

3i Group plc

Annual report and accounts 2023

Table of contents

Overview and strategy

Chairman's statement	2
At a glance	4
Chief Executive's statement	6
Our business model	12
Our long-term, responsible approach	14
Our thematic approach	16
Strategic objectives and Key performance indicators	18

Business review

Private Equity	21
Infrastructure	36
Scandlines	41

Sustainability

A responsible approach	43
1. Invest responsibly	44
2. Recruit and develop a diverse pool of talent	52
3. Act as a good corporate citizen	57
Our TCFD disclosures	60

Performance and risk

Financial review	68
Reconciliation of Investment basis and IFRS	74
Alternative Performance Measures	77
Risk management	78
Principal risks and mitigations	84
Directors' duties under Section 172	92

Governance

Chairman's introduction	95
Board of Directors	96
Executive Committee	98
The role of the Board	100
Corporate governance statement	101
What the Board did in FY2023	102
How the Board operates	103
Engaging with stakeholders	104
Engaging with shareholders	106
Skills and experience	108
Nominations Committee report	109
Audit and Compliance Committee report	114
Audit and Assurance policy	119
Resilience statement	123
Valuations Committee report	126
Directors' remuneration report	131
Directors' remuneration policy	145
Additional statutory and corporate governance information	153

Audited financial statements

Consolidated statement of comprehensive income	160
Consolidated statement of financial position	161
Consolidated statement of changes in equity	162
Consolidated cash flow statement	163
Company statement of financial position	164
Company statement of changes in equity	165
Company cash flow statement	166
Significant accounting policies	167
Notes to the accounts	171
Independent Auditor's report	208

Portfolio and other information

20 large investments	227
Portfolio valuation – an explanation	229
Information for shareholders	230
Glossary	232

For definitions of our financial terms used throughout this report, please see our Glossary on pages 232 to 234.

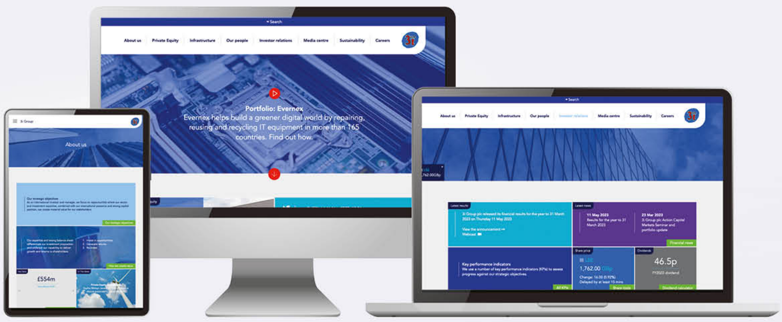
Disclaimer
The Annual report and accounts have been prepared solely to provide information to shareholders. They should not be relied on by any other party or for any other purpose.
The Strategic report on pages 1 to 93 , the Directors' report on pages 94 to 130 and 153 to 158, and the Directors' remuneration report on pages 131 to 152 have been drawn up and presented in accordance with and in reliance upon UK company law and the liabilities of the Directors in connection with those reports shall be subject to the limitations and restrictions provided by that law. This Annual report may contain statements about the future, including certain statements about the future outlook for 3i Group plc and its subsidiaries ("3i" or "the Group"). These are not guarantees of future performance and will not be updated. Although we believe our expectations are based on reasonable assumptions, any statements about the future outlook may be influenced by factors that could cause actual outcomes and results to be materially different.

Our purpose

We generate attractive returns for our shareholders and co-investors by investing in private equity and infrastructure assets.

As proprietary capital investors we have a long-term, responsible approach.

We aim to compound value through thoughtful origination, disciplined investment and active management of our assets, driving sustainable growth in our investee companies.



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Chairman's statement

Driving sustainable growth in our portfolio companies

"We delivered a very strong return in FY2023, as we continue to benefit from our clear strategy, consistent execution and investment discipline.

While we are not immune from the impacts of the current macroeconomic uncertainty, the Group's financial strength and quality portfolio put us in a good position to continue to deliver attractive returns through the economic cycle."

David Hutchison
Chairman

Performance highlights

1,745p
NAV per share
(31 March 2022: 1,321p)

36%
Total return on equity
(2022: 44%)

53.0p
Dividend per share
(2022: 46.5p)

3i delivered a very strong result in FY2023, despite significant macroeconomic headwinds, as we continue to benefit from our clear strategy, consistent execution and investment discipline.

Performance

I am pleased to report that 3i delivered a very strong set of results in the financial year to 31 March 2023 ("FY2023"), with a total return of £4,585 million (2022: £4,014 million). Net asset value ("NAV") increased to 1,745 pence per share (31 March 2022: 1,321 pence) and our total return on opening shareholders' funds was 36% (2022: 44%). This result was driven predominantly by the strong performance of Action, our largest investment, as well as by good contributions from the majority of our remaining portfolio.

Market environment

FY2023 was dominated by the geopolitical and macroeconomic consequences of Russia's invasion of Ukraine and the gradual global recovery from the pandemic. Governments and central banks have had to deal with the consequences of high inflation and increasing energy prices, which resulted in significant increases in interest rates globally. The defensive characteristics of many of our portfolio companies have enabled them to continue to mitigate many of these macroeconomic headwinds, and in some cases make value accretive acquisitions. A small pocket of our portfolio exposed to discretionary consumer spending did, however, see significant underperformance in the year.

Investment activity across the buyout market slowed in 2022 and we continued to deploy capital selectively in businesses that operate in sectors that we know well and are supported by long-term growth trends. The Group invested £397 million in the year in new acquisitions and further investments in our existing businesses.

Dividend

Our dividend policy is to maintain or grow the dividend year-on-year, subject to the strength of our balance sheet and the outlook for investment and realisations. In FY2023, we generated significant cash inflow of over £1.3 billion from our portfolio companies, whilst remaining cautious and disciplined in our investment activity and supporting portfolio companies, where necessary. Following the repayment of the £200 million fixed-rate 2023 bond in March 2023, we reduced our fixed debt to £775 million, which contributed to a reduction in gearing to 2% at 31 March 2023 (31 March 2022: 6%). In line with the Group's policy and in recognition of the Group's financial performance, the Board recommends a second FY2023 dividend of 29.75 pence (2022: 27.25 pence), subject to shareholder approval, which will take the total dividend to 53.0 pence (2022: 46.5 pence).

Board and people

As announced in November 2021, Julia Wilson, formerly Group Finance Director, retired from the Board on 30 June 2022 after the 2022 AGM. James Hatchley joined the Board as Group Finance Director Designate on 12 May 2022 and became Group Finance Director upon Julia's retirement. Jasi Halai joined the Board as Chief Operating Officer on 12 May 2022. Both James and Jasi have settled very well into their respective roles.

After nine years' service as a non-executive Director, Caroline Banszky will not be standing for re-election at the 2023 AGM and accordingly will retire from the Board at the end of that Meeting. I would like to thank her for her outstanding contribution to the Board's deliberations.

Environmental, Social, and Governance ("ESG")

I am pleased with the progress we have made across all areas of our ESG agenda and I am encouraged by the level of engagement across our portfolio of investments. Led by the Chief Executive's ESG Committee, the focus has been principally on improving our ability to identify and manage climate risk across the portfolio and take advantage of any transition opportunities that may arise. We have embedded dedicated resource in our investment teams, to engage with the portfolio and explore opportunities to improve the sustainability of our investments. We also continue to prepare the Group to comply with ESG regulatory reporting requirements.

Outlook

We start FY2024 with a portfolio of assets that we have carefully constructed around sectors and themes supported by long-term growth trends, with a clear strategy of delivering sustainable returns through underlying organic growth and effective implementation of value accretive buy-and-build acquisitions. Whilst the Group and portfolio are not immune to a further sustained period of macroeconomic and geopolitical uncertainty, we are confident that our financial strength and quality portfolio will provide the Group with the flexibility to navigate these and continue to deliver attractive returns through all stages of the economic cycle.

David Hutchison
Chairman

10 May 2023

Alternative Performance Measure ("APM")

3i prepares its statutory financial statements in accordance with UK-adopted international accounting standards. However, we also report a non-GAAP "Investment basis" which we believe aids users of our report to assess the Group's underlying operating performance.

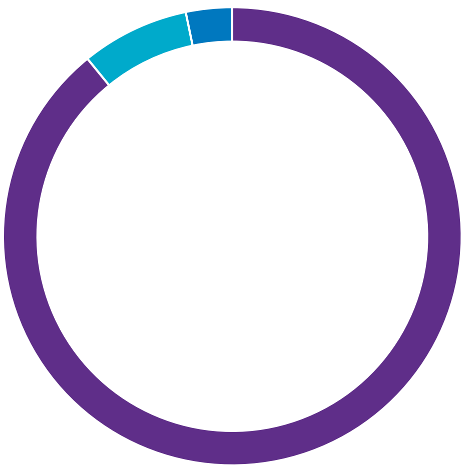
The Investment basis is an APM and is described on page 73. Total return, which is defined as Total comprehensive income for the year and net assets are the same under the Investment basis and IFRS and we provide a reconciliation of our Investment basis financial statements to the IFRS statements from page 74.

We assess our performance using a variety of measures that are not specifically defined under IFRS and are therefore termed APMs. These include: Gross investment return ("GIR") as a percentage of opening value, cash realisations, cash investment, operating cash profit, net (debt)/cash and gearing. These APMs are referred to throughout the report and their purpose, calculation and reconciliation to IFRS can be found on page 77.

At a glance

3i is an investment company specialising in Private Equity and Infrastructure. We invest in mid-market companies headquartered in northern Europe and North America.

3i Group investment portfolio value
as at 31 March 2023



£18,388m
(2022: £14,305m)

Private Equity	Infrastructure	Scandlines
£16.4bn	£1.4bn	£0.6bn

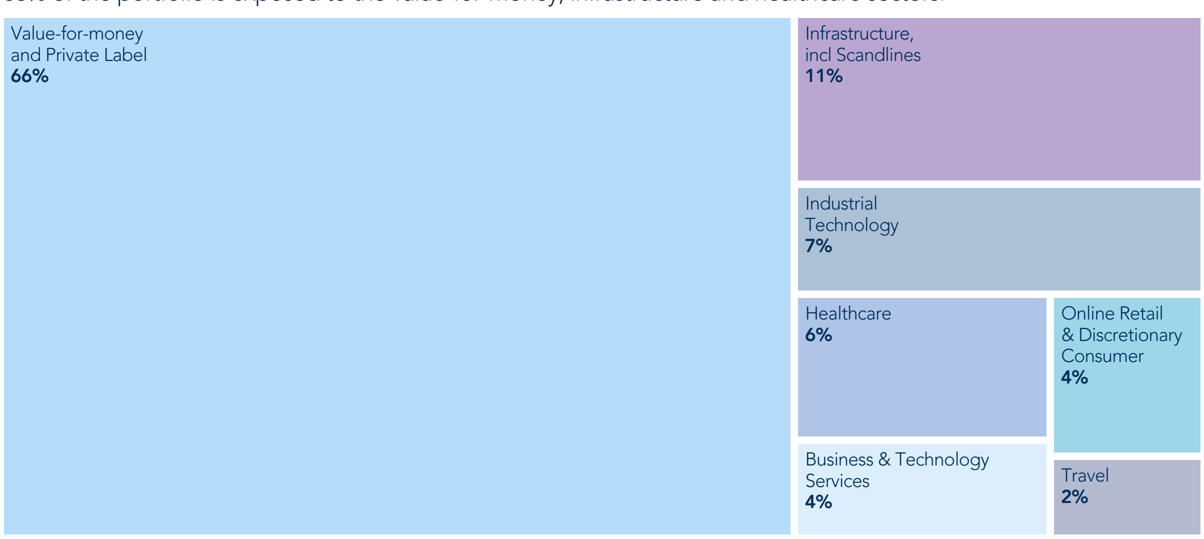
Total assets under management

£29.9bn
(2022: £22.9bn)

Private Equity	Infrastructure	Scandlines
£22.9bn	£6.4bn	£0.6bn

3i Group Investment portfolio value
as at 31 March 2023

83% of the portfolio is exposed to the value-for-money, infrastructure and healthcare sectors.



At a glance continued

Private Equity

What we do
Our Private Equity business is funded principally from our proprietary capital, with some funding from co-investors for selected assets. Its principal focus is to generate attractive capital returns.

89%

With 89% of our investment portfolio invested in Private Equity, this business is the principal driver of our returns.

Sectors
Our Private Equity business invests in companies with an enterprise value of typically €100 million to €500 million at acquisition in our core investment markets of northern Europe and North America. Our teams invest in the following sectors:

- Business & Technology Services
- Consumer
- Healthcare
- Industrial Technology

Infrastructure

What we do
Our Infrastructure business manages assets on behalf of third-party investors and 3i's proprietary capital, with the objective of generating attractive capital returns and earning fund management fees and portfolio income for the Group.

£107m

of the Group's cash income was generated by our Infrastructure business in FY2023.

Sectors
Our Infrastructure business invests across a broad range of economic infrastructure businesses and operational projects in Europe and North America, in sectors adjacent to:

- Communications
- Healthcare
- Natural resources/Energy
- Social infrastructure
- Transport/Logistics
- Utilities

PAGES 25-29
Read more about Private Equity in our case studies

PAGE 37 AND 38
Read more about Infrastructure in our case studies

Chief Executive's statement

3i continues to deliver very strong performance

“Our portfolio has been carefully assembled and its resilience and consistent financial performance in recent years reflect the benefits of thematic investing, disciplined pricing and active asset management. We have started FY2024 with good momentum and are confident that we have the right people, portfolio and processes to continue to compound value from our portfolio and deliver consistent returns through the cycle.”

