



3i Group plc

Slavery and human trafficking statement made
pursuant to section 54 of the Modern Slavery Act 2015
for the financial year ended 31 March 2020

3i Group plc

Slavery and human trafficking statement for the financial year ended 31 March 2020 (“FY20”)

This statement is made by 3i Group plc (“**3i**”) pursuant to Section 54 of the Modern Slavery Act 2015 (“**MSA**”) and applies to all 3i’s subsidiaries (as defined in the UK Companies Act) whether incorporated within or outside the UK. A full list of 3i’s subsidiaries is set out in note 30 to the 3i Group plc annual report to 31 March 2020 which is available on 3i’s [website](#).

This statement was approved by the Board of Directors of the Company on 29 September 2020.

Overarching statement

3i is committed to achieving its investment objectives in a sustainable way by behaving responsibly as an employer, as an investor and as an international corporate citizen. We take responsibility for our actions, carefully consider how others will be affected by our choices and ensure that our values and ethics are integrated into our formal business policies, practices and plans.

In particular, 3i is committed to ensuring that (i) there is no slavery or human trafficking in any part of its business or supply chains and (ii) the companies in which it invests are similarly committed to ensuring that there is no slavery or human trafficking in any part of their businesses or supply chains.

Meaning of slavery and human trafficking

Our understanding of slavery and human trafficking is based on the definitions set out in the MSA and is guided by the UN Universal Declaration of Human Rights and the conventions of the International Labour Organisation (ILO) particularly relating to forced or compulsory labour. We recognise that forced labour as a form of slavery includes debt bondage and the restriction of a person’s freedom of movement whether that be physical, non-physical or, for example, by the withholding of a worker’s identity papers.

3i’s business

3i is an international investor and investment manager with two complementary businesses, Private Equity and Infrastructure, specialising in core investment markets in northern Europe and North America. 3i’s total assets under management (“**AUM**”) as at 31 March 2020 were £13.6 billion.

Our **Private Equity** business invests in companies with an enterprise value of typically between €100m and €500m at acquisition primarily in its core investment markets of northern Europe and North America. The Private Equity business was responsible for £8.8 billion of AUM as at 31 March 2020, of which £6.6 billion represented 3i Group’s proprietary capital. As at 31 March 2020, the Private Equity business held minority investments in four companies in India and Singapore. The rest of the Private Equity portfolio is based in Europe and North America.

Our **Infrastructure** business invests principally in mid-market economic infrastructure investments across the UK, Europe and North America and operational PPP projects across Europe. The Infrastructure business was responsible for £4.4 billion of AUM as at 31 March 2020, of which £1.1 billion represented 3i Group’s proprietary capital. The Infrastructure business also acts as investment manager of the 3i India Infrastructure Fund, a US\$1.2 billion fund raised in 2008 which has made no new investments since 2012. The remaining assets in the India Fund were valued at £27 million at 31 March 2020 and are being managed for realisation.

3i also holds a strategic proprietary investment in Scandlines which operates ferries between Denmark and Germany. 3i's investment in Scandlines was valued at £0.4 billion at 31 March 2020. Further details are set out below in the section headed "3i's portfolio".

We currently have operations in eight offices across Europe, North America and Asia. At 31 March 2020, 3i had a total of 240 employees, of whom 233 were located across the UK, Europe and North America and the remaining seven across India and Singapore.

We comply fully with applicable human rights legislation in the countries in which we operate, for example covering areas such as freedom of association and the right to collective bargaining, equal remuneration and protection against discrimination. For all matters relating to human rights, we comply with local laws, and if those laws provide lesser protection than UK law, we apply the principles enshrined in UK law.

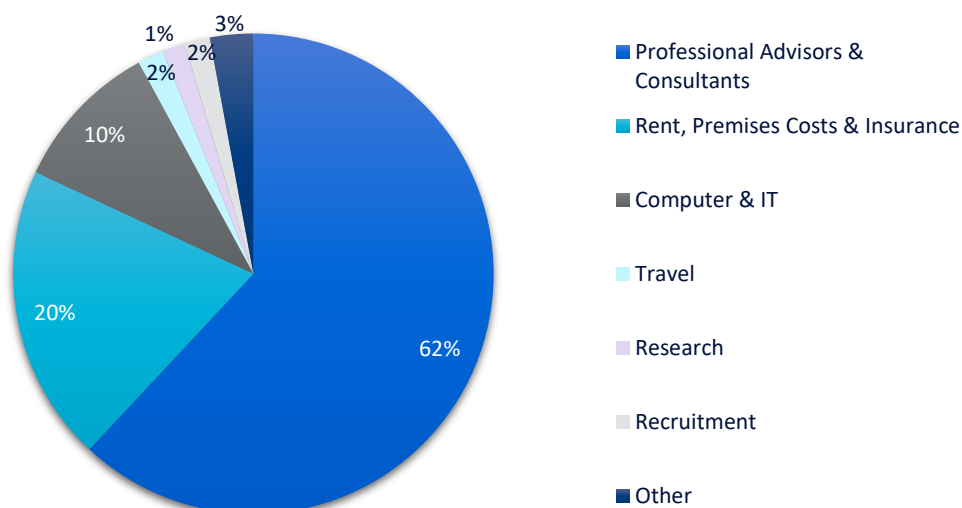
We have a comprehensive suite of corporate responsibility policies, copies of which are available on our [website](#), including our policies on Equal Opportunity & Diversity, Global Recruitment & Selection and Health & Safety. All 3i staff globally have access to an independent and confidential telephone service managed by Expolink which they can use to report any concerns. We are very confident that there is no slavery or human trafficking taking place in 3i's business.

