

Sustainability

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A responsible approach

We invest with the objective of generating attractive returns through the cycle for our shareholders and co-investors. We aim to achieve this objective sustainably by behaving responsibly as an investor, an employer and a corporate citizen.

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

We are a small organisation of approximately 250 employees. With assets under management of £29.9 billion, the impact of our actions on the environment and society is determined largely by our portfolio. We invest in and manage our portfolio responsibly, with regard to the consequences of our actions on stakeholders. This practice is built on our values, strong governance and robust processes, both at 3i itself and at its portfolio companies. This approach has allowed us to earn the trust of our shareholders, co-investors and investee companies, and to recruit and develop employees who share our values and ambitions.

This section aims to summarise our approach to sustainability. For the full picture, please read it in conjunction with the rest of the Annual report, including our TCFD disclosures on pages 60 to 66, our Sustainability report, which also includes our Global Reporting Initiative ("GRI") content index and Sustainability Accounting Standards Board ("SASB") disclosures, as well as our sustainability policies, which are available on our website.



» SUSTAINABILITY REPORT
www.3i.com/sustainability/sustainability-reports-library
 » SUSTAINABILITY POLICIES
www.3i.com/sustainability/sustainability-policies

Our sustainability strategy is defined by three key priorities:

1 Invest responsibly

+ PAGE 44

2 Recruit and develop a diverse pool of talent

+ PAGE 52

3 Act as a good corporate citizen

+ PAGE 57

1 Invest responsibly

We believe that a responsible approach to investment adds value to our portfolio. As a proprietary capital investor, we invest selectively in a few businesses every year, giving due consideration to the sustainability of investee companies' activities before deploying capital and throughout the holding period. We buy majority or significant minority holdings in our core portfolio companies and are represented on their boards, which enables us to ensure that they assess their environmental or social impacts, devise strategies to mitigate them, and invest in the development of sustainable goods and services.

Our approach is based on the four pillars:

| | |
|---------------------------------------|----------------------|
| Long-term stewardship | + PAGE 14 |
| Thematic origination | + PAGES 16-17 |
| Careful portfolio construction | + PAGE 14 |
| Assessment and management | + PAGES 45-46 |

We refine our approach continuously. We have a formal ESG Committee, composed of professionals drawn from across the organisation with a broad range of functional expertise, which is responsible for further embedding and advancing our responsible investment practices within the organisation and advising the Chief Executive, directly and through our Investment and Group Risk Committees, on ESG-related matters.

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

In FY2023, we embedded dedicated sustainability resource in our Private Equity and Infrastructure investment teams. This has accelerated the implementation of a range of sustainability initiatives across the portfolio, enhanced the quality of our engagement with portfolio companies on ESG themes and improved our assessment of sustainability factors in our investment and value creation processes.

Our Responsible Investment policy

Our Responsible Investment ("RI") policy sets out the types of businesses in which 3i will not invest, as well as minimum standards in relation to ESG matters which we expect new portfolio companies to either meet or commit to meeting over a reasonable time period. We screen all investments against the RI policy, irrespective of their country or sector.

3i's objectives as set out in the RI policy are to invest only in businesses which are committed to:

The environment

A cautious and responsible approach to the environmental management of their business operations (and those of their supply chain) by making efficient use of natural resources and mitigating environmental risks and damage.

Business integrity

Upholding high standards of business integrity, avoiding corruption in all its forms, and complying with applicable anti-bribery, anti-fraud, anti-money laundering and data protection laws and regulations.

Fair and safe working conditions

Respecting the human rights of their workers and of the people working in their supply chain; maintaining safe and healthy working conditions for their employees, contractors and the people working in their supply chain; treating their employees fairly; upholding the right to freedom of association and collective bargaining; treating their customers fairly and respecting the health, safety and wellbeing of those affected by their business activities.

Good governance

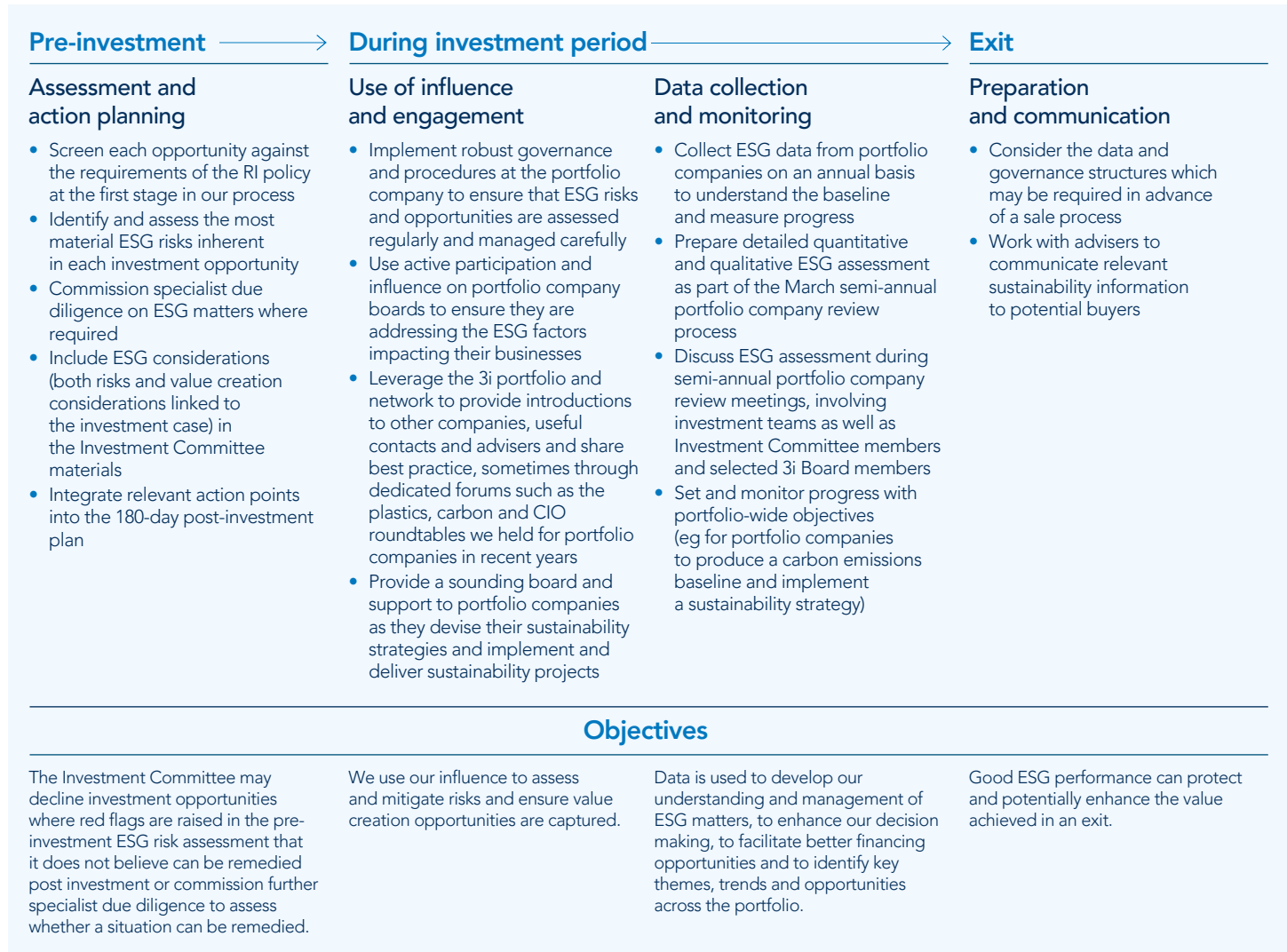
Implementing a strong corporate governance and risk management culture and complying in form and substance with established best practice in corporate governance which is appropriate to the relative size and complexity of the relevant business and the markets in which it operates.

>> SUMMARY OF OUR RESPONSIBLE INVESTMENT POLICY
www.3i.com/sustainability/sustainability-policies

Invest responsibly continued

Assessment and management of ESG factors in our investment and portfolio management processes

The active management of ESG risks and opportunities is key to our value creation process and to maintaining our reputation as a responsible investor. We embed an assessment of the long-term sustainability of existing and new investments in our processes. Once invested, we support companies as they develop strategies and respond to stakeholder expectations, and we gather data to measure progress against ESG objectives. This enables us to prepare companies ahead of any exit opportunity.



ESG risks in our portfolio

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

We carried out our initial, top-down climate scenario analysis to model the impact of climate change on our Private Equity and economic infrastructure portfolio companies, in line with TCFD recommendations, and are currently refining and improving our approach to scenario analysis to better understand climate physical and transition risks in our portfolio.

Our annual stress test scenario planning, which underpins our Viability statement, also models environmental impact on our portfolio using the results of the portfolio companies' ESG assessments. Our approach to managing these risks is set out in the Sustainability report.

The key ESG risks that our portfolio companies were exposed to during the year were environmental and social regulation, climate change, cyber security, fraud, sanctions, occupational health and safety and the residual impact of Covid-19. Our approach to the management of these risks is set out in the Sustainability report. Our approach to climate risk management and information on our use of scenario analysis are set out in our TCFD disclosures on pages 60 to 66.

- +** PAGES 78-91 Risk management
- +** PAGES 60-66 TCFD disclosures

»» SUSTAINABILITY REPORT
www.3i.com/sustainability/sustainability-reports-library

Invest responsibly continued

Proactive engagement with our portfolio

Once invested, we use our influence with portfolio companies with a view to ensuring, over the life of the investment, that they have a proportionate sustainability strategy in place. This involves:

- board or management-level responsibility and appropriate governance, reporting structures and resourcing to manage ESG risks and opportunities that may impact their business over the holding period;
- considering the material ESG and sustainability factors that have the potential to impact their business on a regular basis;
- measuring their carbon footprint (Scopes 1 and 2 at a minimum) and considering appropriate reduction targets;
- ensuring they are well prepared to meet regulatory requirements; and
- considering stakeholders in their management of ESG and sustainability issues and communicating transparently.