Simon Borrows
Chief Executive

Despite adverse global economic conditions, 3i delivered a very strong result in FY2023, underpinned by another year of excellent growth from Action and resilient performance across the majority of the rest of our portfolio. In challenging markets, we maintained our investment and pricing discipline, deploying capital across new investments and value accretive bolt-on acquisitions. We also continued to generate significant cash proceeds via realisations at healthy premiums to opening value and strong portfolio income.

In FY2023, we continued to execute our well-established strategy, making good progress against our key performance indicators (“KPIs”), and generated a total return on shareholders' funds of £4,585 million, or 36% (2022: £4,014 million, or 44%), ending the year with a NAV per share of 1,745 pence (31 March 2022: 1,321 pence). The majority of our portfolio companies have been navigating effectively through the high inflation, elevated interest rates, supply chain disruption, rising commodity prices and overall weaker consumer sentiment that have characterised FY2023. Whilst Action's performance was the most significant contribution to the Group's FY2023 return, we also saw particularly good or resilient trading from other portfolio companies operating in the value-for-money and private label, healthcare, industrial technology, business technology and services and infrastructure sectors. We are not, however, immune to the prevailing macroeconomic headwinds, and we saw softer trading in a small number of our portfolio companies. We therefore recognised a meaningful unrealised value loss in two of our companies with discretionary consumer end markets, to reflect weaker trading and the derating of valuation peers.

Private Equity transaction activity across the market slowed considerably in 2022 compared to 2021, as debt markets became less supportive and pricing expectations remained difficult to align. We were nevertheless able to complete four new investments in Private Equity and two in Infrastructure, in sectors and markets supported by long-term growth trends.

Bolt-on acquisitions across both of our portfolios remain an integral part of our long-term value creation strategy, enabling growth in the portfolio without taking on costly leverage. Accordingly, in FY2023, we completed a total of 11 bolt-on acquisitions for our Private Equity portfolio companies and three for our North American Infrastructure portfolio.

We also generated significant realised proceeds in FY2023, capitalising on demand for assets with a proven track record of through-the-cycle growth and the ability to execute and integrate bolt-on acquisitions. In total, across the Group, we generated over £1.3 billion of cash in the year from realisations and portfolio income.

Including the impact from foreign exchange hedging, 71% of the Group's net assets are denominated in euros or US dollars and we generated a £623 million gain (2022: £9 million gain) on foreign exchange translation as a result of sterling weakness. This includes a £122 million gain from our new medium-term foreign exchange hedging programme that we implemented for the Group in October and November 2022, and the existing hedging programme for Scandlines. For further details see page 71.

Private Equity performance

In the year to 31 March 2023, our Private Equity portfolio, including Action, generated a Gross Investment Return ("GIR") of £4,966 million or 40% on opening value (2022: £4,172 million, or 47%). Action generated a GIR of £4,344 million, or 61%, on its opening value. The softer performance across some of our discretionary consumer portfolio companies detracted from the resilient performance of the remainder of the ex-Action portfolio, with 90% of our portfolio companies by value growing earnings in the last 12 months ("LTM") to the end of 31 December 2022. In addition, our Private Equity portfolio is prudently funded, with a long-dated maturity profile and the interest rate risk substantially hedged.

Action

Action, the fastest growing non-food discounter in Europe and our largest portfolio company, delivered another year of very impressive performance. For its financial year ending 1 January 2023, Action generated net sales of €8,859 million, 30% ahead of 2021, and like-for-like ("LFL") sales growth of 18.1% driven by higher footfall and a higher number of transactions. The removal of the remaining limited Covid-19 restrictions in the first quarter of 2022 also contributed to this performance. Sales grew across all of Action's 14 product categories, with particularly good sales of daily essential products.

In the 12 months to 1 January 2023, Action delivered operating EBITDA of €1,205 million, 46% ahead of 2021 and an all-time high EBITDA margin of 13.6%. Action's buying power, flexibility in its category assortment and ability to absorb some of the inflationary pressure enabled it to manage both cost and pricing effectively, whilst maintaining and, in many instances, increasing its pricing advantage compared to its competitors.

Action's simple, efficient and scalable operating model allows the business to expand seamlessly across existing and new geographies. The business added 280 new stores in 2022, setting another store opening record. Stores across all countries are performing well with some of the more recent markets, such as Poland and the Czech Republic, showing particularly strong growth. Action has also moved out of the pilot phase in Italy and Spain given these markets exceeded initial expectations and Action is now fully committed to a full scale expansion in these two sizable new countries. On 2 March 2023, Action opened its first store in Slovakia, its 11th country. At the end of Action's P3 2023 (which ended on 2 April 2023), Action had 2,297 stores across 11 countries, with considerable white space to roll out in both existing and new geographies.

Action largely mitigated external supply chain challenges in 2022. It did so by leveraging its heavy investment in network capacity and through improved planning capabilities and collaboration with logistics partners. This resulted in increased product availability in stores to meet high customer demand. In addition, Action continues to develop its mix of suppliers, with an increasing share of directly sourced products and further geographical diversification. In 2022, the business also continued to enhance its supply chain infrastructure, opening a new hub in Le Havre and ramped up capacity in the distribution centres ("DCs") in Verrières, Bieruń and Bratislava. Action plans to open two new DCs in 2023, which will increase its existing DC network capacity of c.2,700 stores by another c.400 stores.

Action's Sustainability Programme is a fundamental pillar of its strategy and growth trajectory, and the business has made significant progress in its delivery. In 2022, Action completed a circularity assessment of all 14 product categories looking at design and use, which has enabled the business to define circular improvements in the buying process going forward. The business also increased its use of sustainably sourced cotton to 90% and sustainably sourced timber to 92% and reduced its Scope 1 and 2 CO_2 emissions by 40% from a 2021 baseline, which is an important step towards achieving its pledge to reduce the emissions from its own operations by 60% by 2030, from a baseline year of 2021.

Action continues to generate very strong cash flow, with cash conversion of 78% in 2022, as a result of its one-year cash payback for new stores and low capital intensity. The business paid an interim dividend to shareholders in December 2022, of which 3i received £159 million, and a second dividend in March 2023 of which 3i received £166 million. After paying the dividends, Action had a cash balance of €365 million as at 2 April 2023 and a net debt to run-rate earnings ratio of 1.8x.

In March 2023, we completed a transaction to provide liquidity for existing external investors in Action, who are invested via our 3i 2020 Co-investment Programme ("Programme"). As part of this transaction, we purchased a small additional stake in Action, investing £30 million through the Programme based on the December 2022 net asset value, increasing our equity stake from 52.7% to 52.9%. At the same time, we crystallised a portion of the carried interest liability relating to Action, which is expected to result in a payment by 3i of c.£200 million in carried interest to the participants in the relevant carry plans in May 2023.

The valuation of our 52.9% stake in Action at 31 March 2023 of £11,188 million (2022: £7,165 million) reflects the robust growth in Action's LTM run-rate EBITDA to €1,439 million (P3 2023), its low leverage and its current LTM run-rate EBITDA valuation multiple of 18.5x net of the liquidity discount. We take a long-term, through-the-cycle view on the multiple we use to value Action and take comfort from the fact that its continued excellent growth meant that its valuation at 31 March 2022 translated to only 13.0x the run-rate EBITDA achieved one year later. In addition, its most important operating KPIs compare very favourably with those of its peer group, which consists of North American and European value-for-money retailers.

2022 was a record year in terms of store openings for Action, as the business added 280 stores

PAGES 22-24
Read more about Action

In the first three periods to 2 April 2023, Action performed strongly, with LFL sales growth of 24.3% and 34 new stores added. Since 31 March 2023, we successfully allocated and signed an amendment and extension of Action's senior debt facilities on attractive terms. This included upsizing and extending the final maturities of a substantial portion of Action's senior term debt and revolving credit facility ("RCF"). Action's total senior debt facilities after the closing of the transaction will be €3,625 million including a €500 million undrawn multi-currency RCF.

Healthcare portfolio companies

Our healthcare portfolio continues to demonstrate its resilient and secular growth characteristics, driving good performance in FY2023. SaniSure followed up a very strong 2021 with further outperformance in 2022, as a result of operational efficiencies and elevated demand for its products. Whilst industry demand has moderated since the start 2023, we remain very confident of SaniSure's fundamental growth prospects. The business and its growth potential will continue to be enhanced by its active buy-and-build strategy, including the recent acquisition of Q Holding's Twinsburg site, which has added to its capability and diversified its client portfolio.

Cirtec Medical delivered another year of top-line growth, offsetting short-term supply chain headwinds which have now largely been resolved. The business continued to add high value, differentiated capabilities and end-market diversification, with its strategic acquisition of Precision Components from Q Holding.

We continued to support the development of ten23 health, our pharmaceutical products contract development and manufacturing organisation ("CDMO"), with a further investment of £36 million in the year.

Consumer portfolio companies (excluding Action)

Our value-for-money and private label businesses continued to perform well in FY2023, but a number of our discretionary consumer businesses have been disproportionately impacted by weaker consumer sentiment.

Despite significant raw material and energy price inflation in 2022, Royal Sanders sustained its strong growth through increased volumes with key customers and outperformance of the four bolt-on acquisitions completed since our initial investment in 2018. In April 2023, Royal Sanders completed the acquisition of Lenhart, its fifth since we first invested, further strengthening its position in the DACH region, and reinforcing its role as a key consolidator in a highly fragmented market. A combination of effective operational performance and positive contributions from recent bolt-on acquisitions has supported Dutch Bakery's good result in 2022.

nexeye delivered good top-line growth and margin performance in its financial year ending January 2023, driven by a comparatively attractive price point for its customers. It added 23 stores in the year and accelerated online appointments across its German business. Trading at the start of 2023 has recovered, following softer trading in Q3 2022 as consumer uncertainty impacted overall market demand.

Over the last 12 months, we have seen a significant recovery in bookings for Audley Travel and arrivia, two of our travel assets. Audley Travel's key destinations gradually reopened in 2022, leading to a strong recovery in bookings, driven by pent-up demand and supported by Audley's differentiated brand proposition. arrivia has seen good performance in its membership business, as well as a strong pick up in cruise and travel bookings.

Following a solid first quarter of 2022, both Luqom and YDEON experienced a significant drop in order intake across their online platforms for the remainder of the calendar year, as a result of weaker consumer confidence and inflationary concerns. Across this same period, e-commerce peers of both portfolio companies de-rated materially, reflecting the challenging external trading conditions. These were key considerations in support of the combined £357 million unrealised value decrease we recognised across these two portfolio companies in FY2023. We believe the longer-term growth fundamentals of each business remain and, through initiatives such as Luqom's further international expansion and YDEON's addition of lower cost products to its range, both businesses are positioning themselves for recovery.

BoConcept has to an extent mitigated lower footfall and order intake through its international diversification, franchise model and effective margin management.

Business and Technology Services portfolio companies

WilsonHCG delivered strong organic growth in 2022, and in January 2023 it completed the bolt-on acquisition of Personify, enabling it to accelerate its growth in the life sciences and healthcare end markets. The business is well positioned to navigate any prolonged slowdown in the North American hiring market, whilst new customer wins continue to diversify its customer base. MAIT traded resiliently in the year, as the IT services market continues to demonstrate a strong growth outlook. Following the bolt-on acquisition in June 2022 of Nittmann & Pekoll, an Austrian ERP specialist, the business has now completed five bolt-on acquisitions since we first invested in 2021, all of which are integrating well.

Evernex continued its buy-and-build activity, with the strategic acquisitions of XS International and Integra, enabling the business to expand its footprint in the US, Nordic, and Benelux markets. Short-term trading has been impacted by a post-pandemic increase in new IT equipment investment, affecting the renewal of maintenance contracts, although this was largely offset by a number of new contract wins in the year.

Industrial Technology portfolio companies

AES performed very well financially, strategically and operationally throughout 2022 and into the first quarter of 2023, driven by strong demand in its global pump and rotating equipment end market. The business has continued to invest and scale up, driving further reliability in its offering and helping to generate new customer wins.

Having traded strongly in the first half of 2022, Tato saw trading soften through the second half of 2022 with weaker end market demand and supply challenges for key input chemicals resulting in price inflation and margin pressure. Tato successfully leveraged its scale and global footprint to maintain good customer supply, and margin performance has improved since the turn of the year.

Following three years of significant operational and market disruption, Formel D has made encouraging steps in its earnings recovery. Whilst trading was soft through the first half of 2022 driven by prolonged Covid-19 shutdowns in China and intermittent supply chain issues as a result of Russia's invasion of Ukraine, the second half of 2022 and start of 2023 have been more encouraging with an easing of supply chain issues and margin improvement from contract renegotiations.

Private Equity investment

Unfavourable debt markets and economic uncertainty suppressed buyout market activity in 2022 compared to a more buoyant market in 2021. Our approach to new investment has remained consistent and we maintain our selective and disciplined approach, leveraging our offices and international network to identify attractive and sensibly priced new investments and value accretive bolt-on acquisitions for our portfolio companies.

In FY2023 we completed four new Private Equity investments totalling £221 million. Our digitalisation, automation and big data investment theme underpins three of these new investments: the £94 million investment in xSuite, an accounts payable invoice automation software provider; the £37 million investment in dé VakantieDiscounter ("VakantieDiscounter"), a technology-enabled online travel agency in the Benelux focused on affordable holidays; and the £30 million investment in Digital Barriers, a provider of unique video compression technology.