3i's governance structure

The Board is responsible for corporate responsibility, including issues such as slavery and human trafficking. The Board and its committees review our approach and policies in this important area and address specific issues if they arise. Day-to-day responsibility rests with executive management and, in particular, the Chief Executive. The Chief Executive has also established a number of committees to oversee and monitor policies and procedures and to address issues if they arise, including the Executive Committee which he chairs.

3i's supply chain

The pie chart below shows the breakdown of 3i's total relevant¹ spend with suppliers in FY20 by reference to the type of supplier



¹ "Relevant" spend relates to goods and services supplied to 3i during FY20 and excludes spend such as staff remuneration & pension costs, taxes, social security costs and charitable donations which we exclude for MSA purposes.

This chart shows that the top two categories (professional adviser & consultants and rent, premises costs & insurance) accounted for 82% of total relevant spend in FY20 compared with 81% in FY19. We consider both of these categories to be relatively lower risk in terms of modern slavery.

The table below shows the breakdown of our total relevant spend with suppliers in FY20 by reference to geography.

Country	Percentage of total relevant supplier costs in FY120	GSI Ranking 2018 ²
United Kingdom	68%	132 nd
Germany	10%	134 th
USA	9%	158 th
France	3%	136 th
India	3%	53 rd
Netherlands	2%	143 rd
Ireland	1%	147 th
Luxembourg	1%	154 th
Spain	1%	124 th
Other	2%	Various
Total	100%	

This table shows that (i) the top nine countries represented 98% of total 3i relevant supplier spend in FY20 and (ii) 95% of total 3i relevant supplier spend was situated in Europe and North America. The highest GSI-ranking geography is India (53rd) which only accounted for c3% of total supplier spend. 84% of the relevant supplier spend in India related to one supplier (Infosys) which provided outsourced financial and accounting services from its centre in Bangalore. Infosys is a NYSE listed global consulting and IT services company and a signatory to the United Nations Global Compact. We consider Infosys as a lower risk supplier in terms of modern slavery.

3i's portfolio

Whilst 3i's investment portfolio does not fall within the ambit of Section 54 of the MSA, as a responsible investor 3i is committed, where we have influence, to ensuring that the companies in which it invests are themselves committed to ensuring that there is no slavery or human trafficking in any part of their businesses or supply chains.

3i's approach to modern slavery in the context of its investment portfolio is incorporated within its Responsible Investment policy ("**RI policy**"). 3i's policy has, for some time, been to avoid investing in certain businesses which we view as unethical, including those which do not respect the human rights of their workers. In 2011, our policy was formalised into our rigorous RI policy, a summary of the current version of which is available on our [website](#). The RI policy sets out 3i's approach to responsible investing and, in particular, describes how 3i seeks to incorporate Environmental, Social and Governance ("**ESG**") issues into its pre-investment due diligence screening of new investment opportunities and its ongoing portfolio monitoring processes. Since 2011, 3i's RI policy has been embedded in our investment and portfolio management processes and is supported by detailed

² GSI rating 2018: This is the Global Slavery Index ranking out of 167 countries, where 1 (N Korea) is the highest or "worst" ranking with an estimated prevalence of 205 people affected per 1,000 of population and 167 (Japan) is the lowest or "best" ranking with an estimated prevalence of 0.3 people affected per 1,000 of population.

