# **3i Group plc** Corporate responsibility report 2008

As included in our Annual report and accounts 2008

# Corporate responsibility report

"Our approach to corporate responsibility is commercially based and driven by our vision to be the private equity firm of choice."

**Kevin Dunn** Group Company Secretary

## Core values

We believe that the highest standard of integrity is essential in business. In all our activities, we aim to:

- **be commercial and fair;**
- **respect the needs of our shareholders, our staff, our suppliers, the local community and the businesses in which we invest;**
- **maintain our integrity and professionalism; and**
- **strive for continual improvement and innovation.**

**Contact us**
For more information please contact Kevin Dunn at **KevinDunnCR@3i.com**

## Our approach

3i has been helping to grow and to transform businesses for over 60 years. We have also been building our own business, from a small London- based operation, to the international FTSE100 company that it is today, with assets under management of almost £10 billion.

Our approach to corporate responsibility is commercially based and driven by our vision to be the private equity firm of choice; operating on a world-wide scale; producing consistent market-beating returns; acknowledged for our partnership style and winning through our unparalleled resources.

We view an active approach to corporate responsibility as more than simply a means to retain our licence to operate, or to reduce risk. We believe that it provides genuine competitive advantage and that it helps us to maximise the returns for our shareholders, as well as for the investors in the funds that we advise or manage.

We think about corporate responsibility from two perspectives: "as an investor" and "as a company" in our own right. Our experience of working with management teams in growing companies, in a broad range of sectors and countries around the world, has led us to believe that the companies we back will grow more and be more attractive to potential purchasers if they are strong on corporate responsibility issues. Our own staff and the people who work in our portfolio companies want to work for companies of which they feel proud. Growth is easier with enthusiastic customers, with strong supplier relationships and with a good reputation locally and within a sector.

Achieving these objectives depends upon high-quality management teams and good values, as well as effective communication and alignment of interests. Statements of intent and policies are necessary and important but they are by no means sufficient. As a corporate investor, the success of our approach depends upon the actions of individuals and the judgments that they make on a daily basis. Awareness and training are therefore critical so that corporate responsibility issues are properly considered and the right decisions are made and implemented, whether we are planning the launch of a new 3i business line or assessing an individual investment.

The pace of change in business and in society, combined with the rising expectations placed on companies, means that the corporate responsibility agenda is developing rapidly. Our corporate responsibility committee, which is comprised of executives from across the business, is charged with ensuring that 3i is thinking ahead on these issues, as well as operating to the standards that our Board expects.

As part of our drive for continuous improvement, the current information contained on our investor relations website (www.3igroup.com) will soon be supplemented by a new dedicated corporate responsibility website – www.3icr.com – which is being launched in June 2008.

### As an investor

As an investor we view corporate responsibility from two perspectives: risk and opportunity. The most significant corporate responsibility-related risks arising from our investment activity relate to environmental, ethical, governance and social issues. If these risks are not identified and managed effectively, then the success of our portfolio companies can be compromised and 3i's reputation could be affected. So identifying and managing these risks well is an important part of managing risk for 3i. The opportunity for 3i is that supporting the sustainable growth of our portfolio companies increases their value and attraction to others.

With £9.8 billion of assets under management, consisting of £6.0 billion of our own assets and £3.8 billion of third party funds, and a portfolio of over 450 investments in a broad range of sectors across Europe, Asia and the US, we are well diversified and have a broad base of knowledge and experience on which to draw. The business line reviews in our 2008 Annual report contain detailed case studies of our largest investments and realisations in the year together with details of our ten largest investments and forty other large investments.

### As a company

As a private equity business with around 750 employees world-wide, 3i has a relatively small footprint on many corporate responsibility issues. However, being a private equity business with a sizeable portfolio and a business which operates internationally across Europe, in Asia and in the US, we recognise that our sustained success and our reputation for being a good corporate citizen mean taking our corporate responsibilities seriously.

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

3i is proud to have been a founder member of Business in the Community over 25 years ago.

Business in the Community CORPORATE RESPONSIBILITY INDEX 2007

Throughout our history we have been actively involved in supporting the development of the industry through the industry associations and other activity. Over the course of the past 12 months we have taken a leading role in a number of sector-based initiatives, including in particular the Walker Review Group in the UK on transparency. Taking a lead on issues that affect our sector as a whole is consistent with our vision of 3i as a leading private equity firm. It is also in our interest to share our experience with our competitors in order to learn ourselves and to help improve the performance of the sector as a whole.