Our extensive consumer sector expertise will enable us to support the global expansion thesis for our £60 million investment in Konges Sløjd, which offers apparel and other products for babies and children.

Across the Private Equity portfolio, we completed 11 bolt-on acquisitions in the year. We supported Luqom's acquisition of Brumberg, a B2B lighting brand, arrivia's acquisition of RedWeek, an online timeshare rental marketplace, and WilsonHCG's acquisition of Personify, a provider of RPO to specialised end markets, with total further investment of £63 million. Our portfolio companies also completed eight self-funded bolt-on investments in the year, including the acquisitions by SaniSure and Cirtec Medical of two components of Q Holding's medical business, as well as bolt-on acquisitions by Dutch Bakery, MAIT, Evernex and AES.

PAGES 25-29
Read more about our Private Equity investment activity

Private Equity realisations

Despite challenging market conditions, we generated total capital realisation proceeds of £857 million in the year, demonstrating the appeal of our portfolio companies, many of which have shown resilience at all stages of the economic cycle.

Our sale of Havea in October 2022 endorsed our long-standing buy-and-build approach. During our five-year holding period, the business delivered double-digit organic growth and completed and integrated five acquisitions which, combined with a significant strategic transformation, transitioned Havea from a family-owned business to a European leader in consumer healthcare and wellbeing. This disposal generated proceeds for 3i of £471 million, representing a 50% uplift on the value of the investment at 31 March 2022, a sterling money multiple of 3.1x and an IRR of 24%.

During the year, we received total proceeds of £332 million from three partial disposals by Q Holding. In Q1 FY2023 we completed the disposal of Q Holding's QSR division receiving total proceeds of £199 million and in Q4 FY2023 we received £133 million relating primarily to the disposal of Q Holding's Twinsburg site and Precision Components business. The valuation of Q Holding at 31 March 2023 of £117 million (31 March 2022: £398 million) includes our remaining value of Q Holding's device assembly business Catheter Technologies. This means that over the last two years, through a combination of realised proceeds and residual value, we have recognised an uplift for Q Holding of over 100% on the opening value at 31 March 2021, which takes our money multiple, including proceeds received to date and remaining residual value, to 2.8x.

In January 2023 we completed the sale of Christ, our last investment in Eurofund V ("EFV"), for gross proceeds to 3i of £47 million, representing a 45% uplift on the 31 March 2022 opening value. When added to the proceeds generated by the sale of Amor (another German player in the jewellery space which we considered as part of the same investment thesis and sold in 2016 crystallising a money multiple of 2.3x), the multiple generated by this sale is 1.0x. Following the disposal of Christ, EFV reached a final gross money multiple of 3.0x, a top quartile performance.

PAGE 30
Read more about our Private Equity realisation activity

Infrastructure performance

In the year to 31 March 2023, our Infrastructure portfolio generated a GIR of £86 million or 6% on opening value (2022: £241 million, or 21%).

3i Infrastructure plc's ("3iN") carefully selected portfolio continues to benefit from its exposure to identified long-term growth trends. As a result, 3iN generated a total return on opening NAV of 14.7%, which was materially ahead of its 8-10% return objective, and delivered its dividend target of 11.15 pence, a 6.7% increase on last year. In February 2023, 3iN completed a £100 million placing of new shares at a price of 330 pence per share. The funds were used to part pay drawings on 3iN's RCF and partly used to fund its acquisition of Future Biogas. 3i did not participate in this placing and its holding in 3iN was therefore diluted from 30% to 29%. At 31 March 2023, our 29% stake (31 March 2022: 30%) in 3iN was valued at £841 million (31 March 2022: £934 million), as a result of a 10% year-on-year decline in its share price to 313 pence. However, this was partially offset by dividend income from 3iN of £29 million in the year. We see considerable unrealised value in 3iN's existing portfolio, with the platform investments generating substantial bolt-on investment opportunities, which can be funded from cash generated by those companies, together with portfolio company debt facilities. The additional equity raised by 3iN during the year gives further headroom to take advantage of this growth potential.

Demand for Infrastructure assets is strong and the team has continued to deploy capital while retaining its pricing discipline. As 3iN's investment manager, we oversaw 3iN's completion of its new investments in Global Cloud Xchange ("GCX") and Future Biogas in the year, as well as the purchase of an additional stake in TCR, a portion of which was subsequently syndicated to external investors. The team also completed the sale by 3iN of its European projects portfolio to the 3i European Operational Projects Fund ("3i EOPF") for £106 million.

Following robust US domestic travel demand and continued volume recovery from international travellers, our proprietary capital investment in Smarte Carte delivered strong performance across all lines of its business. Over the last 12 months, the business has continued to differentiate its offering with further ancillary services and also completed a refinancing at attractive terms.

Our North American Infrastructure platform delivered solid performance in FY2023. Regional Rail closed two bolt-on acquisitions, including three short-line railroads in the Midwest region of the US and several short-line railroads in Canada, whilst the existing freight rail platform delivered good volumes. EC Waste continued to benefit from strong landfill revenues.

As a result of our fund management activities and dividends from the portfolio we generated strong cash income of £107 million (2022: £91 million) from our Infrastructure business in the year.

Scandlines performance

Scandlines performed well in the year, generating a GIR of 10% (2022: 26%). The business delivered a second consecutive year of record growth in freight volumes in 2022, whilst leisure volumes saw good recovery driven by a strong summer peak season, offsetting the impact of Covid-19 at the start of 2022. Following continued good cash generation, we received total dividends of £38 million from Scandlines in FY2023.

Progress on our sustainability agenda

We made significant progress on our sustainability agenda in FY2023. We embedded dedicated ESG resource in our Private Equity and Infrastructure investment teams, as well as in our central Group function. This has accelerated the implementation of a range of sustainability initiatives at the Group level and 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 work on sustainability is driven by our ESG Committee, whose principal activities in FY2023 focused on portfolio data collection and management, climate training, and climate scenario analysis. Importantly, on 5 April 2023 we wrote to the Science Based Targets initiative ("SBTi") to indicate our commitment to set near-term science-based targets for 3i. We are now working to formulate our targets, with the intention to submit them to SBTi for validation in FY2024. Our science-based targets will cover our direct Scope 1 and 2 emissions, as well as 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.

Please refer to our Task Force on Climate-related Financial Disclosures ("TCFD") detail on pages 60 to 66 for more information on how we assess and manage climate-related risks and opportunities.

During the year, we continued to support our nine charity partners which work across a variety of areas, including helping homeless people, enabling disabled students to go to university, helping elderly people regain some independence and battle loneliness, and providing veterans with mental health support and helping them back into work. We donated £1 million across these initiatives. In addition, we donated £500,000 to the Turkey Mozaik Foundation in support of victims of the earthquake in Turkey and Syria.

Conservative balance sheet and management of foreign exchange movements

Our conservative balance sheet strategy is fundamental to our proprietary capital model enabling us to invest with speed and flexibility without the need to accelerate any realisations. We also continue to place great weight on cost discipline and once again covered our cash operating costs with cash income. Our activity during the year is set out in the Financial review including the details of the medium-term partial foreign exchange hedging programme we put in place at a time when we had the advantage of sterling weakness in October and November of 2022.

Active asset management

As investors in private equity and infrastructure companies, we pursue a highly involved form of asset management. This approach is only practical given the concentrated nature of the 3i portfolio. We start at the outset of our purchase with an investment case which we author in conjunction with company management with the simple goal of growing the business to at least double its profits over a five to six-year time-scale. As part of this plan, we define key milestones and KPIs which we track on a monthly basis in order to ensure the execution of the plan remains on track.

Management are closely aligned to the plan outcome and to 3i through their participation in equity and equity-linked plans as co-owners of the business. These long-term equity plans (five years or more) are much more meaningful than shorter-term annual variable pay, and in successful investments will deliver significant capital sums to the management teams. The nature of this incentive ensures real alignment with 3i's long-term approach to compounding capital.

The management team is supported in the execution of the investment case by a board primarily made up of experienced 3i executives or others hired by 3i who bring particular sector or specialist skills to the situation. The board and 3i investment team have regular monthly involvement with the company and are assisted by other members of the local investment team, being regularly involved at different levels throughout the organisation of the investee company. Active and involved governance is one of the key ingredients of our success.

3i also provides specialist legal, corporate finance, banking, ESG and digital resource to assist investee management teams in sharing best practice, particularly in relation to specific projects in funding and M&A as well as their overall ESG and digital agendas.

We believe this form of active management is key to the high returns we have achieved across both Private Equity and Infrastructure over the last 10 years. Management are allowed to drive a long-term rather than annual or quarterly agenda, and are encouraged to make the necessary investments to meet or exceed ambitious long-term growth plans. Action is a very good example of this approach.

The 3i Investment Committee and the senior partners in the Private Equity team review in detail progress against the investment case every March and September. It is in these reviews that the Investment Committee challenges the investment teams on the progress against the investment case and may agree to changes which could either prolong 3i's ownership by marking the asset as having potential for our "long-term portfolio"or even shorten the life of the plan to capitalise on current opportunities in the M&A market.

This highly-intensive approach to asset management was adopted at 3i in 2012, and has been refined over the last decade. It has been key to our strong investment performance since that time and together with our long-term, permanent capital approach gives us real competitive advantage against other forms of stewardship, be they more hands off-private or shorter-term focused public ownership models.

The benefits of compounding

3i's portfolio has been carefully assembled and its resilience over recent years is a reflection of the benefits of thematic investing, disciplined pricing and active asset management. Sustained returns over a number of years demonstrate the value of compounding, and no portfolio company better illustrates this than Action, which has become one of the fastest-growing retailers in the world, and 3i's largest and most resilient portfolio investment. Action has achieved 12 years of consistent, significant growth under 3i's ownership. The bedrock of this performance has been Action's very low prices and customer-centric approach. The company has performed well through all phases of the economic cycle and its low price leadership through this current period of very high shop price inflation has been particularly strong with high LFL sales across all 14 product categories and all countries.

Action has been welcomed in all 11 countries it now operates in and the company has recently been voted "favourite retail brand" in France by a large panel of consumers. France is now Action's largest market with some 730 stores, having opened its first store in that market in 2012. There are very few retailers that are close comparators to Action and very few of them can move seamlessly into new geographic markets as Action does.

Action has considerable growth potential across mainland Europe and elsewhere. It has opened over 2,000 stores across Europe under 3i's ownership and has the potential to open multiples of this number in the future. This organic expansion puts Action on track to join a very rare group of retailers where growth extends over decades, rather than years. Action is already a very large, well-spread and resilient business and will become even broader and larger as it grows its presence in new geographic markets. Action's business model produces high returns on equity and significant cash flows based on high store sales densities and one-year average historical paybacks on new store capital expenditure. So Action's store expansion is self-funding, allowing the group to increase its operating leverage through size and scale and deliver significant dividends to 3i and other shareholders as it grows.

3i invests permanent rather than time-limited fund capital. This allows us to capture the significant compounding benefits from Action's growth and consistent financial performance. We are now focused on developing a select number of other portfolio companies to fulfil their potential to also become long-term compounders for the Group. These other portfolio companies are likely to grow in prominence in our results over the coming years.

Outlook

Whilst we expect macroeconomic conditions to remain challenging in the near term, we have started FY2024 with good momentum and are confident that we have the right people, portfolio and processes to continue to deliver consistent returns for our shareholders through the cycle.

I would like to close by thanking the team at 3i and the teams in our portfolio companies for another very good performance in far from straightforward circumstances.

Simon Borrows
Chief Executive
10 May 2023

Our business model

We aim to compound value by investing in mid-market companies to create a diverse portfolio with strong growth potential.

