



LEA 02	Disclosures Monetary	Reason for interaction	Principle PRI 1,2,3
Individual/ internal staff engagements	<p><input checked="" type="checkbox"/> To support investment decision-making in a company relevant ESG issues</p> <p><input checked="" type="checkbox"/> To influence corporate practice for identifying the need to attain national or other policy</p> <p><input type="checkbox"/> Other: specify</p> <p><input type="checkbox"/> We do not engage via internal staff</p>		
Collaborative engagements	<p><input type="checkbox"/> To support investment decision-making in a company relevant ESG issues</p> <p><input checked="" type="checkbox"/> To influence corporate practice for identifying the need to attain national or other policy</p> <p><input type="checkbox"/> Other: specify</p>		
Service provider engagements	<p><input type="checkbox"/> To support investment decision-making in a company relevant ESG issues</p> <p><input checked="" type="checkbox"/> To influence corporate practice for identifying the need to attain national or other policy</p> <p><input type="checkbox"/> Other: specify</p>		

# RI TRANSPARENCY REPORT

## 2014/15

3i Group plc

## About this report

The PRI Reporting Framework is a key step in the journey towards building a common language and industry standard for reporting responsible investment (RI) activities. This RI Transparency Report is one of the key outputs of this Framework. Its primary objective is to enable signatory transparency on RI activities and facilitate dialogue between investors and their clients, beneficiaries and other stakeholders. A copy of this report will be publicly disclosed for all reporting signatories on the [PRI website](#), ensuring accountability of the PRI Initiative and its signatories.

This report is an export of the individual Signatory organisation's response to the PRI during the 2014-15 reporting cycle. It includes their responses to mandatory indicators, as well as responses to voluntary indicators the signatory has agreed to make public. The information is presented exactly as it was reported. Where an indicator offers a response option that is multiple-choice, all options that were available to the signatory to select are presented in this report. Presenting the information exactly as reported is a result of signatory feedback which suggested the PRI not summarise the information. As a result, the reports can be extensive. However, to help easily locate information, there is a **Principles index** which highlights where the information can be found and summarises the indicators that signatories complete and disclose.

## Understanding the Principles Index

The Principles Index summarises the response status for the individual indicators and modules and shows how these relate to the six [Principles for Responsible Investment](#). It can be used by stakeholders as an 'at-a-glance' summary of reported information and to identify particular themes or areas of interest.

Indicators can refer to one or more Principles. Some indicators are not specific to any Principle. These are highlighted in the 'General' column. When multiple Principles are covered across numerous indicators, in order to avoid repetition, only the main Principle covered is highlighted.

All indicators within a module are presented below. The status of indicators is shown with the following symbols:

Symbol	Status
✓	The signatory has completed all mandatory parts of this indicator
☑	The signatory has completed some parts of this indicator
🔒	This indicator was not relevant for this signatory
-	The signatory did not complete any part of this indicator
Ⓜ	The signatory has flagged this indicator for internal review

Within the table, indicators marked in blue are mandatory to complete. Indicators marked in grey are voluntary to complete.

# Principles Index

Organisational Overview				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
OO 01	Signatory category and services	✓	Public							✓
OO 02	Headquarters and operational countries	✓	Public							✓
OO 03	Subsidiaries that are separate PRI signatories	✓	Public							✓
OO 04	Reporting year and AUM	✓	Public							✓
OO 05	Breakdown of AUM by asset class	✓	Asset mix disclosed in OO 06							✓
OO 06	How would you like to disclose your asset class mix	✓	Public							✓
OO 07	Segregated mandates or pooled funds	🔒	n/a							✓
OO 08	Breakdown of AUM by market	✓	Private							✓
OO 09	Additional information about organisation	✓	Private							✓
OO 10	RI activities for listed equities	🔒	n/a							✓
OO 11	RI activities in other asset classes	✓	Public							✓
OO 12	Modules and sections required to complete	✓	Public							✓