3i is well represented on the various committees and councils of industry bodies, especially in Europe where Jonathan Russell, Managing Partner, Buyouts, is the Chairman elect of the European Private Equity and Venture Capital Association.

Detailed information is provided in our 2008 Annual report, but we also felt that it would be helpful to provide a 3i perspective on four key challenges put to the industry recently. These issues relate to the value that private equity firms bring to their investments; their approach to the management teams of the companies in which they invest and the degree to which they act in partnership; the accountability of private equity firms and finally, transparency.

## A 3i perspective on some industry issues

### Do private equity firms add value to their portfolio companies?

The private equity industry is highly competitive and is an industry in which competing firms differentiate themselves by their track records and style of investing.

This differentiation is key when raising funds or pitching to the management teams and owners of businesses. That the success of a business depends on both financial and non-financial performance is recognised within the industry and 3i and other private equity firms have well-developed approaches to helping their portfolio companies grow. We do this through the boards of these companies and by bringing the benefit of our experience, knowledge and networks. Our website, www.3i.com, has many examples of businesses that we have backed and the value that we have brought in the process.

### How do private equity firms engage with management teams?

Our experience of investing, and working internationally has helped us to understand that we are stronger as a company when we work with others to pursue mutual interests. Strong relationships are based on trust, which is earned over time. Our focus with portfolio companies is on working through the board and with professional advisers. We recognise that the quality of our track record locally and within a sector is a key element of the origination and conversion of future investment opportunities. A good reputation, backed up by tangible evidence of past behaviour, is therefore key to becoming a preferred investor and making investments.

### How accountable are private equity firms?

We understand that we are accountable to our investors, but also to others, for the decisions that we make. 3i is a member of the FTSE100 and has over 26,000 shareholders, including some of the world's biggest financial institutions. There are also over 70 Limited Partners invested in funds managed or advised by 3i. This means that we are subject to considerable scrutiny, not just by these investors, but also by rating agencies, the press, governments and many other groups.

We, like other private equity firms based in the UK, are regulated by the Financial Services Authority ("FSA"). As a listed company we must also adhere to stock exchange regulations, as well as the prevailing regulation in each of the countries and markets where we operate. An example of one aspect of FSA regulation is the requirement for regulated firms to treat their regulatory customers fairly. This is demonstrated by the FSA's "Treating Customers Fairly" initiative. Whilst the focus of this FSA initiative is on retail financial services businesses, the concept is relevant to other financial service businesses such as 3i. 3i has policies and procedures in place to seek to ensure that all those that it interacts with (and not just its regulatory customers) are treated fairly.

### How transparent are private equity firms?

3i's objective has been to take an open and straightforward approach to doing business and in describing what we do and the way in which we do it to those who have an interest. This Corporate responsibility report, together with "3i and Transparency", the Private equity lexicon, as well as the guides to "Returns and IRRs" and "Carried interest", which all feature in our 2008 Annual report, are practical examples of this.

3i is also delighted to participate in the Carbon Disclosure Project and to be a member of both the Dow Jones Sustainability Index and the Business in the Community Corporate Responsibility Index. In the last two years we have also won awards for our Annual report and our Corporate responsibility report.

The demand for transparency has been growing as the private equity industry has grown. Private equity has increasingly become a mainstream asset class for investors. The size of the companies in which private equity firms invest has also grown, as have political and public interest. Despite the scope of our own disclosure and 3i's reputation in this area, it was clear in 2007 that the pressures being placed on the private equity sector risked affecting 3i as well and that in the UK in particular a sector-wide response was needed.

Through the British Private Equity and Venture Capital Association ("BVCA") 3i supported the creation of an independent working group led by Sir David Walker. The group's mandate was to investigate how to improve disclosure within the sector. 3i was supportive of the group's work and our Chairman, Baroness Hogg, was a member. In November 2007 the Walker Guidelines were published and 3i was one of the first to commit to comply with them. The "3i and Transparency" section, in our 208 Annual report, details of these guidelines and how 3i measures up against them.

Our commitment to greater transparency has also prompted a reconsideration of our Corporate responsibility report. We recognised that people are generally most interested in our activities as an investor and so this year we have added more content on our investment process in this report, as well as on the new Corporate Responsibility website (www.3icr.com) which is due to be launched in June.