Sectors

Private Equity

- Business & Technology Services
- Consumer
- Healthcare
- Industrial Technology

Infrastructure

- Communications
- Healthcare
- Natural resources/Energy
- Social Infrastructure
- Transport/Logistics
- Utilities

PAGES 16-17
Our thematic approach

Key enablers of value

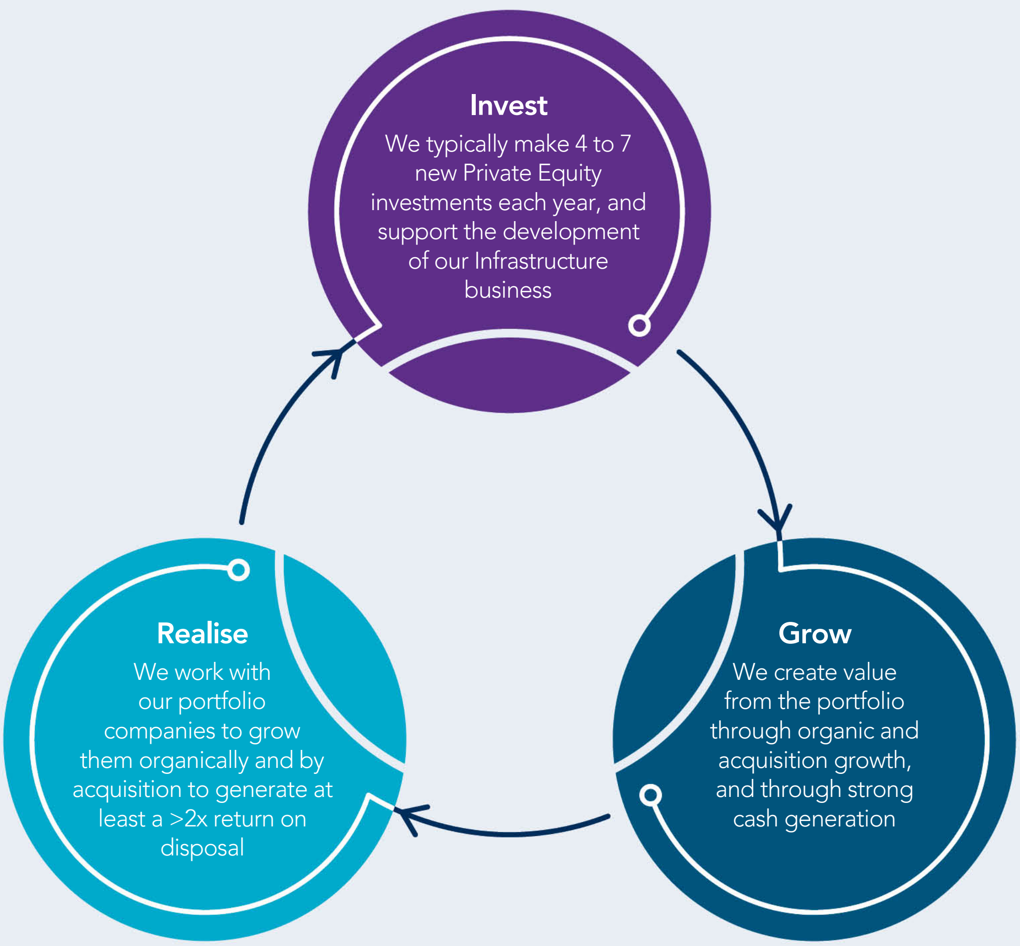
Permanent capital	We aim to compound our proprietary capital value through conviction in our best investments and by deploying our capital in new mid-market companies. Our proprietary capital affords us a long-term investment horizon.
A long-standing office network	We have had teams on the ground across the UK, continental Europe and the US for many decades, which have built strong networks within their local business communities.
An expert and diverse team	Our international teams are formed of local people with great knowledge and experience of their geography and sector. We view diversity as a strength and a plurality of perspectives enhances our origination, value creation and decision making.
Careful portfolio construction	We approach portfolio construction with great care, originating opportunities thematically and investing selectively in businesses that benefit from long-term structural growth trends.
Active asset management	We engage with portfolio companies' management teams to manage risks and invest in initiatives that support long-term sustainable growth.
Strong values and institutional culture	We promote a strong culture of integrity among our employees and embed that culture in our policies and processes.
A strong brand and reputation	As an investment company with a history of over 75 years, our brand strength and long-term approach underpin our reputation as a responsible investor and business.

PAGES 14-15
Our long-term, responsible approach

We cover our operating costs with income from our portfolio and from fund management fees generated by our Infrastructure business, thereby minimising the dilution of our capital returns.

Value creation

We manage our balance sheet conservatively. We maintain a tight grip on operating costs and cover these with fund management fees and portfolio income.



PAGES 14-15
Our long-term, responsible approach

Who benefits

Shareholders

Our model is capable of delivering mid-teen returns to shareholders through the investment cycle

36%

Total return on opening shareholders' funds

53.0p

Dividend per share

0.5%

Operating costs as a percentage of our FY2023 AUM

Portfolio companies

We work in close partnership with our portfolio companies to provide expertise and support, enabling them to grow sustainably and to contribute to the communities in which they operate

Our people

Our people are our most important resource. We foster the professional development and wellbeing of our employees

PAGES 106-107
Engaging with shareholders

Our long-term, responsible approach

As proprietary capital investors, we have a long-term, responsible approach. We aim to compound value through thoughtful origination, disciplined investment and active asset management of our portfolio, driving sustainable growth in our investee companies. Our success is founded on the expertise and diverse perspectives of our employees. We promote a culture of integrity across the organisation.

Responsibility and sustainability are material levers for value creation

Our responsible approach to investment and portfolio management is an integral part of our business model. It is based on four pillars:

1. Long-term stewardship

Thanks to our permanent capital we have a medium to long-term investment horizon. We have majority or significant minority stakes in our core portfolio companies and are represented on their boards. We therefore have the influence to drive long-term, sustainable growth in our portfolio.

2. Thematic origination

We invest in businesses that benefit from structural growth trends. Our approach is flexible and can be adapted to take into account market developments and regulatory, policy, societal or environmental changes. For example, over the last few years we have backed businesses that have invested in the energy transition, the achievement of a more sustainable consumption model through a circular economy, improved health and wellbeing and the digital transition, all of which can contribute to delivering positive change over the long term.

3. Careful portfolio construction

We approach investment origination and portfolio construction with great care, with a focus on resilience across the cycle. We make a limited number of new investments each year, sourced from sectors and geographies where we have built a strong track record, in-house expertise and comprehensive networks.

4. Assessment and management

We screen investment opportunities against our Responsible Investment policy and embed an assessment of ESG risks and opportunities across our investment, portfolio management and value creation processes. We have been signatories to the UN Principles for Responsible Investment since 2011.

“We invest in businesses that we believe will benefit from structural trends likely to support long-term, sustainable growth.”

+ PAGES 16-17 Our thematic approach
+ PAGES 42-66 Sustainability

Our people are our priority

Our success is based on the recruitment, development and retention of a capable and diverse team.

We provide training and opportunities for career advancement and reward our employees fairly. We recognise the importance of the satisfaction and wellbeing of our employees and support them by creating a healthy workplace and with tools to improve their mental and physical health. We benefit from a non-hierarchical organisational structure, which underpins a culture of open communication.

We employ a team of 249 people from 26 countries and value highly the diversity of perspectives that this brings. We cultivate an inclusive environment for existing and prospective employees which respects, involves and leverages diverse talent for greater organisational good. We support a number of initiatives aimed at improving gender, ethnic and social diversity at 3i and on an industry-wide basis.

PAGES 42-66
Sustainability

249
employees
As at 31 March 2023

26
nationalities

Strong values and institutional culture

3i was founded in 1945 with the objective of providing growth capital to post-war Britain. The responsibility which came with that purpose still guides our behaviour today.

We promote a strong culture of integrity among our employees and embed that culture in our policies and processes. We expect all employees to act with integrity, accountability and a careful ownership mindset and to approach their roles with ambition, rigour and energy.

Our corporate values are approved by the Board and the Executive Committee sets the tone and leads by example. We evaluate all employees annually against our corporate values.

PAGES 94-158
Governance

PAGES 42-66
Sustainability

Our shared values

Ambition

- Focus on generating value for all our stakeholders
- Strive for excellence and continuous improvement

Accountability

- Personal and collective responsibility for protecting and enhancing 3i's assets and reputation
- An ownership mentality in managing costs, resources and investments
- An aversion to building hierarchy

Rigour and energy

- Clarity of vision supported by practical execution
- Thorough analysis leading to clear decision-making and effective implementation
- High levels of energy, a strong work ethic and effective team working

Integrity

- Doing "the right thing" even when difficult
- Relationships built on trust, candour and respect

Our thematic approach

We adopt a thematic approach to origination and portfolio construction, backing businesses that benefit from structural trends which can support long-term sustainable growth.

Value-for-money and discount

The last few years have been characterised by significant shocks, including the Covid-19 pandemic and Russia's invasion of Ukraine. These have had profound consequences on the global economy and have resulted in higher inflation, higher interest rates, pressure on corporate margins, challenges to supply chains and energy security and lower growth.

Our portfolio plays to this theme through our focus on value-for-money and discount, as we expect consumers' focus on value to increase as a result of growing economic uncertainty.

Value-for-money has long been one of the winning themes in our Private Equity portfolio. Action has grown from its Dutch home market to a pan-European business with operations in 11 countries by providing a good quality and surprising assortment of products at very low prices. nexeye, an optical retailer, is winning market share by offering private label and branded products at average price points below its major competitors.

Royal Sanders, a private label and contract manufacturer of personal care products, is growing strongly thanks to its differentiated product offering to a range of customers, including value retailers. Dutch Bakery, a group specialising in home bake-off bread and snack products, benefits from similar dynamics. It differentiates itself through the breadth of its product offering, which enables retailers to develop a structurally attractive home bake-off category. Both Royal Sanders and Dutch Bakery are emerging as consolidators in fragmented markets.

VakantieDiscounter is an online travel agency which has performed resiliently in a difficult consumer environment through its focus on affordable holidays.

+ PAGES 22-24
Action

Energy transition, energy security and resource scarcity

The response to the climate and environmental emergencies is a defining theme of our time.

The transition to a more sustainable consumption model and the development of solutions to tackle global warming and climate change, as well as the more recent challenges to energy security, will provide investment opportunities for many decades.

We have exposure to the renewable energy and waste management and recycling sectors through our Infrastructure business, with investments in companies such as Infinis and Valorem, which generate renewable energy, and Attero and HERAmbiente, which sort and recycle waste and generate power from waste that cannot be recycled. Our Infrastructure business is also invested in ESVAGT, which provides service operation vessels to the offshore wind industry.

A number of our Private Equity portfolio companies are making significant investments in the circular economy theme either by adapting their business models or by offering products or services which directly support a circular model. For example, WP is investing in the development of packaging that is easily recyclable and made with greater use of recycled materials. A core pillar of Evernex's customer proposition is to repair, reuse and recycle IT equipment, reducing waste and emissions. Mepal makes innovative products for storing and serving take-away food and drink, which can help to reduce food waste and the usage of single-use packaging.

+ PAGE 49
Evernex

Our thematic approach continued

Digitalisation, automation and big data

Business is increasingly mobile and data driven, facilitated by increasing connectivity and automation and focused on simplifying processes and the customer experience.

Technology is developing rapidly and changing business operating models across sectors. Digitalisation is part of daily life, permeating all spheres of human activity and interactions. It is also intertwined with climate change and a precondition to many of the available decarbonisation pathways.

We have been careful to select investments that benefit from this megatrend, while avoiding areas likely to be impacted by disruption. In our Private Equity portfolio, **MAIT** provides SMEs with IT solutions that focus on process optimisation and digitalisation. **xSuite** provides accounts payable process automation applications. **Evernex** maintains IT equipment that is critical for customers' business continuity. **Luqom, YDEON, VakantieDiscounter** and **Konges Sløjd** operate in growing online consumer niches and can benefit from the ongoing shift to the online channel.

We have a growing exposure to this trend in our Infrastructure portfolio through **DNS:NET**, which is rolling out a fibre-to-the-home network in the Berlin area; through **Tampnet**, an offshore communications network operator in the North Sea and Gulf of Mexico; and through **Global Cloud Xchange**, a global data communications services provider and owner of one of the world's largest private subsea fibre optic networks.

PAGES 29 and 37
xSuite and GCX

Demographic and social change

Ageing populations are projected to cause great social disruption in our investment markets.

Increasing life expectancy and reduced birth rates in most of our core markets are resulting in an ageing and often declining population. These structural, long-term trends are causing profound changes in consumer behaviour and preferences, and in the development of policy responses to meet the challenges of greater longevity and the prevalence of age-related chronic illness.

The healthcare investments in our Private Equity portfolio, including Cirtec Medical, an outsourced medical device manufacturer, as well as SaniSure and ten23 health, which provide products and services to the life sciences industry, have developed their businesses to provide solutions to the disruption caused by demographic shifts and by scientific breakthroughs making more advanced treatments possible.

We also have exposure to this trend in our Infrastructure portfolio through Ionisos, which provides cold sterilisation services to the medical and pharmaceutical industries, amongst others.

PAGE 32
Cirtec

Our strategic objectives

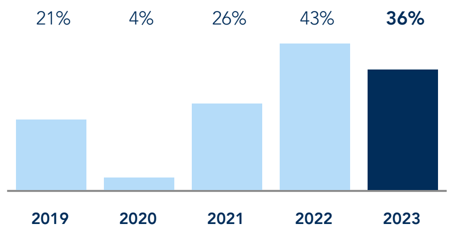
- Grow investment portfolio earnings
- Realise investments with good cash-to-cash returns
- Maintain an operating cash profit
- Use our strong balance sheet
- Increase shareholder distributions

Key performance indicators

Gross investment return ("GIR") as % of opening portfolio value[1,2]

The performance of the proprietary investment portfolio expressed as a percentage of the opening portfolio value.

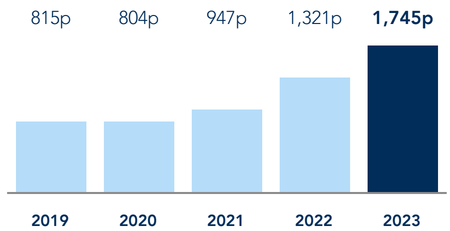
Link to strategic objectives



NAV per share[2]

The measure of the fair value per share of our investments and other assets after the net cost of operating the business and dividends paid in the year.

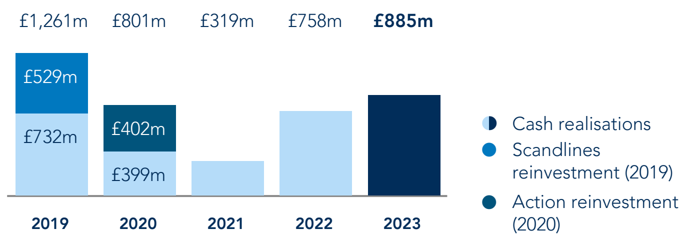
Link to strategic objectives



Cash realisations[1,2]

Support our returns to shareholders, as well as our ability to invest in new opportunities.

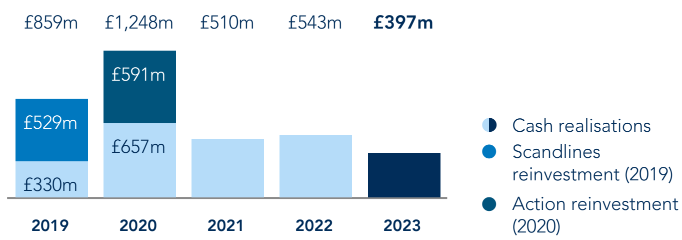
Link to strategic objectives



Cash investment[1,2,5]

Identifying and investing in new and further investments is a key driver of the Group's ability to deliver attractive returns.

