & Co. and Schroders. He qualified as a chartered accountant in 1992. Formerly a non-executive director of Great Ormond Street Hospital for Children NHS Foundation Trust.

4 Jasi Halai
Chief Operating Officer

Chief Operating Officer and an Executive Director since May 2022. A Member of the Executive Committee, Investment Committee, Group Risk Committee and ESG Committee. 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 of Barratt Developments 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. Formerly a non-executive director of Porvair PLC.

5 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 the 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.

6 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).

7 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.

8 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.

9 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.

10 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.

Executive Committee

Board leadership and Company purpose continued
Executive Committee continued

1 **Simon Borrows**
Chief Executive

2 **James Hatchley**
Group Finance Director

3 **Jasi Halai**
Chief Operating Officer

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See profiles

4 Kevin Dunn
General Counsel and Company Secretary

Joined 3i in 2007 as General Counsel and Company Secretary. Responsible for 3i's legal, compliance, internal audit and company secretarial functions. A member of the Executive Committee, Group Risk Committee and ESG Committee.

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.

5 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. 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.

6 Pieter de Jong
Co-Head Private Equity

Joined 3i in 2004 and served as Managing Director of 3i Benelux between 2011 and 2019. A member of the Executive Committee, Investment Committee and Group Risk Committee. Also a non-executive director of Yanga, 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.

7 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.

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

8 Scott Moseley
Managing Partner, Co-Head of European Infrastructure

Joined 3i in 2007 and was made a Partner in 2012. Managing Partner, Co-Head of European Infrastructure since July 2022 and a member of the Executive Committee, Investment Committee and Group Risk Committee. Also a non-executive director of Tampnet, ESVAGT and GCX.

Previous experience
His experience with infrastructure investment has included various roles within the capital markets teams at WestLB and Credit Agricole.

9 Bernardo Sottomayor
Managing Partner, Co-Head of European Infrastructure

Joined 3i in 2015 as a Partner with responsibility for origination and execution of new investments across Europe, principally economic infrastructure businesses. Managing Partner, Co-Head of European Infrastructure since July 2022 and a member of the Executive Committee, Investment Committee and Group Risk Committee. Also a non-executive director of TCR and a board observer at Attero and Joulz.

Previous experience
Prior to joining 3i, 18 years of infrastructure investment experience and was most recently a Partner at Antin Infrastructure which manages funds investing in infrastructure opportunities across Europe. Prior to Antin, he was Managing Director, Head of Acquisitions for Deutsche Bank's European infrastructure fund. His prior experience was in utilities, as Head of M&A at Energias de Portugal, and in infrastructure M&A advisory with UBS and Citigroup in London.

10 Peter Wirtz
Co-Head Private Equity

Joined 3i in 1998 and served as 3i Germany Co-Head between 2009 and 2019. A member of the Executive Committee, Investment Committee and Group Risk Committee. Also a non-executive director of Luqom and YDEON.

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 and generating value for shareholders. The Board continues to ensure compliance with sound corporate governance principles and ensures that a strong corporate governance framework is embedded throughout the organisation. The Board has the primary oversight over the Company's purpose (see page 1), values (see page 15) and strategy and satisfies itself that these and its culture are aligned. 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. As the business evolves and pursues its strategic objectives, the strong governance framework supports the Board in ensuring that across the 3i Group decisions are made in the right way.

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 78 to 91.

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Risk governance structure

The Board ensures that employee policies and practices are consistent with the Company's values and supports its 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 57.

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	2	6	4
Number attended:						
D A M Hutchison	Independent on appointment	7(7)	–	2(2)	6(6)	4(4)
S A Borrows	Executive Director	7(7)	–	–	–	4(4)
J G Hatchley[2]	Executive Director	6(6)	–	–	–	3(3)
J H Halai[2]	Executive Director	6(6)	–	–	–	–
J S Wilson[3]	Executive Director	2(2)	–	–	–	1(1)
C J Banszky	Independent	7(7)	6(6)	2(2)	6(6)	–
S W Daintith	Independent	7(7)	6(6)	2(2)	–	4(4)
L M S Knox	Independent	7(7)	–	2(2)	6(6)	2(4)
C McConville	Independent	7(7)	6(6)	2(2)	6(6)	–
P A McKellar	Independent	7(7)	–	2(2)	6(6)	4(4)
A Schaapveld	Independent	7(7)	6(6)	2(2)	–	4(4)

1 This table shows the number of scheduled full meetings of the Board and its Committees attended by each Director who is a member thereof 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 Hatchley and Ms Halai were both appointed to the Board on 12 May 2022.
3 Ms Wilson retired from the Board on 30 June 2022.

Non-executive Directors also attended a number of other Company meetings to increase their understanding of the 3i business, the portfolio companies and the strength and depth of our people.

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") save for provision 19 of the Code in respect of the tenure of the Chairman. The Code was published by the Financial Reporting Council ("FRC") in July 2018 and is available on the FRC website.

In 2019, when searching for a new Chairman as a successor to Simon Thompson, the Nominations Committee appointed an external search firm to assist it in the search process. The Nominations Committee considered carefully what appointment would be in the best interests of the Company. In the context of the Company's investment business, where, as a long-cycle investor, a number of the Company's largest investments are held and developed over periods well in excess of a decade, a deep knowledge of and familiarity with the investment portfolio can be critical to a Chairman's effectiveness. The Nominations Committee considered a number of external candidates in addition to David Hutchison. The Nominations Committee decided that David Hutchison was the best and most appropriate candidate for appointment. Factors underlying the Nominations Committee's decision included David's deep knowledge of the Company's business and its portfolio assets, in part gained from his seven years as chair of the Company's Valuations Committee, as well as his understanding of the rationale underpinning the Board's conservative balance sheet and selective investment strategies.

In taking this decision the Nominations Committee and the Board were very conscious of the UK Corporate Governance Code provisions on Chairman tenure in excess of nine years and that David had then already served as a non-executive Director for eight years. However, Nominations Committee and the Board believed this appointment was the most appropriate course for the reasons mentioned above.

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 96 to 102.

Division of responsibility

Pages 102 and 107 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 109 to 113 and in this Directors' report on page 108.

Audit, risk and internal control

The Audit and Compliance Committee report on pages 114 to 118 and the Risk management section on pages 78 to 91 explain how the Principles set out in section 4 of the Code have been applied.

Remuneration

The Remuneration report on pages 131 to 152 outlines how the Company has applied the Principles set out in section 5 of the Code which relate to remuneration.

The Nominations Committee and the Board are conscious of risks that can arise from the extended tenure of a chairman. In particular, the risk that a chairman might cease to exercise objective judgement, fail to ensure that management were held to account by the Board, and insufficiently promote constructive challenge amongst Board members. The Nominations Committee and the Board noted that the Chairman role was a new role for David and this was therefore different from a case where a chairman served as chairman for over nine years. In addition, to mitigate these risks, the Nominations Committee and the Board also sought to balance this appointment with the appointment of a very experienced senior director as Senior Independent Director whose role would include ensuring corporate governance arrangements remained robust and appropriate and in particular would include leading the process for considering each year whether the continued appointment of David as Chairman was in the best interests of the Company. This led to the appointment of Lesley Knox as Senior Independent Director in October 2021.

The Nominations Committee will undertake an annual review, led by the Senior Independent Director, of the continued appropriateness of David's appointment.

The first such review of the continued appropriateness of David's appointment was held by the Nominations Committee (in the absence of David) in March 2023. This review concluded that David continued to perform effectively as Chairman, continued to exercise objective judgement and continued to appropriately promote constructive challenge amongst Board members. The Nominations Committee also noted that in the context of a business where long-term knowledge of the business and its assets was of great importance, David's continued appointment was all the more appropriate given that following the 2023 AGM two of the five non-executive Directors will have less than three-year's service and a further non-executive Director will have less than four-year's service. The Committee's overall conclusion was that David's continued appointment as Chairman for the coming year was in the best interests of the Company and that the balance and independence on the Board remained appropriate.

The Board agreed that David should not be a member of Remuneration Committee after 31 March 2023.

In addition, the appointment in November 2021 of Peter McKellar, an independent non-executive Director with extensive experience of asset management and asset valuation, as Chairman of the Valuations Committee provided continuity and effective governance of that Committee.

For further details see the Nominations Committee report on pages 109 to 113.

What the Board did in FY2023

The Board met for seven scheduled full meetings during FY2023 and also held a strategy day in December 2022. A table of individual Board member attendance at the scheduled Board and Committee meetings is provided on page 100.

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 92, the Board in its decision making has regard to the interests of stakeholders as well as the section 172 factors 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 93. Our key stakeholders are discussed on pages 104 and 105.

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 for scheduled Board meetings and on an ad hoc basis when the need arises. 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. The Board has resumed its 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. This year that meeting was held in Amsterdam and Directors had the opportunity to meet the Action senior management team and visit an Action distribution centre and two Action stores. They also met and received a presentation from the CEO of Dutch Bakery.

The Board is assisted by various Principal Committees of the Board, which report to it regularly and details of their activities in the year are provided on pages 109 to 152.

Matters delegated by the Board to the Chief Executive include implementation of the Board approved strategy, day-to-day management and operation of the business, the appointment and most remuneration of employees below the Executive Committee, and risk management function. 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, the Group Risk Committee and the ESG Committee, which are outlined in the description of our governance framework on page 80.

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 that it 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.
- Leads the annual Board and Board Committee evaluation process.

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 Chairman.
- Leads the annual review of the continued appropriateness of the Chairman's appointment and the Chairman's evaluation.

Engaging with stakeholders and others

Our key stakeholders and others with whom we have business relationships are described below together with an explanation of how we engage and foster business relationships with them and outcomes of such engagement.

Stakeholders and other relationships	Engagement	Outcome
Shareholders	The Company has an extensive shareholder engagement programme which enables investors to make informed decisions about their investment in the Company.	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. **FOR MORE INFORMATION** **Page 106 Engaging with shareholders**
Fund investors	There is extensive engagement with fund investors and co-investors by the Fund Investor Relations team through regular and ad hoc meetings, 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.	Fund investors provide capital which we invest as part of our investment management activities and are customers to whom we owe regulatory duties. Positive engagement with Fund investors enhances our relationship with them and provides them with the information they require to maintain their investment in the relevant fund. **FOR MORE INFORMATION** **Page 4 Details of total assets under management**
Employees	Our approach as a responsible employer is described in the Sustainability section. The Directors' report on page 157 includes details on their engagement with our people. We continue to support our employees and to maintain strong employee engagement.	3i is a people business. Our people are critical to the success of the Company and we rely on having motivated people with the appropriate expertise and skills required to deliver our strategy. **FOR MORE INFORMATION** **Pages 52 to 56 Sustainability report** **www.3i.com/sustainability/sustainability-reports-library**
Investee companies	Our investment teams work closely with investee companies and their management both formally at portfolio company board level and informally on an ongoing basis. One or more investment team professionals are usually appointed as directors of each investee company. In addition, regular Chairman, CEO and CFO forums across the Private Equity and Infrastructure portfolios share best practice and experience. Most recently, CIOs from both the Private Equity and Infrastructure portfolio companies attended a forum to discuss best practice in the effective procurement of information technology ("IT") and cyber services.	As part of our long-term responsible approach to investment, close engagement with investee companies fosters a strong governance framework and enables us to help them grow and create value. **FOR MORE INFORMATION** **Pages 12 to 13 Our business model** **Pages 43 to 51 Sustainability report** **Pages 21 to 41 Investment activity**

Division of responsibilities continued

Stakeholders	Engagement	Outcome
Bondholders, lenders and hedging counterparties	Together with the Group Finance Director, the Group Treasurer manages engagement with the holders of the Company's bonds, the lenders in the Company's revolving credit facility and the Company's hedging counterparties through regular reviews and updates including the Group's results presentations. A dedicated section on 3i.com is maintained for debt investors.	Access to bank borrowing, hedging instruments and the ability to issue bonds and other debt provides important flexibility and resilience to the Company's financial structure. The successful implementation of the recent foreign exchange hedging programme is an example of the benefits of positive engagement with lenders and hedging counterparties. **FOR MORE INFORMATION** **Pages 71 to 72**
Government and Regulators	Our Group Compliance team and local professionals lead our relationships with national and international regulators, in particular with the FCA in the UK, the SEC in the US and the CSSF in Luxembourg. The Company actively participates in policy forums, engages on regulatory matters and is a member of a number of industry consultative bodies, including the British Private Equity & Venture Capital Association and Invest Europe.	The Company works in a regulated environment and can only continue to operate if it is in compliance with relevant law and regulations. Maintaining constructive dialogue and strong relationships with relevant authorities helps support the achievement of our strategic goals.
Third-party professional advisers and service providers	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. 3i ensures that suppliers are paid promptly in accordance with our procurement policies. These advisers and service providers include due diligence providers, operational and IT 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 originate, analyse and execute new investments, to assist with portfolio management and to support the business operations of the Company.
Communities	For details of the Company's contribution to and engagement with communities see the Sustainability section.	The Company is committed to contributing positively to the communities in which it and its portfolio companies operate. **FOR MORE INFORMATION** **www.3i.com/sustainability/corporate-citizenship/charitable-giving** **Page 59 Community**

Division of responsibilities continued

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 Company. 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 offers to meet major shareholders on corporate governance, strategy and management annually and is available 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 results presentations and capital markets seminars are webcast live and available to all who are interested. On-demand webcasts are also available on the website after the events.