"It is very important to Robeco that we invest in private equity firms that take corporate responsibility seriously and 3i does."

**Andrew Musters** Robeco

## Corporate responsibility in our investment activity

Our investment process involves four key stages. Corporate responsibility considerations are important in each of those stages to sustain successful outcomes.
- Fund raising
- Investment assessment
- Creating value once we are invested
- Realisation

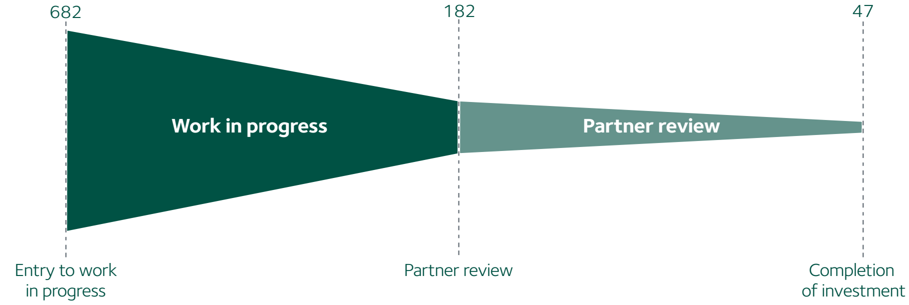
### Fundraising

Investments are made by 3i using cash from our own balance sheet, as well as from funds that 3i manages or advises for third-parties. At 31 March 2008 3i had £9.8 billion of assets under management, comprising £6.0 billion of our own assets and £3.8 billion of third party funds. 3i's own capital has been built from the success of earlier investments. Since the company was formed in 1945, with £10 million of share capital, it has only received another £10 million from shareholders and, ignoring ordinary dividends, has given over £2 billion back to shareholders.

A list of the funds managed for third parties is set out in our 2008 Annual report. These funds are raised to invest in specific business lines and have clear investment mandates. For example, Eurofund V is a mid-market buy out fund which is focused on Europe, but has the flexibility to invest up to 10% of the size of the fund in Asia.

Interest in the degree to which 3i and other public companies and private equity firms consider environmental, ethical, governance and social issues in our own business has been growing amongst a number of large institutional shareholders and Limited Partners in private equity funds. 3i is a member of the Dow Jones Sustainability index and the Business in the Community Corporate responsibility index. 3i has also been reporting to the Carbon Disclosure Project for the past two years. Investors representing $56 trillion of assets under management have signed up to the Carbon Disclosure Project, which calls on major companies from around the world to provide specific details on climate change risk.

**Stages of investment process**




### Investment assessment

Our reputation is one of our most important assets. Accordingly, an effective review process to identify risks and opportunities in potential new investments is crucial to our sustained success. This can be a particular challenge in emerging markets, where publicly available information is sometimes thin. One of the benefits 3i has, in both developed and emerging markets, is that our reputation as a values-based company with high standards might deter those who are reluctant to go through our diligence process. In a competitive industry this may mean that from time to time we lose otherwise attractive business.

Whilst each investment is considered on its own merits, there is a standard review process for all types of investments, which aims to identify all of the issues that might affect our decision to invest. Consideration of corporate responsibility issues is embedded as a mandatory part of this process.

All new investment opportunities are the subject of a process of filtering and review. In the year to 31 March 2008, 682 companies entered our formal work in progress but we made only 47 investments. Following a preliminary appraisal of the potential investment opportunity, a decision is taken whether to commit further resource to progress the investment opportunity and place it in formal work in progress.

The opportunity is then subsequently reviewed in detail by a group of senior and experienced investment executives in the relevant business line and sector (known as the "Partner Review"). If it is agreed through the Partner Review process that a particular investment opportunity should continue to be progressed, the Partner Review process will also agree what further in-depth analysis and due diligence should be undertaken.

Overall, our approval process might involve up to 30 different people with sector and regional expertise, but there will be a core group of people responsible for progressing the investment. This investment team is given access to the funds it needs to undertake comprehensive due diligence. The time taken for this will vary considerably, depending on the nature of the investment, whether we are already invested in the company and the complexity of the issues involved. It is also not uncommon, given the depth and breadth of our relationships, for 3i to have known a company or management team for a considerable time before an investment opportunity emerges.

# Corporate responsibility report continued

"The corporate responsibility agenda is developing rapidly and it is critical that 3i is not only operating to the standards that our Board expects but also thinking ahead."