Overarching Approach				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
OA 01	RI policy and other guidance documents	✓	Public							✓
OA 02	Publicly available policies / documents	✓	Public							✓
OA 03	Policy components and coverage	✓	Public	✓	✓					
OA 04	Conflicts of interest	✓	Public							✓
OA 05	RI goals and objectives	✓	Public							✓
OA 06	Main goals/objectives this year	✓	Private							✓
OA 07	Governance, management structures and RI processes	✓	Private							✓
OA 08	RI roles and responsibilities	✓	Public							✓
OA 09	RI in performance management, reward and/or personal development	✓	Private							✓
OA 10	Collaborative organisations / initiatives	✓	Public				✓	✓		
OA 11	Promoting RI independently	✓	Public				✓			
OA 12	Dialogue with public policy makers or standard setters	✓	Private				✓	✓	✓	
OA 13	ESG issues in strategic asset allocation	✓	Private	✓						
OA 14	Allocation of assets to environmental and social themed areas	✓	Private	✓						
OA 15	ESG issues for internally managed assets not reported in framework	✓	Private							✓
OA 16	ESG issues for externally managed assets not reported in framework	🔒	n/a							✓
OA 17	RI/ESG in execution and/or advisory services	🔒	n/a	✓	✓					
OA 18	Innovative features of approach to RI	✓	Private							✓
OA 19	Internal and external review and assurance of responses	✓	Private							✓

Direct – Private Equity				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
PE 01	Breakdown of investments by strategy	✓	Private							✓
PE 02	Typical level of ownership	✓	Private							✓
PE 03	Description of approach to RI	✓	Private	✓						✓
PE 04	Investment guidelines and RI	✓	Public		✓					
PE 05	Fund placement documents and RI	✓	Public	✓			✓		✓	
PE 06	Formal commitments to RI	✓	Private				✓			
PE 07	Incorporating ESG issues when selecting investments	✓	Public	✓						
PE 08	ESG advice and research when selecting investments	✓	Private	✓						
PE 09	ESG issues in investment selection process	✓	Public	✓		✓				
PE 10	Types of ESG information considered in investment selection	✓	Private	✓		✓				
PE 11	Encouraging improvements in investees	✓	Private	✓	✓					
PE 12	ESG issues impact in selection process	✓	Private	✓						
PE 13	Proportion of companies monitored on their ESG performance	✓	Public		✓					
PE 14	Proportion of portfolio companies with sustainability policy	✓	Public		✓					
PE 15	Actions taken by portfolio companies to incorporate ESG issues into operations	✓	Private		✓					
PE 16	Type and frequency of reports received from portfolio companies	✓	Private		✓	✓				
PE 17	Disclosure of ESG issues in pre-exit	✓	Private		✓					
PE 18	ESG issues affected financial/ESG performance	✓	Private	✓	✓					
PE 19	Examples of ESG issues that affected your PE investments	-	n/a	✓		✓				
PE 20	Disclosure of ESG information to public and clients/beneficiaries	✓	Public							✓
PE 21	Approach to disclosing ESG incidents	✓	Private							✓

3i Group plc

Reported Information

Public version

Organisational Overview

## PRI disclaimer

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## Basic Information

OO 01	Mandatory	Gateway/Peering	General
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OO 01.1 Select the services you offer.

Fund management

% of assets under management (AUM) in ranges

- <10%
- 10-50%
- >50%

Fund of funds, manager of managers, sub-advised products

Other, specify

Execution and advisory services

OO 02	Mandatory	Peering	General
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OO 02.1 Select the location of your organisation's headquarters.

United Kingdom

OO 02.2 Indicate the number of countries in which you have offices (including your headquarters).

- 1
- 2-5
- 6-10
- >10

OO 02.3 Indicate the approximate number of staff in your organisation in full-time equivalents (FTE).

FTE

270

OO 03	Mandatory	Descriptive	General
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OO 03.1 Indicate whether you have subsidiaries within your organisation that are also PRI signatories in their own right.