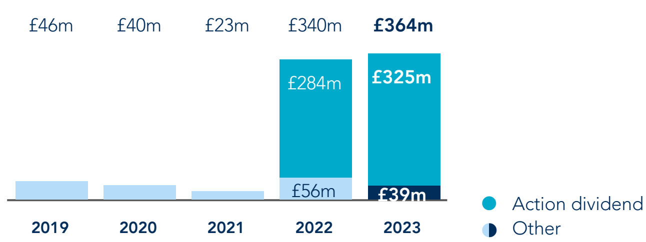
Link to strategic objectives



Operating cash profit[1,2,3]

By covering the cash operating cost of running our business with cash income, we reduce the potential dilution of capital returns.

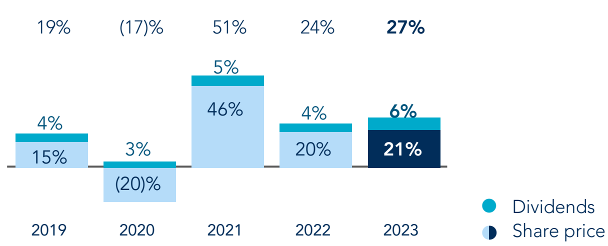
Link to strategic objectives



Total shareholder return[2]

The return to our shareholders through the movement in the share price and dividends paid during the year.

Link to strategic objectives



Key performance indicators continued

FY2023 progress and FY2024 outlook	Key risks[4]
• Strong Group GIR of 36%, driven by £3,769 million of unrealised value growth, £514 million of portfolio income and a foreign exchange gain, including hedging, of £652 million • Private Equity GIR of £4,966 million, or 40%, with a £4,344 million contribution from Action • Infrastructure GIR of £86 million, or 6%, reflecting good performance of our US infrastructure portfolio offsetting the derating of our quoted 3iN holding • Scandlines GIR of £52 million, or 10%, reflecting strong freight volumes, recovery in leisure volumes and cash distributions received	• Impact of Russia's invasion of Ukraine on global supply chains and commodity prices resulting in market volatility and inflationary pressures which could impact portfolio valuations and portfolio earnings • Investment rates or quality of new investments are lower than expected • Operational underperformance in portfolio companies affects earnings growth and exit plans • ESG regulations or changes to consumer preferences in relation to ESG factors affect earnings or valuations • Sterling materially strengthens against the euro and US dollar. At 31 March 2023, 87% of the portfolio was denominated in euros or US dollars
• 32% increase in NAV per share to 1,745 pence (31 March 2022: 1,321 pence), after dividend payments of 50.50 pence per share in the year • Our portfolios have started FY2024 with good momentum	• Ongoing geopolitical uncertainty further dampens investor sentiment • Wider political and economic uncertainty impacts 3i's portfolio companies and valuations
• Cash proceeds of £885 million including £471 million from the disposal of Havea and £332 million from the partial disposals of Q Holding • Realisations and refinancings in FY2024 are subject to supportive market conditions and to portfolio company performance remaining resilient	• Market volatility or prolonged invasion of Russia in Ukraine delay exits or affect pricing • Subdued M&A activity and macroeconomic uncertainty in our core sectors reduces investor appetite for our assets • Debt markets become less supportive of leveraged buyouts or refinancings
• Invested £397 million, including four new investments • Completed 11 bolt-on acquisitions for the Private Equity portfolio, three of which we supported with further investment of £63 million • Interesting pipeline of new investment opportunities and bolt-on acquisitions • Invested £30 million to purchase a small additional stake in Action and at the same time crystallised some of the outstanding carried interest in the Buyouts 2010-12 scheme relating to Action, which is expected to result in a c.£200 million carried interest payment to participants in that scheme in May 2023	• Debt markets become less supportive of leveraged buyouts or refinancings • Failure to attract, invest in and retain talented investment executives impacts our ability to originate and manage assets • Limited ability to source bolt-on opportunities or new investments outside of competitive auction processes
• Generated cash income of £351 million from Private Equity (2022: £346 million), including £325 million of dividends from Action (2022: £284 million); £107 million (2022: £91 million) from Infrastructure; and £39 million from Scandlines (2022: £13 million) • Modest increase in cash operating expenses to £133 million (2022: £110 million) reflecting full-year impact of new hires and inflationary impacts on costs • Good cash income expected to continue from Infrastructure and Scandlines	• Portfolio underperformance results in liquidity or other constraints limiting our ability to generate portfolio income • Assets under management do not generate sufficient fee income • Unplanned increase in 3i's cost base; for example, from legal, compliance or regulatory issues
• TSR of 27% driven by a share price increase of 21% and by dividend payments of 50.50 pence in the year • Well-positioned, low-geared balance sheet supports a total FY2023 dividend of 53.0 pence per share	• Lower NAV due to investment underperformance or market volatility, political and economic uncertainty • Investor appetite for 3i shares could reduce in a volatile macroeconomic environment or in the context of a wider market correction

1 A number of our KPIs are calculated using financial information which is not defined under IFRS and therefore they are classified as APMs. Further details on these APMs are included in our Financial review on page 77.
2 Further information on how these KPIs are factored into decisions concerning the Executive Directors' remuneration is included in the Directors' remuneration report on page 131.
3 Cash operating expenses includes lease payments.
4 This is not an exhaustive list of risks, but a selection of examples of key risks which could potentially impact the respective KPIs. A summary of the Group's current principal risks is set out on pages 88 to 92.
5 Cash investment of £397 million is different to cash investment per the cash flow of £330 million due to a £57 million syndication in Infrastructure which was received in FY2023 and a £10 million investment in Private Equity to be paid in FY2024.

Business review

What's in this section

Private Equity	21
Infrastructure	36
Scandlines	41

Private Equity

We invest in mid-market businesses headquartered in northern Europe and North America with potential for international growth. Once invested, we work closely with our portfolio companies to deliver ambitious growth plans, realising our investments to generate strong cash-to-cash returns for 3i shareholders and other investors.

In the year to 31 March 2023, our Private Equity portfolio delivered a GIR of £4,966 million, or 40%, on the opening portfolio value (2022: £4,172 million or 47%) and the portfolio value increased to £16,425 million (31 March 2022: £12,420 million). This result was driven predominantly by Action's very strong performance in FY2023, as well as by a good contribution from a number of our other assets operating in the value-for-money and private label, healthcare, industrial technology, and business and technology services sectors that have responded well to, and so far largely mitigated, high inflation, increased energy prices and interest rates and weaker consumer sentiment. We recognised a material unrealised value decline in two of our discretionary consumer portfolio companies, as a result of weaker trading and of the derating of external peers.

In FY2023, we made four new investments and continued to implement our buy-and-build strategy, completing 11 bolt-on acquisitions, three of which required additional funding from 3i. We ended the year as net divestors, with significant proceeds achieved from realisations and portfolio income. Average leverage across the portfolio remains low at 2.5x, or 4.0x excluding Action and our Private Equity portfolio is funded with all senior debt structures, with long-dated maturity profiles. The recent banking disruption has had no impact on our portfolio to date.

The contribution of Action to the Private Equity performance is detailed in Note 1 of the financial statements.

Table 1: Gross investment return for the year to 31 March

Investment basis	2023 £m	2022 £m
Realised profits over value on the disposal of investments	**169**	228
Unrealised profits on the revaluation of investments	**3,746**	3,545
Dividends	**345**	331
Interest income from investment portfolio	**77**	73
Fees receivable	**7**	6
Foreign exchange on investments	**493**	(11)
Movement in fair value of derivatives	**129**	–
Gross investment return	**4,966**	4,172
Gross investment return as a % of opening portfolio value	**40%**	47%

At a glance

Gross investment return

£4,966m or 40%

(2022: £4,172m or 47%)

Cash investment

£381m

(2022: £457m)

Realised proceeds

£857m

(2022: £684m)

Portfolio dividend income

£345m

(2022: £331m)

Portfolio growing earnings

90%[1]

(2022: 93%)

Portfolio value

£16,425m

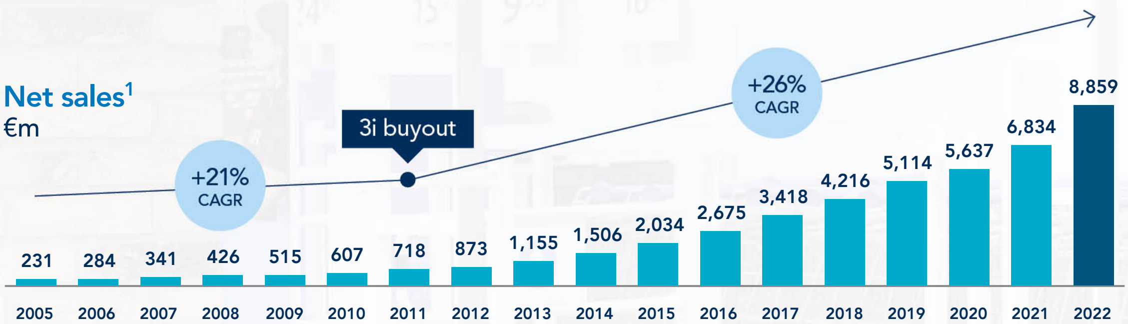
(2022: £12,420m)

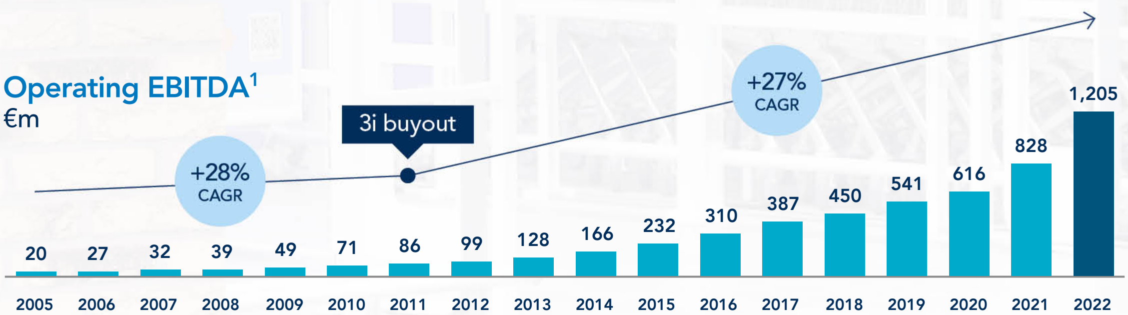
1 LTM adjusted earnings to 31 December 2022. Includes 31 portfolio companies.

Action

Investing in good businesses to make them great

Action, our largest portfolio company, was founded 30 years ago with one store in the Netherlands and is now the fastest growing non-food discount retailer in Europe. Action's unique customer value proposition of quality products, surprise assortment and low prices attracted 15 million customers per week into its stores in 2022.





Source: Company information
1 Including impact of 53rd week

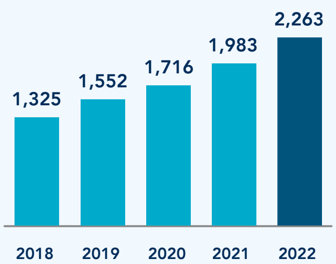
Private Equity continued

Action has a simple, efficient and scalable operating model. It offers 6,000 products across 14 different categories with a focus on quality and low prices. Action's surprising assortment consists of daily essentials, seasonal products, home and garden, and hobbies. Two-thirds of Action's assortment changes frequently, as Action introduces 150 new articles every week. Selling at the lowest price is central to Action's business model with an average price of €2.20 and over 1,700 products below €1.

International store roll-out

2022 was another record year for store openings as Action added 280 new stores. In Action's largest market, France, 73 new stores were added, with a further 81 stores in Poland, 46 stores in Germany, 23 stores in the Czech Republic, 15 stores in Austria, nine in Belgium and Luxembourg and seven in the Netherlands. In Italy and Spain, its newly entered markets, Action opened 21 and five stores respectively. Action entered its 11th market in March 2023, opening its first stores in Slovakia, and is planning its first store opening in Portugal in 2024.

Number of stores
at 31 December



280
stores added
(2021: 267)

Supply chain infrastructure

Action continued to enhance its supply chain infrastructure, opening a new hub in Le Havre, France in June 2022, enabling the business to further improve deliveries to its French DCs. Action plans to open a further two DCs in 2023 and one in 2024.

Scale economies shared

Action's commitment to offer the best value proposition for its customers is fundamental to its business model and strategy. It is able to share scale economies with its customers because of its large-scale sourcing and procurement, its optimal storage and distribution and expansive store network.

FOR MORE INFORMATION
www.action.com

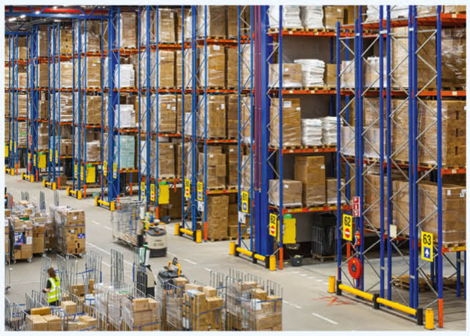
Private Equity continued

People

Action employs c.60,000 people directly and c.20,000 indirectly, representing 136 different nationalities. Action's people are a key pillar to its overall strategy and the business continues to invest in the ongoing development of its employees, driving over 2,600 internal promotions in 2022.