**Baroness Hogg** Chairman

## Summary of Corporate responsibility Investment policy

As a socially responsible investor, 3i aims to invest in companies that act responsibly in terms of environmental, ethical, governance and social issues. This objective reflects our values and culture, as well as the wishes of our investors and employees, and helps protect and enhance our reputation.

Before we make an investment, we review all potential investee companies from a corporate responsibility perspective as part of our investment procedures. Further details of our review process are set out on pages 5 and 6.

We aim to avoid investing in companies that do not:
- respect human rights;
- comply with current environmental, ethical and social legislation;
- have proposals to address defined future legislation; or
- seek to comply with their industry standards and best practice.

We consider that an awareness of corporate responsibility risks and how to deal with them is fundamental to our due diligence and portfolio management. Our policies provide guidance to our staff on a wide range of potential ethical, governance, social and environmental challenges, which include consideration of:
- susceptibility to human rights abuses, such as child or slave labour or bans on trade unions;
- corruption issues arising as a result of industry or geographic business practices;
- ethically sensitive sectors, including arms manufacture, animal testing, gambling, pornography and tobacco;
- impacts on the environment and sensitive natural resources; and
- compliance with social legislation, such as laws governing discrimination, employment terms and health and safety.

3i operates internationally: our policy provides that a particular practice considered lawful in one country may nevertheless be considered unacceptable by 3i.

Post investment, we seek to ensure that the companies in which we invest maintain a responsible corporate responsibility policy. Further details of our approach to actively engaging with our portfolio companies to manage and, where necessary, remediate corporate responsibility issues, are set out on pages 6 and 7.

An explicit review of environmental, ethical, governance and social issues is required for each company under review. We have access to an international network of specialist consultancies, who undertake the due diligence on our behalf.

The "front sheet", which summarises the investment proposition, includes a mandatory section on environmental, ethical and social risks. The entrepreneurial culture is important to our business model, so we do not impose a box-ticking approach to compliance: we expect our investment teams to take responsibility for results and help ensure that they have the capacity and resources to identify and address relevant issues. We reinforce this by including in the approval process senior partners from our sector teams and from our country offices together with relevant support from our professional services teams or external professional advisers. This ensures that the proposals are screened by people with an in-depth understanding of the sector, the country and region and the issue, whatever it might be.

There are many reasons why an investment may not be approved and often it is a combination of different concerns that leads us to reject an investment proposal.

Identifying an environmental, ethical or social risk in our due diligence process does not necessarily mean that we will withdraw. This is because we recognise three levels of compliance with our policies: full; partial; and serious non-compliance. As a result of the nature of the relationship between a private equity investor and a portfolio company, we can often have a strong influence on the company's priorities. We will therefore work with the company and its management to change practices towards full complicance. Helping to resolve an issue may be an important element of our ability to enhance our investment. A simple example might be 3i's support in identifying and recruiting a different director with specialist skills in the area concerned.

We operate internationally and so it is important that we consider issues in the context of local expectations and 3i's values, including considering whether a problem exists because of a lack of expertise or capacity, rather than something more fundamental. Depending on the nature of the risk identified and its seriousness, a condition precedent or post completion undertaking, requiring that the situation be remedied, may be required from the investee company or its management before we will proceed. Confidence in the management team's capacity and will to address issues satisfactorily will be a key determinant of whether we proceed or not.

The assessment of the material risks and opportunities facing a business is not the only rationale for assessing corporate responsibility issues in our investment process. Our experience suggests that one of the fundamental factors for investment success is the quality of the portfolio company management team. The approach we take to assessing potential investments places considerable emphasis on understanding and being comfortable with the management team. Their approach to dealing with due diligence on corporate responsibility issues can be a useful indicator of quality. For example, a chief executive with a poor approach to health and safety is likely to be weak in other aspects of his or her role.

### Growing the company

Before we invest in a company we agree a clear value creation plan with the board and with the management team who will be responsible for delivering the plan. This will also involve an expectation that 3i will deliver on the actions it is responsible for in the plan. These may relate to strategic input, a specific functional expertise or providing access to relevant relationships around the world. This added value may be why we have been chosen as the preferred investor and so delivering on our commitments is important. The initial post investment phase will involve validation and refinement of the plan based around a classic first 100-days' approach. Such a plan would also include any environmental, ethical, governance or social risks or opportunities that were identified either in due diligence or in the post investment analysis.