- Yes
- No

OO 04	Mandatory	Gateway/Peering	General
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**OO 04.1** Indicate the year end date for your reporting year.

30/09/2014

**OO 04.2** Indicate your total AUM at the end of your reporting year, excluding subsidiaries you have chosen not to report on, and advisory/execution only assets.

	trillions	billions	millions	thousands	hundreds
Total AUM		12	923	000	000
Currency	GBP				
Assets in USD		21	369	303	733

**OO 04.5** Indicate the level of detail you would like to provide about your asset class mix.

- Approximate percentage breakdown to the nearest 5% (e.g. 45%)
- Broad ranges breakdown (i.e. <10%; 10-50%; >50%)

**OO 06**

**Mandatory**

**Descriptive**

**General**

**OO 06.1** To contextualise your responses to the public, indicate how you would like to disclose your asset class mix.

- Publish our asset class mix as percentage breakdown
- Publish our asset class mix as broad ranges

	Internally managed (%)	Externally managed (%)
Listed equity	0	0
Fixed income – corporate	0	0
Fixed income – government	0	0
Fixed income – other	0	0
Private debt	>50%	0
Private equity	10-50%	0
Property	0	0
Infrastructure	10-50%	0
Commodities	0	0



Hedge funds	0	0
Forestry	0	0
Farmland	0	0
Inclusive finance	0	0
Cash	0	0
Other (1), specify	0	0
Other (2), specify	0	0

Publish our asset class mix as per attached file (the following image formats can be uploaded: .jpg, .jpeg, .png, .bmp and .gif)

### Gateway asset class implementation indicators

OO 11	Mandatory	Gateway	General
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**OO 11.1** Indicate if in the reporting year you incorporated ESG issues into your investment decisions and/or your active ownership practices in the following internally managed asset classes.

- Private debt
- Private equity
- Infrastructure
- None of the above

OO 12	Mandatory	Gateway	General
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**OO 12.1** The modules and sections that you will be required to complete are listed below.

*This list is based on the percentages provided in your AUM breakdown and your responses to the gateway indicators. You are only required to report on asset classes that represent 10% or more of your AUM. You may report voluntarily on any applicable modules or sections by selecting them from the list. Fixed Income and Infrastructure are voluntary.*

**Core modules**

- Organisational Overview
- Overarching Approach (including assets which do not have a separate module)

**RI implementation directly or via service providers**

Direct - Other asset classes with dedicated modules

Private Equity

Infrastructure

**Closing module**

Closing module

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Reported Information

Public version

Overarching Approach

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## Responsible investment policy

OA 01	Mandatory	Gateway/Core Assessed	General
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**OA 01.1** Indicate if you have a responsible investment policy.

- Yes  
 No

**OA 01.2** Indicate if you have other guidance documents or more specific policies related to responsible investment.

- Yes  
 No

**OA 01.3** Provide a brief description of the key elements of your responsible investment policy or, if you do not have a policy, of your overall approach to responsible investment. [Optional]

**Key elements of the 3i Responsible Investment policy include:**

- A clear statement that 3i's objective is to invest only in businesses which are committed to:
  - a cautious and responsible approach to environmental management of their business operations by making efficient use of natural resources and mitigating environmental risks and damage;
  - 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;
  - respecting the health, safety and wellbeing of those adversely affected by their business activities;
  - upholding high standards of business integrity, avoiding corruption in all its forms and which comply with applicable anti-bribery, anti-fraud and anti-money laundering laws and regulations
- An exclusion list of businesses and activities in which 3i will not invest;
- A referral list of businesses in which 3i may invest but which require additional approval as they are particularly sensitive
- A set of minimum ESG standards that 3i expects its investee companies to comply with or be committed to achieving compliance over a reasonable period of time, including, where appropriate, meeting relevant international standards (including the IFC performance standards and the ILO Fundamental Conventions) where these are more stringent than local laws

**The RI policy has been integrated into our investment and portfolio management processes and procedures and is supported by:**

