

# Corporate Social Responsibility report

**Philosophy and approach** 3i is an international business operating in 14 countries with fewer than 900 employees worldwide. 3i aims to conduct its business in a socially responsible manner. It is committed to being a responsible member of the communities in which it operates and recognises the mutual benefits of engaging and building relationships with those communities. 3i believes that respect for human rights is central to good corporate citizenship. In everything 3i does it aims to be commercial and fair, to maintain its integrity and professionalism and to respect the needs of shareholders, staff, suppliers, the local community and the businesses in which it invests.

3i endeavours to comply with the laws, regulations and rules applicable to its business and to conduct its business in accordance with established best practice in each of the countries in which it operates. Environmental, ethical and social responsibility issues and standards are also taken into consideration in all aspects of the business.

3i aims to be a responsible employer and has adopted corporate values and standards designed to help guide its employees in their conduct and business relationships. These values and standards are an integral part of 3i's culture.

**Responsibilities and accountabilities** The Board as a whole is responsible for ethical standards. The executive Directors are responsible for ensuring compliance with 3i's corporate values and standards.

A management committee, the Corporate Social Responsibility Committee (the "CSR Committee"), comprising Tony Brierley, Company Secretary and Chairman of the Committee, Patrick Dunne, Group Communications Director, Charles Richardson, Managing Director, Small and Medium Investments, and Liz Hewitt, 3i plc Director and currently on secondment to the Department of Trade and Industry, considers and reviews environmental, ethical and social issues relevant to 3i's business and associated risks. It also monitors the operation, and reviews breaches, of 3i's corporate responsibility policies and procedures.

Tony Brierley has specific responsibility for 3i's environmental policies, leading the development of new policies and targets and reporting to the Board.

The CSR Committee, on behalf of the Board, identifies and assesses the significant risks and opportunities for 3i arising from social, ethical and environmental issues. A risk matrix methodology is used to identify new risks, monitor developing trends and best practice and consider changes in 3i's business and culture. This risk matrix is reviewed and updated at each meeting of the Committee and significant risks are reported to 3i's Risk Committee, whose work is set out in more detail on page 28 of the Directors' report.

The CSR Committee reports regularly to the Board. During the year, the Board considered a presentation on significant social, ethical and environmental issues for the Group. Training for Directors on corporate



## Royal Academy of Music

Since 1991, 3i has been pleased to support the Royal Academy of Music, sponsoring student scholarships and the Sinfonia Orchestra. Unlike other leading international music schools, the Academy relies on voluntary funding for all student scholarships. We were proud to be lead sponsor of a concert given by Sir Elton John in December 2002, at which over £750,000 was raised.



## Pyrenees trek

In July 2002, 3i's Barcelona office organised a sponsored trek which involved climbing two peaks of around 3,400 metres in the Maladeta Nature Park in the Pyrenees mountains in northern Spain. Four of 3i's staff in Barcelona together with four local advisers raised £3,600 to help re-equip the SOS Children's Village, a children's home in the Spanish town of Sant Feliu de Codines.

responsibility issues is provided through this system of regular reporting and by presentations on relevant corporate responsibility issues.

A programme of presentations and discussions across the business and regular articles in 3i's staff magazine are being used to raise awareness of corporate responsibility issues, to stimulate debate and provide employee training.

All employees have a responsibility to be aware of, and abide by, 3i's environmental, ethical and social policies and procedures. Employees are encouraged to make suggestions to improve processes and procedures, particularly those which lessen the impact of 3i on the environment.

#### **Social responsibility as an investor**

**Investment policy** 3i has a portfolio of investments in over 2,000 businesses in Europe, Asia Pacific and the United States. As an investor, corporate governance is a priority and account is taken of environmental, ethical and social issues when making investment decisions. 3i believes it is important to invest in companies whose managers act responsibly on environmental, ethical and social matters.

3i aims to invest in companies which:

- respect human rights;
- comply with current environmental, ethical and social legislation;
- have proposals to address defined future legislation;
- seek to comply with their industry standards and best practice.

3i recognises that the most significant risks to its short and long term value from environmental, ethical and social matters arise from its investment business. For example, if a company in which 3i has an investment acted irresponsibly on corporate responsibility issues, this might affect the monetary value of that investment and, as a shareholder in that investment, raise reputational issues for 3i. As an investor, 3i has the opportunity to influence the behaviour of the companies in which it has an investment and encourages the development and adoption of good corporate governance. This is achieved through the training of non-executive Directors who are appointed to sit on investee company boards and the raising of awareness within investee companies of social, environmental and ethical issues. However, as an investor in unquoted businesses, 3i does not have day-to-day operational control over these businesses.

3i has clear procedures to reduce the risks of 3i investing in businesses which operate in an environmentally, ethically or socially unacceptable manner. Where, after an investment has been made, 3i becomes aware that an investee company is not operating in an acceptable way, 3i will seek to use its influence to encourage improvement. Where that is not possible, 3i will seek to divest itself of the investment.

#### **Social responsibility as an employer**

**Employment** 3i's staff are fundamental to the success of its business. Accordingly, one of 3i's core values is to respect its staff and their needs.

Employees are organised in small teams and an environment of co-operation is encouraged to ensure the highest standards of integrity and professionalism.