We undertake portfolio reviews every six months, where the investment team presents the progress and future plans to a review committee. Any material corporate responsibility issues that were part of the 100-day plan would be included in this until they are resolved; in addition, at least once a year, other corporate responsibility issues will be considered on the agenda.

We bring a collaborative approach to the companies in which we invest. Despite having extensive sector expertise and often taking a role on the board, we recognise that we cannot know a company as well as its management. It is the management who, being closest to the situation, must make most decisions.

An early priority, then, is to help ensure that the governance of the company is as robust as possible and to help support the management team and board. Where necessary, we will put a pre-selected chairman in place, one of whose tasks is to be responsible for corporate responsibility.

We have dedicated programmes and activities to help build board capacity and capability. These include our CEO forums and sector events, which are opportunities for the CEOs of our portfolio companies to come together. These provide an opportunity to learn from, and share experiences with peers in other companies either in or outside the same sector and country.

Our Business Leaders Network which operates on a world-wide basis, also provides opportunities for our portfolio companies to access experienced chairmen and board directors and, for those involved, to network and learn from each other. Many of those in our Business Leaders Network have run successful 3i-backed companies and so have a good understanding and empathy with the issues managers face.

### Realisations

When we have helped the company implement its plans, there are three basic approaches to realising the value of our investment: a sale to a trade buyer (eg, a company in the same sector); a sale to another financial buyer (eg, another private equity firm with a new growth strategy); or a listing on a stock exchange through an IPO.

Corporate responsibility plays an important role in the valuation process for each of these exits. Trade buyers tend to be bigger companies in the same sector. These companies, especially if they are listed, tend to have well-developed corporate responsibility policies and expect high standards. Increasingly, therefore, their audit and valuation processes look at the portfolio company's corporate responsibility strategy, systems and performance.

If a trade buyer or another financial buyer were to identify a material risk or opportunity that we had missed, then this could be used to disadvantage 3i in negotiations. As a result, we often undertake another detailed due diligence process prior to sale, which includes environmental, ethical and social issues.

Any company that we take to IPO must meet the listing requirements of the relevant markets and pass the scrutiny of, for instance, the SEC or FSA reviewers, as well as the environmental, ethical, governance and social standards expected.

## Sources of expertise

We are sometimes asked about the sources of our expertise on corporate responsibility issues. Within 3i it is the combination of our professional service and investments teams who draw on the knowledge and experience that we have built up over many years. Our sector and local teams also have in-depth knowledge of specific issues relating to particular sectors or regions. Our Corporate Responsibility, Health & Safety, Risk and other committees provide the necessary processes and additional expertise.

Externally, we work with the leading consultancies on environmental, ethical and social due diligence on issues including compliance, liability and reputational risk. Our portfolio companies are also a rich source of experience and their management teams can also provide interesting insights for 3i and for their peers in other portfolio companies.

The chairman of the Corporate Responsibility Committee, Kevin Dunn, is also a member of Business in the Community's leadership group.

# Corporate responsibility report continued

"Our people and the level of their engagement are critical to our continued success."

**Philip Yea** Chief Executive

### The Corporate Responsibility Committee

| | |
|---|---|
| **Kevin Dunn** | Company Secretary and Chairman of the Committee |
| **Deepak Bagla** | a Director in 3i's India Infrastructure investment business |
| **Whitney Bower** | a Partner in US Growth Capital |
| **Denise Collis** | Group Human Resources Director |
| **Douwe Cosijn** | Head of Investor Relations |
| **Patrick Dunne** | Group Communications Director |
| **David Holligon** | a Partner in UK Buyouts |
| **Hans Middelthon** | an Investment Director in 3i's Oil and Gas team |
| **Barbara Sterlina** | a Communications Executive |
| **Tony Wang** | an Associate Director in 3i's Asia investment business |
| **Phil White** | a Director in UK Infrastructure |

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

Dow Jones Sustainability Indexes
Member 2007/08

## Corporate responsibility in our company

3i is a people business with an entrepreneurial culture that depends on our employees' depth of knowledge and their networks of strong internal and external relationships. Our success is directly related to our ability to recruit, train, engage and retain highly skilled people.

3i's staff are fundamental to the success of our business. An environment of mutual respect, where staff are highly motivated by their work, where they have a strong commitment to deliver and where retention is good, are the standards we strive to achieve and maintain.