- A set of RI procedures that complement our investment processes and ensure that they are consistently applied across all of our investment activities;
- An online ESG due diligence tool that provides screening and risk assessment tools for ESG risks during the investment process;
- Detailed guidance notes for investment teams, covering key sectors (Technology, Social Infrastructure & Healthcare, Business & Financial Services, Consumer Industries, Industrials & Energy) and key issues (Supply Chains & Transport, Environment, Human Rights, Labour Issues, Climate Change) with links to case studies, international standards and information about specific emerging markets;
- A global network of preferred ESG due diligence suppliers; and
- An internal RI portal that provides access to these resources
- Dedicated in-house resource to support 3i's international investment teams

OA 02	Mandatory	Core Assessed	PRI 6
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**OA 02.1** | Indicate if your responsible investment policy is publicly available.

Yes

**OA 02.2** | Provide a URL to your responsible investment policy.

URL

<http://www.3i.com/corporate-responsibility/responsible-investor/responsible-investment>

No

**OA 02.3** | Indicate if your other policies or guidance documents related to responsible investment are publicly available.

Yes

Yes, all

Yes, some

**OA 02.4** | List these other policies or guidance documents related to responsible investment that are publicly available and their URLs.

Policy or document name	URL
Summary of Corporate Responsibility policies	<a href="http://www.3i.com/corporate-responsibility/corporate-responsibility-policies">http://www.3i.com/corporate-responsibility/corporate-responsibility-policies</a>

No

OA 03	Mandatory	Core Assessed	PRI 1,2
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**OA 03.1** | Indicate the components/types and coverage of your responsible investment policy and guidance documents.

Select all that apply

Policy components/types	Coverage by AUM
<input checked="" type="checkbox"/> Policy setting out your overall approach <input checked="" type="checkbox"/> Engagement/active ownership policy <input checked="" type="checkbox"/> Specific guidelines on corporate governance <input checked="" type="checkbox"/> Specific guidelines on environmental issues <input checked="" type="checkbox"/> Specific guidelines on social issues <input checked="" type="checkbox"/> Asset class-specific guidelines <input checked="" type="checkbox"/> Screening/exclusion policy <input type="checkbox"/> Other, specify <input type="checkbox"/> Other, specify	<input type="radio"/> Applicable policies cover all AUM <input checked="" type="radio"/> Applicable policies cover a majority of AUM <input type="radio"/> Applicable policies cover a minority of AUM

<b>OA 03.2</b>	Comment on any variations or exceptions in the coverage of your responsible investment policy. [Optional]
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The 3i responsible investment policy applies to all investments considered by 3i across its Private Equity and Infrastructure business lines, across all sectors and geographies.

The policy applies in a more limited manner to 3i's Debt Management business to reflect the nature of its debt instruments, the relative size of each investment and the significantly more limited influence which 3i Debt Management has over its underlying investee companies.

<b>OA 04</b>	<b>Mandatory</b>	<b>Core Assessed</b>	<b>General</b>
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<b>OA 04.1</b>	Indicate if your organisation has a policy on managing potential conflicts of interest in the investment process.
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Yes

<b>OA 04.2</b>	Describe your policy on managing potential conflicts of interest in the investment process. [Optional]
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3i wishes and needs to maintain a high standard of professional behaviour and reputation in its dealings with people and organisations external to 3i.

3i applies the following principles to managing potential or actual conflicts of interest.

1) The overriding principle is that 3i will treat its customers fairly and, specifically, will at all times act in accordance with the relevant regulated 3i entity's fiduciary position as manager and applicable Financial Conduct Authority (FCA) principles and rules as to treatment of regulatory customers.

2) 3i will at all times comply with applicable legal and regulatory requirements.