Our FY2023 Investor Relations programme

2022

May
- Annual results announcement and presentation webcast
- UK and international investor meetings
- Kepler Investment Companies Conference
- Chairman's meetings with shareholders

June
- UK and international investor meetings (continued)
- Numis UK Conference
- BNP Paribas Exane European CEO Conference
- Annual General Meeting

July
- Q1 performance update
- Group investor call

September
- Private Equity capital markets seminar
- Bank of America Financial Services conference
- Institutional shareholder dinner in London

October

November
- Half-yearly results announcement and presentation webcast
- UK and international investor meetings
- JPMorgan Cazenove Best of British Conference

December
- UK and international investor meetings (continued)
- Numis Pan-European Investor Conference, New York

2023

January
- Q3 performance update
- Group investor call

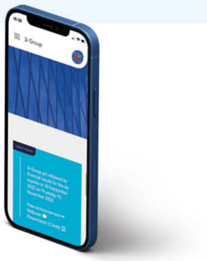
February
- UK investor meetings

March
- Action capital markets seminar
- Group investor call

Website

3i's website provides a brief description of 3i's history, current operations, strategy and portfolio, as well as articles, interviews and videos to showcase specific themes and investments. It also includes 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 Group 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 offers to meet large shareholders annually and he and the Senior Independent Director are available to meet with shareholders as required.

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, JPMorgan Cazenove, BNP Paribas Exane, Kepler Cheuvreux and Numis.

In FY2023, the investors engaged principally on the operational and financial health of the portfolio in light of the macroeconomic disruption and on the market conditions for new investment and realisations. There is also an increasing focus on the performance and growth prospects of Action, our largest portfolio company.

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, as well as at the Annual General Meetings. Individual investors can attend the live webcasts of results presentations and capital markets seminars, and access a wealth of information on 3i, its portfolio and financial and non-financial news on the website. Please see "Website" on page 106 for more information on this content.

Capital markets seminars

We held two capital markets seminars in FY2023, including one in September 2022 and one in March 2023. 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 2022 capital markets seminar, we presented on three of our Private Equity investments: BoConcept, Cirtec Medical and WilsonHCG. The presentations were delivered by the Private Equity investment executives responsible for those investments.

The Action capital markets seminar in March 2023 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 3i's 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 Chairs 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.

The 2022 AGM was again held in person, after the pared back proceedings of 2020 and 2021 as a result of the Covid-19 pandemic.

The 2022 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 2022 AGM, all resolutions were passed with at least 90% of the votes in favour.

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 the opportunity to access 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 a series of training presentations from EY on a range of matters related to climate risks, climate scenario analysis, net zero commitments and transition plans, emerging ESG themes, regulatory horizon on climate risk management and reporting, market insights and TCFD and ESG reporting. 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 an annual evaluation of its own performance and that of its Committees and individual Directors. This year the process was conducted internally by the Chairman with the support of Lintstock Limited ("Lintstock") (who facilitated the full external evaluation in 2022). Lintstock has no other connections with the Company. The evaluation consisted of a questionnaire completed by all Board members and the other members of the Executive Committee, and a summary results report. The Chairman then held one-to-one discussions with each Director informed by the results of the questionnaire. The Chairman subsequently reported the results of the evaluation to the Board.

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 the Board had continued to perform strongly and had benefited from the leadership provided by the Chairman.

The review concluded that the Board's size and composition was broadly appropriate. Whilst no new non-executive Director appointments were anticipated in the short-term, the review identified attributes in any new appointees which could be valuable to the Board in due course. The review recognised the importance of non-executive Directors deepening their understanding of the Company's portfolio investments (and building their relationships with the Company's investment teams) by attending the semi-annual portfolio company review meetings.

The review noted the benefits to the Directors of visiting a 3i non-UK office once a year to maintain contact with overseas investment teams. In addition, the January 2023 visit to Action and meetings with Action's senior management were noted as being extremely useful in broadening the Directors' insight into Action. The review also recognised the importance of maintaining focus on the other 3i portfolio companies - both Private Equity and Infrastructure - to ensure the Board's oversight and its support to maximise their potential and their ability to grow on their own merits.

One of the principal areas where improvement was noted was in relation to the Board's work on ESG matters and the greater confidence in its consideration and management of risk.

The review also identified priorities for the Board to pursue in the coming year which included:

- continued focus on Board diversity in its widest form;
- focusing on talent development, retention and recruitment across the business, supported by increased reporting on remuneration matters to the Board by the chair of the Remuneration Committee; and
- overseeing the continued refinement 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 which was also facilitated by a questionnaire and summary results report prepared by Lintstock. Ms Knox subsequently reported back to the Board on the review and provided feedback to the Chairman.

Nominations Committee report

David Hutchison
Committee Chairman

What the Committee reviewed in FY2023

- Board and senior management succession
  - Chairman tenure
  - Contingency Executive Director succession plan
  - Board and senior management succession plans
- Board evaluation
- Size, balance and composition of the Board

Committee membership	Meetings
David Hutchison (Chairman)	2(2)
Caroline Banszky	2(2)
Stephen Daintith	2(2)
Lesley Knox	2(2)
Coline McConville	2(2)
Peter McKellar	2(2)
Alexandra Schaapveld	2(2)

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 in this report Mr Hutchison did not attend discussions on the Chairman's tenure.

"I am pleased to present the Nominations Committee report for the year ended 31 March 2023. My report explains the role of the Committee as well as its work this year."

Dear Shareholder

Role and membership 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 keeps under review 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, equity 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 page 97.

All Directors are subject to re-appointment every year. Accordingly, at the AGM to be held on 29 June 2023, all the Directors will retire from office and, being eligible, will seek re-appointment, save for Caroline Banszky who is retiring from the Board at the conclusion of the AGM. The Board's recommendation for the re-appointment of Directors is set out in the 2023 Notice of AGM.

During the year Julia Wilson, formerly Group Finance Director, retired from the Board on 30 June 2022. James Hatchley joined the Board as Group Finance Director Designate on 12 May 2022 and became Group Finance Director on 30 June 2022. Jasi Halai joined the Board as Chief Operating Officer on 12 May 2022.

Throughout the year Lesley Knox continued to serve as Senior Independent Director. 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 James Hatchley or where they consider these channels to be inappropriate.

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 there were no non-executive Director recruitment exercises and accordingly the Committee did not work with any external search consultants in 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 112.

Succession planning

The Committee considers long-term succession planning as well as ensuring an appropriate level of refreshment and diversity on the Board. Contingency plans to cater for unexpected events are also considered. Our approach to succession planning at Board level seeks to ensure that retirements are planned for and take place in a coordinated manner to minimise the risk to the Company's strategic objectives through gaps in key skills on the Board or a lack of continuity. The Committee is of the view that length of service will not necessarily compromise the independence or contribution of directors of a company such as 3i, where continuity and knowledge of the Company's investment business, its strategic objectives and its largest individual investments are beneficial to the Board. Accordingly, the Committee does not believe the adoption of inflexible numerical limits on the Directors' Board tenure is the best way to ensure diversity and Board refreshment overall. In determining the appropriate length of service for each Director, the Nominations Committee judges the appropriate balance between the retention of the corporate memory of the Company with a suitable rate of refreshment at any given point in time.

The Board and Nominations Committee has carefully considered the question of Chairman tenure. They believe it should be aligned with the Chairman's role in enabling the Board to lead the Company towards its long-term sustainable success, generating value for shareholders and by behaving responsibly with regards to the impacts of its action on wider society.

In my absence the Nominations Committee, chaired by the Senior Independent Director, reviewed my tenure as Chairman in March 2023. Further details are set out in Report from the Senior Independent Director on page 113 and in the Corporate governance statement on pages 101and 102.

The Board also recognises that in providing leadership, governance, challenge and support it must, when considering the Chairman tenure, take account of matters including: the importance of Director independence; the need to periodically refresh the Board and its leadership; knowledge and understanding of the Company's investment business and its strategic objectives; as well as diversity, continuity and retention of corporate memory. We believe that an appropriate balance of all these factors is essential both for the effective functioning of the Board and the delivery of the Board's purpose. At times this may result in some longer-serving Directors, including potentially the Chairman.

Diversity and inclusion

The Board strongly supports the principle of boardroom diversity. The Board's aim is to have a Board and Board Committees which are diverse 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 diverse range of candidates for consideration. The Board makes appointments on merit and against objective criteria.

The Board currently comprises 10 Directors of whom five are women and following our June 2023 AGM the Board will comprise nine Directors of whom four will be women. This exceeds the 40% female gender diversity target set by the FTSE Women Leaders review. The Board meets the Parker Review recommendation of having at least one Director from a minority ethnic group.

During the year the Committee reviewed the Company's Equal Opportunities and Diversity policy and decided that no changes to the policy were required at this time. The Committee also reviewed the Company's diversity, equity and inclusion activities during the year and considered how the Company's current diversity policy had been implemented, its objectives and linkage to Company strategy. Further details on diversity policy are set out in the Sustainability report on page 52 and 53.

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 in the region of 250 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.

Composition, succession and evaluation continued
Nominations Committee report continued

The gender balance of our employees and our senior managers is reported in more detail in the Sustainability section on page 53. At 31 March 2023 our employees were 59.8% male and 40.2% female. The under-representation of women in senior management and investment roles at 3i is an issue we share with much of the private equity and alternative asset investment sector. Nonetheless, 3i continues to focus on increasing the number of women in these roles, whilst recognising that significant change will take time to achieve. As at 31 March 2023, 26% of Executive Committee plus direct reports were female.

As at 31 March 2023, around 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.

The Company participates in a number of diversity, equity and inclusion initiatives, details of which are contained in the Sustainability section on pages 52 to 54.

David Hutchison
Chairman, Nominations Committee

10 May 2023

Diversity of individuals on the Company's Board and in executive management

In accordance with LR 9.8.6 R (9) of the FCA Listing Rules the Board confirms that as at 31 March 2023 the Company met the targets set out in that rule in that at least 40% of the Board were women, that at least one of the specified senior positions on the Board (the Chair, the Chief Executive, the Senior Independent Director or the Chief Financial Officer) was held by a woman and that at least one Director was from a minority ethnic background. There have been no changes to the Board since 31 March 2023 which would affect the Company's ability to meet these targets.

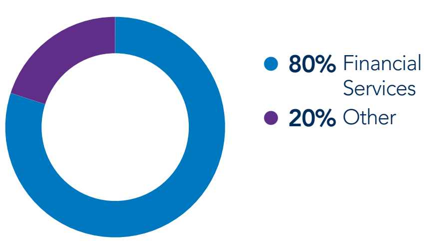
In accordance with LR 9.8.6 R (10) of the FCA Listing Rules the following tables set out data as at 31 March 2023 on the ethnic background and the gender identity or sex of the individuals on the Company's Board and in its executive management.

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
Gender identity or sex					
Men	5	50 %	3	9	90 %
Women	5	50 %	1	1	10 %
Not specified/prefer not to say	–	–	–	–	–
Ethnic background					
White British or other white (including minority-white groups)	9	90 %	4	6	60 %
Mixed/Multiple ethnic groups	–	–	–	–	–
Asian/Asian British	1	10 %	–	1	10 %
Black/African/Caribbean/Black British	–	–	–	–	–
Other ethnic group including Arab	–	–	–	–	–
Not specified/prefer not to say	–	–	–	3	30 %

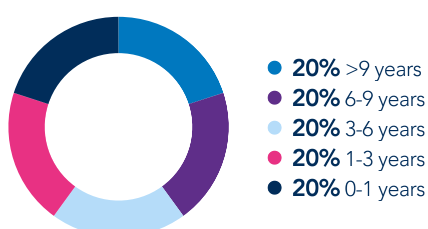
The tables above include data for three individuals who are included in both the Board and executive management. The Company's approach to collecting the data used for the purposes of the above disclosures was to use data on gender or sex from our employee records and to ask the individuals which ethnic background was applicable to them together with permission to use it for this purpose, save where individuals were located in non-UK jurisdictions where we believed it would be inappropriate to make such a request.

Composition of the Board at 10 May 2023

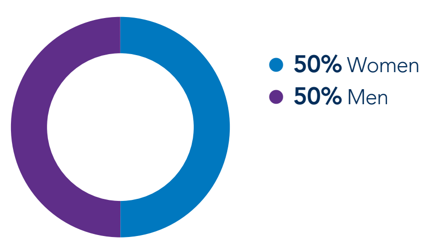
Sector experience



Tenure



Gender diversity



Activities in the year

Board and senior management succession

The Committee keeps Board and senior management succession under regular review.

The Committee considers long-term succession planning as well as ensuring an appropriate level of refreshment and diversity on the Board. 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 planned and contingency succession arrangements for the Executive Directors and other senior positions.

What the Committee did

Size, balance and composition of the Board, and non-executive Director appointments

Following the appointment of Lesley Knox as a non-executive Director there were no additional non-executive Director appointments during the year. The Committee has continued to keep the size, balance and composition of the Board under review during the year. Immediately following the 2023 AGM the Board will comprise nine Directors, being the Chairman, three executive Directors and five independent non-executive Directors.

Outcome

The Committee remains of the view that a nine or 10 member Board is an appropriate size of Board for the Company and that the Board has the right balance of skills and experience. The Committee decided that whilst there was no immediate need for non-executive Director recruitment, in the interests of long-term succession planning the Committee would likely commence a search process for a further non-executive Director in the second half of 2023.

What the Committee did

Executive Director appointments

The Committee's work in relation to the retirement of Julia Wilson and the appointments of James Hatchley and Jasi Halai in summer 2022 largely took place in the prior financial year and is described in the 2022 Nominations Committee report.

Outcome

The appointments of James Hatchley and Jasi Halai in consequence of Julia Wilson's retirement were finalised and took effect in the year.