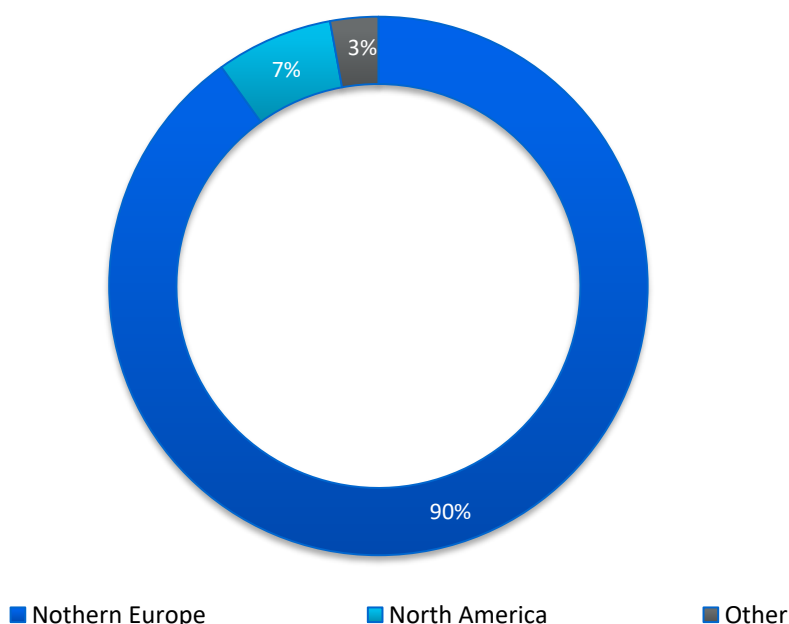
guidance notes, external advisers and internal resource. It informs our investment decisions and our behaviours as a responsible steward of our assets.

We have also been signatories to the UN Principles of Responsible Investment since August 2011 and a copy of our latest PRI Transparency Report for 2020 is available on the [PRI website](#). We are very proud to have received an “A” rating for Strategy and Governance, which assesses our policies and protocols around ESG at 3i Group level and “A+” for both the Private Equity and Infrastructure assessments which review how our policies are applied in practice.

With particular regard to modern slavery, one of the specific objectives set out in our RI policy is that 3i will only invest in businesses which are committed to: respecting the human rights of their workers; maintaining safe and healthy working conditions for their employees and contractors; treating their employees fairly; upholding the right to freedom of association and collective bargaining; and respecting the health, safety and wellbeing of those adversely affected by their business activities.

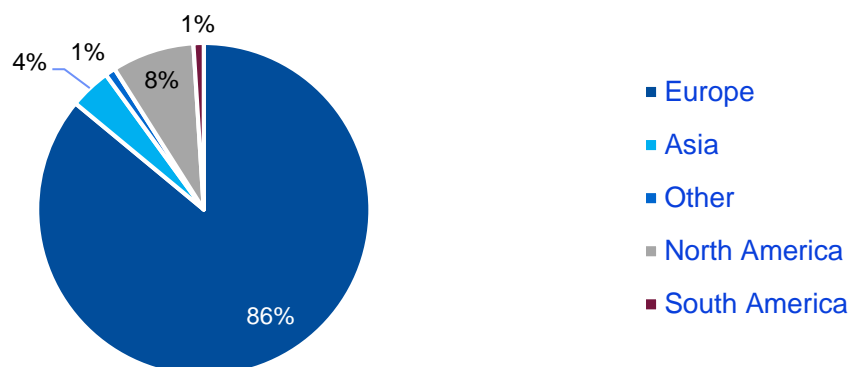
3i specialises in its core investment markets in northern Europe and North America, which have a relatively lower potential risk of slavery according to the Global Slavery Index (“GSI”). The charts below show (i) the breakdown of 3i’s total AUM by reference to the geographical regions in which the underlying assets are based and (ii) the breakdown of the Private Equity and Infrastructure portfolio companies’ worldwide turnover in FY20 by geographical region and individual countries.

**Total 3i AUM by geographical region
- £13.6 billion as at 31 March 2020**



The chart below shows the breakdown of 3i's Private Equity and Infrastructure portfolios by reference to the geographies in which the underlying portfolio companies generate their turnover.

The turnover of 3i's Private Equity and Infrastructure portfolio companies by geographical region as at 31 March 2020



The table below shows the top individual countries in which 3i's Private Equity and Infrastructure portfolio companies generated their turnover in FY20 and the GSI rating of those countries.

Country	% of FY20 turnover	GSI Ranking 2018 ³
France	20%	136 th
Netherlands	15%	143 rd
Germany	14%	134 th
United Kingdom	14%	132 nd
USA	7%	158 th
Belgium	7%	135 th
Spain	5%	124 th
Denmark	2%	150 th
Sweden	2%	152 nd
India*	2%	53 rd
Austria	1%	144 th
China	1%	156 th
Finland	1%	149 th
Italy	1%	122 nd
Mexico	1%	114 th
Norway	1%	140 th
Poland	1%	100 th
Russia	1%	64 th
Singapore	1%	97 th
Other	3%	Various
Total	100%	

* Excludes the remaining assets held in the 3i India Infrastructure Fund which are being managed for realisation.