Digital

Action's digital presence continues to grow and it now connects with its customers via its website, newsletters, social media, as well as the Action app. Its website receives 6.5 million visitors per week. Its app was visited weekly 650,000 times in 2022 and is available in the Netherlands, Spain, France and Belgium with plans to roll out across the remaining Action geographies. Action's webshop pilot is operating well. The webshop, currently available only in the Netherlands, sells a reduced assortment of over 150 higher priced items. The results have been encouraging and Action plans to roll out the initiative in Belgium in the current calendar year.



Partnership

In the last 12 months, Action donated €1 million to UNICEF and the Dutch Red Cross to support people affected by the earthquake in Turkey and Syria and held a charity event at its biggest distribution centre in Zwaagdijk, the Netherlands, where over €200,000 was raised for the Princess Máxima Center.

Sustainability

Action has an ambitious Sustainability Programme, with targets across a number of environmental and social indicators.

It achieved significant progress against a number of its targets in 2022. Notably, it achieved 100% supply chain transparency and 100% recyclable packaging in its private label products. It also achieved a 40% reduction in Scope 1 and 2 emissions in 2022 from its 2021 baseline and 85% of its stores are now disconnected from the gas grid.

We have set out further information on Action's ambitious sustainability agenda on pages 46 and 47 in the Sustainability section of this report.

Further information is available on Action's website: www.action.com

Geographical spread of stores, DCs and hubs

at 31 December 2022

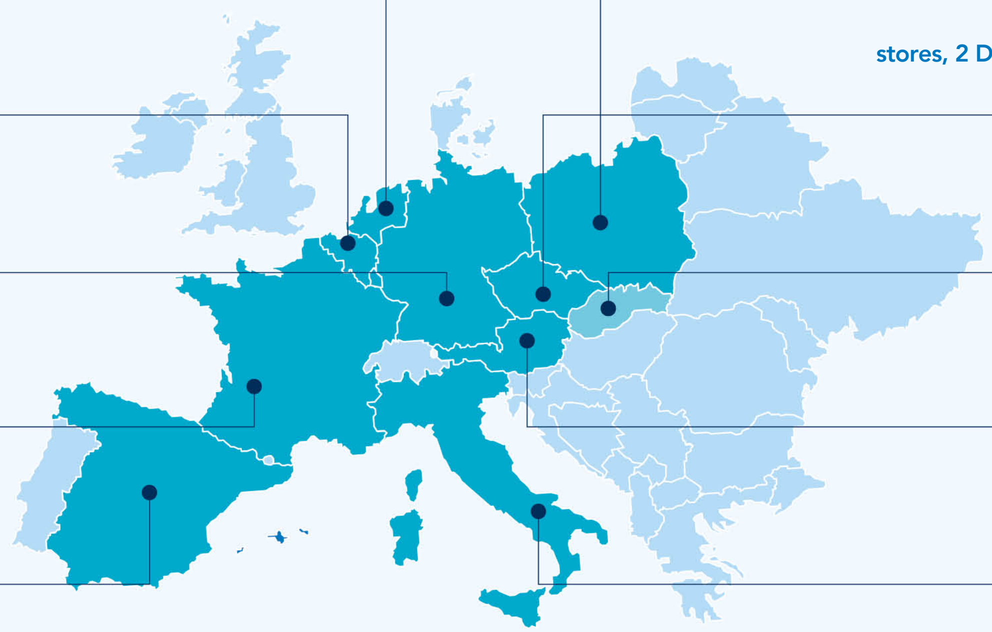
Netherlands
408
stores and 2 DCs

Belgium/Luxembourg
220
stores

Germany
481
stores and 2 DCs

France
726
stores, 4 DCs and 2 hubs

Spain
5
stores



Poland
256
stores, 2 DCs and 1 hub

Czech Republic
44
stores

Slovakia
1
DC[1]

Austria
95
stores

Italy
28
stores

1 Action opened three stores in Slovakia in March 2023 and therefore has stores in 11 countries

Investment activity

Across the US and European markets, private equity investment activity trended downwards in 2022, having reached near record levels in 2021. The significant deceleration from the second half of the year was driven by persistent macroeconomic headwinds and less supportive debt markets with pricing expectations that were difficult to align. Against this backdrop, we remained selective and disciplined in deploying our capital, investing £221 million in four new portfolio companies. All four of these investments were completed in the first half of FY2023.

We invested £94 million in xSuite, an accounts payable invoice automation software provider, and £30 million in Digital Barriers, a provider of unique video compression technology. These investments offer 3i exposure to their unique technology and high-growth end markets and both are transitioning to a subscription-based model. We also completed the £37 million investment in VakantieDiscounter, a highly scalable, technology-driven travel business with a value-for-money offering that is benefiting from the recovery of the travel market, as well as the £60 million investment in Konges Sløjd, a premium baby and child apparel and accessories business with an established international footprint that has significant scalability potential in a highly fragmented market.

Our buy-and-build strategy remains an integral part of our approach to value creation and, in FY2023, our portfolio companies completed 11 bolt-on acquisitions. We invested £63 million to support three bolt-on acquisitions for Luqom, arrivia and WilsonHCG, whilst the remaining eight bolt-on acquisitions completed in the year were funded by the portfolio companies' own balance sheets. Two of the bolt-on acquisitions involved carving out elements of Q Holding, an existing portfolio company, with SaniSure acquiring Q Holding's Twinsburg site and Cirtec Medical acquiring Q Holding's Precision Components. Further details of selected portfolio bolt-on acquisitions are set out on pages 32 and 33.

In addition, we continued to develop ten23 health with a further investment of £36 million and used our capital to support two portfolio companies through challenging trading conditions, with a further investment of £14 million in YDEON and of £11 million in Formel D.

In March 2023, we completed a transaction to provide liquidity for existing external investors in Action who are invested via our 3i 2020 Co-investment Programme. As part of this transaction, we invested £30 million to purchase an additional small stake in Action from this Programme at the December 2022 net asset value, increasing our equity stake from 52.7% to 52.9%. At the same time, we crystallised a portion of the outstanding carried interest liability in relation to Action. For further information, see page 70.

In total, in the year to 31 March 2023, our Private Equity team invested £381 million across new, bolt-on and further investments.

Digital Barriers

Digital Barriers, headquartered in the UK with offices across the US and Europe, is a leading provider of Internet of Video Things ("IoVT") and video compression technology.

Its unique video compression technology allows live streaming over low-bandwidth environments, including cellular body worn cameras, and an ever-growing set of commercial applications. Its cloud-based, video management platform is the only such platform that works as effectively on cellular networks as on fixed networks. It provides an end-to-end solution incorporating a wide range of AI-based operational, safety and business intelligence analytics.

The company has been a trusted partner to leading law enforcement, intelligence and defence agencies around the world for many years and continues to serve this market.

£30m

3i new investment in FY2023

FOR MORE INFORMATION
www.digitalbarriers.com

PAGE 16
Our thematic approach

Private Equity continued

New investment

Portfolio company	Business description	Date	Proprietary capital investment £m
Digital Barriers	Provider of unique video compression technology	August and December 2022	30
Konges Sløjd	Premium brand offering apparel and accessories for babies and children	August 2022	60
VakantieDiscounter	Online travel agency in the Benelux focused on affordable holidays	August 2022	37
xSuite	Accounts payable process automation specialist focused on the SAP ecosystem	August 2022	94
Total new investment			**221**

Further investment to finance portfolio bolt-on acquisitions

Portfolio company	Name of acquisition	Business description of bolt-on investment	Date	Proprietary capital investment £m
Luqom	Brumberg	B2B manufacturer and distributor of luminaries and lighting products	June 2022	34
arrivia	RedWeek	Online timeshare marketplace	September 2022	23
WilsonHCG	Personify	Provider of recruitment processing outsourcing services	January 2023	6
Total further investment to finance portfolio bolt-on acquisitions				**63**

Further investment to support portfolio companies

Portfolio company	Business description	Date	Proprietary capital investment £m
YDEON	Online retailer of garden buildings, sheds, saunas and related products	December 2022	14
Formel D	Quality assurance provider for the automotive industry	November 2022	11
Total further investment to support portfolio companies			**25**

Other investment

Portfolio company	Type	Business description	Date	Proprietary capital investment £m
ten23 health	Further	Pharmaceutical product CDMO	Various	36
Action	Further	General merchandise discount retailer	March 2023	30
Luqom	Further	Online specialist lighting retailer	Various	5
Other	Further	Various	Various	1
Total other investment				**72**

Total FY2023 Private Equity gross investment	**381**

Private Equity portfolio bolt-on acquisitions funded by the portfolio company balance sheets

Portfolio company	Name of acquisition	Business description of bolt-on investment	Date
MAIT	Nittmann & Pekoll	Austrian abas ERP partner	June 2022
Evernex	XS International	Specialist in a suite of IT lifecycle services and IT hardware lifecycle support	September 2022
Evernex	Integra	Provider of IT maintenance and cloud services	September 2022
AES	Vibtech Analysis	Reliability service provider	October 2022
SaniSure	Twinsburg	Silicone extrusion business	December 2022
Cirtec Medical	Precision Components	Elastomeric solutions provider in the medical device outsourcing market	January 2023
AES	DATUM RMS	Reliability and vibration monitoring service provider	January 2023
Dutch Bakery	Trade Factory	Supplier of bapao buns	February 2023

Konges Sløjd

Konges Sløjd is a premium international lifestyle brand offering child products through both direct-to-consumer e-commerce and third-party distribution. Headquartered in Copenhagen, Denmark, it sells its products through its own webshop and in over 1,000 retailers globally.

Founded in 2015, Konges Sløjd designs, sources, and markets high-quality, branded children's clothing, accessories, home products and toys in more than 50 countries. All products are created in-house, with handmade graphical elements and timeless designs.

Its products are recognised for being made with quality materials and designed to be durable, to be passed from one child to another, and it is Global Organic Textile Standard, OEKO-TEX and Forest Stewardship Council certified.

The company is growing well and has a highly-engaged consumer community with over 400,000 followers on Instagram. It is well placed at the convergence of the fast-growing premium and affordable luxury segments and will accelerate its development internationally in Europe, Asia and the US.

£60m

3i new investment in FY2023

FOR MORE INFORMATION
www.kongessloejd.com

PAGE 16
Our thematic approach

VakantieDiscounter

VakantieDiscounter is a leading, technology-enabled online travel agency in the Benelux focused on affordable holidays.

Through its own pre-packaged holidays and third-party providers, VakantieDiscounter offers more than 1.3 billion holiday package combinations in over 50 countries with more than 17,000 accommodation options.
Its broad package offering and value-for-money focus has created a winning proposition which has grown market share quickly and attracted a large, diverse customer base since its foundation in 2000.

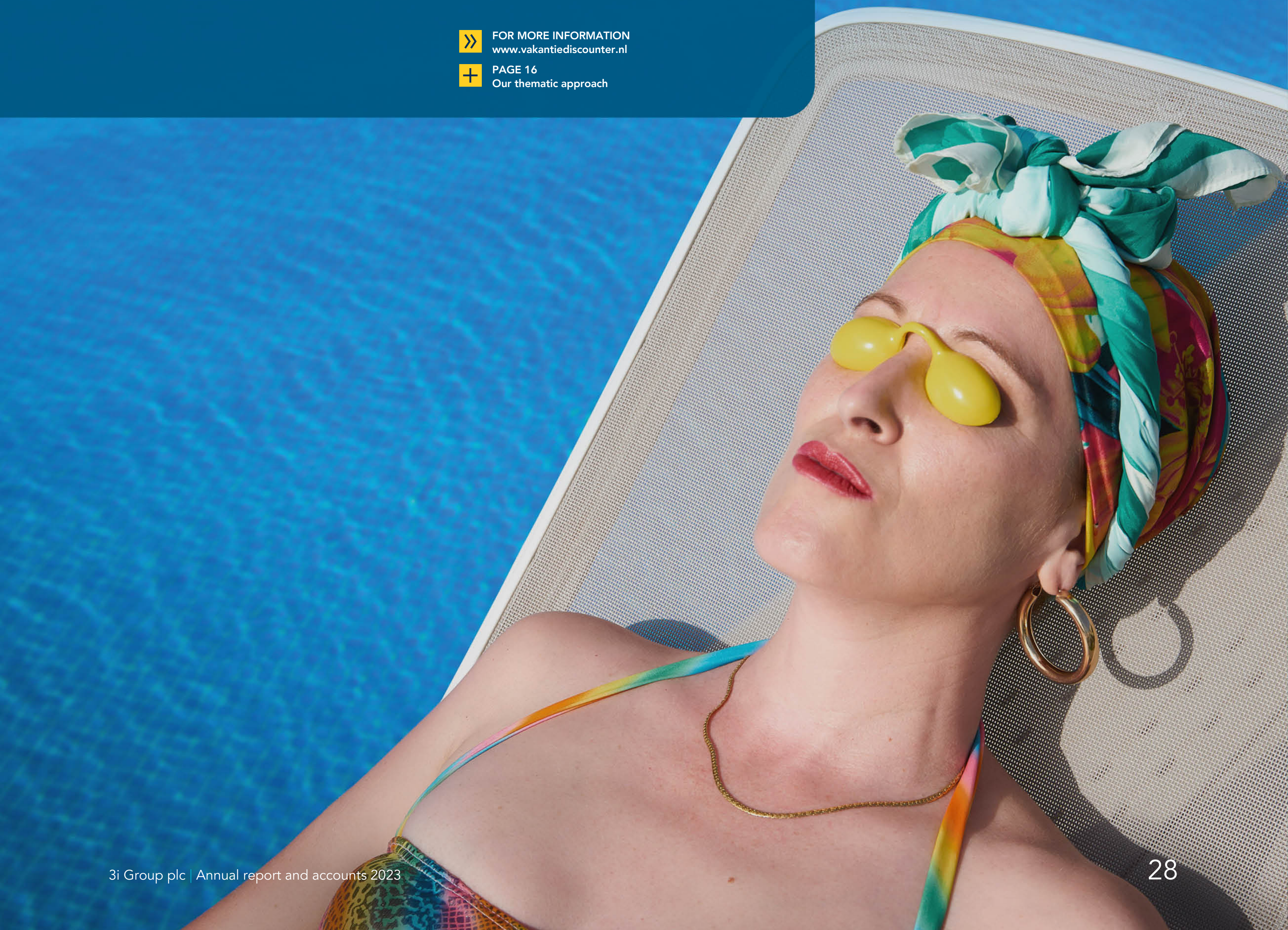
VakantieDiscounter is a scalable, technology-driven business with a strong position in the market.