What the Committee did

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.

Outcome

Following James Hatchley's and Jasi Halai's appointments the Committee approved revised contingency arrangements for circumstances where any of the executive Directors suddenly became unable to carry out their duties.

What the Committee did

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 2022 Group Succession Planning and Strategic Capability Review which was presented to the Directors by relevant Executive Committee members and the Chief Human Resources Officer. This annual review identifies development and succession plans for key staff including all members of the 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.

Outcome

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.

Activities in the year continued

	What the Committee did	Outcome
Board evaluation	Details on how the annual Board evaluation process was conducted and areas covered are on page 108. Following an externally facilitated evaluation in FY2022, the evaluation process for the year was conducted internally with assistance from Lintstock. 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.	Details on the outcome of the evaluation are set out on page 108. 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 objectives. The Committee and the Board agreed that further consideration should be given over the coming year to evaluation arrangements going forward including benchmarking for external facilitators to conduct the Board's next externally facilitated evaluation process which is required to be held not later than FY2025.
Review of Chairman tenure	The Committee keeps the continued tenure of the Chairman under regular review. This process is led by the Senior Independent Director and is particularly important given that the Chairman has served as a Director for in excess of nine years.	Led by the Senior Independent Director, and in the absence of the Chairman, the Committee reviewed the appropriateness of the Chairman's continued appointment in March 2023. Details of the review are set out below in the report from the Senior Independent Director. The Committee concluded that the Chairman's continued appointment for the coming year was in the best interests of the Company.

Report from the Senior Independent Director on the Committee's annual review of Chairman tenure

David Hutchison, who was appointed as Chairman of the Board in November 2021, has now served as a Director for in excess of nine years. This does not comply with the provisions of the UK Corporate Governance Code ("the Code") and a full explanation of the background to David's appointment as Chairman and why the Nominations Committee and the Board believe it appropriate for the Chairman to continue in office is therefore set out on pages 101 and 102.

The Board and Nominations Committee are aware of the risks to good corporate governance which could follow from excessive Chairman tenure. As one of the measures adopted to mitigate this risk the Nominations Committee has decided that it will review annually the continued appropriateness of the Chairman's appointment. This review will be led by the Senior Independent Director and will take place in the absence of the Chairman.

The first such review, led by me, took place in March 2023. The Nominations Committee discussed the reasoning behind the provisions of the Code limiting Chairman tenure, reviewed the circumstances of David Hutchison's appointment as Chairman and reviewed his performance in this role over the past year.

This review concluded that David continued to perform effectively as Chairman, continued to exercise objective judgement and continued to appropriately promote constructive challenge amongst Board members. The Nominations Committee also noted that in the context of a business where long-term knowledge of the business and its assets was of great importance, David's continued appointment was all the more appropriate given that following the 2023 AGM two of the five non-executive Directors will have had less than three-year's service and a further non-executive Director will have had less than four-year's service. The Committee concluded that David's continued appointment for the coming year was in the best interests of the Company.

Lesley Knox
Senior Independent Director
10 May 2023

FOR MORE INFORMATION
Pages 101 and 102

Audit, risk and control

Audit and Compliance Committee report

Caroline Banszky
Committee Chair

What the Committee reviewed in FY2023

- Financial and non-financial reporting
- External audit
- Internal control, compliance and risk management
- Risk review

Committee membership	Meetings
Caroline Banszky (Chairman)	6(6)
Stephen Daintith	6(6)
Coline McConville	6(6)
Alexandra Schaapveld	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; Chief Operating Officer; Company Secretary; Director of Group Reporting and Valuations; Head of Internal Audit; Head of Group Compliance; and the External auditor, KPMG LLP.

"I am pleased to present the Audit and Compliance Committee report for the year ended 31 March 2023. My report explains the Committee's work this year."

Dear Shareholder

We held six regular scheduled meetings this year, four of which were coordinated with 3i's external reporting timetable. In addition to the Committee's usual focus on internal controls and the integrity of the Group's financial reporting, this year the Board completed sustainability training focused on climate risk and scenario analysis, net zero commitments, emerging ESG themes and TCFD reporting. We also spent time reviewing management's approach to cyber risk and developments in reporting and disclosure including the European Single Electronic Format ("ESEF").

On 24 October 2022, we received a letter from the FRC detailing a review of 3i Group's Annual report and accounts for the year ended 31 March 2022 in accordance with the FRC Corporate Reporting Review Operating Procedures. The FRC review was based solely on the Annual report and accounts and did not benefit from detailed knowledge of our business or an understanding of the underlying transactions entered into. The review was concluded with no questions or queries raised. We have taken into account the disclosure enhancements suggested as part of the review.

During the year we implemented the required processes and reporting under the Investment Firms Prudential Regime ("IFPR") and successfully filed the new returns. As part of this, we undertook the first Internal Capital Adequacy and Risk Assessment ("ICARA").

On 31 May 2022, the Government published its responses to its consultation on its White Paper: "Restoring trust in audit and corporate governance (March 2021)". On 10 March 2023, the Department for Business and Trade shared new draft reporting regulations which will implement certain new reporting requirements for large listed and private companies, many of which were confirmed in the Government's response to its White Paper. The Committee will continue to monitor closely any proposed legislation, changes in corporate governance requirements and emerging best practice.

In advance of each Committee meeting, I met the Group Finance Director, the Chief Operating Officer and the Heads of Compliance, IT, Tax 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, and 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.

As noted in the Chairman's statement, I will be retiring from the Board following the 2023 Annual General Meeting and I am pleased to confirm that Stephen Daintith will become the next Chairman of the Audit and Compliance Committee.

Caroline Banszky
Chair, Audit and Compliance Committee

10 May 2023

AUDIT AND COMPLIANCE COMMITTEE'S TERMS OF REFERENCE
www.3i.com/investor-relations/governance/principal-board-committees

What the Committee reviewed in FY2023

Financial and non-financial reporting

- Annual and half-year reports
- Quarterly performance updates
- Key accounting judgements and estimates
- Update on the relevant thematic reviews from the FRC
- European Single Electronic Format ("ESEF") developments
- Reviewed the Annual report to ensure that it is fair, balanced and understandable, including APMs
- Going concern and viability
- Resilience statement
- ESG disclosure enhancements

External audit

- Confirmation of the External auditor independence
- Policy and approval for non-audit fees
- FY2023 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
- Business resilience including IT 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 and reports on tax policy and strategy
- Reports from the Group Risk Committee ("GRC") and the risk log
- Update on litigation matters

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 and the Committee as a whole has competence relevant to the sector in which it operates. The attendance of members at meetings is shown in the table on page 100.

The Committee meets privately for part of its meetings and also has regular private meetings with the External auditor, the Group Finance Director, the Chief Operating Officer, 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 the letter received from the FRC, as detailed on page 114 of this report and 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 2022 and Annual report and accounts 2023. The Committee also considered a paper prepared by management which detailed 3i's approach to the developments in the European Single Electronic Format for digital reporting.

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 re-forecasting as required;
- 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 2023 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, 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. 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 79), the Committee agreed to recommend the Viability statement and three-year viability period which was subsequently approved by the Board.

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 investment portfolio, which at 31 March 2023 was £17,426 million, or 91% 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 126 to 130.

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 investment portfolio is a primary input into the carried interest payable and receivable balances, which are determined by reference to the valuation at 31 March 2023.

As at 31 March 2023, following 3i's decision to crystallise a portion of the outstanding carried interest liability in the Buyouts 2010-12 scheme, c.£200 million will be paid to participants in May 2023.

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 a summary of carried interest payable as part of the overall summary prepared by management to support the Annual report and accounts 2023.

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 2023.

A report summarising the considerations for the Annual report and accounts 2023 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 2023.

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 effective.

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 GRC, the risk management processes in place and Internal Audit's assessment of the effectiveness of controls, the use of the Group's whistle blowing facility and compliance with the UK Bribery Act.

As highlighted on page 81 in the Risk management section, a report summarising each quarterly GRC meeting is provided to the Committee for review and discussion. This report provides an update on the assessment of the Group's principal risks and new and emerging risks, together with details of how these are being managed or mitigated. The Committee also receives 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 2023.

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 or a member of the firm's network. 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 Chair'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 as described in para 5.36 of the FRC's Ethical Standards;
- 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 or without any proper safeguards in place. In line with the FRC's Ethical Standards, 3i will not generally use KPMG for any non-audit services (unless explicitly permitted) that are not closely related to KPMG's role as 3i's External auditor. This includes tax and legal, consulting and investment-related services such as due diligence.

All proposals for services with KPMG must be forwarded to the Chief Operating Officer 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 with fees of less than £100,000 and services that are explicitly permitted and are not considered closely related to the audit are approved by the Chief Operating Officer 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 £2.8 million (2022: £2.7 million). Non-audit fees paid to the External auditor were £0.4 million (2022: £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 FY2023 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 2023 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 the framework and requirements by which 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 and risk assessment. This 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.

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 National Institute of Standards and Technology ("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 121.

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
- Responsible Investment policy

Investment portfolio companies

- 3i appointed directors
- Minimum required governance standards
- Investment procedures for investment and portfolio company management

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
- Foreign Exchange hedging programmes

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 and 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 Chair 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 some 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:

- continued focus on new and emerging cyber security risks, and 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;
- 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);
- increased focus and more frequent updates 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;
- independent views sought from Group Compliance and Internal Audit on people-related matters; for example, the effectiveness of 3i's hybrid working model, staff morale, conduct, culture and behaviours.

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 portfolio companies 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 the 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 are 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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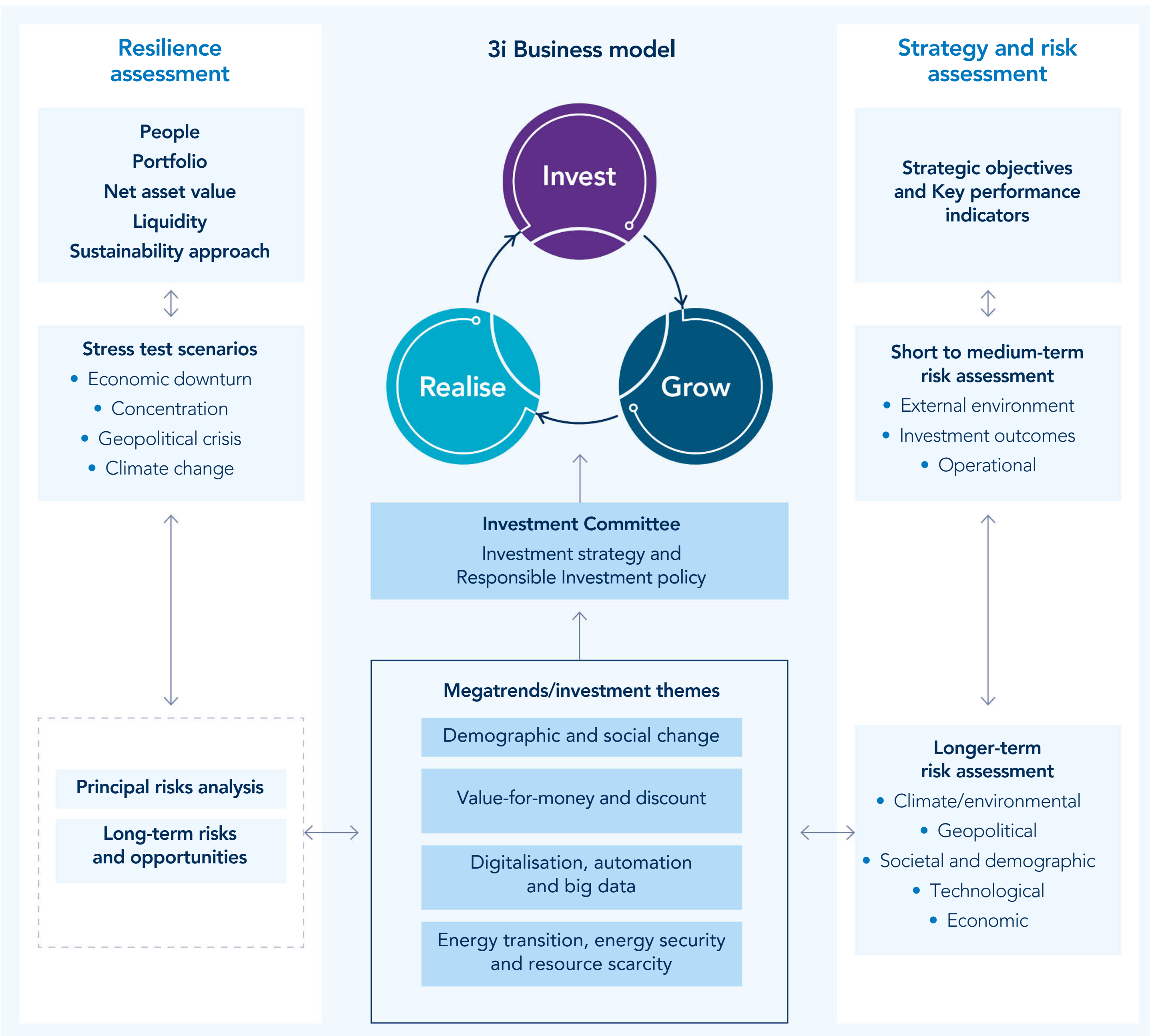
Resilience statement

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 to 17), Approach to risk management (pages 78 to 91) and Sustainability (pages 43 to 66).