Employees are organised in small teams and a spirit of co-operation is encouraged to support the highest standards of integrity and professionalism. In accordance with 3i's core values, individual consultation with employees on matters affecting them and fair and open communication, are a high priority.

An objective of our Chief Executive is to meet separately with each team every year to listen to their views and insights and to share his vision and strategy for the business. In addition, his policy is to have a one-to-one meeting with each new joiner, regardless of organisational level.

### Roles and responsibilities

The Board as a whole is responsible for corporate responsibility. The Executive Directors are responsible for ensuring compliance with 3i's corporate values and standards. 3i's Corporate Responsibility Committee ("the Committee") considers and reviews environmental, ethical and social issues relevant to 3i's business and reports regularly to the Board. It promotes awareness of these issues across the business through training and communication. It promotes the development of corporate responsibility policies, procedures and initiatives, and monitors and reviews their operation.

The Committee, on behalf of the Board, identifies and assesses the significant risks and opportunities for 3i arising from social, ethical and environmental issues. A risk matrix methodology is used to identify and assess potential risks and their impact, monitor developing trends and best practice and consider changes in 3i's business and culture. A Group-wide risk log is used to record identified risks and to monitor their management and mitigation. This log of identified risks is reviewed and updated at meetings of the Committee and significant risks are reported to 3i's Operational Risk Committee. There is a detailed description of risk management at 3i on our 2008 Annual report.

As Chairman of the Committee, Kevin Dunn has specific responsibility for 3i's corporate responsibility policies, leading the development of new initiatives and targets and reporting to the Board. The Committee's membership reflects the balance of 3i's business with representation from Europe, Asia and the US and from a range of business line and Group activities.

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

### Performance benchmarking and verification

The Committee has overseen the formulation and implementation of corporate responsibility investment procedures, implemented appropriate risk management procedures and recommended strategic targets and objectives for corporate responsibility.

3i's performance is measured against two indices. These are the Dow Jones Sustainability World Index ("DJSI"), a global index which tracks the financial performance of leading companies in terms of corporate sustainability and the Business in the Community ("BitC") Corporate Responsibility Index, which aims to benchmark environmental, ethical and social performance and encourage sustainable development.

3i has again been selected as a constituent of the DJSI during the year and was leader of its industry group on a global basis. DJSI also recognised 3i as one of the best companies on a global basis in respect of our codes of conduct, compliance and anticrime measures. We aim to continue to be included within this Index.

In 2007 we again participated in the annual BitC Corporate Responsibility Index and were included in BitC's "Top 100 Companies that Count". In particular, the integration into the business of our corporate responsibility principles and risk management processes relating to corporate responsibility issues was recognised. We aim to continue to be included within this Index.

We also provide information on our carbon and greenhouse gas emissions to the Carbon Disclosure Project.

## Engagement and culture

Our latest comprehensive confidential telephone survey of staff was conducted by Ipsos MORI in January and February 2008 and communicated to staff in March. The survey had a 92% response rate, up from 78% in last year's web-based survey. It included a number of questions that have a proven correlation to employee engagement. The overall employee engagement score of 84% (2007: 87%), remains very positive, with 95% of those taking part saying that they were committed to helping 3i achieve its objectives and 90% saying they would speak highly of 3i. 88% also thought that internal communications were relevant to them.

As part of this survey of its own employees, 3i also undertook a survey of a sample of contract and outsourced staff. Engagement levels for this group of people were positive and consistent with those for our own staff.

## Training and development

We are committed to encouraging the continuous development of our staff, with the objective of maximising both their career potential and the overall performance of the business. Emphasis is placed on work-based learning, with the provision of development opportunities supported by appropriate coaching and mentoring. This is supplemented by more formal training programmes, such as workshops, to enhance the board management skills of our investment staff.

In addition, investment staff are required to complete an investment training programme on joining 3i and professional services staff are supported in developing their functional specialisms through external courses, networks and forums. During the year, 527 employees attended a broad range of internal training and development courses.

It is a legal and regulatory requirement that all executives involved in making or managing investment transactions receive anti-money laundering training and periodic refresher training. A programme of training is in place to discharge these obligations.