We leverage our knowledge and expertise across our portfolio and facilitate the sharing of best practice, either through relevant introductions, or through thematic forums, such as the plastics, carbon and CIO roundtables we held for our portfolio companies in 2019, 2021 and 2023. In addition, ESG is frequently on the agenda of portfolio events, such as our biennial CEO and chairman forums, where it is addressed through expert presentations or panel discussions involving portfolio company management teams. For example, ESG was a key agenda item at our portfolio company CEO and chairman forum in October 2022, where five portfolio company CEOs from across the Private Equity and Infrastructure portfolios shared their experiences and the benefits of embedding sustainability into their operations.

88%

of portfolio companies with board or management team specific responsibility for ESG management and compliance¹

45%

of portfolio companies publish sustainability reports¹

¹ Excluding PPP project investments and some legacy minority and other minority investments where we have limited influence.

In the case studies that follow, we show examples of how we have engaged with portfolio companies and supported their actions across a number of material ESG themes.



SUSTAINABILITY REPORT

www.3i.com/sustainability/sustainability-reports-library

Action

Sustainability is an integral aspect of Action's strategy. Action is committed to making sustainability accessible for everyone by continually investing to improve the quality and sustainability of its products and stores.

Action's Sustainability Programme is structured around the four pillars of people, planet, product and partnerships, each with clear and measurable KPIs and targets. We highlight below the progress Action has made on some of its priorities.

Progress on material topic: GHG emissions reduction

Key commitments

- 60% reduction in Scope 1 and 2 emissions by 2030 (2021 baseline)

Progress to 2022

- 40% reduction in Scope 1 and 2 emissions in 2022 compared to 2021
- 85% of stores disconnected from gas grid
- 90% of electricity used or consumed from renewable sources
- 95% of stores fitted with LED lights

Action is committed to reducing the absolute emissions from its own operations and to decreasing the impact the company has on the environment. In support of this, it has set an ambitious reduction target with several initiatives underway, including disconnecting its store base from the gas grid, installing solar panels on some DCs and stores, procuring electricity from renewable sources, as well as various other energy efficiency measures, such as the installation of LED lights in stores.

Action is also working to reduce the emissions associated with its logistics and delivered a 13% reduction in transportation emissions from its own trucks in 2022, driven primarily by piloting the use of biofuels. The business will take this further in 2023 by piloting the use of electric trucks.

The company has entered into a collaboration with key logistics partner Maersk to lower the emissions of its sea freight operations through Maersk's ECO Delivery programme, which involves the replacement of fossil fuels with ISCC certified green fuels. This will result in the reduction of Action's Scope 3 emissions by an estimated 29,000 tonnes of CO₂ in the current calendar year.

Importantly, Action is in the process of calculating its Scope 3 emissions to determine future targets and reduction strategies throughout the value chain.

Invest responsibly continued



Progress on material topic: responsible sourcing

Key commitments

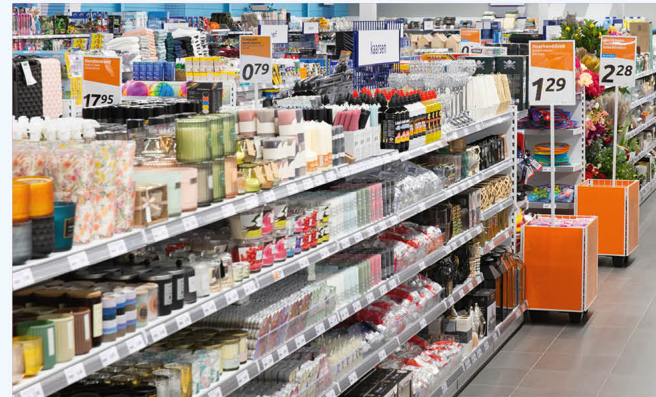
- 100% sustainably sourced cotton by 2023
- 100% sustainably sourced cocoa (private label products) by 2023
- 100% sustainably sourced timber by 2024
- 100% private label and white label Tier 1 supply chain transparency by 2025

Progress to 2022

- 90% of cotton sustainably sourced (BCI/organic/recycled)
- 100% of own brand chocolate sourced with Fairtrade cocoa
- 92% of timber products sustainably sourced (FSC/PEFC)
- Launched partnership with ImpactBuying to improve supply chain transparency across product categories
- Engaged the consultancy firm Enact to assess and improve supplier due diligence practices
- 100% private label product transparency (Tier 1 suppliers) achieved in 2022
- 98% of direct import factories in high-risk countries assessed on social impacts through social audits and spot checks
- Piloted the amfori BEPI assessment

Action has a global supply chain and is committed to sourcing its products responsibly with consideration for the environment, human and labour rights. The company uses a number of tools to achieve this ambition, including:

- an ethical sourcing policy, accepted by suppliers and which is built upon recognised international frameworks;
- responsible sourcing policies for timber products, cotton, cocoa, chemicals, plastics and packaging, implemented through third-party certification with partners such as FSC, Better Cotton and Fairtrade; and
- robust due diligence procedures on suppliers and factories, including a programme of social audits and spot checks applied to direct import suppliers, which can result in remediation actions or in the termination of supplier relationships.



Progress on material topic: product circularity and sustainable packaging

Key commitments

- 100% recyclable packaging by 2025 (excluding A-brands)
- 25% weight reduction target for the primary packaging of its fixed assortment (private and white label products) by 2025 (from 2019 baseline)

Progress to 2022

- Currently assessing a product circularity goal
- Completed circularity baseline assessments for all 14 product categories
- Improved 10 category scores from original baselines
- 100% of private label packaging recyclable (no PVC or black plastics)
- Launched sustainable packaging policy to aid buyers in purchasing decisions

Action strives to improve product circularity, which is managed per product category. It has completed circular baseline assessments for each of its 14 product categories and set targets to improve the circularity scoring of each of these. Its Buying and Quality teams have been supported by Circle Economy, a circularity specialist, to improve their awareness and implementation of circularity through product sourcing. Action has also implemented policies for unsold and damaged goods which are separated into resaleable products or waste, which is separated and reused where possible.

The company also aims to mitigate the negative impact caused by pollution from packaging by increasing the use of renewable materials, reducing the weight and improving the recyclability of packaging.



ACTION UPDATE 2022
www.update2022.action.com/update2022/home

Invest responsibly continued

TCR

TCR is an independent lessor of airport ground support equipment ("GSE") and operates at over 180 airports across the world. It aims to ensure that the equipment rented to its customers at airports is available and in good working condition to fulfil its mission: securing swift, on-time, safe and efficient ground handling operations whilst reducing costs for its customers and its environmental impact.

TCR identified GHG emissions and health and safety as the two most relevant ESG issues in a materiality assessment carried out in 2019. The outcome of this survey shaped TCR's sustainability strategy which was developed in 2021 and is now fully embedded within the organisation.

Progress on material topic: GHG emissions reduction

TCR determined that nearly two thirds of its carbon footprint in 2021 was linked to the utilisation of GSE by its customers, or the fuel combustion of GSE it rents out.

TCR focused its efforts on supporting its customers in reducing GHG emissions from the utilisation of its fleet by:

- optimising the use of GSE, eg reduction of idle running and use of telematics;
- optimising the fleet size, eg "pooling" projects to share equipment between customers; and
- encouraging the procurement of green GSE and converting existing diesel GSE to alternative energy sources.

To encourage its customers to adopt green GSE, TCR proposes and procures alternative low-carbon equipment wherever possible, particularly on GSE categories identified as high emitting (such as buses, ground power units and pushback tractors). It is helping customers in implementing electric GSE replacement plans where airport charging infrastructure allows, and working on a diesel-to-electric GSE conversion strategy where replacement is not feasible. TCR's objective is for 60% of new GSE capex investments to be green by 2030 (vs 22% today).

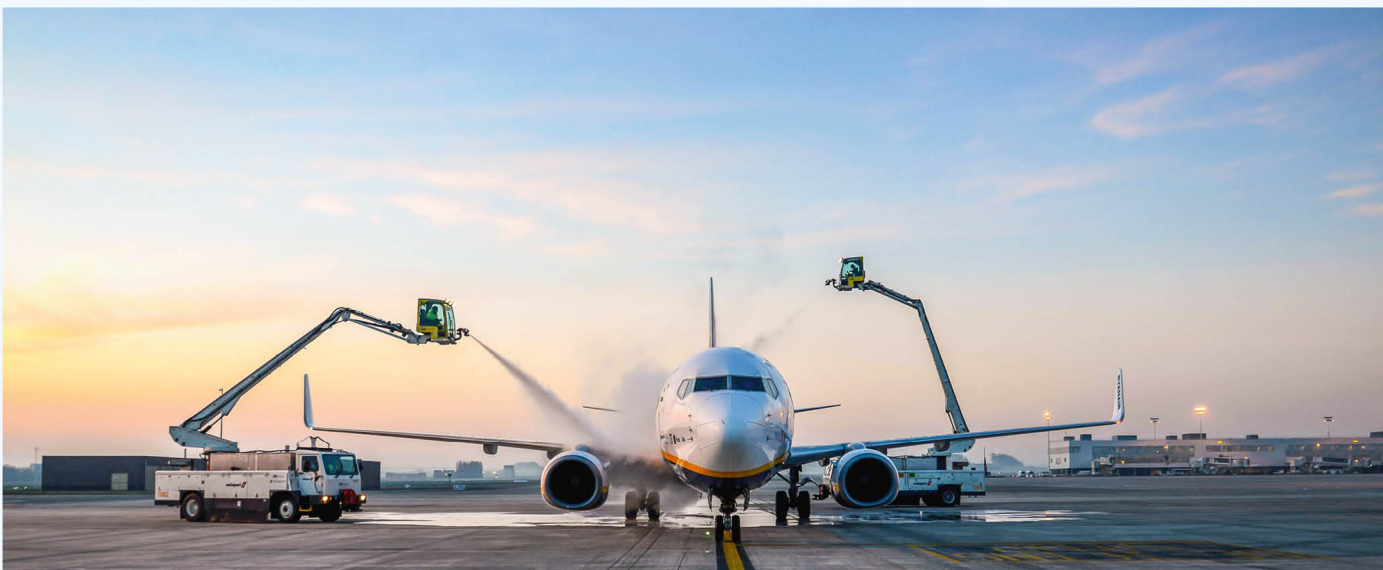
Progress on material topic: health and safety

TCR monitors health and safety performance on a monthly basis and has seen a decreasing incident trend since 3iN's initial investment in 2016. In the early years of 3iN's ownership, 3i ensured TCR's management made safety a priority for the business, requesting increased resources, improved reporting and safety to be discussed first at each board meeting. Safety gradually became part of the company's culture and embedded into the organisation. The health and safety management at TCR became more proactive, with the introduction of additional training, inspections and monitoring of leading indicators at regional and country level.