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 periodic 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 during the pandemic and, more recently during the challenging macroeconomic conditions, when 3i was able continue 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 of approval of the Annual report and accounts. The Directors are required to evaluate whether 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 of going concern and short-term resilience, the Directors considered a wide range of information, including:

- details of the Group's strategy, risk appetite, and business and operating models;
- information on the Group's principal risks and mitigation plans;
- a summary of the financial position considering performance; and
- current market volatility and geopolitical and economic 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 2023, the Group remained well funded with liquidity of £1,312 million (31 March 2022: £729 million). Liquidity comprised cash and deposits of £412 million (31 March 2022: £229 million) and undrawn RCF of £900 million (31 March 2022: £500 million). During the year, we repaid our £200 million fixed-rate 2023 bond and increased our existing base £500 million RCF with an additional two-year £400 million tranche that provides the Group with additional financial flexibility at low cost. Since 31 March 2023, we extended the maturity of the £400 million additional tranche to July 2025. To preserve liquidity, the Group monitors liquidity regularly, ensuring it is adequate and sufficient. This is underpinned by the monitoring of investments, realisations, foreign exchange hedging, operating expenses and receipt of portfolio cash income.

In addition, the Group implemented a moderately sized euro and US dollar medium-term foreign exchange hedging programme. The purpose of the programme is to partially reduce the sensitivity of the Group's net asset value and impact of mismatched currency cash flows to changes in foreign exchange rates. The liquidity impact of this programme was carefully assessed prior to implementation and incorporated into the Group's liquidity monitoring framework.

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 2023. 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 or risks 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 based on 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 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 87 to 91, are the foundation of the Directors' assessment.

The assessment is overseen by the Chief Operating Officer and 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 during 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 residual effect of the 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 the impact of the ongoing Russian invasion of Ukraine together with the effects of higher inflation and tighter monetary policy. The scenarios tested are as follows:

- Widespread economic turmoil – considers the impact of a recession, triggered by persistent inflation, high interest rates and weak consumer demand, with a significant impact on valuations and realisations;
- Concentration risk – considers a material adverse event affecting a single large asset in the investment portfolio;
- Combined scenario with widespread economic turmoil and concentration risk – considers both scenarios occurring at the same time;
- Loss of key personnel – considers the impact of the loss of key personnel;
- Impact of a significant event – considers the impact of a loss in value of certain portfolio companies following a material event such as significant operational underperformance, covenant breaches, fraud, 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 reducing new investment levels, dividend 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 testing 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 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 Private Equity and Infrastructure 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 sector and 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.

Valuations Committee report

Peter McKellar
Committee Chairman

Committee membership	Meetings
Peter McKellar (Chairman)	4(4)
Simon Borrows	4(4)
Stephen Daintith	4(4)
James Hatchley[1]	3(3)
David Hutchison	4(4)
Lesley Knox	2(4)
Alexandra Schaapveld	4(4)
Julia Wilson[2]	1(1)

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 include the following: Audit and Compliance Committee Chair; Chief Operating Officer; Group General Counsel; Managing Partners of Private Equity; Director of Group Reporting and Valuations; and the External Auditor, KPMG LLP.

[1] Mr Hatchley was appointed to the Board on 12 May 2022.
[2] Ms Wilson retired from the Board on 30 June 2022.

> "I am pleased to present the Valuations Committee report for the year ended 31 March 2023. My report explains the role of the Committee, as well as the work we reviewed this year."

Dear Shareholder

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 year on year is 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 95% of 3i's investment portfolio. The valuation of the Group's largest Infrastructure investment, namely the quoted holding in 3iN, represents 5% of 3i's investment portfolio, and the valuation is based on the share price of the listed company at the relevant balance sheet date.

At the start of FY2023, the Valuations Committee's main area of attention was on the immediate impact of Russia's invasion of Ukraine. Through our March 2022 individual portfolio company review ("PCR") process and rigorous portfolio monitoring, we quickly established the limited value impact on our portfolio. The focus for the remainder of FY2023 was the challenging macroeconomic headwinds, such as rising inflation and energy prices and weakening of consumer sentiment affecting some of our portfolio companies. The majority of our portfolio companies continue to mitigate these headwinds through effective margin management, operational efficiencies and organic and acquisitive growth. A small number of our portfolio companies, mainly concentrated in the discretionary consumer sector, have seen significant trading pressure and external sector derating which we reflected in the valuations of Luqom and YDEON in particular.

VALUATIONS COMMITTEE'S TERMS OF REFERENCE
www.3i.com/investor-relations/governance/principal-board-committees

At each Committee meeting we received a detailed report from the Group Finance Director and Chief Operating Officer 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, Evernex, Mepal, MPM, Luqom and YDEON.

I met the Group Finance Director and Chief Operating Officer 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 14 assets across the half-year and full-year ends for an in-depth review by its specialist valuations team to help to derive an independent valuation range. In January 2023, KPMG and I discussed their approach to the year-end audit and their sample of assets selected.

In advance of the full-year and half-year ends, management hold PCR meetings with the respective investment teams. Non-executive Directors, including members of the Committee, attended a significant proportion of the meetings held in September 2022 and March 2023.

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, budgets, shorter and longer-term views on trading, and sector performance. Management considers various data points to support the fair value of investments, including estimates of run-rate and forecast earnings and the maintainability of these, in addition to historic earnings. A very small portion of our portfolio is at an earlier stage of its growth cycle than our traditional investments. For those investments we consider financial and operational milestones to inform fair value, as well as triangulation to a discounted cash flow ("DCF") model. The judgements applied and resulting valuations were discussed with the Committee and the External auditor throughout the year.

We continue to progress our ESG agenda, focusing on supporting our portfolio companies through their ESG initiatives and preparing the Group to comply with ESG regulatory reporting requirements. We embed an assessment of ESG factors throughout our investment lifecycle. These assessments, which are typically included as part of our PCR process, help inform investment decisions, mitigation of risk or value creation opportunities. It is our view that portfolio companies that have high ESG standards are better able to achieve sustainable business growth. Management continues to progress the collection of quantitative and qualitative ESG data and the ability to store and monitor it. 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

10 May 2023

The Committee focused on the following significant issues in FY2023:

Earnings and multiple assumptions

Area of significant attention

Of the total portfolio by value, 88% is valued using a multiple of earnings at 31 March 2023, or 27% excluding Action (see further detail on Action as an area of significant attention on page 129). 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%-25% 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 calculate 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 macroeconomic environment. We continue to consider the impact of IFRS 16 and ASC 842 on the quoted comparable companies for those assets that report under local GAAP.

Private Equity assets are typically valued using a multiple of earnings. However, alternative valuation methodologies, such as DCF valuations, may be considered as an alternative benchmark for potential values or as a cross-check relative to the earnings-based valuation.

In the year, the Committee placed a key focus on:

- the revised projections for each portfolio company versus performance, considering the impact of increased costs and market sentiment;
- the maintainability of earnings across LTM, forecast and run-rate earnings and the impact of one-off related normalisation adjustments; and
- our long-term, through-the-cycle, view on multiples against the volatility 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. At 31 March 2023, three portfolio company valuation multiples, including Action, were valued above their peer set averages but remain well within the peer set range. Notable changes in multiples, which commonly result from significant bolt-on acquisitions, a change in performance or a shift in market sentiment in that sector, are presented to the Committee quarterly and adjustments are reviewed by the Committee at each meeting.

The Committee focused on the following significant issues in FY2023:

Action

Area of significant attention

Action forms 61% of the total portfolio by value. Valued on a multiple of earnings basis, Action is the largest investment for the Group and, therefore, its valuation is a key area of focus.

Action's run-rate earnings grew significantly in the 12 months to the end of Action's P3 2023 (which ended on 2 April 2023), driven by further new store openings, higher footfall and a higher number of transactions. Action's buying power, flexibility in its category assortment and ability to absorb some of the inflationary pressure enabled it to manage both cost and pricing effectively. Action remains highly cash generative and the business distributed two dividends to all shareholders in the year, of which 3i received £325 million.

Action was valued using its run-rate earnings for the 12 months to P3 2023 of €1,439 million and a run-rate multiple of 18.5x (31 March 2022: 18.5x) after applying a liquidity discount of 5%.

When considering the multiple for Action we paid particular attention to the following areas:

- the appropriateness of the comparable peers from both a forward and backward-looking view; and
- the 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 noted Action's excellent performance in the year, against a very challenging macroeconomic environment.

The Committee reviewed the work done by management on the comparable peer set and Action's relative performance across its key performance indicators, 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 adjustments 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 6% of the total portfolio by value, 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 and EC Waste are the significant investments valued using a DCF valuation basis. In the year, Christ, previously valued on a DCF basis, was sold and we moved Audley Travel from a DCF basis to an earnings basis.

What the Committee reviewed and concluded

Material assumptions for 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 focused on the following significant issues in FY2023:

	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 proposes a treatment for each asset in a sales process, which the Committee reviews at each meeting. The Committee discussed the disposals of Havea and Christ, which were realised at premiums of 50% and 45% respectively, relative to their opening valuations. The Committee also considered the partial disposals of Q Holding. Although not an area of valuation judgement, the Committee reviews the results of the back-testing that management prepares on material assets disposed of to reconcile the price achieved with the carrying value at the last quarterly valuation. In the case of Havea, continued strong performance and a competitive exit process led to a significant uplift over 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 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 multiples 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 January 2023, incorporating minor updates following the release of the revised IPEV guidelines in December 2022. Management was involved in the consultation process.

More information on our valuation methodology, including definitions and rationale, is included in Note 13 - Fair values of assets and liabilities on page 184 and in the Portfolio valuation – an explanation section on page 229.

External audit

As part of its year-end audit, KPMG's specialist valuations team reviews a selection of investments to support its overall audit opinion on the financial statements as a whole.

Directors' remuneration report

Coline McConville
Committee Chair

Committee membership during the year

Name	Membership status	Meetings
Coline McConville	Chair since June 2020 and member since December 2018	6(6)
Caroline Banszky	Member since November 2015	6(6)
David Hutchison	Member since December 2013 and until March 2023	6(6)
Lesley Knox	Member since November 2021	6(6)
Peter McKellar	Member since June 2021	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.
The Chief Executive, the Remuneration Director and the General Counsel & Company Secretary attend Committee meetings by invitation, other than when their personal remuneration is being discussed.

Dear Shareholder

This letter summarises the key Executive Director remuneration issues considered by the Committee in the year and decisions we arrived at.

FY2023 Performance

Against the backdrop of very strong overall results for the year, the FY2023 scorecard, as set out in the annual report on remuneration, shows good performance against the scorecard's financial metrics, and also strong performance against the qualitative measures set for the year.

3i generated a total return on shareholders' funds in the year of 36%, delivered predominantly by the strong performance of Action, as well as through good contributors from the majority of the remaining portfolio, particularly those operating in the value-for-money and private label, healthcare and infrastructure sectors. This was achieved in spite of challenging macroeconomic headwinds including the consequences of Russia's invasion of Ukraine, high inflation, rising interest rates and increased energy prices plus some ongoing Covid-19 unwind difficulties. The Group's clear and consistent strategy has ensured that our portfolio, while not immune to these pressures, has shown resilience at all stages of the economic cycle.

The Private Equity business completed four deals in the year, as well as 11 bolt-on acquisitions, in a market that has slowed considerably in 2022 as compared to 2021. Despite challenging market conditions, Private Equity realised proceeds of £857 million, demonstrating the appeal of our portfolio companies.

Demand for Infrastructure assets continued but we remained disciplined on price when deploying capital. 3iN completed two new investments in the year, and our North America infrastructure team also closed two bolt-on acquisitions for Regional Rail and one for EC Waste.

We have made significant progress in the year on our sustainability agenda. We have implemented a range of sustainability initiatives within the Group and across the portfolio prioritising portfolio emissions data collection, ESG training, climate scenario analysis and deepening our engagement with (and support for) the portfolio on ESG matters. After careful consideration, we have committed to setting a near-term science-based target for the Group under the Science Based Targets initiative. Work is underway to formulate a science-based target covering the Group's direct Scope 1 and 2 emissions, as well as the Scope 3 emissions associated with our portfolio. We expect to submit a target for validation during FY2024. Meanwhile, a significant proportion (83%) of our core portfolio companies now report Scope 1 and 2 carbon emissions.

During the year the Company successfully implemented a foreign exchange hedging programme to partially reduce the sensitivity of the Group net asset value and the impact of mismatched currency cash flows to changes in euro and US dollar exchange movements. The exposure of the Group's underlying investment portfolio to currency fluctuation has increased significantly in recent years due to the growth of our existing European and US portfolio businesses and them being denominated in euro or US dollars.

This year's results are reflected in the outcomes against the FY2023 scorecard, and the Committee determined that the FY2023 bonus awards be set at 85% of maximum (FY2022: 98% of maximum) for Executive Directors. The Committee considered that the formulaic outcome under the scorecard was a fair reflection of overall performance and that it was not necessary to exercise any upward or downward discretion to adjust the outcome.

2020 LTIP outcomes

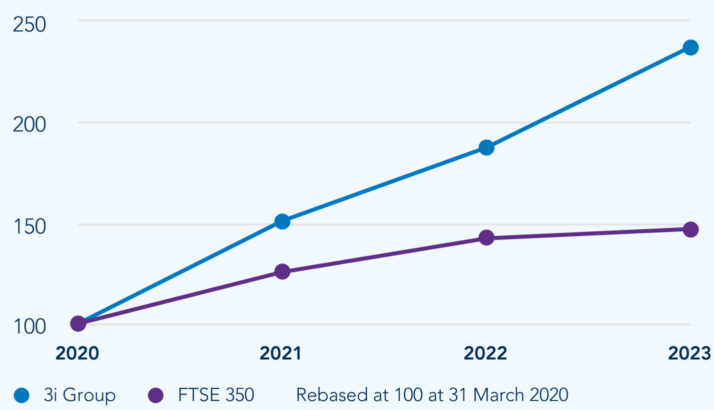
In line with the approach that has been in place since 2013, the 2020 LTIP award was based on two equally weighted performance conditions: absolute TSR and relative TSR against the FTSE 350. You will see in this report that based on performance over the three year period, the 2020 LTIP achieved 100% vesting with absolute TSR growth of 20% per annum and relative TSR well above the upper decile of the peer group. The starting share price of 1,006 pence used for measurement of TSR performance was based on the three-month average closing share price from 1 January 2020 to 31 March 2020 (i.e. a period that was mostly undisturbed by the steep falls in the share price due to Covid-19).