3i's investment will help ensure the company has the necessary resources to continue its long-term track record of growth.

£37m
3i new investment in FY2023

FOR MORE INFORMATION
www.vakantiediscounter.nl

PAGE 16
Our thematic approach



xSuite

xSuite, headquartered in Ahrensburg, Germany and founded in 1994, is a leading accounts payable process automation specialist focused on the SAP ecosystem.

£94m

3i new investment in FY2023

It specialises in software applications for Accounts Payable Invoice Automation ("APIA"), enabling customers to digitalise, streamline and automate invoice processing.

It has over 230 employees in Germany, Denmark, the Netherlands, Singapore, Slovakia, Spain and the US, and over 1,200 clients in more than 60 countries with 220,000 users processing over 60 million invoices per year.

xSuite will focus on building its emerging presence in the US market, where it has several blue-chip clients, and will accelerate its transition to more subscription software revenues.

The APIA market is growing with forecasts expecting a CAGR of over 10%, driven by the digitisation of workflows and a focus on reducing labour costs. There is significant white space in Western Europe, North America and APAC due to substantial penetration of companies without APIA.

FOR MORE INFORMATION
www.xsuite.com

Realisation activity

During the year we received total proceeds of £332 million from three partial disposals completed by Q Holding. These included the disposal of Q Holding's QSR business, completed in May 2022, and the disposals of its Twinsburg site and Precision Components business, which completed in December 2022 and January 2023 respectively. Q Holding's remaining business was valued at £117 million at 31 March 2023. Over the last two years, through a combination of realised proceeds and residual value, we have recognised an uplift of over 100% on the value of our investment in Q Holding at 31 March 2021, taking our money multiple, including realised proceeds to date and remaining value at 31 March 2023, to 2.8x.

In October 2022 we completed the sale of Havea after a five-year holding period, during which we partnered with the business to deliver a significant strategic transformation, completed five bolt-on acquisitions and generated double-digit organic growth. We received proceeds of £471 million from this divestment, representing a 50% uplift on the value of the investment at 31 March 2022, a sterling money multiple of 3.1x and an IRR of 24%.

In January 2023, we completed the disposal of Christ, our last investment in EFV, for realised proceeds of £47 million, at a 45% uplift on our 31 March 2022 opening value. When added to the proceeds generated by the sale of Amor (another German player in the jewellery space which we considered as part of the same investment thesis and sold in 2016 crystallising a money multiple of 2.3x), the multiple generated by this sale is 1.0x. Following the disposal of Christ our final gross fund multiple for EFV is 3.0x, a top quartile performance.

In total, we generated total Private Equity proceeds of £857 million (2022: £684 million) and realised profits of £169 million (2022: £228 million).

Action performance and valuation

As detailed in the Chief Executive's statement, Action continues to deliver excellent growth driven by higher footfall, a higher number of transactions and further international store openings. In the 12 months to the end of Action's P3 2023 (which ended on 2 April 2023), Action generated run-rate EBITDA growth of 42% and strong cash inflow.

At 31 March 2023, Action was valued using its LTM run-rate EBITDA to the end of P3 2023 of €1,439 million. These included our normal adjustment to reflect stores opened in the year. Action has consistently outperformed the peers that we currently reference across its most important KPIs, supporting our valuation multiple, which remained unchanged at 18.5x net of the liquidity discount (31 March 2022: 18.5x).

Action ended P3 2023 with cash of €365 million and a net debt to run-rate earnings ratio of 1.8x after paying two dividend distributions in FY2023, of which 3i received £325 million.

At 31 March 2023, the valuation of our 52.9% stake in Action was £11,188 million (31 March 2022: 52.7%, £7,165 million) and we recognised unrealised profits from Action of £3,708 million (March 2022: £2,655 million) as shown in Table 3.

Table 2: Private Equity realisations in the year to 31 March 2023

Investment	Country	Calendar year invested	31 Mar 2022 value[1] £m	3i realised proceeds £m	Profit in the year £m	Uplift on opening value[2] %	Residual value £m	Money multiple[3]	IRR
Full realisations									
Havea	France	2017	304	471	158	50 %	–	3.1 x	24 %
Christ	Germany	2014	31	47	14	45 %	–	0.4 x	– %
Total realisations			**335**	**518**	**172**	**n/a**	**n/a**	**n/a**	**n/a**
Partial realisations[1,3]									
Q Holding	US	2014	332	332	–	–	117	2.8 x	15 %
Other	n/a	n/a	9	2	(8)	n/a	n/a	n/a	n/a
Deferred consideration									
Other	n/a	n/a	–	5	5	n/a	n/a	n/a	n/a
Total Private Equity realisations			**676**	**857**	**169**	**n/a**	**n/a**	**n/a**	**n/a**

1 For partial realisations, 31 March 2022 value represents value of stake sold.
2 Profit in the year over opening value.
3 Cash proceeds over cash invested. For partial realisations, valuations of any remaining investment are included in the multiple. Money multiples are quoted on a GBP basis.

Private Equity continued

Performance (excluding Action)

Excluding Action, the private equity portfolio generated £520 million (March 2022: £584 million) of value growth from performance increases driven by good contributions from a number of assets operating in the value-for-money and private label, healthcare, industrial technology and business and technology services sectors, as well as good recovery from our travel assets. This good performance has more than offset performance decreases of £310 million (March 2022: £101 million), predominantly driven by some of our discretionary consumer businesses, principally Luqom and YDEON, which have been disproportionately impacted by weaker consumer sentiment.

Over the last two years SaniSure has delivered significant outperformance due to strong demand and customers stockpiling in mitigation of external supply chain concerns. Whilst recent demand has normalised as customers work down inventory levels, SaniSure remains well positioned to capitalise on expected continued annual double-digit growth across the bioprocessing market. Cirtec Medical maintained top-line growth from its key customers in 2022, largely offsetting short-term operational headwinds that impacted margin performance. The integration of Precision Components, its recent acquisition, is already progressing well and the business has a good 2023 outlook, with significant new contracts coming online.

Royal Sanders generated strong growth in 2022 despite increases across all key input costs. The business increased volumes with its key customers, including its value-for-money retailers that have seen robust growth. It also continues to consolidate a highly fragmented market, completing its fifth bolt-on since our initial acquisition, with an investment in Lenhart in April 2023, strengthening its position in the DACH region. Dutch Bakery generated a good result in 2022 as recent bolt-on acquisitions are integrating well, with the potential to deliver new customer wins. The underlying business has effectively managed its own operations during a period of rising input and energy costs.

nexeye maintained good top-line growth in 2022 despite softer trading in Q3 2022, which was caused by lower store footfall due to consumer uncertainty. Throughout the year, the business has sustained healthy margin performance whilst retaining a very attractive value-for-money price point for its customers compared to its competitors. The business added 23 new stores in the year and further accelerated its digitalisation agenda with its online appointment system in Germany. Trading at the start of 2023 has recovered from softer performance in Q3 2022.

Audley Travel and arrivia are recovering well from the pandemic. Pent-up demand for travel has driven a significant increase in bookings and departure revenue in 2022 for Audley Travel, supporting a return to the good cash generation characteristics that the business demonstrated pre-pandemic. At 31 March 2023, Audley Travel was valued on an earnings basis, having been valued on a DCF basis since June 2020 (31 March 2022: DCF basis), reflecting this recovery in performance. arrivia recorded a good recovery in membership bookings throughout 2022, and saw a strong improvement in the performance of its cruise product category. Both Audley Travel and arrivia have started 2023 with good bookings momentum.

Luqom and YDEON, which have a discretionary product offering, experienced a significant decline in order intake in 2022 as a result of declining consumer confidence across their markets. Luqom somewhat offset weaker performance in its core markets with growth in more recently launched regions in southern and eastern Europe. The business is also undertaking a significant programme of operational and cost efficiencies. YDEON has responded to weaker trading with a number of sales, cost and cash initiatives including the introduction of products at a much lower price point for which volumes are easily scalable. Across both assets we recognised a combined unrealised value loss of £357 million, part of which is attributable to the soft trading performance and part is based on a multiple reductions (see page 34 for further details). BoConcept also saw pressure on store footfall due to the discretionary nature of its offering, but has to an extent mitigated lower footfall and order intake through its international diversification, franchise model and effective margin management.

WilsonHCG secured a significant number of new recruitment customers in 2022 and with new clients coming online in 2023 and the opportunity to accelerate its growth in the life sciences and healthcare end markets following its acquisition of Personify, the business is well positioned to navigate the recent slowdown in the North American hiring market.

Table 3: Unrealised profits on the revaluation of Private Equity investments[1] in the year to 31 March

	2023 £m	2022 £m
Earnings based valuations		
Action performance	**3,708**	2,655
Performance increases (excluding Action)	**520**	584
Performance decreases (excluding Action)	**(310)**	(101)
Multiple movements	**(167)**	241
Other bases		
Sum of the parts	**–**	132
Discounted cash flow	**4**	7
Other movements on unquoted investments	**4**	2
Quoted portfolio	**(13)**	25
Total	**3,746**	3,545

1 Further information on our valuation methodology, including definitions and rationale, is included in the Portfolio valuation – an explanation section.

Bolt-on acquisitions

Building on existing platforms through targeted bolt-ons

personify
A WilsonHCG Company

WilsonHCG's acquisition of Personify

Personify was founded in 1978 as an executive search business and is headquartered in North Carolina, United States. The company is a provider of recruitment process outsourcing ("RPO") services to end markets such as life sciences, pharmaceuticals, biotechnology, and healthcare.

The company offers a turnkey talent solution that spans the entire talent acquisition life cycle, including services such as labour market analysis, candidate marketing, sourcing, interviewing, assessments, overall candidate management, and onboarding. It focuses on higher-end, more specialised roles, often for hard-to-fill or high-demand positions in its core end markets.

The acquisition provides WilsonHCG with further exposure to the attractive life sciences and healthcare markets, which represent key growth markets for both companies. Personify has consistently grown at rates that are above the broader RPO industry, capitalising on many of the same favourable tailwinds that have benefitted WilsonHCG, including increasing adoption of outsourced talent acquisition solutions.

Cirtec Medical's acquisition of Precision Components

Precision Components is a leading elastomeric solutions provider serving the medical device market with decades of experience in providing silicone, polyisoprene and other elastomers-based seals, valves, stoppers, and other solutions created to customer specifications. The business consists of centres of excellence in Sturtevant, Wisconsin and Rock Hill, South Carolina.

The acquisition is a natural fit for Cirtec Medical and will enable it to provide additional high-value capabilities, such as silicone moulding, silicone extrusion and polyisoprene moulding, and gain exposure to complementary high-growth end markets including robotic surgery.

It will also enhance Cirtec Medical's ability to deliver vertically integrated capabilities, including engineering, tooling, and the manufacturing of critical components, sub-assemblies and fully-assembled complex devices.

Cirtec MEDICAL | QMD Precision Components

arrivia's acquisition of RedWeek

RedWeek is the largest and most well-known online timeshare marketplace, that connects vacationers to specialty lodging options offered by timeshare owners. The company has a community of more than 2.9 million travellers and over 2,500 five-star reviews on Trustpilot.

arrivia's acquisition of RedWeek increases its exposure to the resilient timeshare rentals end market where it has strong customer relationships. RedWeek's members will be able to join the arrivia travel membership platform where they can enjoy extensive benefits, including access to arrivia's portfolio of travel discounts spanning air, cruise, hotel, car rental, experiences and resorts. The partnership comes at a time of sustained growth and interest in the timeshare and speciality lodging markets.

Luqom's acquisition of Brumberg

Brumberg is a well-known B2B manufacturer and distributor of luminaries and lighting products with a brand heritage of c.150 years. It is headquartered in Sundern, Germany, where it operates a logistics centre with a capacity of 2,000 pallet spaces.

Brumberg sells a wide range of high-quality technical lighting applications with more than 4,500 products and 58 product types, providing a complementary offering to Luqom's decorative interior and exterior lighting.

Private Equity continued

Since our initial investment in MAIT in September 2021, we have completed five bolt-on acquisitions, including one in June 2022. These acquisitions have been value accretive and have driven good growth in addition to that achieved by the underlying business. Evernex also completed two further bolt-on acquisitions in the US and Europe in the year but saw softer trading in the short-term as a result of lower renewals of third-party maintenance contracts, driven by a pick-up in investment in new IT equipment post the pandemic.