In accordance with 3i's core values, individual consultation with employees on matters affecting them, and fair and open communication, are a high priority. Periodically, internal communication surveys of employees are conducted for 3i by independent researchers. The September 2002 survey, conducted on 3i's behalf by MORI, disclosed that 66% of the 251 randomly selected employees interviewed were satisfied with 3i's internal communications and 70% felt informed about 3i. 85% spoke highly of 3i and indicated they would advocate 3i as an employer. The advocacy of 3i result compares favourably with MORI's best practice norm of 67%, being the average of the best ten scores for a particular question. Improving internal communication continues to be a priority.

3i's employment policies are described in more detail in the Directors' report on page 27.

**Health and safety** 3i recognises that the promotion of health and safety at work is an essential function of staff and management at all levels. In an endeavour to achieve high standards, appropriate policies and procedures have been put in place. These policies and procedures are the responsibility of Rod Perry, a Director of 3i Group plc.

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

3i aims to have no reportable accidents or incidents. During the year to 31 March 2003, no reportable accidents or incidents occurred under UK Health and Safety regulations and no reportable accidents or incidents occurred under similar regulations outside the UK.

#### **Social responsibility to the communities in which 3i operates**

**Charitable and community support** 3i's charitable policy aims to support:

- Causes based in the communities in which 3i has offices.
- Staff who participate in charitable activities. 3i matches donations made by UK staff under the Give as You Earn scheme ("GAYE") and the proceeds of staff fundraising efforts. In the period from May 2001 to April 2002, 3i was ranked top payroll giving employer by staff participation and 19th payroll giving employer by donation (source: The Giving Campaign). In the year to 31 March 2003, approximately 42% of 3i's charitable donations were matching GAYE donations.
- Charities relevant to its corporate activity.



#### **businessdynamics**

3i was pleased to continue its long standing support for businessdynamics, which aims to "bring business to life for students, primarily by delivering programmes, in schools and colleges. These inform and inspire young people, aged 14-19 years, about the opportunities and challenges of business". During 2002, these business awareness programmes reached 33,000 students (source: Annual Review).

Charitable donations made in the year to 31 March 2003 amounted to £209,972, supporting over 100 different charities with donations ranging from £21 to £25,000. 3i supports businessdynamics, a charity which aims to help young people understand business. 3i also has a long running association with the Royal Academy of Music, sponsoring the Sinfonia Orchestra. During the year, 3i also supported The DePaul Trust, a charity which provides help for homeless and disadvantaged people in a number of British cities in which 3i has offices.

**The environment** As a financial services business employing fewer than 900 employees worldwide, 3i's direct environmental impact is relatively low. The Group measures its own energy and resource usage where practicable and sets targets to achieve improvement. The principal benchmarks against which the Group measures its performance are for:

- CO<sub>2</sub> emissions; and
- recycling of paper and other materials.

The Group also assesses the environmental standards of its suppliers, through its procurement policy.

**Performance and measurement** To assist it in benchmarking 3i's corporate responsibility performance, the CSR Committee has had informal discussions with other companies and specialists in this area. The Committee has monitored the implementation of corporate responsibility investment procedures, implemented appropriate risk management procedures and set strategic objectives for corporate responsibility.

The CSR Committee measures 3i's performance against two indices:

- The Dow Jones Sustainability World Index ("DJSI"), a global index which tracks the financial performance of leading companies in terms of corporate sustainability; and
- Business in the Community Corporate Responsibility Index ("BitC Index"), an index which aims to benchmark environmental, ethical and social performance and encourage sustainable development.

3i has again been selected as a constituent of the DJSI during the year and was placed in the top half of its industry group on a global basis. 3i's overall sustainability performance was described as very good (source: SAM Research Inc.). 3i aims to continue to be included within this index and to maintain its position in the next DJSI assessment.

3i participated in the first annual BitC Corporate Responsibility Index, one of only 53 FTSE 100 companies and the only investment company to participate in the Index. 3i's management profile was B, a company moving beyond a basic commitment. The results of the BitC Index have been considered by the CSR Committee and a number of actions are being taken with the objective of improving 3i's performance in this Index in the future.

During the year, 3i commissioned an external management consultancy, ERM, to conduct a review of corporate responsibility at 3i. As a result of that review, a number of recommendations relating to procedures, communication and training are being implemented.

Each of 3i's business unit and department heads is required to confirm on an annual basis that their operating procedures, including investment procedures, are consistent with 3i's standards and controls and that these procedures are operating in practice.

3i's performance management appraisal process reviews the performance of individual members of staff against agreed objectives and the knowledge, skills and behaviours expected by 3i. This process includes 360 degree feedback for all employees.

3i's offices are the subject of health and safety audits to ensure high standards are adopted on a consistent basis worldwide.

**Audit and verification** The CSR Committee has an ongoing role of monitoring the operation of 3i's corporate responsibility policies and procedures. The identification and management of corporate responsibility risks is integral to the ongoing operational processes of 3i's business units

and functions. In addition, 3i's internal audit function carries out periodic reviews of risks and related controls in this area. The Committee may also supplement internal review processes with external reviews where necessary. The Committee is not aware of any material breaches of the Company's policies and procedures for managing risks from corporate responsibility issues.

The disclosures in this Corporate Social Responsibility report are the subject of an internal verification process. This process requires every statement made in this report to be verified.