In considering whether any windfall gain adjustment was appropriate for awards, the Committee took into account a number of factors both at grant and at vesting, including:

- The starting share price of 1,006 pence for measurement of TSR compared to the 798.4 pence share price on the date of the award (which was used to calculate the number of shares) meant that the element of the award subject to absolute TSR was 21% (i.e. 207.6 pence) underwater. Therefore, TSR of 27.5% per annum was required to achieve full vesting of the absolute TSR element, which further increased the stretch in the target.
- The exceptional performance of the business over the measurement period including Gross Investment Returns of 26% in FY2021, 43% in FY2022 and 36% in FY2023 and the strong TSR performance as shown in the graph opposite.
- The strict and consistent application of the policy during the period, where bonus awards for FY2020 were materially reduced and previous LTIP cycles were impacted by absolute TSR performance.

Factoring in all of the above, the Committee considered that the value of awards being released was appropriate without adjustment.

3i total shareholder return vs FTSE 350 total return over the 3 years to 31 March 2023



Looking forward

As noted in my letter last year, Jasi Halai and James Hatchley joined the Board on 12 May 2022, with remuneration arrangements set in line with the shareholder approved policy and at a level that would allow progression in their roles over time.

Following a review of Jasi's performance and progress in the role, the Committee feels that it would be appropriate to increase Jasi's base salary by 7.5%, an increase that is the same rate as for those outside the higher earners (including senior management) within 3i. As Jasi continues to develop in her role the Committee may want to acknowledge this through periodic base salary increases at a higher percentage than other Executive Directors, as appropriate.

As set out in the report, the base salaries for Simon Borrows and James Hatchley are to be increased by 3.75%, in line with other senior employees in the Group. The Committee will continue to keep their remuneration arrangements under review.

Remuneration policy

Our remuneration policy being presented to shareholders this year remains largely unchanged since it was first presented to shareholders in 2014. This clear, simple and consistent policy has delivered short-term and long-term remuneration outcomes that are directly linked to the Company's strategic objectives.

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 and Remuneration Policy at the upcoming AGM.

Coline McConville
Chair, Remuneration Committee
10 May 2023

The Annual report on remuneration (Implementation report)

During FY2023, 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

	FY2023								FY2022							
£'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	**687**	**16**	**18**	**721**	**2,357**	**5,464**	**7,821**	**8,542**	661	16	18	695	2,613	2,907	5,520	6,215
J G Hatchley	**431**	**14**	**45**	**490**	**921**	**282**	**1,203**	**1,693**	–	–	–	–	–	–	–	–
J S Wilson	**121**	**5**	**13**	**139**	**–**	**–**	**–**	**139**	481	18	51	550	1,188	1,321	2,509	3,059
J H Halai	**298**	**16**	**31**	**345**	**573**	**190**	**763**	**1,108**	–	–	–	–	–	–	–	–
D A M Hutchison	**325**	**–**	**–**	**325**	**–**	**–**	**–**	**325**	187	–	–	187	–	–	–	187
S R Thompson	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	191	–	–	191	–	–	–	191
C J Banszky	**96**	**–**	**–**	**96**	**–**	**–**	**–**	**96**	93	–	–	93	–	–	–	93
S W Daintith	**84**	**–**	**–**	**84**	**–**	**–**	**–**	**84**	81	–	–	81	–	–	–	81
L M S Knox	**94**	**–**	**–**	**94**	**–**	**–**	**–**	**94**	44	–	–	44	–	–	–	44
P A McKellar	**96**	**–**	**–**	**96**	**–**	**–**	**–**	**96**	72	–	–	72	–	–	–	72
C McConville	**96**	**–**	**–**	**96**	**–**	**–**	**–**	**96**	93	–	–	93	–	–	–	93
A Schaapveld	**84**	**–**	**–**	**84**	**–**	**–**	**–**	**84**	81	–	–	81	–	–	–	81

- The amounts shown in the above table represent the remuneration paid to Mr Hatchley and Ms Halai from appointment to the Board on 12 May 2022, apart from the LTIP, which is the full value of shares vesting. The amounts shown for Mrs Wilson represent payments made for FY2023 up until retiring from the Board on 30 June 2022.
- Benefits for Executive Directors include a car allowance, provision of health insurance and, for Mrs Wilson and Ms Halai, the value of the Share Incentive Plan matching share awards.
- The amounts shown as pension are salary supplements in lieu of pension contributions. These supplements were in line with pension contributions for the Group's employees generally (12% of pensionable salary).
- 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 2023. 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 2024 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: £139k, Mr Hatchley: £56k, Ms Halai: £14k and Mrs Wilson: £63k).
- The values shown in the FY2023 LTIP column represent the performance shares vesting from the 2020 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 2023 (1,559.45 pence). The 2020 LTIP value attributable to share price growth since the awards were granted is £2,469k, £127k and £86k for Mr Borrows, Mr Hatchley and Ms Halai respectively. Further detail is provided on page 137. The values shown in the FY2022 LTIP column represent the shares that vested from the 2019 LTIP last year, together with the value of accrued dividends on those shares. This value has been restated using the prevailing share price at the time of vesting (1,123.5 pence), being the third anniversary of grant (i.e. 27 June 2022).
- 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.
- Mr Hatchley retained Directors's fees of £8k from Great Ormond Street Hospital for Children NHS Foundation Trust (to 30 September 2022) and Ms Halai retained Directors' fees of £43k from Porvair plc (to 31 January 2023) and £17k from Barratt Developments plc (from 1 January 2023).

FY2023 performance

Formulaic performance measures (70% of total. FY2022 payout 55.5%)

Area of strategic focus	Weighting	Metric	Threshold	Maximum	Performance	Pay-out
Portfolio returns (excl. Action)	30.0 %	Private Equity Gross investment return (% of opening portfolio value)	10 %	15 %	12 %	52 %
Portfolio returns (Action)	27.5 %	Gross investment return (% of opening portfolio value)	17 %	23 %	61 %	100 %
Portfolio returns	7.5 %	3iN total return	8 %	10 %	15 %	100 %
Portfolio returns	2.5 %	Scandlines return	8 %	10 %	9.8 %	92 %
Operating performance	2.5 %	Operating cash profit	£0m	>£0m	£364m	100 %

- The successful implementation of foreign currency hedging across our portfolio improved the Private Equity Gross investment return by 2%.
- The threshold and maximum return targets are set in line with 3iN's public return objectives.
- Excluding the dividend received from Action (£325 million) the operating cash profit was £39 million.

Qualitative performance measures (30% of total. FY2023 payout 29.5%)

Area of strategic focus	Weighting	Metric	Expectation	Performance	Comments
Investment management and operations	7.5%	Private Equity portfolio earnings growth	>10%	18%	90% of our portfolio by value grew earnings to the end of 2022, with particularly strong performance from our assets operating in the value-for-money and private label and healthcare sectors.
		New capital invested in Private Equity	Up to €700m	€394m	Total new capital invested in Private Equity in the year reflects the considerable slow-down in these markets during FY2023 compared to prior years. The Private Equity business continued its disciplined approach to the deployment of capital in these markets and we invested in four new portfolio companies, xSuite, Konges Slojd, VakantieDiscounter and Digital Barriers. In the year, we also completed 11 bolt-on acquisitions, three of which we supported with further investment of £63 million.
		New 3iN capital committed in Core/PPP	£500m	£416m	The demand for Infrastructure assets remained strong and the team has continued to deploy capital while retaining its pricing discipline. During the year the 3iN team completed the acquisitions of Global Cloud Xchange and Future Biogas as well as the purchase of an additional stake in TCR (a portion of which was subsequently syndicated to external investors).
		Development of assets relative to their investment plans			The Group has continued to benefit from the carefully constructed portfolio, in both the Private Equity and Infrastructure businesses, aligned around specific sectors whose growth characteristics have supported performance and underpinned its resilience. The portfolio is effectively managed to support them addressing current challenges including inflationary pressures, supply chain issues and the reduction in some areas of consumer spending. In aggregate, in a challenging environment, we generated total Private Equity proceeds of £857 million, including Havea (£471 million), at a healthy premium to opening value, and three partial disposals by Q Holding (£332 million).

The Annual report on remuneration (Implementation report) continued

Area of strategic focus	Weighting	Metric	Expectation	Performance	Comments
ESG	10.0%	Environmental, social and governance targets across the portfolio and 3i Group			We continue to make good progress in developing the Group's ESG strategy. The ESG Committee met frequently through the year and focused on portfolio data collection and management, climate training, climate scenario analysis as well as deepening ESG engagement with the portfolio. After careful consideration, we have made a public commitment under the Science Based Targets initiative to set near-term science-based targets for the Group. Work is now underway to formulate science-based targets that will cover the Group's direct Scope 1 and 2 emissions, as well as the Scope 3 emissions associated with our portfolio. We expect to submit a target for validation during FY2024.The Board has received regular reports on progress, and this complex project is ongoing. The Company has supported nine charity partners which work across a variety of areas, donating a total of £1 million. In addition, £500,000 was donated to the Turkey Mozaik Foundation in support of victims of the earthquake in Turkey and Syria.
Strategy	5.0%	Development of the strategic vision of the Group and progress of corporate projects			The Company invested £30 million to purchase a small additional stake in Action as part of a liquidity window and at the same time we crystallised c. £200 million of the outstanding carried interest in the Buyouts 2010-12 scheme relating to Action. The North American Infrastructure platform delivered solid performance. Regional Rail expanded its footprint through two bolt-on acquisitions and one new rail services contract, including three short-line railroads in the Midwest region of the US and several short-line railroads in Canada. Smarte Carte traded strongly in 2022 driven by robust US travel and retail demand across each of its lines of business, coupled with a steady recovery in international volumes. During the year the Company successfully implemented a foreign exchange hedging programme to partially reduce the sensitivity of Group net asset value and impact of mismatched currency cash flows to changes in euro and US dollar exchange movements. The exposure of the Group's underlying investment portfolio to euro and US dollar movements has increased significantly in recent years due to the growth of our existing European and US portfolio businesses and due to most new investments being denominated in euro or US dollars.
People	7.5%	Development of the quality and strength of the Group's staff			The transition of the Finance Director, the appointment of the new Chief Operating Officer and the appointment of the co-heads of Infrastructure were completed successfully during the year. The newly promoted Private Equity Partners have bedded in well and the leadership of Private Equity is reviewing origination capabilities and structure across the team. 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.

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.

Executive 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 bonuses to the Executive Directors of 85% of maximum. The Committee considered that the formulaic outcome under the scorecard was a fair reflection of overall performance and that it was not necessary to exercise any upward or downward discretion to adjust the bonus outcomes. Bonuses are delivered as 40% paid in cash immediately and 60% 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 FY2023 subject to performance conditions

2020 Long-term incentive award (audited)

The Long-term incentive awards granted in June 2020 were subject to performance conditions based on absolute and relative Total Shareholder Return over the three financial years to 31 March 2023. The table below shows the achievement against these conditions and the resulting proportion of the awards which will vest in June 2023.

	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 %	20% pa	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 2020 at a share price of 798 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 2023 of 1,559.45 pence.

As set out in the cover letter from the Committee Chair, reflecting on performance delivered over the performance period (in terms of operational performance of the business and returns delivered to our shareholders), the Committee considered the formulaic out-turn to be an appropriate reflection of performance and therefore did not exercise any discretion or downwards adjustment in relation to the award.

	Basis of award at grant	Face value at grant £'000	Number of shares awarded at 798p per share	% vesting	Number of shares vesting	Value of shares vesting at 1,559.45p per share £'000
S A Borrows	Face value award of 4 times base salary of £647k	2,587	324,230	100 %	324,230	5,056
J Hatchley	Discretionary award made in 2020	134	16,760	100 %	16,760	261
J Halai	Discretionary award made in 2020	90	11,272	100 %	11,272	176

The proportion of the award vesting to Simon Borrows is subject to a further holding period, and shares will be released on the fifth anniversary of grant together with the value of dividends that would have been received during the period from grant to the release date. The awards made to James Hatchley and Jasi Halai were granted before they became Executive Directors and are not subject to a further holding period. Accordingly, they will be released in June 2023.

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 for the past three performance years.

	FY2023			FY2022			FY2021		
	Salary/Fees	Benefits	Bonus	Salary/Fees	Benefits	Bonus	Salary/Fees	Benefits	Bonus
S A Borrows	4 %	0 %	(10)%	3 %	0 %	9 %	0 %	0 %	149 %
J G Hatchley	–	–	–						
J H Halai	–	–	–						
D A M Hutchison	0 %	–	–	85 %	–	–	9 %	–	–
C J Banszky	0 %	–	–	0 %	–	–	0 %	–	–
S W Daintith	0 %	–	–	0 %	–	–	0 %	–	–
L M S Knox	0 %	–	–	0 %	–	–	0 %	–	–
P A McKellar	0 %	–	–	0 %	–	–	0 %	–	–
C McConville	0 %	–	–	3 %	–	–	3 %	–	–
A Schaapveld	0 %	–	–	(5)%	–	–	467 %	–	–
All other employees	13 %	2 %	6 %	7 %	9 %	32 %	2 %	2 %	76 %

D A M Hutchison was appointed Chairman in November 2021. The change in the fees shown above is due to part-year payments.