Set out below are the steps taken to manage a conflict. Appropriate written records of the consideration of conflicts and potential conflicts will be kept at all stages

1) Conflict or potential conflict of interest identified and information barriers put up as necessary

2) Relevant 3i leadership group member(s) and Group Compliance consider and resolve conflict together with, when appropriate, certain other individuals, or refer it to the 3i Conflicts Committee

3) 3i Conflicts Committee decides how 3i should manage the conflict

4) Where the 3i Conflicts Committee cannot resolve the conflict, clear disclosure of the conflict will be made to the relevant customer(s) to enable them to take an informed decision. 3i will seek to resolve the conflict with the customer(s).

There is a permanent information barrier / Chinese Wall in operation around 3i Debt Management.

No

## Objectives and strategies

OA 05	Mandatory	Gateway/Core Assessed	General
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**OA 05.1** Indicate if your organisation sets objectives for its responsible investment activities.

Yes

**OA 05.2** Indicate how frequently your organisation sets or revises objectives for responsible investment.

- At least once per year
- Less than once per year

**OA 05.3** Indicate how frequently your organisation formally reviews performance against its objectives for responsible investment.

- Quarterly
- Biannually
- Annually
- Every two years or less
- It is not reviewed

No

**OA 05.4** Additional information. [Optional]

The Director, Strategic Implementation, has agreed a set of specific objects for responsible investment. These are set and monitored annually.

## Governance and human resources

OA 08	Mandatory	Gateway/Core Assessed	General
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**OA 08.1** Indicate the roles present in your organisation and for each, indicate whether they have oversight and/or implementation responsibilities for responsible investment.

## Roles present in your organisation

- Board members or trustees
  - Oversight/accountability for responsible investment
  - Implementation of responsible investment
  - No oversight/accountability or implementation responsibility for responsible investment
- Chief Executive Officer (CEO), Chief Investment Officer (CIO), Investment Committee
  - Oversight/accountability for responsible investment
  - Implementation of responsible investment
  - No oversight/accountability or implementation responsibility for responsible investment
- Other Chief-level staff or head of department, specify
  - Business line heads**
    - Oversight/accountability for responsible investment
    - Implementation of responsible investment
    - No oversight/accountability or implementation responsibility for responsible investment
  - Portfolio managers
    - Oversight/accountability for responsible investment
    - Implementation of responsible investment
    - No oversight/accountability or implementation responsibility for responsible investment
  - Investment analysts
    - Oversight/accountability for responsible investment
    - Implementation of responsible investment
    - No oversight/accountability or implementation responsibility for responsible investment
  - Dedicated responsible investment staff
    - Oversight/accountability for responsible investment
    - Implementation of responsible investment
    - No oversight/accountability or implementation responsibility for responsible investment
  - External managers or service providers
    - Oversight/accountability for responsible investment
    - Implementation of responsible investment
    - No oversight/accountability or implementation responsibility for responsible investment
  - Other role, specify
  - Other role, specify

**OA 08.2**

Indicate the number of dedicated responsible investment staff your organisation has. [Optional]

Number

1

## Promoting responsible investment



OA 10.1	Select the collaborative organisation and/or initiatives of which your organisation is a member or in which it participated during the reporting year, and the role you played.
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**Select all that apply**

- Principles for Responsible Investment

Your organisation's role in the initiative during the reporting period (see definitions)
--

- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]
--

3i is a signatory to the Principles for Responsible Investment.

- Asian Corporate Governance Association
- Association for Sustainable & Responsible Investment in Asia
- Australian Council of Superannuation Investors
- CDP Climate Change

Your organisation's role in the initiative during the reporting period (see definitions)
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- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative.  
[Optional]

**3i is a participant in the CDP climate change program**

- CDP Forests
- CDP Water
- CFA Institute Centre for Financial Market Integrity
- Council of Institutional Investors (CII)
- Eumedion
- Extractive Industries Transparency Initiative (EITI)
- Global Investors Governance Network (GIGN)
- Global Real Estate Sustainability Benchmark (GRESB)
- Institutional Investors Group on Climate Change (IIGCC)
- Interfaith Center on Corporate Responsibility (ICCR)
- International Corporate Governance Network (ICGN)
- Investor Group on Climate Change, Australia/New Zealand (IGCC)
- Investor Network on Climate Risk (INCR)/CERES
- Local Authority Pension Fund Forum
- Regional or National Social Investment Forums (e.g. UKSIF, Eurosif, ASRIA, RIAA), specify
- Shareholder Association for Research and Education (Share)
- United Nations Environmental Program Finance Initiative (UNEP FI)
- United Nations Global Compact
- Other collaborative organisation/initiative, specify