Safety remains an important topic of attention. In 2021 the business launched quarterly group safety newsletters, participated in international safety campaigns, ran a group-wide campaign with regards to tyre handling, organised internal awareness initiatives and implemented a new occupational health and safety management platform with additional functionality to further reduce incidents in the workplace. This was supplemented in 2022 with the launch of the "TCR academy", an online tool which includes resources on safety standards, as well as with a campaign to promote increased safety awareness among employees.

TCR has also established a set of standards and processes to ensure the safety of its customers' employees, from GSE procurement, where the highest specification standards are chosen, through to operations, where training programmes are provided to end users, and maintenance, where assets are being maintained properly, in time and to the highest standards. TCR is also ensuring its customers have the tools to report any defect or safety issue in the most efficient way possible.

» TCR GROUP'S 3x3 STRATEGY FOR SUSTAINABILITY
www.tcr-group.com/about-us/esg



Invest responsibly continued

Evernex

Evernex is the European leader in third-party IT infrastructure maintenance, providing services to over 10,000 customers globally by supporting critical IT systems used in data centres such as servers, storage and network hardware. The service model offers a circular IT solution incorporating the principles of repair, reuse and recycling by extending equipment life by up to 15 years, refurbishing spare parts for reuse and offering a Waste from Electrical and Electronic Equipment compliant recycling service to prevent end-of-life equipment from becoming landfill waste.

Eighty percent of the lifetime emissions of IT equipment come from the manufacturing process. Evernex supports its customers to reduce waste and their carbon footprint, while reducing opex and capex, by managing the lifecycle of their existing equipment. In 2021, the company provided service to nearly 360,000 assets worldwide and prevented the emission of c.114,000 tCO₂e by delaying or avoiding equipment upgrades.

Progress on material topic: circular spare parts and recycling

Evernex buys and refurbishes second-hand parts and reuses components where possible, enabling the company to act as a worldwide broker of refurbished spares, including parts that are no longer available from the original manufacturer. Currently, 30% of the components received by Evernex as "IT waste" are reused, representing more than 142,000 spare parts and more than 6,000 servers put back in service every year. The remaining 70% contains valuable minerals such as steel and ores which are separated into secondary raw materials which re-enter the production cycle. Overall, 95% of computer equipment waste received by Evernex is recycled (500 tonnes). The company has over 330 stocking locations and 850,000 IT parts in stock globally, ensuring that customers have access to the spare parts they need locally, with minimal carbon impact from delivery. Shipments from the warehouse to stocking locations are grouped as much as possible to enable both efficiency and reduced environmental impact.

To support future growth in its recycling activities, in October 2022 Evernex opened a new 6,000m² facility in Mityr-Compans, France. The opening of this facility, the largest reconditioning and recycling site for second-hand parts in EMEA, represents a key pillar of the company's strategy by significantly increasing capacity for future recycling. Spare part processing capacity has potential to increase by 30%, while storage capacity will also increase by 40%.

Progress on material topic: GHG emissions reduction

Evernex was selected by ADEME, the French Agency for Ecological Transition, to join a three-year programme to establish a climate strategy, transition plan and decarbonisation roadmap. In 2022 the company completed the first year of the "ACT" – Assessing Low Carbon Transition programme which involved establishing a full baseline and conducting an initial maturity assessment. This assessment demonstrated that most of Evernex's emissions are derived from Scope 3 and over 90% result from the supply chain, sourcing and delivering materials, and shipping parts to customers. Analysis also demonstrated the benefits of Evernex's reliance on second-hand spare parts, leading to 6,570 tCO₂e of avoided emissions compared to buying new ones.

Currently in the second year of the ACT programme, Evernex is training its executive committee, building a reduction trajectory and action plan to achieve it, and establishing ongoing carbon performance KPIs in line with external frameworks which include TCFD, CDP and the SBTi.

Evernex's customers are provided with Carbon Footprint Reduction certificates to raise awareness of the decarbonisation benefits provided through the Sustainable IT maintenance programme.



EVERNEX CORPORATE SUSTAINABILITY REPORT
www.evernex.com/sustainability-and-csr

Invest responsibly continued

Audley Travel

Founded in 1996, Audley is the UK market leader in tailor-made travel. Since 3i invested it has made significant progress in developing its approach to sustainability.

Progress on material topic: GHG emissions reduction

Audley has taken steps to assess and reduce its corporate carbon footprint over many years, for example by moving all offices to renewable energy tariffs, reducing energy consumption, and installing electric car charging points and solar panels at its headquarters. As a result the company was able to deliver a c.50% reduction in Scope 1 and c.83% reduction in Scope 2 emissions between 2019 and 2022.

In 2022 Audley measured its Scope 3 emissions associated with client trips, including an assessment of the total distance travelled and hotel stays in each location.

Audley has used this data to identify ways to reduce its Scope 3 intensity, and has set a goal to reduce the carbon footprint of its trips on a per person per day basis. It intends to achieve this by working with local partners to identify changes including the use of more electric vehicles for transfers, and supporting accommodation and cruise providers to explore ways to reduce their emissions. Audley also continues to engage with its airline partners on their emissions reduction plans.

Audley submitted a commitment letter to the SBTi at the end of 2022. It has been awarded the silver World Responsible Tourism award for “Decarbonising Travel and Tourism” in acknowledgement of its efforts to date.

Progress on material topic: responsible travel

Audley appointed a dedicated Responsible Travel and Sustainability Manager in 2019. When creating experiences, the company prefers to work with local partners where possible and offer small boutique hotels and unique local tours, leaving much-needed income within destination countries. In addition to focusing on local experiences, Audley has taken further steps to identify experiences and accommodation that put a purposeful focus on supporting local businesses, educating staff, challenging local norms or promoting conservation and biodiversity efforts. Any experience identified must be leading the way in the community, not just meeting a local minimum standard. By clearly identifying these accommodations and tour options, Audley can offer clients sustainable choices and allow them to make a positive contribution to the local environment or local community as part of their trip. In 2022 over 100 experiences were highlighted and Audley plans to identify at least 100 more in 2023.

» AUDLEY TRAVEL RESPONSIBLE TRAVEL AND SUSTAINABILITY REPORT 2023
www.audleytravel.com/about-us/responsible-travel



Invest responsibly continued

Scandlines

Scandlines operates ferry services between Germany and Denmark, along two routes: Puttgarden-Rødby and Rostock-Gedser. Its ferry fleet includes six hybrid ferries and a freight ferry which also acts as a replacement ferry when required. In 2021, Scandlines set an ambitious target of achieving zero Scope 1 and 2 emissions on its Puttgarden-Rødby route by 2030, and on the Rostock-Gedser route and other parts of the business by 2040. It has identified environmental protection, health and safety, people and a healthy supply chain among its sustainability priorities.

Progress on material topic: GHG emissions reduction and environmental protection

Scandlines has invested significantly toward its zero direct emission vision and expects green investments to total approximately €400 million in the period from 2013 to 2024.

The four passenger ferries it operates on its Puttgarden-Rødby route were converted to hybrid ferries in 2013/14. They have now all been equipped with new thrusters, reducing CO₂ emissions further and bringing down noise levels, thereby improving conditions for marine life.

The two ferries it operates on its Rostock-Gedser route were built as hybrid ferries in 2016. These newer ferries were tailor-made for the route to optimise for shallow waters and to reduce fuel consumption. A rotor sail was installed on both ferries in 2020 and 2022 respectively, introducing wind power technology and further reducing emissions. With these ferries, fuel consumption can be reduced by two thirds per trip, per car, compared to previous ferries.

As a key step towards its net zero vision, in 2021 Scandlines ordered a new zero direct-emission freight ferry which is expected to be commissioned on the Puttgarden-Rødby route in 2024.

Additionally, Scandlines switched all land-based electricity contracts to renewable sources in 2021, reducing the CO₂ footprint of the business by more than 1,800 tonnes, and installed 34 additional charging stations for electric and hybrid cars at all its ports in 2022.

During 2022, Scandlines increased its efforts to improve emission calculations. Scandlines established its Scope 3 emission inventory confirming that purchased goods and services as well as fuel and energy-related emissions comprise most of the indirect emissions. Further, Scandlines has partnered with Reflow, a Danish climate tech start-up, to use its cutting-edge technology to produce a lifecycle assessment of the new ferry. This will allow Scandlines to run simulations of green technology so that it can develop and improve the design in the future.

Scandlines estimates that various initiatives it has implemented since 2019 have allowed it to reduce CO₂ emissions by 12% per trip.



FOR MORE INFORMATION

www.scandlines.com/about-us/our-green-agenda

2 Recruit and develop a diverse pool of talent

Our people are our main asset. Recruiting, retaining and developing our talent is therefore a priority. We have an open and non-hierarchical culture, provide an inclusive and supportive working environment with opportunities for training and career development and foster the physical and mental wellbeing of our employees. We value diversity and believe that a variety of perspectives enhances our decision making. Our employees are recruited, promoted and rewarded on merit. We are an equal opportunities employer and prohibit all forms of discrimination.

Human rights

Our policies are consistent with internationally-recognised human rights principles such as the UN Global Compact. We comply fully with applicable human rights legislation in the countries in which we operate, for example covering areas such as freedom of association and the right to collective bargaining, equal remuneration and protection against discrimination. We also encourage our business partners and suppliers to adopt the same standards with respect to human rights.

+ PAGE 58
Modern slavery

>> OUR MODERN SLAVERY STATEMENTS
www.3i.com/sustainability/modern-slavery

Equal opportunity, diversity and inclusion

3i is an equal opportunities employer and prohibits unfair discrimination.

We have made reasonable progress in achieving greater diversity within our organisation, including across a number of senior investment and non-investment roles. We nonetheless strive to continue improving our performance on an ongoing basis. We consider diversity in all recruitment processes and explore initiatives to address the perceived barriers to entry into our sector. However, we are a small organisation with relatively low turnover and recruitment volumes, which means that achieving greater diversity will be a gradual process. To reinforce our commitment to equal opportunities, our line managers have received training on unconscious bias, focused on raising awareness of the attitude and behaviours associated with a range of important line manager activities, such as performance management, team leadership and, where relevant, recruitment activity.