Details of share awards granted in the year

LTIP

Performance share awards were granted to the 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 210,792 shares. Group Finance Director – 250% of salary, being 92,892 shares. Chief Operating Officer - 225% of salary, being 57,810 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 2022 annual results (1,315.5 pence). We continue to apply our long-held consistent policy of measuring performance using the three-month average closing share price to 31 March and granting awards using the five-day average closing price (starting on the day of the announcement of the annual results).
Performance period	1 April 2022 to 31 March 2025.
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 FY2023

The Chief Executive is considered to be Identified Staff and, for awards made during FY2023, 60% of the annual bonus was 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 2022. The awards for Mr Hatchley and Ms Halai were made while they were Directors but are in respect of performance in their roles prior to being appointed to the Board. The following awards were made on 4 June 2022 in respect of FY2022 performance:

	Face value at grant	Number of shares awarded at 1,315.5p per share	Vesting
S A Borrows	£1,568k	119,178	Four equal instalments annually from 1 June 2023
J G Hatchley	£821k	62,441	Three equal instalments annually from 1 June 2023
J H Halai	£212k	16,115	Three equal instalments annually from 1 June 2023

The face value of the award made to Mr Borrows was reported in the FY2022 single figure of remuneration. 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 2022 (12 May 2022 to 18 May 2022), which was 1,315.5 pence. These awards are not subject to further performance conditions but are subject to our malus and clawback policy.

Share Incentive Plan

During the year, Mrs Wilson and Ms Halai 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 36 partnership shares, and received 72 matching shares at prices ranging between 1,118.67 pence and 1,296.17 pence per share, with an average price of 1,231.78 pence. Ms Halai purchased 138 partnership shares, and received 276 matching shares and 816 dividend shares at prices ranging between 1,105.17 pence and 1,649 pence per share, with an average price of 1,330.83 pence.

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)

The Executive Directors receive pension benefits on the same percentage basis (12%) of their pensionable salaries as other employees of the Company. During the year, they received salary supplements in lieu of pension of £18k (Mr Borrows), £45k (Mr Hatchley) and £31k (Ms Halai) respectively.

Payments to past Directors (audited)

Mrs Wilson left the Board on 30 June 2022 and remained an employee until 30 September 2022. For the three months to 30 September 2022 she received regular salary, pension and benefits totalling £147k. As disclosed in last year's annual report and accounts, Mrs Wilson did not receive an FY23 annual bonus.

Payments for loss of office (audited)

No payments to Directors for loss of office were made in the year.

The Annual report on remuneration (Implementation report) continued

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 and Chief Operating Officer. 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 2023 are shown in the table below. The closing share price on 31 March 2023 was 1,685 pence.

	Owned outright	Deferred shares	Subject to performance	Shareholding requirement	Current shareholding (% salary)
S A Borrows	16,289,972	760,745	421,887	300 %	42,469
J G Hatchley	309,240	128,553	103,804	200 %	1,867
J H Halai	72,514	49,939	65,149	200 %	935

	Shares owned outright	Shareholding requirement	Current shareholding (% base fee)
D A M Hutchison	103,351	100 %	535
C J Banszky	25,987	100 %	642
S W Daintith	20,083	100 %	496
L M S Knox	1,788	100 %	44
P A McKellar	102,211	100 %	2,523
C McConville	9,067	100 %	224
A Schaapveld	4,485	100 %	111

- The share interests shown for Ms Halai 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.
- The number of shares shown includes the 2020 Performance Share award. The performance against the performance targets results in 100% of the shares being released as described on page 137.
- Directors are restricted from hedging their exposure to the 3i share price.
- From 1 April 2023 to 1 May 2023, Ms Halai became interested in a further 8 shares overall outright (SIP Partnership Shares) and a further 16 deferred shares (SIP Matching Shares). There were no other changes to Directors' share interests in that period.

Treatment of Julia Wilson's share awards

As set out in the cover letter from the Remuneration Committee Chair accompanying the 2022 Directors' remuneration report, Julia Wilson retired during the year and has been treated as a good leaver for the purposes of outstanding incentive awards. The table below sets out the awards she retains, and when they will be released to her (the LTIP shares continuing to be subject to performance). All awards will remain subject to our malus and clawback policy. A shareholding in the Company is required for two years after leaving at the lower of the shareholding at the time employment ends and the levels required while they were a Director (being 200% of salary for the Group Finance Director).

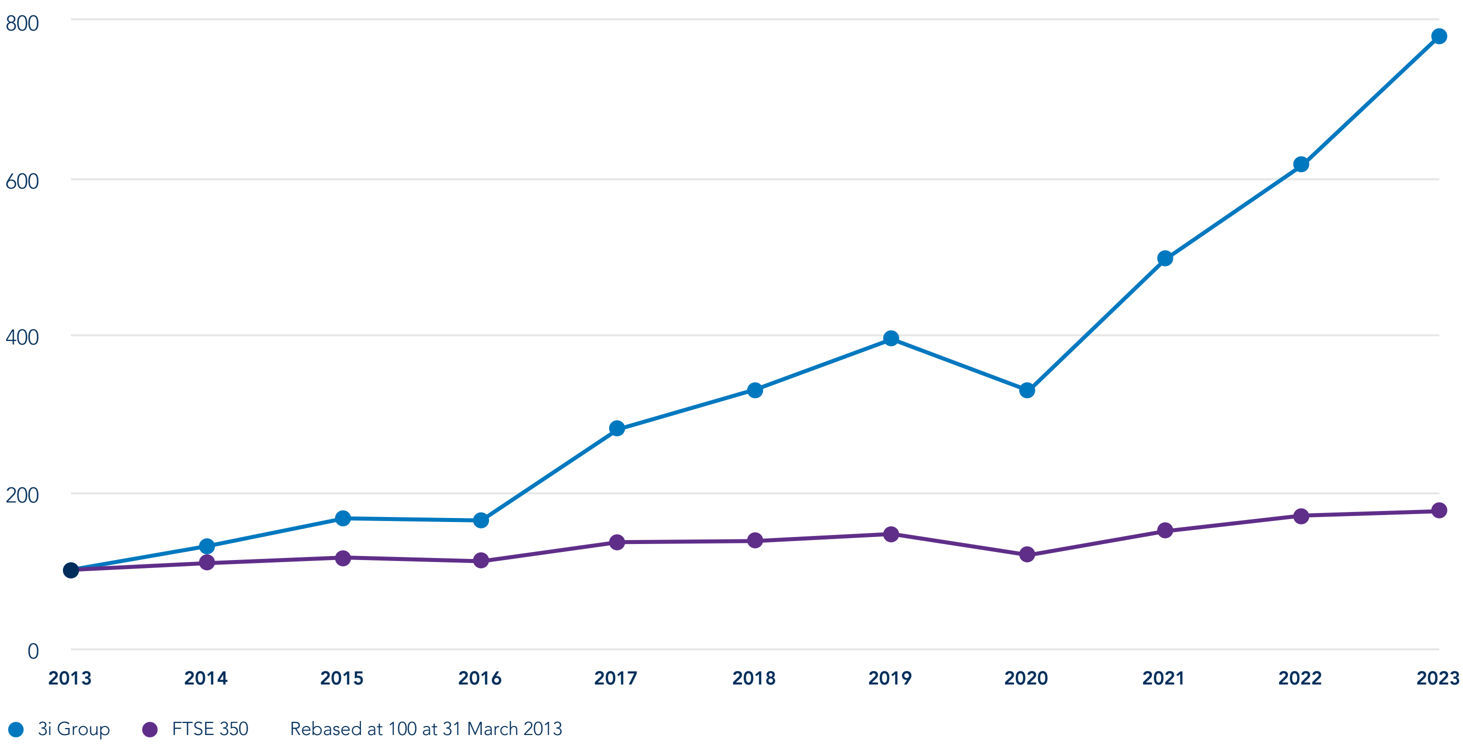
Award Date	Award type	Shares	Subject to performance	Release dates
28 June 2018	LTIP	19,734	No	June 2023
7 June 2019	Deferred Shares	14,964	No	June 2023
27 June 2019	LTIP	53,925	No	50% June 2023 and June 2024
4 June 2020	Deferred Shares	16,359	No	50% June 2023 and June 2024
25 June 2020	LTIP	122,881	No	June 2025
4 June 2021	Deferred Shares	39,724	No	33% June 2023, 33% June 2024 and 34% June 2025
1 July 2021	LTIP	47,976	Yes	July 2026
1 June 2022	Deferred Shares	54,172	No	25% June 2023, 2024, 2025 and 2026

The Annual report on remuneration (Implementation report) continued

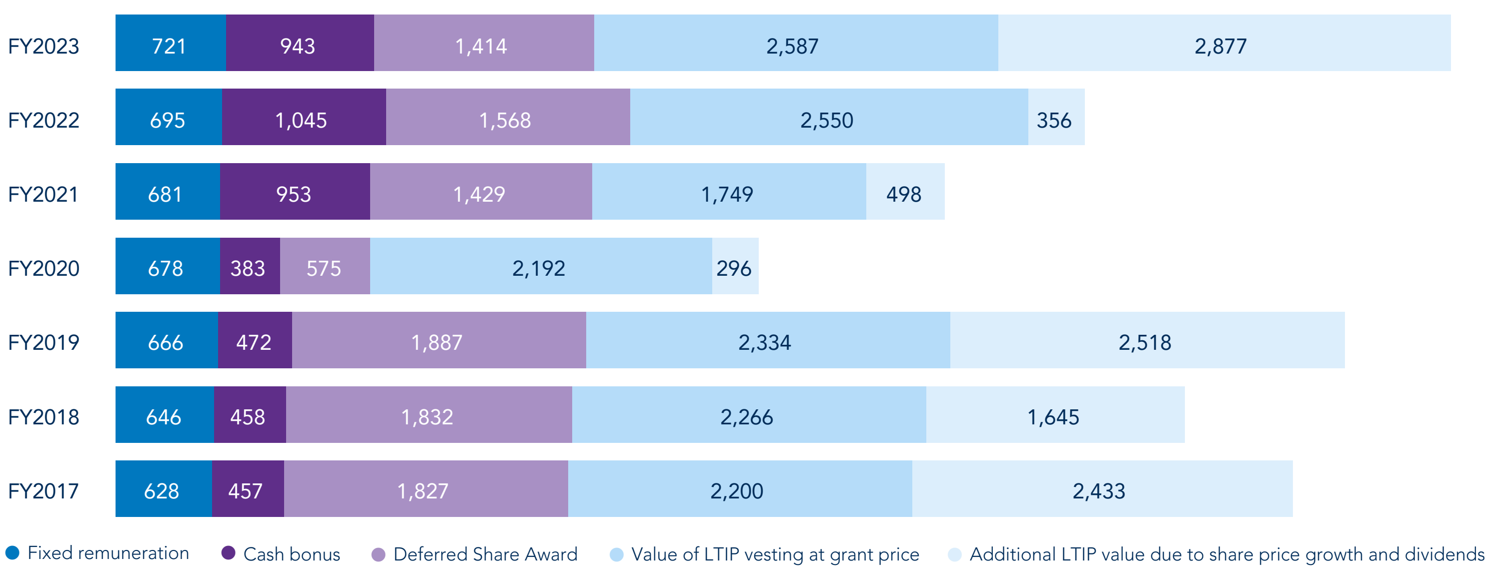
Performance graph – TSR graph

This graph compares the Company's Total ShareholderReturn for the 10 financial years to 31 March 2023 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 2023



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
FY2023	S A Borrows	8,542	85 %	100 %
FY2022	S A Borrows	6,215	98 %	100 %
FY2021	S A Borrows	5,310	92 %	71 %
FY2020	S A Borrows	4,124	37 %	91 %
FY2019	S A Borrows	7,877	93 %	100 %
FY2018	S A Borrows	6,847	93 %	100 %
FY2017	S A Borrows	7,544	95 %	100 %
FY2016	S A Borrows	5,821	93 %	98 %
FY2015	S A Borrows	8,278	93 %	91 %
FY2014	S A Borrows	3,222	93 %	– %

Relative importance of spend on pay

	FY2023	FY2022	Change %
Remuneration of all employees	**£97m**	£89m	9 %
Dividends paid to shareholders	**£485m**	£389m	25 %

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 FY2024.

Policy element	Implementation of policy during FY2024
Base salary	Base salaries for employees will be increased by 7.5% for junior staff (40% of staff) and 3.75% for senior staff. The 3.75% increase will also be applied to the Chief Executive and Group Finance Director. As set out in further detail in the cover letter from the Remuneration Committee Chair, the base salary of the Chief Operating Officer will be increased to reflect development in the role. Effective from 1 July 2023, salaries for the current Executive Directors will therefore be as follows: • Chief Executive: £719,240 (3.75%) • Group Finance Director: £507,130 (3.75%) • Chief Operating Officer: £363,350 (7.5%)
Pension	No changes to the current arrangements are proposed for FY2024 and a pension contribution or salary supplement will be as follows: • Chief Executive: £18k • Group Finance Director: 12% of salary • Chief Operating Officer: 12% of salary Prior to 2011 Executive Directors were eligible for membership of the 3i Group Pension Plan, a defined benefit contributory scheme. Pension accrual ceased for all members with effect from 5 April 2011. Salary linkage was removed in February 2023 and replaced with a time-limited cash allowance, which the Chief Operating Officer receives, in line with other, similar affected staff.