**Dow Jones Sustainability Index**

Your organisation's role in the initiative during the reporting year (see definitions)

- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative.  
[Optional]

**Completion of the annual survey**

- Other collaborative organisation/initiative, specify
- Other collaborative organisation/initiative, specify
- Other collaborative organisation/initiative, specify

OA 11

Mandatory

Core Assessed

PRI 4

OA 11.1

Indicate if your organisation promotes responsible investment, independently of collaborative initiatives.

Yes

OA 11.2

Indicate which of the following actions your organisation has taken to promote responsible investment, independently of collaborative initiatives.

- Provided or supported education or training programmes for clients, investment managers, broker/dealers, investment consultants, legal advisers or other investment organisations
- Provided financial support for academic or industry research on responsible investment
- Encouraged better transparency and disclosure of responsible investment practices across the investment industry
- Spoke publicly at events and conferences to promote responsible investment
- Wrote and published in-house research papers on responsible investment
- Encouraged the adoption of the PRI
- Other, specify

3i is a member of the Sustainability Leadership Forum

No

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Reported Information

Public version

Direct – Private Equity

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## Overview

PE 04	Mandatory	Core Assessed	PRI 2
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**PE 04.1** Indicate if your organisation's investment guidelines for private equity refer to responsible investment.

- Our investment guidelines do refer to responsible investment

**PE 04.2** Describe how your organisation's investment guidelines outline your expectations on staff and portfolio companies' approach towards ESG issues [Optional].

ESG issues are an integral part of 3i's investment and portfolio management procedures manual which is available to all staff online. The procedures make it clear that investment staff are expected to consider ESG risks as part of their pre-investment due diligence and post investment portfolio monitoring. 3i has a suite of detailed responsible investment guidelines which are available to all 3i staff and which cover the following sectors and ESG issues:

**Sectors:**

Technology  
Social Infrastructure and Healthcare  
Business and Financial Services  
Consumer Industries  
Industrials and Energy

**Specific ESG issues:**

Supply Chains and Transport  
Environment  
Human Rights  
Labour Issues  
Climate Change

The guidelines were prepared, and are regularly updated, by an external ESG expert. They were last subject to a detailed update in November 2014.

The guidelines underpin the minimum ESG standards set out in 3i's Responsible Investment policy which, in turn, reflect international standards such as the IFC Performance Standards & Guidelines and the ILO Fundamental Conventions.

The guidelines apply throughout 3i's investment process, from initial investment through portfolio monitoring to final exit. The guidelines are aimed at 3i's investment teams but are available to all staff.

- Our investment guidelines do not refer to responsible investment
- We do not have investment guidelines

## Fundraising of private equity funds

PE 05	Mandatory	Core Assessed	PRI 1,4,6
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**PE 05.1** Indicate if your fund placement documents (private placement memorandums (PPMs) or similar) refer to responsible investment aspects of your organisation.

- Yes

**PE 05.2**

Indicate how your fund placement documents (PPMs or similar) refer to the following responsible investment aspects of your organisation:

- Policy and commitment to responsible investment
  - Always
  - In a majority of cases
  - In a minority of cases
- Approach to ESG issues in pre-investment processes
  - Always
  - In a majority of cases
  - In a minority of cases
- Approach to ESG issues in post-investment processes
  - Always
  - In a majority of cases
  - In a minority of cases

**PE 05.3**

Describe how your organisation refers to responsible investment in fund placement documents (PPMs or similar). [Optional]

3i's most recent private equity fundraising was completed prior to the introduction of the current responsible investment policy in 2011. It is anticipated that future fund placement documents will include specific reference to 3i's policy and approach.