In FY2022, we engaged a specialist Diversity, Equity and Inclusion ("DE&I") consultancy, which supported us in building upon our DE&I practices. As a result of this work, in FY2023 we launched a number of practical initiatives to improve our practices further, including:

- the **Leading with Impact Programme**, which encourages leaders to reflect on personal and group biases and the possible impact of these on their everyday behaviours and decision making. This programme was rolled out initially to partners and directors in our Private Equity and Infrastructure investment teams, and will be rolled out to functional heads and directors in the course of FY2024; and
- an **internal mentoring programme** open to all employees across all geographies and levels of seniority, which contributes to our DE&I efforts by ensuring that mentees are nurtured based on their diverse needs and individual career aspirations. All mentors are trained in bias awareness and inclusion, building their DE&I knowledge, skills and confidence, which contributes to our wider goals of creating a diverse pipeline of talent based on the principles of fairness and equity.

As part of our DE&I Strategy we are considering how we work as individuals and in our teams to determine ways in which we can improve our effectiveness and inclusivity. In FY2023 we invited our Private Equity and Infrastructure business line employees to complete the Myers Briggs Type Indicator ("MBTI"), one of the most widely used tools for understanding normal personality differences among people and a great instrument when considering the professional development of individuals and teams. Following the completion of the MBTI online questionnaire, we explored our preferences in externally facilitated sessions. We will carry out the same exercise for our professional services employees in FY2024.

Since the end of FY2023 we have set up a DE&I steering group chaired by our Chief Human Resources Officer and with members drawn from diverse functions across the organisation. This steering group will drive the DE&I agenda by monitoring progress against our objectives, ensuring alignment and collaboration across the Group, and by enabling each business area to have a voice and bring forward ideas for review and approval and to be put forward to our Executive Committee.

We continue to take part in a number of initiatives to improve DE&I at 3i and within our industry more broadly. These initiatives, which focus on gender, ethnic and social diversity, are described on pages 53 and 54. Our programme of diversity and inclusion talks continued in FY2023, with talks from the current chair of Level20, a co-founder of the #10000BlackInterns Initiative and representatives of The Children's Society.

No incidents of discrimination were reported in FY2023.

249

Employees

as at 31 March 2023

26

Nationalities

>> OUR EQUAL OPPORTUNITIES AND DIVERSITY POLICY
www.3i.com/sustainability/sustainability-policies

Recruit and develop a diverse pool of talent continued

Ethnic diversity

We continue to make good progress towards the fair representation of ethnic minorities within our organisation.

The McGregor-Smith review on "Race in the Workplace", published on 28 February 2017, highlighted the under-employment and under-promotion of people of ethnic minority backgrounds in UK businesses and made the case for more inclusive organisations. The review noted that, while one in eight of the UK working age population in 2015 was from an ethnic minority background, individuals from ethnic minorities made up only 10% of the workforce and held only 6% of top management positions. As at 31 March 2023, at least one in eight of 3i's total UK employees were people with an ethnic minority (excluding white minority) background, based on the responses to a DE&I survey we carried out for our UK office earlier in the year. In addition, the proportion of our UK-based employees from an ethnic minority (excluding white minority) background in mid to higher salary brackets significantly exceeded the one in eight proportion.

In FY2023, we appointed the first Director from an ethnic minority background to our Board. Jasi Halai was promoted from Group Financial Controller to Chief Operating Officer and became a member of the Board as an Executive Director in May 2022. Jasi joined 3i in 2005 and has held a number of positions in the organisation. Her promotion to the Executive Committee and Board demonstrates 3i's commitment to growing its own talent and fostering diversity within its ranks.

We are also committed to advocating for better representation of ethnic minorities in our industry. We have been participating in the #10000BlackInterns (formerly #100BlackInterns) initiative since 2021.

Social diversity

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

Since 2021 we have also been collaborating with Speakers Trust, which has over 15 years of experience in providing high quality, professionally-delivered workshops, events and educational resources on public speaking and communication skills. These are enablers of social mobility and help build a stronger society in which the voices of young people are heard, irrespective of their background.

Gender diversity

Achieving better gender diversity is important to 3i and we believe we are making reasonable progress in that respect, within the constraints of a small organisation with modest staff turnover. Of the 41 new hires we made during the year, 15 were female and 26 were male. Note that we refer to "female" and "male" when discussing biological sex and to "women" and "men" when discussing gender.

As at 31 March 2023, 3i's total of 249 employees was broken down as follows, based on biological sex¹:

| | Female | Male | Total |
|------------------------------|--------|------|------------|
| 3i employees | 100 | 149 | 249 |
| Senior managers ² | 10 | 31 | 41 |

¹ The information of biological sex is gathered through employees' legal documents shared with us.

² Senior managers exclude Simon Borrows, James Hatchley and Jasi Halai, our Chief Executive, Group Finance Director and Chief Operating Officer, who are included as Board members. This disclosure is based on the requirements of Section 414C of the Companies Act 2006.

Gender diversity is an issue that the investment industry has long struggled with. According to the BVCA and Level 20 Diversity & Inclusion Report 2021, women made up 38% of the private equity and venture capital workforce in 2020 and only 20% of investment team professionals. Slow progress towards gender parity has been largely attributed to: (i) a narrow candidate pool, as typical feeder industries (such as investment banking, accounting and consulting) remain male-dominated, particularly at more senior levels; (ii) a perception of poor work/life balance, both in the investment industry and feeder industries; and (iii) a lack of relevant role models.

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

We contribute to industry-wide work and advocacy on gender parity through a number of industry associations, by being an official sponsor of Level 20 and through our participation in the GAIN Empower Investment Internship Programme.

Recruit and develop a diverse pool of talent continued

3i participates in the #10000BlackInterns initiative

Following the successful launch of #100BlackInterns in which 3i participated in 2021, the #10000BlackInterns initiative was set up in 2022 to help further transform the horizons and prospects of young black people in the United Kingdom. The programme seeks to offer 2,000 internships each year for five consecutive years. To deliver this initiative #10000BlackInterns has partnered up with firms from 24 different sectors, delivering internships across a range of business functions.

Since its launch, the programme has garnered extraordinary support with over 700 companies offering internships to black students in the UK as a way of attracting a more diverse range of talent to their sectors.

We welcomed two students for paid internships in our investment teams in each of the summers of 2021 and 2022 and will welcome one student in the summer of 2023.

» FOR MORE INFORMATION
www.10000blackinterns.com

3i participates in the GAIN Empower Investment Internship Programme (in partnership with Level 20)

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

GAIN aims to inform young women with online resources, bringing helpful information on careers in investment to their fingertips and to inspire them with a strong network of relevant role models, who speak in high schools and universities around the UK and feature on its online channels, delivering compelling and high-impact messages on the many benefits of investing as a career.

Among the initiatives managed by GAIN is a summer internship programme, open to women and non-binary students across the UK. 3i was one of 78 firms participating in the 2022 summer internship programme, taking on two interns for paid internships. We will renew our participation in the scheme with three further interns joining 3i's investment teams for paid internships in the summer of 2023.

In addition to the internship programme, a number of our employees are taking part in the GAIN 1-2-1 mentoring programme, both as mentors and mentees.

» FOR MORE INFORMATION
www.gainuk.org

3i is an official sponsor of Level 20

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

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

- Mentoring and development
- Networking and events
- Outreach and advocacy
- Research

» FOR MORE INFORMATION
www.level20.org

3i takes part in Career Ready's mentoring programme

Since 2002, Career Ready has connected employers with schools and colleges to provide disadvantaged young people aged 14-18 with mentors, internships, masterclasses, and employer-led activities that prepare them for the world of work.

3i takes part in the mentoring programme which supports young people aged 16 to 18 who lack the opportunities, professional networks and confidence to find their undiscovered talents. Three of our employees are volunteering as mentors in the current academic year, meeting their mentees for an hour per month for up to 12 months.

» FOR MORE INFORMATION
www.careerready.org.uk

Recruit and develop a diverse pool of talent continued

Employee engagement

We encourage a culture of open communication between our employees and senior management. We benefit from being a small organisation, operating in a relatively flat structure with few hierarchies and the members of our Executive Committee have an open-door policy. We encourage feedback from employees to senior management through informal conversations and more formal forums, including regular team meetings and off-sites to discuss our strategy, as well as through the annual appraisal process. Managers throughout 3i have a continuing responsibility to keep their teams informed of developments and to communicate financial results and other matters of interest.

The Board of Directors typically holds at least one of its meetings every year in one of our international offices. This provides an opportunity for non-executive Directors to meet the local teams, often in a more informal setting. The non-executive Directors also have other opportunities to engage with employees, for example by attending our semi-annual portfolio company reviews. These important meetings provide the non-executive Directors with an insight into how our investment business operates and into our culture. Employees also enjoy this opportunity to interact with the Board.

The Chairman aims to visit all our major international offices on a rolling cycle and engages with as many employees as possible during these visits.

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

87%

Participation in UK SIP¹

9.5%

Voluntary employee turnover rate

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

Learning and development

Advancing our strategic objectives depends on our ability to attract, retain and motivate smart people. We therefore provide our employees with the opportunities, experience and training to contribute to the success of the organisation, achieve their potential and grow their knowledge and capabilities.

We encourage employees to take responsibility for their own development, working with their line managers to devise personal development plans to support the achievement of their individual aspirations, consistent with 3i's objectives. Given the specialised nature of many of the roles in 3i, an emphasis is placed on work-based learning, with the provision of development opportunities supported by appropriate training and mentoring. This is supplemented by formal courses conducted both internally and externally and usually with a multinational group drawn from across the countries in which 3i operates.

In FY2023, we provided formal specialist training on areas and skills including leadership, financial modelling, presentation and communication skills, interview skills, spotting and scoping and sustainability. We also offered executive coaching for some employees. Our investment executives regularly receive education on issues of wider topical interest and impact. Last year, our Infrastructure investment team received training focused on GHG emissions target setting, sanctions and greenwashing litigation risk. In addition, we launched an internal 3i mentoring programme in the year, open to all employees.