In addition to the fundamental training required for people to fulfil their roles in a responsible manner, 3i has established a number of programmes to maximise the development of our people and to reinforce the 3i culture. Examples of these include our Global Welcome Days for all new joiners, our Value Management through the Board Courses to enhance board skills, our intensive G10 international programme for 40 high potential senior leaders and the INSEAD leadership course for the leaders of our professional services teams.

## Results of the 2008 Employee survey

All 3i staff world-wide were given the opportunity to take part in a confidential telephone survey, conducted by Ipsos MORI in January and February 2008.

### Highlights

- A response rate of 92%.
- 3i score ahead of the Ipsos MORI Top Ten norm* on 19 of the 20 norm questions.
- An employee engagement score of 84%.
- High employee advocacy, with 90% saying that they would speak highly of 3i.
- High commitment to 3i's objectives (95%).
- 3i's culture judged as "open and inclusive", "approachable and friendly" and "one where there is good teamwork".

### Areas for improvement

- As with any survey of this nature, there were a number of detailed or specific issues relating to particular parts of the business.
- Although six points ahead of the MORI Top Ten norm, only 72% of staff felt that 3i made the best use of their skills and ability.

### Action

- The results were communicated to all staff in March.
- All issues relating to specific parts of the business have been communicated and are being followed up.
- Our increased training and development agenda and 3i's continued growth and development will address the first area for improvement.

*The Ipsos MORI Top Ten norm is the average of the most positive 10 responses to each question in the Ipsos MORI normative database. These are regarded as high- performing benchmarks.

# Corporate responsibility report continued

## Health and Safety

We recognise that the promotion of health and safety at work is an essential responsibility of staff and management at all levels. Simon Ball, as Finance Director, has overall responsibility for the implementation of 3i's health and safety policies and procedures. A Health and Safety Committee, chaired by the Company Secretary, Kevin Dunn, has been established to oversee the application of these policies and procedures and to consider health and safety risks across the business.

The purpose of 3i's health and safety policy is to enable all members of 3i's staff to go about their everyday business at 3i's offices in the expectation that they can do so safely and without risk to their health. High standards of health and safety are applied to staff and sub-contractors and we endeavour to ensure that the health, safety and welfare of our employees, visitors, customers, sub-contractors' staff and the general public are not compromised.

In an endeavour to achieve high standards, we have recently revised our Occupational Health and Safety policy ("OH&S"). The minimum benchmark set for our global OH&S policies is UK legislation, unless country-specific legislation or practice exceeds this level. This year, we will also begin the process of implementing and seeking certification to BS OHSAS 18001:2007, an internationally recognised occupational health and safety management system.

The key objectives of the revised OH&S policy are to identify, evaluate and control risks; to maintain an OH&S management system; to ensure all incidents are reported and investigated in a timely manner; to set annual objectives and targets; and to ensure that 3i employees are informed of and engaged in the process of improving OH&S. Additional details of these policies and procedures can be found on 3i's website at www.3igroup.com.

Our objective is not to have any reportable accidents or incidents. During the year to 31 March 2008, no reportable accidents occurred under UK Health and Safety regulations or under similar regulations outside the UK.

## Environment

As a financial services business employing approximately 750 employees world-wide, 3i's direct environmental impact is relatively low.

Our environmental priorities are carbon emissions and waste. In 2007 the Board set an objective to be carbon neutral by 2010. We are currently in a three-year programme of action to deliver this, which involves improving the measurement and modelling of our carbon emissions; reducing the energy intensity of our operations; and investing in carbon offsets.

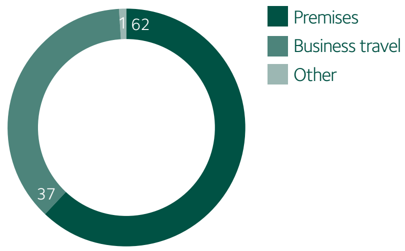
In 2007 we worked with a specialist adviser, the Edinburgh Centre for Carbon Management (ECCM) to expand our emissions monitoring to include all three scopes of the World Business Council for Sustainable Development (WBCSD) greenhouse gas protocol. We also refined our modelling to include updated UK government $CO_2$ equivalent ($CO_2e$ ) factor multipliers. This information has improved our understanding and control of emissions and enabled us to produce our first published Carbon Disclosure Project report.

In 2007, our reported emissions were 9,309 $CO_2e$ (t/yr), up roughly 14% from the 2006 estimate. This increase is largely explained by the implementation of a much more rigorous and broad monitoring process and should be viewed in the context of a business which has grown substantially in the year. The Climate change impact assessment table outlines this amount as a percentage of each emission type.