- No
- Not applicable as our organisation does not fundraise

## Pre-investment (selection)

**PE 07**

**Mandatory**

**Gateway**

**PRI 1**

**PE 07.1**

Indicate if your organisation typically incorporates ESG issues when selecting private equity investments.

- Yes

**PE 07.2**

Describe your organisation's approach to incorporating ESG issues in private equity investment selection. [Optional]

The 3i investment selection process can be broken down into three key stages; Early stage, Due diligence and Investment. Consideration of ESG issues occurs at each stage in the investment process to ensure that new investment opportunities meet the minimum standards required of 3i portfolio companies. The process is followed consistently across the private equity business, there are no differences in how ESG issues are considered across sectors or geographic regions. ESG is an agenda item at each stage in the investment decision process.

### Early Stage

- The opportunity is screened against 3i "exclusion and referral" lists, which identify businesses and activities in which 3i will not invest and those which are particularly sensitive or potentially involve material reputational issues and may necessitate more in-depth due diligence or risk assessment and require approval from 3i's CEO and General Counsel before the opportunity can be progressed

- The deal team conducts an initial assessment of the opportunity using a proprietary online Responsible Investment toolkit which provides screening and risk assessment tools for environmental, social, anti-bribery and corruption risks. An output from the toolkit highlights the potential risks presented and areas where further due diligence should be completed. The output is attached to the Investment Committee paper for review and discussion

#### Due diligence

High-level ESG risks identified at the Early Stage are investigated in more depth, typically involving external ESG due diligence experts. The objective of the ESG due diligence is to confirm that the potential investee company:

- complies with all applicable local laws relating to environmental, social, health and safety, extortion, bribery and corruption matters;
- can demonstrate that it has the commitment, capacity and track record to effectively identify, monitor and manage the potential ESG risks facing its business (e.g. by having or committing to put in place: specific policies; regular reporting to the board; adequate management systems; clear assignment of responsibility; adequate training for staff and low injury and accident rates);
- where 3i's due diligence identifies actual, material environmental or social risks, is committed to implementing (within an agreed timeframe) appropriate measures to mitigate those risks which may include meeting relevant international standards (where these are more stringent than applicable local laws); and
- where 3i's due diligence identifies actual, material bribery risks, is committed to implementing (within an agreed timeframe) improvements or additions to its anti-bribery principles and bribery prevention procedures which are appropriate to its business and the bribery risks it faces.

#### Investment decision

- Where appropriate, insert conditions into the investment agreement and relevant actions to be addressed in the 180 day plan in respect of ESG issues
- Following completion of the investment, an independent ESG review of each investment process is completed by an external consultant, the output of which includes:
  1. An evaluation of the ESG due diligence conducted and the 180 day post-investment plan
  2. A report on the material ESG risks and opportunities for the investment
  3. A completed ESG questionnaire used for future portfolio monitoring purposes

No

PE 09	Mandatory	Core Assessed	PRI 1,3
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PE 09.1	Indicate which E, S and/or G issues are typically considered by your organisation in the investment selection process and list up to three typical examples per issue.
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#### ESG issues

Environmental

	List up to three typical examples of environmental issues
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Pollution and greenhouse gas emissions (e.g. air, water or land pollution, industrial manufacturing, oil and gas extraction and refining, power generation, waste disposal, mining)

Waste production (e.g. activities that produce solid, hazardous or chemical waste)

Depletion of non-renewable natural resources (e.g. coal, sealife, fresh water, timber and certain metals, minerals and other raw materials)

Social

List up to three typical examples of social issues

Health and safety issues

Product safety and quality issues (e.g. food and non-food consumer / retail, pharmaceuticals, medtech, healthcare services)

Labour rights issues (e.g. child / forced labour, minimum wages, discrimination, workers' representation, use of migrant workers, working conditions)

Governance

List up to three typical examples of governance issues

Corporate governance issues (e.g. independent auditors, establishment of separate remuneration and audit committees, composition of the Board and independence of the Chairman)

Bribery and Fraud

IT system failure

## Post-investment (monitoring and active ownership)

PE 13

Mandatory

Gateway/Core Assessed

PRI 2

PE 13.1

Indicate whether your organisation incorporates ESG issues in investment monitoring of portfolio companies.