Importantly, in FY2023 we arranged training sessions targeted at all staff focused on climate change. These were held by a leading expert and business adviser and attended by nearly two thirds of staff and a significant proportion of our investment professionals.

Key to personal development for all employees is a formal annual appraisal process, where performance is measured against agreed objectives and against 3i's values to inform decisions on remuneration, career development and future progression. Employees are encouraged to make use of an online facility to obtain 360-degree feedback as part of this process. All employees receive formal performance assessment and objective-setting reviews with their managers annually and may receive informal reviews throughout the course of the year.

Recruit and develop a diverse pool of talent continued

Employee wellbeing

We recognise the importance of supporting the wellbeing and satisfaction of our employees by providing a healthy working environment and work/life balance. All employees enjoy a broad range of formal benefits aligned with local custom and practice and often enhanced relative to the statutory minimum.

Employees are provided with the tools to work remotely and can apply to work flexibly to manage personal or family commitments. Flexible working options include remote working, flexible hours and job sharing. After nearly two years of remote work as a consequence of the Covid-19 pandemic, our employees are mostly back in the office for the majority of the week, with the ability to work remotely for part of the time. Employees appreciate the flexibility to work from home for part of the working week and the benefits this brings in terms of work/life balance and the management of personal commitments.

We promote the physical wellbeing of our employees. For example, in the UK we provide our employees with annual medical insurance. All UK employees also qualify for annual health checks and have access to a Bupa Digital General Practitioner.

During the year, we also started a programme to raise awareness of the menopause and its impact on female colleagues, family members and friends. We partnered with Fertifa, a provider of reproductive health benefits, to organise a fireside chat, livestreamed to all offices, to discuss the menopause, its symptoms and treatment. This session was followed by a menopause workshop for line managers and our mental health first-aiders, with the objective of providing them with the tools to help female colleagues to manage their work commitments through this difficult phase in life.

Our UK-based employees have access to a range of menopause services, including access to Bupa's Women's Health Hub, to menopause-trained nurses on a 24/7 basis through the Bupa Anytime Healthline and, for a period of one year, to a dedicated Bupa Health Clinics Menopause Plan.

For a number of years we have provided the services of a personal fitness and nutrition adviser, bookable free of charge for one-on-one fitness, nutrition and broader wellness advice sessions. He also hosts twice-weekly fitness and pilates classes that are free to employees. These sessions are offered in person to our London-based employees and streamed to employees based in our other offices. This year, he added female wellbeing sessions to his offering, focusing on specific exercise and nutritional strategies to support our female employees on their perimenopause, menopause and post-menopause journeys.

We place great importance on employees' mental wellbeing. We have trained 18 "mental health champions" across the business, to act as first points of contact for employees experiencing issues. Over the past four years, most employees have participated in workshops organised in partnership with a specialist mental health consultancy providing a basic understanding of mental health, how to develop and strengthen it, and how to spot the early warning signs that indicate an individual may be struggling. In FY2023, we offered refresher mental health and wellbeing sessions covering the fundamentals around protecting and strengthening mental health for employees who had already attended, as well as standalone sessions for new joiners. We also ran refresher workshops for employees with line management responsibilities, specifically to address "positive prevention", a manager's "duty of care" and how to provide support in a way that optimises long-term business performance. In addition, during the year we partnered with Headspace for Work, the leading mindfulness-based mental health app offering meditations and exercises for stress, focus, sleep, and movement.

All UK-based employees have access to an Employee Assistance Programme that offers free, confidential telephone counselling on a range of personal and work-related issues and problems, as well as face-to-face counselling services. The service also provides legal and financial advice and other information and services and is run by Health Assured, an independent external service provider. Employees who are members of the UK private medical insurance, for which 3i covers premiums, have access to up to 10 sessions of psychological support without a requirement for General Practitioner referral.

Grievance procedures and reporting a concern

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



3 Act as a good corporate citizen

We embed responsible business practices throughout our organisation by promoting the right values and culture among our people and through the implementation of robust policies and processes. We expect our employees to act with integrity, to be accountable for their behaviour, and to approach their roles with ambition, rigour and energy. We evaluate our employees against our values as part of our formal appraisal process every year.

Governance

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

Compliance and policies

Anti-bribery and corruption

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

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

» OUR ANTI-BRIBERY POLICY
www.3i.com/sustainability/sustainability-policies

Hospitality, gifts and inducements

Our employees may not receive, pay or provide any inducement which would impair their or our duty to act honestly, fairly and in accordance with the best interest of our customers. In particular, employees must never offer or receive hospitality or gifts if this may improperly influence a business decision, impair independence or judgement or create a sense of obligation, create a conflict of interest or if there is a risk it is prohibited. Any hospitality or gifts must have a clear and legitimate business purpose and, where they arise in connection with our investment activities, be designed to enhance the quality of service to our clients.

Charitable donations in 3i's name must be approved by the Chief Executive and follow the principles set out in 3i's Anti-bribery policy.

Political donations

3i's policy is not to make political contributions, whether to political parties, political organisations or election candidates. In line with this policy, in the year to 31 March 2023 no donations were made to political parties or organisations, or independent election candidates, and no political expenditure was incurred.

Public policy

Although 3i will not participate directly in party political activity, it may engage in policy debate on subjects of legitimate concern to 3i, its staff and the communities in which it operates. This is done principally through industry representative bodies such as the British Private Equity and Venture Capital Association ("BVCA") and Invest Europe, where we might contribute to the formulation of policy positions, although from time to time we may engage directly with government and regulatory bodies on matters of particular and direct importance to 3i and its businesses. Lobbying must only be undertaken with the prior approval of a member of the Executive Committee and in a manner that is lawful and adheres to 3i's values.

Whistle blowing

Our whistle blowing policy forms an integral part of our culture of openness, transparency and fairness. Where any employee discovers information which they believe shows malpractice or wrongdoing within 3i, under most circumstances they will raise concerns with their line manager, who will pass this information to the appropriate Executive Committee member. Should this route not be suitable, then the employee may approach the Directors of Compliance or Internal Audit, or the General Counsel and Company Secretary, who have been designated to provide impartial advice on the appropriate course of action to follow.

Alternatively, all employees across our seven office locations may express and report their concerns on a completely confidential and anonymous basis to an independent "hotline" service provided by EthicsPoint, an independent, external party. Our policies are clear that there should be no fear of reprisal or victimisation or harassment for whistle blowing.

There were no incidents of whistle blowing in the year.

Act as a good corporate citizen continued

Data protection

3i's Data Protection policy reflects the requirements of UK and general European data protection legislation, supplemented or adapted as necessary for local regulatory requirements. 3i is committed to protecting the personal data of its staff, customers and contacts and using it in an appropriate manner. We recognise the rights afforded to individuals by data protection legislation and that we must notify data subjects of the fact that we process their personal data and the specific purposes for which we do so.

Our policy requires our employees to: comply with the key data protection principles; treat personal data in accordance with 3i's policies and procedures for safeguarding confidential information; and use personal data only for the purpose for which it has been provided and in the proper course of their duties as a 3i employee.

During the year to 31 March 2023 we did not receive any complaints from third parties or complaints by regulatory bodies regarding the use and disclosure of personal data.

» OUR APPROACH TO DATA PROTECTION
www.3i.com/site-tools/privacy-policy

Cyber resilience

3i's cyber resilience is overseen by the Group Risk Committee and managed on a day-to-day basis by the Group IT team. Non-executive governance is provided by the Audit and Compliance Committee and operational governance is provided by 3i's Chief Information Security Officer, Group IT team and Internal Audit. The Internal Audit team carries out an annual audit of the Group IT team which covers cyber security and system access rights, service continuity and data recovery processes, as well as end-user support and outsourced services.

We test our cyber security incident management plan at least twice every year. The 3i Cyber Security Review Board meets monthly to discuss cyber security issues, including new and emerging threats, and to review the cyber risk register and dashboard of relevant cyber key performance indicators. We continue to engage the services of a leading cyber security services company which provides ready access to intelligence and expert advice on new and emerging cyber security threats.

3i runs a cyber resilience e-learning course for all 3i staff and an ongoing "phishing" email programme to test and monitor 3i staff's "click-rate" and to promote increased practical awareness of the risks associated with phishing emails. In FY2023, we also held cyber security awareness workshops for all employees.

3i has had no known information security breaches over the past five years.

In relation to our portfolio companies, we continue actively to promote cyber resilience as a key component of the corporate governance programme through our representatives on their boards. We use an external firm of cyber security specialists to conduct reviews of the cyber resilience of our key portfolio companies' systems. Cyber resilience is one of the governance topics reviewed at the six-monthly business reviews of 3i's portfolio companies which are conducted as part of 3i's regular asset management and portfolio monitoring programme. We also ensure that developments and best practice are shared across the portfolio with relevant members of portfolio company management teams, including through formal forums such as our portfolio company CIO roundtable held in March 2023.

Modern slavery

We published our statement on modern slavery for the financial year ended 31 March 2022 on our website in September 2022, and will update this statement in September 2023. 3i is committed to ensuring that:

- there is no slavery or human trafficking in any part of its business or supply chains; and
- the companies in which it invests are also committed to ensuring that there is no slavery or human trafficking in any part of their businesses or supply chains.

» OUR MODERN SLAVERY STATEMENTS
www.3i.com/sustainability/modern-slavery

Environmental impact

With approximately 250 employees globally, 3i has a relatively small direct impact in terms of the environment and other sustainability issues. However, with assets under management of £29.9 billion, our impact on the environment is determined largely by our portfolio. We therefore integrate the evaluation of the environmental impact of our portfolio companies and associated mitigating measures in our investment assessment and portfolio management processes. Our direct GHG emissions are reported in our TCFD disclosures.

+ PAGES 60-66
 TCFD disclosures

Act as a good corporate citizen continued

Community

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

Ordinary charitable giving

The charities we partner with are supported on the basis of their effectiveness and impact. Our ordinary charitable giving for the year to 31 March 2023 totalled £1 million. This included supporting our nine charity partners, matching staff fundraising, making a number of one-off donations and promoting the give-as-you-earn scheme in the UK, which is administered by the Charities Aid Foundation, and through which 3i matched c.£55,000 of employee donations.