³ GSI rating 2018: This is the GSI ranking out of 167 countries, where 1 (N Korea) is the highest or "worst" ranking with an estimated prevalence of 205 people affected per 1,000 of population and 167 (Japan) is the lowest or "best" ranking with an estimated prevalence of 0.3 people affected per 1,000 of population.

However, we are aware that many of the companies we invest in have operations and/or supply chains based outside northern Europe and North America, including in countries which have a relatively higher potential risk of slavery according to the GSI.

Action

3i's largest investment is in Action, an international non-food discount retailer with more than 1,500 stores employing over 46,000 staff in seven countries across Europe. As at 31 March 2020, 3i's investment in Action was valued at £3.5 billion, which represented c44% of 3i's total proprietary capital value at that date. Whilst Action's stores and staff are all located within Europe, it sources its products from more than 700 suppliers - 132 of these suppliers service Action directly from 452 factories nearly all of which are located in China. Just over 50% of Action's total sales relate to products produced in China and just under 40% relate to products produced in Europe.

Action requires all its suppliers to sign and commit to its Ethical Sourcing Policy which is based on the core International Labour Organisation conventions and, in particular, includes minimum requirements relating to child labour, young workers, forced labour, freedom of association & collective bargaining, fair remuneration and working hours. In relation to its direct imports from China, Action partners with an internationally renowned sourcing company, with a team dedicated to Action, to ensure that those Chinese suppliers and their factories meet Action's requirements and policies, including adherence to Action's Ethical Sourcing Policy. In addition, Action's Critical Escalation Policy sets out the procedures relating to non-compliance by a factory supplying products directly to Action which can lead to, amongst other things, suspension of shipments whilst a corrective action-plan is agreed and, ultimately, termination of the supplier relationship.

The factories supplying Action directly are audited annually by independent parties for compliance with the Ethical Sourcing Policy. In 2019, there were 118 audits on new direct supplier factories and 197 renewal audits of existing direct supplier factories. In addition, 62 unannounced spot-checks were carried out in 2019 which identified 26 factories with potential issues. Improvement plans were agreed with all of these factories except for four, whose relationships with Action were terminated as a result.

One area of focus for Action is child labour which is a potential issue in China during the summer months when children may seek work, especially in packing. In 2019, supplier audits detected two cases of child labour in Chinese factories. Action's efforts to collaborate with the relevant factories to implement remedial measures did not result in a satisfactory solution and so Action ended its relationship with the factories involved. Action works with the Centre for Child Rights to offer remediation of any confirmed child labour cases and this involves providing training in factories to improve hiring practices and raise awareness of child labour as a human rights issue. For example, in 2019 Action conducted two training sessions on its human rights approach in Shenzhen and Shanghai which were attended by 379 people as well as a child labour webinar which was watched by more than 200 suppliers. In 2020, Action plans to launch a new education programme around the school holiday period to safeguard against the risk of child labour. Action applies the same processes to forced and bonded labour and Action's spot-checks and audits found no evidence to suggest such practices in its supply chain.

Action is also a participant of [amfori BSCI](#) and requires those of its suppliers that source from one or more risk countries¹ to join amfori BSCI.

3i's investment and portfolio management processes

All potential new investment opportunities that reach an advanced stage in 3i's investment process are subject to a high-level review of their potential ESG risks (including human rights abuses such as unlawful child labour and slavery) and opportunities prior to commissioning comprehensive due diligence. This exercise will typically result in recommendations as to which ESG issues should be subject to more comprehensive, "deep-dive" due diligence pre-investment and which should be progressed post-investment. The key findings from the high-level review are summarised in the investment paper along with the results of any "deep-dive" due diligence. The material due diligence issues (including any ESG risks and opportunities) are considered by the Investment Committee, which may raise questions with the investment team and/or require further work to be done as part of its overall investment decision.

In relation to 3i's existing portfolio, every six months, typically in March and September, our investment teams carry out detailed reviews of each of their portfolio companies. The reviews in March of each year include a detailed ESG assessment which seeks to track progress in relation to existing, identified ESG risks as well as identifying potentially new and emerging risks and opportunities. For certain relevant portfolio companies (e.g. retail companies with supply chains in Asia) there is a focus on the extent to which the company has a supply chain policy/code of ethics in place; who at board level has responsibility for monitoring supply chain issues; the extent to which supply chain audits are carried out, and by whom; and whether there have been any material issues in the supply chain in the past 12 months. Any material ESG issues are discussed at the six-monthly review meeting and relevant action points are minuted, followed up by the investment teams and reviewed at the following six-monthly meeting.

Further detail on our due diligence and portfolio monitoring processes are set out in our 2020 sustainability report which is also available on 3i's [website](#).

Monitoring and review

We will continue to monitor our supply chain and portfolio in relation to slavery and human trafficking through our regular supplier reviews and portfolio company reviews.



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Chief Executive
3i Group plc