Yes

PE 13.2

Indicate the proportion of portfolio companies where your organisation included ESG performance in investment monitoring during the reporting year.

- >90% of portfolio companies
- 51-90% of portfolio companies
- 10-50% of portfolio companies
- <10% of portfolio companies

(in terms of total number of portfolio companies)

PE 13.3

Indicate ESG issues for which your organisation typically sets and monitors targets (KPIs or similar) and provide examples per issue.

### ESG issues

Environmental

List up to three example targets of environmental issues

Does the company have a policy on pollution and greenhouse gas emissions?

Does the company have a policy on waste production?

Does the company have a policy on depletion of non-renewable natural resources?



Social

List up to three example targets of social issues

Does the company have a health and safety policy?

Does the company have a supplier code of conduct in place? How may suppliers have agreed to it?

Governance

List up to three example targets of governance issues

Are monthly management accounts circulated within 21 days of the month end?

Does the company have a tested business continuity plan in place?

Is there a clear whistle-blowing policy in place?

We do not set and/or monitor against targets

No

**PE 13.4** Additional information. [Optional]

ESG issues are considered in the investment monitoring of all portfolio companies across 3i's Private Equity business. In addition, ESG issues are considered at portfolio companies which represent the greatest ESG risks. These issues and KPIs are reviewed twice a year for the majority of the portfolio.

There are a number of non-core assets in the 3i private equity portfolio (held on balance sheet, not in third party funds), including investments where 3i's level of influence is much lower. Regular monitoring of ESG performance at these companies is more challenging.

**PE 14**

**Mandatory**

**Core Assessed**

**PRI 2**

**PE 14.1**

Indicate if your organisation tracks the proportion of your portfolio companies that have an ESG/sustainability-related policy (or similar guidelines).

Yes

No

**PE 14.3** Additional information. [Optional]

All portfolio companies are required to devote appropriate time and attention to ESG risks and opportunities at Board level. However, we do not track the proportion of portfolio companies that have a formal ESG policy in place.

## Communication

**PE 20**

**Mandatory**

**Core Assessed**

**PRI 6**

**PE 20.1**

Indicate whether your organisation proactively discloses ESG information on your private equity investments.

- Disclose publicly
- Disclose to investor clients (LPs)/beneficiaries only

**PE 20.5**

Indicate the type of ESG information that your organisation proactively discloses to your clients (LPs)/beneficiaries.

- ESG information in relation to our pre-investment activities
- ESG information in relation to our post-investment monitoring and ownership activities
- Information on our portfolio companies' ESG performance
- Other, specify

**PE 20.6**

Indicate your organisation's typical frequency of disclosing ESG information to your clients(LPs)/beneficiaries.

- Quarterly or more frequently
- Semi annually
- Annually
- Every two years or less frequently
- Ad-hoc, specify

**PE 20.7**

Describe the ESG information and how your organisation proactively discloses it to your clients (LPs)/beneficiaries. [Optional]

3i provides detailed portfolio reporting to LPs on a semi-annual basis, including a two page update on each portfolio company which includes a section on ESG. This section is updated semi-annually with commentary on the key ESG risks and initiatives at every portfolio company in the relevant fund, including at exit. This information is written and updated by the investment teams, covering five key topics:

- Key ESG risks associated with the sector/ environment in which the company operates, and whether this company is impacted by these
- The portfolio company's ESG strategy
- ESG initiatives currently underway, including whether third party advisors have been engaged
- ESG issues in the period
- Any ESG factors relevant to valuation and/or exit

- No proactive disclosure to the public or to clients (LPs)/beneficiaries