In addition, during the year our London-based staff raised funds for Community Links' Christmas Toy Collection and held a Big Tea for Independent Age. Our Infrastructure team participated in the Macquarie Capital Cup which raised funds for Street League. Our London team also raised almost £16,000 for three charities (RBLI, The Passage and Community Links) at our Summer Charity Event. Finally, a number of our employees also volunteered with Sal's Shoes, The Trussell Trust, The Passage and Greenhouse Sports during the year.

» **OUR ORDINARY CHARITABLE GIVING**
www.3i.com/sustainability/corporate-citizenship/charitable-giving

Turkey and Syria earthquakes

Following the devastating earthquakes in Turkey and Syria in February 2023 we donated £500,000 to the Turkey Mozaik Foundation. This foundation provides support for charities working in Turkey and its grantees participated in search and rescue operations providing food, clean water, tents and heaters, and offering counselling and other services to the survivors in the areas affected.

» **TURKEY MOZAIK FOUNDATION**
www.turkeymozaik.org.uk

» **SUSTAINABILITY REPORT**
www.3i.com/sustainability/sustainability-reports-library

External benchmarking

We believe that it is important to evidence our commitment to operating sustainably. We therefore provide a wealth of relevant information to shareholders and other interested stakeholders.

UN Principles for Responsible Investment

We have been signatories to the UN Principles for Responsible Investment ("UN PRI") since 2011. 3i's scores for the 2021 UN PRI assessment report were 4* for Investment and Stewardship policy (scoring of 70% vs median of 60%), 4* for Private Equity (scoring of 85% vs median of 66%) and 5* for Infrastructure (scoring of 93% vs median of 77%). The UN PRI did not perform an assessment in 2022 and this scoring is therefore based on 2020 data.

Sustainability indices

3i is a member of FTSE4Good Index Series and of the Solactive Europe Corporate Social Responsibility Index.

Sustainability ratings

We engage with multiple rating providers that assess our ESG performance based on their own methodologies. The summary of our ratings as at 8 May 2023 (except where indicated) is as follows:

| Rating body | Latest rating and scoring scale |
|---|---|
| CDP | Climate change score: B Supplier engagement score: A- Scale: A to D- |
| S&P Global CSA | 48 (92 nd percentile) Scale: 0-100 (higher scores are better) |
| FTSE Russell | 3.8 (81 st percentile) Scale: 0 to 5 (higher scores are better) |
| ISS ESG | ISS ESG Corporate Rating: B- Scale: D- to A+ |
| Morningstar Sustainalytics¹ | 11.1 Low Risk Scale: from Negligible (0-10) to Severe (40+) |

¹ As at September 2022. Copyright © 2023 Morningstar Sustainalytics. All rights reserved. This section contains information developed by Sustainalytics (www.sustainalytics.com). Such information and data are proprietary of Sustainalytics and/or its third party suppliers (Third Party Data) and are provided for informational purposes only. They do not constitute an endorsement of any product or project, nor an investment advice and are not warranted to be complete, timely, accurate or suitable for a particular purpose. Their use is subject to conditions available at <https://www.sustainalytics.com/legal-disclaimers>

Our TCFD disclosures

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

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

Governance

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

Day-to-day accountability for all ESG and climate matters is delegated to the Chief Executive, who is assisted by the ESG, Investment and Group Risk Committees in discharging this responsibility.

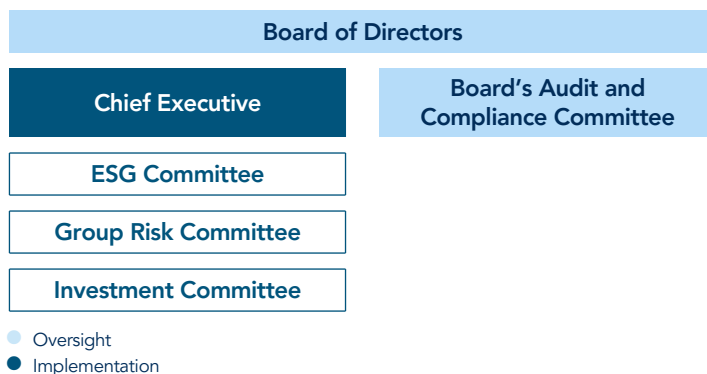
Progress in FY2023

Our ESG Committee, established formally in March 2022, met frequently to develop our strategy and monitor the progress of a number of important initiatives described in this TCFD report.

The ESG Committee delivered formal updates to the Board throughout the year, including at the Board Strategy Day held in December 2022.

The Group embedded dedicated sustainability resource in its Private Equity and Infrastructure investment teams, as well as in central functions.

The management of climate-related risks and opportunities is embedded throughout our processes and operations, including our investment and portfolio management activities, with clear oversight by the Board and delegated authority to the Chief Executive. In determining 3i’s strategy and approach to climate change both the Board and the Chief Executive, assisted by a number of committees, take into account the laws and regulations of the countries in which 3i and its portfolio companies operate, as well as the perspectives of the different stakeholders involved, identified on pages 104 and 105. The governance structure is set out in the graphic below.



Non-executive oversight

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

The Board receives frequent updates on ESG matters and climate-related issues from the Chief Executive and members of the ESG Committee as they become relevant and material. In FY2023, the Board and the Audit and Compliance Committee received the following updates on climate-related issues:

| | |
|-----------------------|---|
| May and November 2022 | Updates to the Audit and Compliance Committee from the Chief Executive on the ESG risk profile of the portfolio, following presentations made to Group Risk Committee by our portfolio investment teams on the results of the annual ESG assessment of portfolio companies in March and the semi-annual portfolio company review process held in March and September 2022. These updates included a discussion of climate impacts on the portfolio. |
| June 2022 | Presentation to the Board by representatives of our Private Equity and Infrastructure investment teams on the results of the annual portfolio ESG assessment. |
| December 2022 | Presentation to the Board at its annual Strategy Day from members of the ESG Committee on the legal, regulatory and commercial context shaping 3i’s approach to climate change, and the work undertaken by the ESG Committee to progress the climate agenda at 3i, including a discussion on potential target setting and related standards, including a preliminary discussion of science-based targets. |
| March 2023 | The Board discussed the TCFD disclosure requirements that apply to 3i and received a brief update from the Chair and a member of the ESG Committee in the context of the Board training session on TCFD requirements detailed below. |

Board skills and training

We engaged EY’s sustainability practice to provide a programme of training sessions on relevant climate-related topics for the Board that was carried out over the course of FY2023. The objective of this programme was to improve the Board’s understanding of the climate risks and opportunities that 3i faces, the regulations with which it must comply and how these will impact 3i’s investment strategy across business lines and investment vehicles. The sessions were articulated as follows:

| | |
|----------------|---|
| June 2022 | <ul style="list-style-type: none"> Climate risks Climate scenario analysis Net zero commitments and transition plans |
| September 2022 | <ul style="list-style-type: none"> Emerging ESG themes |
| January 2023 | <ul style="list-style-type: none"> Regulatory horizon on climate risk management and reporting Market insights |
| March 2023 | <ul style="list-style-type: none"> TCFD and ESG reporting |

Our TCFD disclosures continued

The training sessions provided some of the tools necessary to improve the Board’s oversight of the Group’s approach to climate change and its impact on the portfolio and investment strategy and inform the Board’s decision making.

A number of our Directors also have experience of assessing climate-related factors and have received training on this topic through other executive and non-executive roles.

Executive responsibility

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

ESG Committee

The ESG Committee membership is drawn from a range of investment and non-investment functions across the Group. The organigram of the committee is set out opposite. The ESG Committee also benefits from input from many relevant functional areas as required.

The ESG Committee focuses on three main areas:

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

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

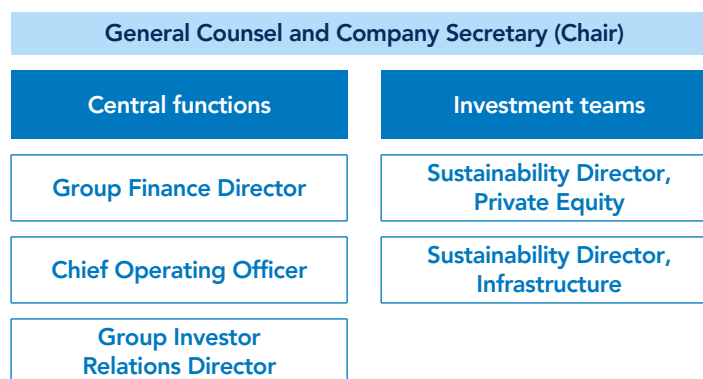
Since its creation the ESG Committee has focused principally on developing strategy, policy and governance for assessing and managing climate-related risks and opportunities across the Group and its portfolio. This is a topic of increasing urgency for government, regulators and other stakeholders and it will be key to protecting and creating value in our portfolio. It has been working on a number of initiatives to improve our management of climate-related risks and opportunities, and in particular on:

- improving the collection, management and analysis of ESG data from the portfolio, including data necessary to manage climate-related risks and opportunities;
- upskilling the Board and employees on the climate change topic through dedicated training;
- performing climate scenario analysis on the portfolio and evaluating how to embed elements of that type of analysis in the ongoing assessment of climate-related risks and opportunities in the investment and portfolio management processes; and
- developing the most appropriate strategy to align 3i and its portfolio to the UK’s net zero ambitions and setting relevant targets, which resulted in 3i’s commitment in April 2023 to set science-based targets.

These initiatives, which are described later in this TCFD report, will help us towards the alignment with the TCFD recommendations by the 2024 deadline set by the FCA for asset managers such as 3i.

The ESG Committee meets formally four times a year, but held five additional informal meetings in FY2023 to implement its busy agenda.

ESG Committee



Investment Committee

The Investment Committee is responsible for implementing the Responsible Investment policy and for making decisions concerning the acquisition, management, ongoing monitoring and disposal of investments, as well as for making decisions concerning major investments made by our portfolio companies. It also has principal responsibility for monitoring the portfolio’s material risks. In performing its activities, the Investment Committee ensures that material ESG matters, including relevant climate-related risks and opportunities, are properly identified, assessed and managed in the course of our investment, divestment and portfolio management activities. The Investment Committee is chaired by our Chief Executive and comprises individuals drawn from our central functions (including the Group Finance Director and Chief Operating Officer), as well as from our Private Equity and Infrastructure investment teams (including the two heads of Private Equity, the two heads of Infrastructure and other senior investment and professional services team members). It meets frequently on an ad-hoc basis to discuss potential new investments and significant portfolio activity. See pages 80, 82 and 83 for more information on how the Investment Committee operates.