Policy element	Implementation of policy during FY2024
Annual bonus	The maximum annual bonus opportunities for FY2024 will remain unchanged, in line with the remuneration policy, as follows: • Chief Executive: 400% of salary • Group Finance Director: 250% of salary • Chief Operating Officer: 225% of salary 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, ESG, strategic and people goals. The Committee considers that the specific targets and expectations contained within the FY2024 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.
Benefits	No changes to the current arrangements are proposed for FY2024. 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 FY2024 will remain unchanged and be made as follows: • Chief Executive: 400% of salary • Group Finance Director: 250% of salary • Chief Operating Officer: 225% of salary 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 participate in carried interest plans or similar arrangements.

Policy element	Implementation of policy during FY2024
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 3% and in FY2024 will be: **Chairman fee:** £259,500 plus £75,700 in 3i shares **Non-executive Directors:** Board membership base fee: £54,000 plus £16,250 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.
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 £63,500 (excluding VAT) (2022: £37,200 (excluding VAT)).

Result of voting at the 2020 and 2022 AGM

At the 2022 AGM, shareholders approved the Remuneration report that was published in the 2022 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 2022 AGM	698,465,310	50,874,149	749,339,459	222,221
	93.21 %	6.79 %		
Approval of the Directors' remuneration policy at the 2020 AGM	716,053,723	43,782,598	759,836,321	2,395,365
	94.24 %	5.76 %		

Audit

The tables in this report (including the Notes thereto) on pages 133 to 144 marked as "audited" have been audited by KPMG.

By order of the Board

Coline McConville
Chair, Remuneration Committee
10 May 2023

Directors' remuneration policy

Policy report

Remuneration policy table

The table below summarises the policy in respect of each element of the Company's remuneration for Executive and non-executive Directors effective from the date of the 2023 Annual General Meeting. This policy will be put forward for shareholder approval at the 2023 Annual General Meeting in accordance with section 439A of the Companies Act 2006.

Changes to the policy operated in FY2023: No material changes

In developing the revised remuneration policy the Committee followed a robust process which included discussions on the content of the policy at three Remuneration Committee meetings. The Committee considered input from management and from its independent remuneration advisers and assessed the Policy against the provisions of the UK Corporate Governance Code. We have made no material changes to the policy. Minor changes have been made to provide the Committee with flexibility to implement the policy as intended over its term and align with best practice. Minor changes have also been made to the policy to reflect Jasi Halai joining the Board.

Executive Directors

Purpose and link to strategic objectives	Operation	Opportunity	Performance metrics
Base salary			
• To provide a fixed element of pay at a level that aids the recruitment, retention and motivation of high-performing people. • To reflect their role, experience and importance to the business.	• Salaries are normally reviewed annually by the Committee, with any changes usually becoming effective from 1 July. • These are reviewed by taking into account a number of factors, including: – performance of the Company and individual; – wider market and economic conditions; – any changes in responsibilities; and – the level of increases made across the Company.	• Whilst there is no maximum salary level, increases are generally considered in the context of those awarded to other employees and the wider market. • Higher increases may be awarded in exceptional circumstances. For example, this may include a change in size, scope or responsibility of role, or development within the role or a specific retention issue. • The annual base salary for each Executive Director is set out in the Annual report on remuneration for the year.	• None, although the Committee considers when setting salary levels the breadth and responsibilities of the role as well as the competence and experience of the individual.
Pension			
• To provide contributions to Executive Directors to enable them to make long-term savings to provide post-retirement income. • Pension contributions are provided both to support retention and recruit people of the necessary calibre.	• Participation in the defined contribution pension scheme (3i Retirement Plan) or cash equivalent. • Prior to 2011 Executive Directors were eligible for membership of the 3i Group Pension Plan, a defined benefit contributory scheme. Pension accrual ceased for all members with effect from 5 April 2011. Salary linkage was removed in February 2023 and replaced with a time-limited cash allowance in line with other, similarly affected staff.	• Executive Directors receive a pension contribution or cash allowance of up to 12% of pensionable salary. The pension policy for Executive Directors is identical to the pension policy for other employees. • For those Executive Directors who were members of the 3i Group Pension Plan, their deferred pension will change to reflect the deferred pension available on leaving, payable from age 60. • Details for the current Executive Directors are set out in the Annual report on remuneration for the year.	• n/a

Directors' remuneration policy continued

Purpose and link to strategic objectives	Operation	Opportunity	Performance metrics
Benefits			
• To provide market competitive benefits at the level needed to attract and retain high-performing people. • To provide health benefits to support the well-being of employees.	• Executive Directors are entitled to a combination of benefits, including, but not limited to, non-pensionable car allowance, private medical insurance, an annual health assessment and life assurance. • The Remuneration Committee may remove benefits that Executive Directors receive or introduce other benefits if it is appropriate to do so.	• Whilst there is no maximum level of benefits, they are generally set at an appropriate market competitive level, taking into account a number of factors including market practice for comparable roles within appropriate pay comparators. • The Remuneration Committee may review the benefits for an existing or new Executive Director at any point.	• n/a
Annual bonus			
• To incentivise the achievement of the Group's strategic objectives on an annual basis. • Deferral into shares reinforces retention and enhances alignment with shareholders by encouraging longer-term focus and risk alignment.	• Bonus awards are considered annually based on performance in the relevant financial year. • All performance targets are reviewed and set by the Committee early in the year. Awards are typically determined by the Committee after the year end based upon the actual performance against these targets. • No more than 50% of any bonus award is paid as cash. • At least 50% of any bonus award will be deferred into shares vesting in equal instalments over four years. • Deferred bonus awards may be granted in the form of conditional share awards, options or forfeitable shares. Awards may also be settled in cash in exceptional circumstances. • Participants receive the value of dividends in cash or shares on the shares which are subject to the award. • Awards are subject to the malus/clawback policy (as set out in the Notes on page 148).	• Maximum bonus of 400% of salary for the Chief Executive. • Maximum bonus of 250% of salary for the Group Finance Director. • Maximum bonus of 225% of salary for the Chief Operating Office.	• Performance is assessed against a balanced scorecard which aligns with the strategic objectives of the Group. • The targets can be a range of financial, business line specific, personal, risk and other key Group targets. • The Committee uses the scorecard as a prompt and guide to judgement and considers the performance outcomes in the wider context of personal performance (including values and behaviours), risk, market and other factors. • The Committee has discretion to adjust the annual bonus outcomes, both upwards and downwards (where significant adjustment is required), to ensure the outcome is a fair reflection of the overall performance of the Company and the individual. • Details of the annual performance targets/expectations (and performance against them) are shown within the Annual report on remuneration.

Directors' remuneration policy continued

Purpose and link to strategic objectives	Operation	Opportunity	Performance metrics
Long-term Incentive Plan			
• Alignment of reward with long-term, sustainable Company performance and the creation of shareholder value over the longer term. • The selection of absolute and relative return targets for shareholder returns ensures participants' and shareholders' interests remain aligned irrespective of market conditions.	• All performance targets, along with relative weightings, are reviewed and set by the Committee prior to awards being made. • The Committee may make an award in the form of forfeitable shares, conditional share awards, stock appreciation rights, or options under the plan. Awards may be settled in cash in exceptional circumstances. • Awards vest subject to the Group's achievements against the performance targets over a fixed three-year period. • To the extent that shares vest, awards are subject to a holding period whereby they are released on or around (but not earlier than) the fifth anniversary of grant. • The Committee may determine that participants may receive the value of dividends in cash or shares which would have been paid on the shares that vest under awards. • Awards are subject to the malus/clawback policy (as set out on the next page).	• Awards granted in respect of a financial year will have a face value of up to 400% of salary for the Chief Executive. • Awards granted in respect of a financial year will have a face value of up to 250% of salary for the Group Finance Director. • Awards granted in respect of a financial year will have a face value of up to 225% of salary for the Chief Operating Officer. • Normally, no payment will be made for below threshold performance. • Between 20% and 25% of the award vests at threshold performance, depending upon the performance condition.	• The scorecard will contain at least two measures of shareholder return, including at least one absolute and one market/peer group relative measure together with any other metrics the Committee feel are applicable at the time of grant. • The achievement against these targets is measured over a three-year period and is determined by the Committee. • The Committee has discretion to adjust the formulaic LTIP outcomes, both upwards and downwards (where significant adjustment is required), to ensure the outcome is a fair reflection of the performance of the Company and the individual. • The Committee can reduce any award which would otherwise vest if gross debt or gearing limits are breached. • Details of the current performance conditions are shown within the Annual report on remuneration.
Shareholding requirements			
• To create alignment with shareholders by encouraging longer-term focus.	• Executive Directors are required to build up over a reasonable period of time, and thereafter maintain, a shareholding in the Company's shares. Vested shares (net of income tax and National Insurance contributions) under the Deferred Bonus Plan and Long-term Incentive Plan should be retained until the shareholding requirement is met. • In addition, shareholding targets exist for other members of the Executive Committee and for staff designated as "partners" in the Group's businesses. • The Committee retains the ability to introduce additional retention conditions. • Post cessation of employment, Executive Directors are also expected to remain aligned with the interests of shareholders for a period after leaving the Company, save for in exceptional circumstances. Details of this policy are set out in the Annual report of remuneration.	• The shareholding targets for the Executive Directors are: • Chief Executive – 3.0 times salary • Group Finance Director – 2.0 times salary • Chief Operating Officer – 2.0 times salary • Executive Committee members have a target of 1.5 times salary and selected "partners" 1.0 times salary.	• n/a

Notes to the remuneration policy table

Performance conditions

The Committee selected the performance conditions used for determining the annual bonus and LTIP awards as they align directly with the short and long-term strategy of the business. These conditions are set annually by the Committee at levels that take into account the Board's business plan.

Consistency with policy for all employees

All employees are eligible to receive salary, pension contributions and benefits and to be considered for a discretionary annual bonus, with the maximum opportunities reflecting the role and seniority of each employee. Other members of the Executive Committee are subject to the same bonus deferral arrangements as the Executive Directors. Higher-earning members of staff below the Executive Committee have a portion of their bonus deferred into shares vesting in equal instalments over a three-year period.

Within each of the Group's businesses, senior members of staff have a significant part of their compensation linked to the long-term performance of the Group's and its clients' investments through carried interest schemes or similar arrangements.

Co-investment and carried interest plans

The Group's Long-term Incentive Plan, approved by shareholders on 4 July 2001, 6 July 2011 and 25 June 2020, prohibits the Chief Executive and Group Finance Director from participating in carried interest plans and similar arrangements. In addition, the Committee's policy is that no current Executive Director will benefit from these arrangements.

Malus/clawback policy

Long-term incentive awards and deferred bonus share awards that have not been delivered 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.

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, and (in either case) the Committee considers that there is reasonable evidence to show that the misstatement or loss has been caused by the individual's reckless, negligent or wilful actions or inappropriate values or behaviours.

The Committee may make minor changes to this Policy, which do not have a material advantage to Directors, to aid in its operation or implementation without seeking shareholder approval for a revised version of this Policy report.

Directors' remuneration policy continued

Non-executive Directors – Fees

Purpose and link to strategy	Operation	Opportunity

• To attract and retain high-performing non-executive Directors of the calibre required.	• Non-executive Directors receive a basic annual fee.
	• The fee is delivered in a mix of cash and shares.
	• The Chairman's fee is reviewed annually by the Committee.
	• Fees are benchmarked against other companies of comparable size and against listed financial services companies.
	• The Board is responsible for determining all other non-executive Director fees, which are reviewed annually to ensure they remain appropriate.
		• Fees are set at a level which is considered appropriate to attract and retain the calibre of individual required by the Company but the Company avoids paying more than necessary for this purpose.
		• Additional fees are paid for the following roles/duties:
		  • Senior Independent Director
		  • Committee Chair
		  • Committee membership
		• Committee fees are payable in respect of the Audit and Compliance Committee, Remuneration Committee, Valuations Committee and other Committees where appropriate.

Recruitment policy

In determining remuneration arrangements for new executive appointments to the Board (including internal promotions), the Committee will take into consideration all relevant factors, including the calibre of the individual, the nature of the role, local market practice, the individual's current remuneration package, 3i remuneration policy, internal relativities and existing arrangements for other Executive Directors. For external appointments, some variation may be necessary in order to attract the successful candidate and to reflect particular skills or experience specifically required.

The maximum level of variable pay (as expressed as a multiple of base salary) which may be awarded to new Executive Directors in respect of their appointment shall be no more generous than the combined maximum limits expressed in the remuneration policy table above in respect of the Chief Executive, with an appropriate mix between annual bonus and LTIP opportunity, excluding any awards made to compensate the Executive Director for awards forfeited by their previous employer. Where necessary relocation costs (including any tax) will be paid together with any legal fees or other costs incurred by the individual in relation to their appointment.

It may be necessary to compensate the new Executive Director for remuneration terms being forfeited from their current employer. The Committee's intention is that any such award would be no more generous than the awards being forfeited and would be determined on a comparable basis at the time of grant, including the pay-out schedule and performance conditions, where appropriate.

In determining whether it is appropriate to use judgement, as set out above, the Committee will ensure that any awards made are in the best interests of both the Company and its shareholders. The Committee is at all times conscious of the need to pay no more than is necessary, particularly when determining buyout arrangements.

For both internal and external appointments, it may be deemed appropriate, in order to attract and compensate a new Executive Director, to buy out awards held in carried interest or other asset-related incentive arrangements. The Committee's intention is that any such buyout would be at a fair value at the time of appointment.