In the next year we will continue to reduce our energy use and begin to work with a carbon credit provider to identify projects to offset our emissions. We will approach offsetting with a private equity mindset and expect to identify investment opportunities through what we learn in the process.

### Climate change impact assessment

Year to 31 March 2008
9,309 $CO_2$ (tonnes per year) 'equivalent emissions'




ECCM is now an internationally renowned analytical facility for carbon and related eco-metrics with close links with the University of Edinburgh's School of GeoSciences and Imperial College, London. ECCM uses the most up-to-date, country-specific emission factors throughout their assessments, including those developed by the UK Department for the Environment, Food and Rural Affairs.

## Procurement

We have developed environmentally conscious policies and procedures relating to the purchasing of goods and services. As far as possible, we will work only with suppliers who support our aim to source products responsibly and we exclude suppliers who use child or forced labour, disregard social legislation and basic health and safety provisions, or wilfully and avoidably damage the environment. We aim to have a collaborative relationship with our suppliers and, wherever possible, when problems arise with a supplier's performance or behaviour, we will work with the suppliers concerned to help them meet our requirements.

"3i was one of our original sponsors, and has been key to our success. While their financial support was useful, their network and the credibility they gave to our effort has been immensely helpful in our rapid expansion."

**Doug Miller** Founder and Chairman of the European Venture Philanthropy Association

EVPA
EUROPEAN VENTURE PHILANTHROPY ASSOCIATION

## Community and social enterprise

3i has been active for many years in a range of charitable and social enterprise activities. The concept of social enterprise is a natural fit with 3i's approach to supporting businesses. Indeed, over thirty years ago it was a 3i employee who had the idea of forming what is today the Enterprise Education Trust ("EET"). With 3i's financial and other support EET has grown and about 100,000 children each year benefit from its programmes to increase awareness of business and to inspire them to become involved in business. 3i has supported EET every year since formation.

3i was also a founder member of the European Venture Philanthropy Association ("EVPA") which is a charity formed to promote the concept of Venture philanthropy and to develop best practice in this growing area of social enterprise.

3i was also proud to be a founding investor in Bridges Ventures, a privately owned UK venture capital company with a social mission. Bridges was founded in 2002 and has since made equity investments in 24 businesses employing 700 people, almost 200 of whom came out of unemployment. 3i's total commitment to Bridges has been over £2 million.

We focus our charitable activities on the disadvantaged, young people and education in the communities in which we have offices. Charities are supported on the basis of their effectiveness and impact as well as their resonance with our staff.

Two examples of this approach are 3i's support for a series of programmes with The Old Vic theatre in London, one of which, The Sky's the Limit, is featured on this page. The other is 3i's support for The Passage, a charity focused on the homeless, which is based close to 3i's London office.

An important aspect of our charitable giving, which totalled £454,130 in the year to 21 March 2008 (2007: £429,409), is matching what our staff raise. 3i has actively promoted the UK's Give As You Earn scheme, which is administered by the Charities Aid Foundation. In the year to 31 March 2008, this resulted in donations of £129,733, from the scheme, accounting for 29% of 3i's charitable donations up from 25% in 2007.

We are also supportive of staff who wish to volunteer or become trustees or governors of charities and are happy for them to use the 3i network for the benefit of these charities in a relevant and appropriate way.

### The Sky's the Limit at The Old Vic

This 2007 project, aimed at raising the aspirations of UK primary school students, was a result of a long-standing partnership between 3i and The Old Vic Theatre in London. A new play was created from a series of workshops in schools to build confidence and team-work skills. The workshops were facilitated by professional drama educators from The Old Vic and supported by 3i staff. The play, which drew directly on the suggestions and experiences of the young people involved, was then performed to an audience of over 1,000 primary school students at The Old Vic. For many of the young people this was their first visit to a theatre.

In addition to working directly with schools in London and the South East of the UK, a resources pack was created and distributed to over 1,000 schools.

The formal evaluation of the project demonstrated that the project was very successful from the perspectives of students, teachers and the schools. The 3i staff taking part also found it a highly-motivational experience. This evaluation has also been helpful in planning the next programme for 2008, which is focused on multicultural understanding.

ENTERPRISE EDUCATION TRUST

Bridges Ventures