Group Risk Committee

The Group Risk Committee oversees the Group’s risk management framework. It maintains the Group’s risk review, which identifies the principal risks and new and emerging risks, including climate-related risks, facing 3i, as well as the associated mitigating actions and key risk indicators. The risk review is updated quarterly. This committee also maintains oversight of the Responsible Investment policy and considers and approves amendments to this policy as required, taking into account legal, regulatory and market developments regarding climate change. The Group Risk Committee is chaired by the Chief Executive, and also comprises the Group Finance Director, Chief Operating Officer, the General Counsel and the Chief Human Resources Officer, as well as the heads of our Private Equity and Infrastructure businesses and a number of functional heads drawn from across the organisation, including the Group Compliance, Internal Audit and Investor Relations Directors. It meets four times per year.

Our TCFD disclosures continued

Dedicated sustainability resource

In FY2023, we embedded dedicated sustainability resource across the organisation, including:

- a Sustainability Director in our Private Equity investment team;
- a Sustainability Director and Sustainability Senior Associate in our Infrastructure investment team; and
- a Sustainability Manager in the Group Investor Relations function.

This additional resource has been key in implementing the ESG Committee's many activities.

Participation in industry working groups

In July 2022, we joined the Initiative Climat International ("iCI"), a global, practitioner-led community of over 200 private markets firms and investors representing over US\$3.2 trillion in AUM that seek to improve the understanding and management of the risks associated with climate change. Since joining the group, we have contributed our feedback towards the guide published by iCI and the BVCA for the private equity industry on the implementation of TCFD and to the working group in relation to developing the guidance for the calculation of the Scope 3 emissions of portfolio companies and on the development of decarbonisation strategies.

3i is also a member of the PFI Net Zero Working Group, working with the Infrastructure and Projects Authority in the UK to develop an industry-wide approach to emissions disclosure and to net zero for the PFI/PPP investment industry.

Executive remuneration

The Executive Directors receive, in addition to their salary, an annual bonus and long-term share incentive awards based on the achievement of a number of performance conditions. For FY2023, annual bonuses for executive management were awarded based on a balanced scorecard of both financial and strategic measures agreed by the Remuneration Committee of the Board, alongside a consideration of the wider context of personal performance (including values and behaviours), risk, market and other factors.

Among the strategic, qualitative measures included in the balanced scorecard to determine the FY2023 annual bonus award, up to 10% of the maximum annual bonus opportunity was tied to progress against a number of ESG targets. The Remuneration report on pages 131 to 144 sets out the Remuneration Committee's assessment of the performance of the Executive Directors against the scorecard's ESG objectives. The measures taken by the Group to achieve progress against these objectives are described in this TCFD report.

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Governance

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Remuneration report

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Strategy

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

We buy majority or significant minority holdings in our core portfolio companies and are represented on their boards. We manage small and relatively concentrated portfolios and use our influence with our portfolio companies to ensure that they assess their climate impacts, devise strategies to address them, and challenge them on their transition strategies.

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

Progress in FY2023

We carried out our initial, top-down climate scenario analysis to advance our understanding of the impact of climate change on our portfolio companies and inform our strategy to mitigate risks and capture opportunities.

We submitted a commitment letter to the SBTi in April 2023, with the intention of submitting a target for validation in FY2024.

Our investment strategy is to make a small number of new investments each year in our Private Equity and Infrastructure businesses, selected within our target sectors and geographies on the basis of their compatibility with our return objectives. We screen investments against our Responsible Investment policy, which has been in place for many years and is reviewed and updated on a regular basis. We believe that the careful assessment and management of ESG factors, including climate-related risks and opportunities, is a material lever for value creation in our portfolio and integrate this assessment into our investment screening and portfolio management processes. These processes are described on page 45 of this Annual report, and on pages 12, 13 and 16 of the Sustainability report.

Our business model is simple: we invest our proprietary capital and manage a small number of third-party funds (principally in our Infrastructure business). We do not manage products with specific sustainability mandates. Our investment and portfolio construction approach is flexible and not constrained by overly prescriptive investment mandates or by limited duration funds, given the permanent nature of our proprietary capital. The third-party funds we manage in our Infrastructure business are either permanent or of very long duration.

This flexibility in mandates and holding periods is a considerable strength which provides great resilience to many risks, including climate-related risks, and which has supported our ability to pivot our investment towards sectors and niches that benefit from sustainable growth trends, including the transition to a low-carbon economy (see pages 16 and 17). Combined with the influence we exert on portfolio companies this has allowed us, for example, to increase our exposure to renewable energy generation in our Infrastructure portfolio over the last few years, and to approve investments within our portfolio companies that support a reduction in their GHG emissions or the development of products and services with lower associated emissions.

Our TCFD disclosures continued

Having established a roadmap to TCFD alignment, during FY2023 the ESG Committee focused on initiatives to provide 3i with the tools to improve the ongoing assessment of climate-related risks and opportunities related to its investment and portfolio management activities and on developing a climate strategy for the Group. The additional sustainability resource we embedded across our investment teams and central functions in the year (see “Governance” above) was key to the implementation of these initiatives. This work will allow us to make better informed investment and portfolio management decisions, as well as to determine future climate commitments for the Group as a whole.

Portfolio data collection and management

During FY2023 we improved the quality of the annual sustainability data (including GHG emissions) we collect from the portfolio by refining our ESG questionnaires to ensure that they reflect stakeholder needs. In addition, our Infrastructure business commissioned a specialist sustainability consultancy to assess the governance and processes for the collection of GHG emissions data in parts of our Infrastructure portfolio and to provide guidance on improving data collection.

Consistent and comparable emissions data will be an important element in our future disclosures of portfolio emissions. The ESG Committee therefore selected a new dedicated software tool to help us gather, organise and analyse ESG data from the portfolio. This tool will be rolled out during FY2024. See “Metrics and targets” below for more information on portfolio emissions data.

Climate training

With the objective of improving the sophistication of our assessment and monitoring of climate factors for each potential and existing investment and the overall climate stewardship of our portfolios, we arranged training sessions targeted at all staff focused on climate change. These were held by a leading expert and business adviser and attended by nearly two thirds of staff, including a significant proportion of our investment professionals. Our Infrastructure business also commissioned a specialist consultancy to provide training on the SBTi to employees and to several of our infrastructure portfolio company management teams. We continue to offer specialist climate training to selected employees.

During the year we also delivered a programme of climate change training sessions for our Board of Directors (detailed in “Governance” above).

We will continue to roll out both generic and more focused training sessions on this fast-evolving topic to our Board of Directors and employees, with specialist training offered to employees in specific functional areas as appropriate.

Climate scenario analysis

Early in FY2023 we carried out our initial, top-down climate scenario analysis on our Private Equity and economic infrastructure investments with the help of an external consultant. This analysis assessed climate physical and transition risks for each of these portfolio companies under three broad scenarios over short (< one year), medium (to 2030) and long-term (to 2050) time horizons:

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

The transition risk scenario work used indicators drawn from internationally recognised data sets and was based on the portfolio’s sector and country exposures. The physical risk assessment was based on the location of each portfolio company’s headquarters and revenue by country.

This top-down analysis did not provide detailed insights into our portfolio, which is very concentrated (with investments in approximately 60 companies across Private Equity, Infrastructure and Scandlines, excluding the PPP project investments which were not covered in this analysis) and exposed to a relatively small number of sectors and geographies. The analysis nevertheless confirmed our view, which was built on our periodic qualitative assessments, that our portfolio as a whole has limited exposure to material climate-related risks. While the results were skewed, to some extent, by our investment in Action, the analysis also suggested that there is a relatively even dispersion of risks between assets in different sectors and geographies, and highlighted that some of our assets, most notably some of our Infrastructure assets exposed to the energy transition, could stand to benefit in both an orderly or disorderly net zero scenario.

While this first iteration of climate scenario analysis had limits in its methodology and results, we found the exercise useful to refine our future approach and to identify areas of the portfolio which merit deeper assessment. We have now engaged a specialist consultancy to help us with our second phase of climate scenario analysis, which we expect to complete in the current financial year. Our objective in this second phase will be to perform a deeper dive, bottom-up analysis of a number of our portfolio companies to inform our engagement with our portfolio on climate-related factors.

We intend to refine our approach to climate scenario analysis on a regular basis, to provide better insight into the underlying climate risk exposure of our portfolio and identify areas of opportunity.

Our TCFD disclosures continued

Viability statement

In addition, we have been assessing the potential financial impact of climate change on our portfolio as a whole for some time through the work we do to conduct our annual viability assessment (see pages 124 and 125). When preparing our Viability statement, we carry out a number of tests which consider the impact on the Group of multiple severe, yet plausible individual and combined stress scenarios, including the impact that climate change might have on the value of a number of our potentially more vulnerable assets through changes in regulation, in consumer preferences, an increase in physical risks and other business risks. Because of the diverse exposures of our current portfolio companies and the flexibility we have in portfolio construction, our analysis showed that a climate change-related stress scenario is unlikely to impact the viability of the Group over the medium term. We expect that the sophistication of this financial impact assessment will improve as we build on the climate scenario analysis work we are carrying out.

Transition to a low-carbon economy

The ESG Committee devoted much time in the year to develop the most appropriate approach to align 3i and its portfolio to the UK's net zero ambitions and set relevant targets. We performed a detailed analysis of the portfolio (excluding the PPP projects) to establish how challenging it is for each portfolio company to set a science-based target, in light of (i) available sector guidance and decarbonisation pathways; and (ii) the carbon maturity of the portfolio company itself.

This analysis supported our decision to write to the SBTi on 5 April 2023 to indicate our commitment to set up science-based targets for 3i. We are now working to formulate our targets, with the intention to submit them to SBTi for validation during the course of FY2024. Our science-based targets will cover our direct Scope 1 and 2 emissions and our Scope 3 emissions associated with our portfolio and will be formulated in line with the guidance published by SBTi for the private equity sector. Our work on science-based targets may support the work we will do on a transition plan in due course.

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Overview and business strategy

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Risk management

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

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

Progress in FY2023

We carried out our initial, top-down climate scenario analysis across the whole portfolio.