In the event of the appointment of a new non-executive Director, remuneration arrangements will normally be in line with those detailed in the relevant table above.

Service contracts

The main terms of the service contracts of the Executive Directors who served in the year were as follows:

Provision	Policy
Notice period	• 12 months' notice if given by the Company. • 6 months' notice if given by the Executive Director. • Company policy is that Executive Directors' notice periods should not normally exceed one year. Save for these notice periods the contracts have no unexpired terms.
Dates of contracts	• Mr S A Borrows – 17 May 2012 • Mr J Hatchley – 12 May 2022 • Ms J Halai – 12 May 2022
Termination payments	• Mr Borrows' contract entitles the Company to terminate employment without notice subject to making 12 monthly payments thereafter equivalent to monthly basic pay and benefits less any amounts earned from alternative employment. • All Directors' contracts entitle the Company to give pay in lieu of notice.
Remuneration and benefits	• The operation of all incentive plans, including being eligible to be considered for an annual bonus and Long-term Incentive Plan awards, is non-contractual. • On termination of employment outstanding awards will be treated in accordance with the relevant plan rules.

The Chairman and the non-executive Directors do not have service contracts or contracts for services. Their appointment letters provide for no entitlement to compensation or other benefits on ceasing to be a Director. Service contracts are available for inspection at the Company's headquarters in business hours.

Payment for loss of office

As outlined above, the Committee must satisfy any contractual obligations agreed with the Executive Directors. Details of the Directors' notice periods are shown alongside the service contract information.

An Executive Director may be eligible to receive a time pro-rated annual bonus in respect of the year up until he or she ceased employment. In determining whether to award any bonus, the Committee will assess performance during the financial year up to the date of cessation of active involvement in their management role. The Committee may also make a payment in respect of outplacement costs and legal fees where appropriate.

The treatment of outstanding share awards is governed by the relevant share plan rules. The following table and the Note below it summarise the leaver categories and the impact on the share awards which employees (including Executive Directors) may hold.

For the avoidance of doubt, the Committee reserves the right to make any remuneration payments and payments for loss of office notwithstanding that they are not in line with the policy set out above, where the terms of that payment were agreed (i) before the 2014 policy came into effect or (ii) before this policy came into effect, provided that the terms of payment were consistent with the shareholder approved Directors' remuneration policy in force at the time they were agreed or were otherwise approved by shareholders; or (iii) at a time when the relevant individual was not a Director of the Company (or other person to whom this policy applied) and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company or such other person. For these purposes "payments" includes the Committee satisfying awards of variable remuneration and, in relation to an award or option over shares, the terms of the payment are "agreed" at the time the award is granted. This policy applies equally to any individual who is required to be treated as a Director under the applicable regulations.

Plan	Good leaver categories	Good leaver treatment[1]	Bad leaver treatment[1]
Deferred share awards	• Death • Retirement • Ill health, injury, disability • Redundancy • Employing company/business ceasing to be part of 3i Group • "Scheduled Departure" (ie a participant leaving on such a basis and/or within a specified timeframe as agreed by the Committee)	• Awards vest in full on the normal vesting date. • On death, awards vest in full immediately.	• Unvested awards lapse in full. • Vested awards structured as options may be exercised for three months following the participant's cessation of employment.
Long-term Incentive Plan	• Death • Retirement • Ill health, injury, disability • Redundancy • Employing company/business ceasing to be part of 3i Group • "Scheduled Departure" (ie a participant leaving on such a basis and/or within a specified timeframe as agreed by the Committee)	• Awards vest on the normal vesting date subject to performance. Pro rating for time will apply. • If a participant dies, the Committee will determine the extent to which awards should vest as soon as practicable following the participant's death.	• Awards normally lapse in full. • If the Committee decides in exceptional circumstances that the awards should vest after the participant's cessation of employment, awards will vest subject to performance and pro rating for time and other conditions may be imposed.

1 The treatments set out in the table above apply to all employees and are expected to operate in the vast majority of cases. The Plan rules retain discretion for the Committee to reduce awards in exceptional circumstances to Good Leavers or permit vesting (in whole or in part) of awards which would otherwise lapse to Bad Leavers. The Committee will report on the use of this discretion if it is exercised in relation to any Executive Director.

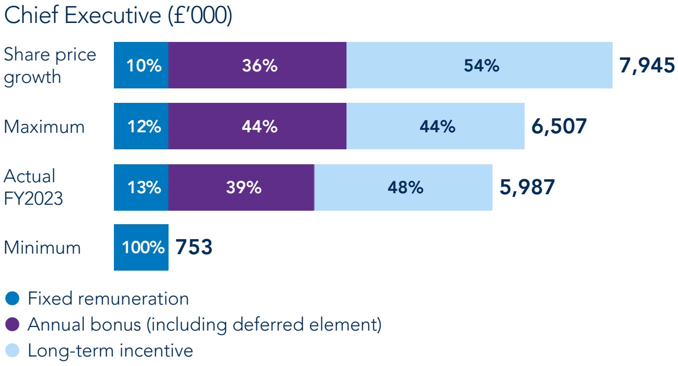
Change of control

Deferred share awards will generally vest early on a takeover, merger or other corporate reorganisation. Alternatively, participants may be allowed or required to exchange their awards for new awards.

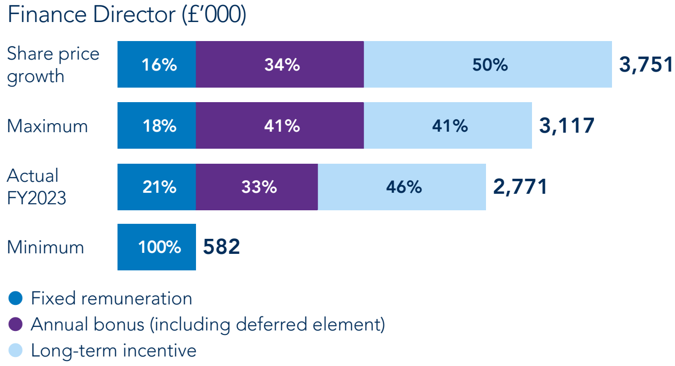
Long-term Incentive Plan awards will generally vest early on a takeover, merger or other corporate reorganisation. Alternatively, participants may be allowed or required to exchange their awards for new awards. Where an award vests early in these circumstances, the Committee will determine the level of vesting based on performance to that date and the proportion of the performance period that has passed.

Scenarios

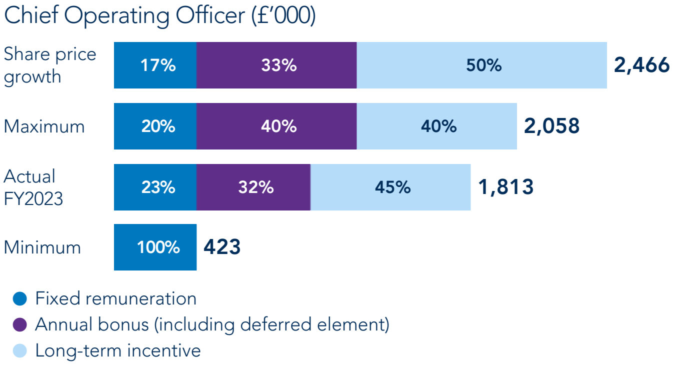
Chief Executive (£'000)



Finance Director (£'000)



Chief Operating Officer (£'000)



The assumptions made in preparing these graphs are that:

- Minimum – this includes only the fixed elements of pay, being base salary, benefits and pension;
- Actual – this represents the remuneration received by each Executive Director for their performance in the year;
- Maximum – this is calculated as the fixed elements and the maximum annual bonus and Long-term Incentive Plan awards; and
- Share price growth – this is calculated as the fixed elements and the maximum annual bonus and Long-term Incentive Plan awards (assuming a 50% share price appreciation).

Consideration of wider employee pay

As part of the annual Committee agenda, the Committee reviews the overall pay and bonus decisions in aggregate for the Group. This ensures that the pay and conditions in the wider Group are taken into account when determining Directors' pay. In particular:

- the range of salary increases awarded over time to other employees are taken into account when considering salary increases for the Executive Directors; and
- the bonus awards made to Directors are considered and made in the context of the range of discretionary bonus awards made within the business. These are based upon Company performance, and are closely correlated to the Executive Director bonus awards.

The Company does not consult with employees when preparing the Executive Director remuneration policy. However, a number of our employees are shareholders and so are able to express their views in the same way as other shareholders.

Consideration of shareholder views

The Committee has remained engaged with shareholders during the period since 2020, and will continue to be mindful of shareholder views when evaluating and setting ongoing remuneration strategy, and commits to consulting with shareholders prior to any significant changes to remuneration policy.

By Order of the Board

Coline McConville
Chair, Remuneration Committee
10 May 2023

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

The Corporate Governance Code to which the Company is subject is the UK Corporate Governance Code (the "Code") which was published by the FRC in July 2018 and which is available on the FRC website.

Details on the Company's compliance with the Code and an explanation as to why the Company has not complied throughout the year with provision 19 of the Code in respect of Chairman tenure are set out in the Corporate Governance statement on pages 101 and 102 and in the report on the Nomination Committee's review of Chairman tenure on page 113.

The Group's internal control and risk management systems, including those in relation to the financial reporting process, are described in the Risk management section on pages 78 to 91 and in the Audit and Assurance policy on pages 119 to 122.

Directors and independence

Directors' biographical details are set out on page 97. The Board currently comprises the Chairman, six non-executive Directors and three Executive Directors. Mr D A M Hutchison (Chairman), Ms C J Banszky, Mr S A Borrows, Mr S W Daintith, Ms L M S Knox, Mr P A McKellar, Ms C L McConville and Ms A Schaapveld all served as Directors throughout the year under review. Mr J G Hatchley and Ms J H Halai joined the Board on 12 May 2022 and they both remained in office for the remainder of the year. Mrs J S Wilson served as a Director throughout the year until her retirement from the Board on 30 June 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 all Directors to retire from office at every Annual General Meeting of the Company although they may offer themselves for reappointment by the shareholders.

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 97 to 152. 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.

At the AGM in June 2022, 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 2023 AGM are set out in the 2023 Notice of AGM.

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 156.

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 2023 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).

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 2022 was 973,238,638 ordinary shares and at 31 March 2023 was 973,312,950 ordinary shares of 7319⁄22 pence each. It increased over the year by 74,312 ordinary shares on the issue of shares to the Trustee of the 3i Group Share Incentive Plan.

At the Annual General Meeting ("AGM") on 30 June 2022, 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 11 May 2022) until the Company's AGM in 2023 or 29 September 2023, if earlier. This authority was not exercised in the year. Details of the authorities which the Board will be seeking at the 2023 AGM are set out in the 2023 Notice of AGM.

As at 31 March 2023 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 2023 and 20 April 2023.

	As at 31 March 2023	% of issued share capital	As at 20 April 2023	% of issued share capital
Artemis Investment Management LLP	34,324,935	3.53	34,175,832	3.51
BlackRock, Inc	97,162,296	9.98	111,171,740	11.42
Legal & General Investment Management Limited	29,296,147	3.01	28,048,580	2.88
Vanguard Group Inc	43,104,309	4.43	43,104,309	4.43

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 3i Infrastructure plc. 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 Company statement of changes in equity on page 165 and its financial position is shown on page 164. 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 2023 was £200 million, of which £45 million was fixed remuneration and £155 million was variable remuneration. The total number of beneficiaries is 241. The aggregate total remuneration paid to AIFM Remuneration Code Staff for the year to 31 March 2023 was £66 million, of which £54 million was paid to senior management and £12 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 FY2023 dividend of 23.25 pence per ordinary share in respect of the year to 31 March 2023 was paid on 11 January 2023. The Directors recommend a second FY2023 dividend of 29.75 pence per ordinary share be paid in respect of the year to 31 March 2023 to shareholders on the Register at the close of business on 23 June 2023.

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, Ms J H Halai and Mr J G Hatchley each 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 pages 52 to 53 and in the Nominations Committee report on pages 110 and 111.

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.

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.

Additional statutory and corporate governance information continued

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 with in the region of 250 employees worldwide, all of whom engage regularly with members of senior management. Senior management and members of the Board meet 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. 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 the year the Board visited 3i's Amsterdam office and met formally and informally with the Amsterdam team. Directors receive updates on employee matters in presentations from the business line heads as well as from the Chief Human Resources Officer in the annual Board consideration of the Group Succession Planning and Strategic Capability Review. Committee Chairs held a number of private and other meetings with function heads during the year. Non-executive Directors also meet with a wide range of members of the investment teams at the twice-yearly PCR meetings.

Diversity and inclusion policy

Details of the Company's approach to diversity and inclusion are set out under the heading Employment on page 156, in the Sustainability section on pages 52 and 53 and in the Nomination Committee report on pages 110 and 111.

Political donations

In line with Group policy, during the year to 31 March 2023 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 2023, 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 £900 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 Risk management section on pages 78 to 91 and in the Audit and Assurance policy on pages 119 to 122.

Going concern

The Directors have acknowledged their responsibilities in relation to the financial statements for the year to 31 March 2023.

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 pages 124 and 125.

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 re-appointment 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 69
Share allotments	Note 20 on page 189

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 pages 124 and 125.

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 UK adopted international accounting standards 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 UK-adopted international accounting standards and applicable law;
- 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.

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 page 97.

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 94 to 158 other than the Directors' remuneration report on pages 131 to 152.

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

10 May 2023

Registered office:
16 Palace Street
London SW1E 5JD