We improved the quality of the GHG emissions data and other relevant climate-related data we collect from the portfolio to improve our assessment and management of climate risks.

We recognise the increasing importance of climate-related risks and monitor these as we do other risks through our comprehensive risk governance framework, both on a portfolio company level and for the Group as a whole. The framework is described in detail on pages 78 to 91, and our portfolio ESG assessment process (which covers an assessment of material climate risks for each portfolio company) is described on page 45 of this report, as well as on pages 12, 13 and 16 of our Sustainability report.

3i's own operations are not in themselves exposed to material climate risks. We employ approximately 250 people across seven offices. Nevertheless, the business is increasingly affected directly by climate-related legal and regulatory risks, as well as by the related reputational risks.

The majority of 3i's climate risk exposure is through its portfolio. As explained in "Strategy" above, we manage concentrated portfolios with exposures to limited sectors and geographies and our investment approach provides us with great flexibility to manage climate change risks in our portfolio. We do not invest directly in extractive industries (coal, oil and gas), or in very carbon-intensive sectors, albeit some of our investments do have exposure to some of these sectors.

Our TCFD disclosures continued

The climate risks potentially affecting 3i and its portfolio can be summarised in the following categories:

- **investment and valuation risks**, stemming from the potential impact of any type of physical and transition risk on: (i) the performance of our investment portfolio and its consequence on the earnings and valuations of portfolio companies; (ii) the performance of benchmarks we use for valuation purposes; and (iii) our ability to make or sell investments, which is driven by market conditions and the availability of debt funding;
- **increasing legal, regulatory and tax risks** for the portfolio and for 3i itself, including the impact of carbon pricing mechanisms;
- **operational risks** for 3i and the portfolio, which could result from the disruption in operations or those of key service providers; and
- **reputational risks**, stemming from real or perceived insufficient action taken by the Group or its portfolio companies to address the impact of climate change. Reputational risks can also have operational implications affecting, for instance, staff turnover.

We consider these risks on the Group and the portfolio through our risk management framework, which is coordinated by the Group Risk Committee and implemented across the organisation as described in the Risk review. Specifically, in relation to the management and mitigation of climate-related risks in the portfolio, we rely on:

- the assessment of material climate-related risks in the pre-investment phase. This is performed internally and supplemented as appropriate by external specialists and can result in Investment Committee requiring further due diligence to be performed or in investments being declined;
- our ongoing portfolio monitoring process, which involves, in addition to the monthly monitoring of bespoke financial and operational KPIs and in-depth semi-annual portfolio company reviews, a detailed annual ESG assessment which includes a number of climate factors;
- the responsibility of the Investment Committee for portfolio risk management;
- the influence we have on portfolio companies. We make majority or significant minority investments in our core portfolio companies and exercise influence through membership of their boards;
- the measurement of portfolio company GHG emissions (see “Metrics and targets” below) and engagement with portfolio companies on abatement and mitigation strategies; and
- climate scenario analysis, as described under “Strategy” above.

We further mitigate climate risks by improving our understanding of climate change and refining our processes over time. These processes involve an increasing number of employees. We have been encouraged by the level of staff engagement on this topic and intend to continue to provide forums for employees to provide their input and views on how to improve our performance.

+ PAGES 78-91
Risk management

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Metrics and targets

We make disclosures on the Group’s direct Scope 1 and 2 emissions. The Group’s Scope 3 disclosures do not include emissions associated with the portfolio.

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

We participate in the CDP. Our score for 2022 was B for climate change.

Progress in FY2023

We have made considerable progress in the collection of portfolio GHG emissions data. We currently collect Scope 1 and 2 data from over 79% of our Private Equity portfolio companies and over 95% of our economic infrastructure investments.

We sent a commitment letter to the SBTi in April 2023, with the intention of submitting science-based targets for validation during FY2024.

Our objective is to measure the carbon footprint of our entire portfolio by the end of FY2024 (except for a small number of legacy minority assets with negligible value and for new investments made in FY2024). As part of the work we are carrying out to align our climate disclosures with the TCFD recommendations, we are now completing the process of collecting GHG emissions data from our portfolio companies and improving our processes and tools to ensure that this data can be collected and managed with better consistency. As at 31 March 2023, we collected Scope 1 and 2 GHG emissions data from over 79% of our Private Equity portfolio companies¹ (2022: 70%) and over 95% of our economic infrastructure investments (2022: over 80%) by number. In the majority of cases, we expect portfolio companies to measure and report to us their Scope 1 and 2 emissions within the first year of investment. We are also making good progress on collecting portfolio companies’ Scope 3 emissions.

This will allow us to meet the TCFD recommendations by our 2024 deadline and to engage with our portfolio companies to devise specific emission reduction strategies. Some of our portfolio companies, including Scandlines, Herambiente (as part of Hera Group), Weener Plastic, ESVAGT, Ionisos, Royal Sanders, BoConcept, Audley Travel and Action, have already set specific GHG emission reduction targets.

¹ Excludes some legacy minority and other minority investments where we have limited influence.

Our TCFD disclosures continued

Science-based targets

As set out in “Strategy” above, we wrote to the SBTi on 5 April 2023 to indicate our commitment to set up science-based targets for 3i.

3i Group’s emissions performance

This section has been prepared in accordance with our regulatory obligation to report GHG emissions pursuant to the Companies (Directors’ Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2019 which implement the government’s policy on Streamlined Energy and Carbon Reporting. During the year to 31 March 2023, our measured Scope 1 and 2 emissions (market-based) totalled 181.6 tCO₂e. This comprised:

| GHG emissions (Scope) ² | FY2023 (tCO ₂ e) | | | FY2022 (tCO ₂ e) ¹ | | |
|---|-----------------------------|-------------------|----------------|--|-------------------|----------------|
| | UK | Rest of the world | Total | UK | Rest of the world | Total |
| 1 | 105.6 | 34.4 | 140.0 | 102.6 | 27.2 | 129.8 |
| 2 – location-based | 86.6 | 72.4 | 159.0 | 93.8 | 67.0 | 160.8 |
| 2 – market-based | – | 41.6 | 41.6 | – | 48.3 | 48.3 |
| Total 1 & 2 (location-based) | 192.2 | 106.8 | 299.0 | 196.4 | 94.2 | 290.6 |
| Total 1 & 2 (market-based) | 105.6 | 76.0 | 181.6 | 102.6 | 75.5 | 178.1 |
| 3 | n/a | n/a | 6,802.3 | n/a | n/a | 2,950.3 |

¹ FY2022 GHG emissions data re-stated due to inaccuracies identified in the data collection process.
² Based on IEA data (2022) Emissions factors, www.iea.org/statistics. All rights reserved; as modified by 3i Group plc.

This is equivalent to 0.8 tCO₂e per full time equivalent employee, based on an average of 241 employees (2022: 0.8 tCO₂e; 234 employees). Overall, our Scope 1 and 2 (market-based) emissions increased by 2.0% year-on-year as office attendance increased as restrictions to contain the spread of Covid-19 were removed.

Our measured Scope 3 emissions totalled 6,802.3 tCO₂e. In FY2023 we improved the methodology for the calculation of our Scope 3 emissions from purchased goods and services through the use of better proxy data as market practice and tools evolve. The 130.6% increase in our Scope 3 emissions in FY2023 compared to the previous year is attributable to the change in methodology and use of more accurate proxy data, rather than to any substantial change to our supply chain. The data, however, reflects a near three-fold increase in the emissions associated with business travel, as pandemic-related travel restrictions were eased.

Our total fuel and electricity consumption was 1,420.3 MWh (1,420,300 kWh) in FY2023, 72% of which was consumed in the UK. The split between fuel and electricity consumption is shown in the table below.

| Energy consumption (KWh in 000s) | FY2023 | | | FY2022 ² | | |
|----------------------------------|--------|-------------------|-------|---------------------|-------------------|-------|
| | UK | Rest of the world | Total | UK | Rest of the world | Total |
| Electricity | 447.6 | 225.8 | 673.4 | 441.7 | 218.9 | 660.6 |
| Fuels ¹ | 578.6 | 168.3 | 746.9 | 560.1 | 138.9 | 699.0 |

¹ Natural gas and transportation fuels (petrol and diesel).
² FY2022 energy consumption data re-stated due to inaccuracies identified in the data collection process.

Methodology

We quantify and report our organisational GHG emissions in alignment with the World Resources Institute’s Greenhouse Gas Protocol Corporate Accounting and Reporting Standard and in alignment with the Scope 2 Guidance. Scope 3 emissions are calculated in line with the World Resources Institute’s Greenhouse Gas Protocol: Corporate Value Chain (Scope 3) Accounting and Reporting Standard as well as the World Resources Institute’s GHG Protocol Technical Guidance for Calculating Scope 3 emissions. We consolidate our organisational boundary according to the operational control approach, which includes all our offices. We have adopted a materiality threshold of 5% for GHG reporting purposes. The GHG sources that constituted our operational boundary for the year to 31 March 2023 are:

- **Scope 1:** natural gas combustion within boilers and fuel combustion within leased vehicles;
- **Scope 2:** purchased electricity and heat consumption for our own use;
- **Scope 3:** purchased goods and services, capital goods, fuel- and energy-related activities, waste generated in operations, business travel and employee commuting and emissions associated with working from home.

In some cases, where data is missing, for example due to the timing of invoices from our utilities providers, values have been estimated using either extrapolation of available data or by using data from the previous year as a proxy.

The Scope 2 Guidance requires that we quantify and report Scope 2 emissions according to two different methodologies (“dual reporting”): (i) the location-based method, using average emissions factors for the country in which the reported operations take place; and (ii) the market-based method, which uses the actual emissions factors of the energy procured.

Whilst we have a relatively low footprint on the environment, we are committed to reducing it further. In our London, New York, Amsterdam, Paris, and Luxembourg offices, which account for over 90% of our overall electricity consumption, we purchase our electricity from 100% renewable sources. Although the options for energy efficiency improvements for our offices are limited, we are assessing whether it is possible to switch to renewable tariffs in our remaining offices where we do not currently purchase all of our electricity from 100% renewable sources.

Third-party verification

The emissions disclosed above have been verified to a limited level of assurance by an external third party according to the ISO 14064-3 standard.

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