AES saw a significant increase in demand across its key global end markets in 2022 and continued to maintain intelligent cost control, resulting in strong earnings growth. The business continues to benefit from long-term investment improving the reliability and range of its product offering and also continued to pursue bolt-on acquisitions, completing the acquisitions of DATUM RMS and Vibtech Analysis in the year. Having traded strongly in the first half of 2022 with sustained demand for its core biocides products, Tato saw trading soften through the second half of 2022 with weaker end demand for paints and coatings from the DIY and construction markets and supply challenges for key input chemicals resulting in price inflation and margin pressure. Tato successfully leveraged its scale and global footprint to maintain good customer supply and margin performance has improved since the turn of the year. Both Tato and AES were cash generative in the year and distributed dividends to 3i of £17 million in total.

Overall, 90% of the portfolio by value grew LTM adjusted earnings in the year (2022: 93%). Chart 1 shows the earnings growth of our top 20 Private Equity investments.

Leverage

Our Private Equity portfolio is funded with all senior debt structures, with long-dated maturity profiles and c.40% repayable from 2026 and beyond. Across our Private Equity portfolio, term debt is well protected against interest rate rises, with over 70% of total term debt hedged at a weighted average tenor of more than three years with the interest rate element capped at a weighted average hedge rate below 2%. The average margin across the portfolio is under 4%, so the all-in debt cost across over 70% of the portfolio is capped below 6%. Average leverage across the portfolio was 2.5x (31 March 2022: 3.3x). Excluding Action, leverage across the portfolio was 4.0x (31 March 2022: 4.6x).

Following the successful amendment and extension of Action's senior debt facilities post 31 March 2023, as detailed in the Chief Executive's statement, the above long dated debt maturity profile for the Private Equity portfolio extends to 80% repayable from 2026 and beyond. The amend and extend transaction does not impact the interest rate hedging position at 31 March 2023.

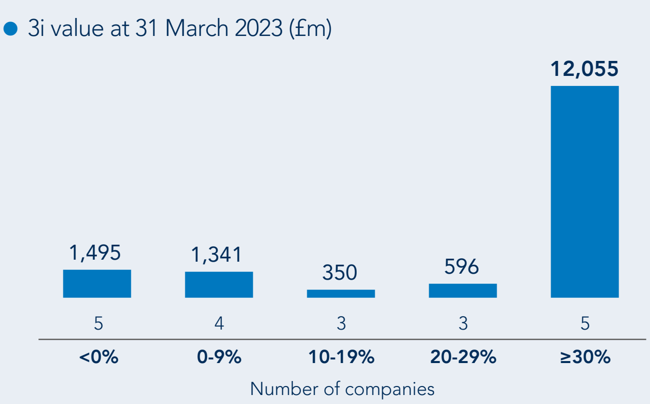
Chart 2 shows the ratio of net debt to adjusted earnings by portfolio value.

Multiple movements

We have continued our established approach of taking a long-term, through-the-cycle view on the multiples used to value our portfolio companies, consistent with how we drive value creation in our portfolio. When selecting multiples to value our portfolio companies we consider a number of factors including recent performance and outlook, comparable recent transactions and exit plans, and the performance of quoted comparable companies. FY2023 was characterised by significant volatility in the capital markets driven by Russia's invasion of Ukraine, global fiscal and monetary interventions to mitigate inflation and the more recent disruption in the banking sector. The consistency of our approach to valuation multiples has enabled us largely to mitigate the impact of such market volatility and, since the turn of the year, we have seen a gradual increase in the average multiples of our comparable sets, increasing the difference to our valuation multiples, which in the vast majority of cases are lower than the peer group average.

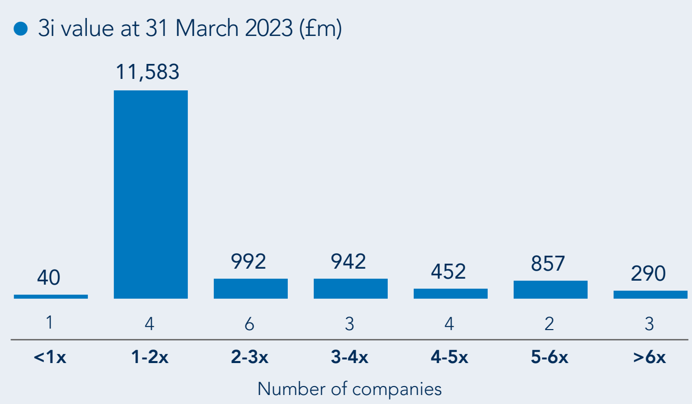
However, we did adjust eight multiples downwards where we experienced significant declines in selected peers groups and in some cases weaker trading performance. This included the reduction of multiples for Luqom and YDEON, accounting for £107 million of the total net £167 million (March 2022: increase of £241 million) multiple decrease in the year. Towards the end of our financial year, we saw stronger equity markets and we increased multiples for three of our portfolio companies which have consistently outperformed over many periods.

Chart 1: Portfolio earnings growth of the top 20 Private Equity[1] investments



1 Includes top 20 Private Equity companies by value excluding ten23 health. This represents 96% of the Private Equity portfolio by value (31 March 2022: 96%). Last 12 months' adjusted earnings to 31 December 2022 and Action based on LTM run-rate earnings to the end of P3 2023.

Chart 2: Ratio of net debt to adjusted earnings[1]



1 This represents 92% of the Private Equity portfolio by value (31 March 2022: 92%). Quoted holdings, deferred consideration and companies with net cash are excluded from the calculation. Net debt and adjusted earnings at 31 December 2022 and Action based on LTM run-rate earnings to the end of P3 2023.

Private Equity continued

Our approach to valuing Action, our largest investment, is no different to the remainder of our portfolio in that we take a long-term, through-the-cycle view on the LTM run-rate EBITDA post-discount multiple of 18.5x used to value Action at 31 March 2023. We take comfort from the fact that Action's continued excellent growth meant that its valuation at 31 March 2022 translated to only 13.0x the run-rate EBITDA achieved one year later. In addition, its most important operating KPIs compare very favourably to those of its peer group, consisting of North American and European value-for-money retailers. Based on the valuation at 31 March 2023, a 1.0x movement in Action's post discount multiple would increase or decrease the valuation of 3i's investment by £669 million.

Quoted portfolio

Basic-Fit is the only quoted investment in our Private Equity portfolio. The business performed well in 2022, recovering strongly following the temporary Covid-19 related closures in 2021. Memberships increased by 51% in the year and the business expanded its club base by 185 clubs.

At 31 March 2023, our residual 5.7% shareholding in Basic-Fit was valued at £121 million reflecting a 10% year-on-year decrease in its share price to €36.32 (31 March 2022: 5.7% shareholding valued at £129 million based on a share price of €40.42).

Assets under management

The value of the Private Equity portfolio, including third-party capital, increased to £22.9 billion (31 March 2022: £16.7 billion), primarily due to unrealised value movements in the year.

Table 4: Private Equity assets by geography as at 31 March 2023

3i office location	Number of companies	3i carrying value 2023 £m
Netherlands	10	12,520
France	1	305
Germany	7	777
UK	9	1,144
US	9	1,652
Other	3	27
Total	**39**	**16,425**

Table 5: Private Equity assets by sector as at 31 March 2023

Sector	Number of companies	3i carrying value 2023 £m
Action (Consumer)	1	11,188
Consumer	13	1,983
Industrial Technology	7	1,168
Business & Technology Services	13	917
Healthcare	5	1,169
Total	**39**	**16,425**

Table 6: Private Equity 3i proprietary capital as at 31 March

Vintages	3i proprietary capital value[3] 2023 £m	Vintage money multiple[4] 2023	3i proprietary capital value[3] 2022 £m	Vintage money multiple[4] 2022
Buyouts 2010–2012[1]	2,968	15.1x	2,462	12.3 x
Growth 2010–2012[1]	23	2.1x	18	2.1 x
2013–2016[1]	814	2.5x	1,022	2.3 x
2016–2019[1]	1,872	1.8x	2,210	1.8 x
2019–2022[1]	1,524	1.5x	1,319	1.3 x
2022-2025[1]	228	1.0x	–	n/a
Others[2]	8,996	n/a	5,389	n/a
Total	**16,425**		12,420	

1 Assets included in these vintages are disclosed in the Glossary.
2 Includes value of £8,220 million (31 March 2022: £ 4,703 million) held in Action through the 2020 Co-investment vehicles and 3i.
3 3i proprietary capital is the unrealised value for the remaining investments in each vintage.
4 Vintage money multiple (GBP) includes realised value and unrealised value as at the reporting date.

Infrastructure

We manage a range of funds investing principally in mid-market economic infrastructure and operational projects in Europe and North America. Infrastructure is a defensive asset class that provides a good source of income and fund management fees for the Group, enhancing returns on our proprietary capital. The team has been active in its deployment of capital across the portfolio and in new investments.

Our Infrastructure portfolio generated a GIR of £86 million or 6% on the opening portfolio value (2022: £241 million, 21%) primarily driven by portfolio income and good value growth contribution across our US assets, offset by a decrease in the share price of our quoted stake in 3iN, despite its strong NAV return in the year. We completed two new investments and three further investments in 3iN and three bolt-on acquisitions for our North American Infrastructure platform. We also completed the disposal of 3iN's operational projects portfolio to the 3i European Operational Projects Fund ("3i EOPF").

At a glance

Gross investment return

£86m or 6%

(2022: £241m or 21%)

AUM

£6.4bn

(2022: £5.7bn)

Cash income

£107m

(2022: £91m)

Table 7: Gross investment return for the year to 31 March

Investment basis	2023 £m	2022 £m
Realised profits over value on the disposal of investments	**–**	10
Unrealised profits on the revaluation of investments	**23**	178
Dividends	**33**	31
Interest income from investment portfolio	**14**	12
Fees payable	**–**	(3)
Foreign exchange on investments	**16**	13
Movement in fair value of derivatives	**–**	–
Gross investment return	**86**	241
Gross investment return as a % of opening portfolio value	**6%**	21%

Global Cloud Xchange ("GCX")

GCX is a leading global data communications service provider that owns one of the world's largest private subsea fibre optic networks.

GCX offers network services which power digital transformation for enterprises, new media providers and telecoms carriers. Its 66,000 km of cables span over 46 countries from North America to Asia, with a particularly strong position on the Europe-Asia and Intra-Asia routes.

Global data traffic is growing rapidly, with data usage forecast to grow in excess of 25% per annum. Technological advances, the digitalisation of the economy and regulatory developments are causing a proliferation of data generation and usage across all industries.

This data is increasingly being stored and shared via the cloud and relies on data carrier infrastructure, including GCX's extensive network, to flow between hubs across the world.

In September 2022, 3iN completed its $377 million investment to acquire a 100% stake in GCX. Additional acquisition debt raised in March 2022 reduced the previously announced equity commitment of $512 million.

£318m
Investment funded by 3iN

FOR MORE INFORMATION
www.globalcloudxchange.com

PAGE 16
Our thematic approach

Future Biogas

Future Biogas is one of the largest Anaerobic Digestion ("AD") plant developers and producers of biomethane in the UK. Established in 2010, it operates 11 AD plants on behalf of institutional investors under long term contracts, converting a wide range of feedstocks into biogas.

Biogas can be used to generate green electricity, or upgraded into biomethane and injected into the UK's national gas network. There is growing demand for domestically-produced biomethane which, as a direct substitute for fossil natural gas, has an essential role to play in decarbonising some of the UK's gas dependent sectors such as heat, transport and manufacturing.

It also allows the existing gas infrastructure to help meet the UK Government's net zero and energy security targets without any change to the existing system.

Future Biogas will develop a new generation of AD plants and sell the resulting biomethane under long-term offtake agreements to corporate buyers. In the longer term, it intends to enter the nascent but high-potential voluntary carbon offset market through carbon capture and storage.

Future Biogas has a highly experienced management team with a strong track record in the sector and links with a number of key trade associations in the industry.

£28m
Investment funded by 3iN

FOR MORE INFORMATION
www.futurebiogas.com

PAGE 16
Our thematic approach

Fund management

3iN

3iN's total return on opening NAV of 14.7% for the year to 31 March 2023 was materially ahead of its total return target of 8% to 10% per annum. 3iN also delivered its dividend target of 11.15 pence per share, a 6.7% increase on last year.

Underpinning this strong return was the excellent performance of 3iN's investment portfolio, which was driven by exposure to long-term growth trends. We have seen particularly strong trading from assets operating in the utilities sector exposed to energy transition (such as Infinis and Attero), the communication sector (such as Tampnet) and the transport and logistics sector (such as TCR).

As investment manager to 3iN, in FY2023 we received a management and support services fee of £49 million (2022: £44 million) and a NAV-based performance fee of £35 million (2022: £26 million). This performance fee comprised a third of the potential performance fee for each of FY2023, FY2022 and FY2021 after the performance hurdle was met in each year.

The market for infrastructure investments remains competitive, with strong demand for quality infrastructure assets. Against this backdrop, 3iN was active in the year whilst remaining disciplined on price, completing a £318 million new investment in Global Cloud Xchange, a global data communications service provider and a £28 million new investment in Future Biogas, a producer of biomethane in the UK. 3iN also completed a £338 million further investment in TCR, acquiring an additional 48% stake from a co-investor, a £15 million further investment in DNS:NET to support its continued fibre roll-out programme and a £30 million further investment in Infinis to fund the development of its solar roll-out programme.

We continue to utilise our relationship with external co-investors to manage our underlying risk exposure across certain assets, demonstrated in the year with two syndications. We syndicated 28% of 3iN's stake in TCR for proceeds of £190 million and a 17% stake in ESVAGT for proceeds of £87 million.

In June 2022, 3iN completed the sale of its European projects portfolio to the 3i EOPF for £106 million.

North American Infrastructure platform

The investments in our North American Infrastructure platform generated good organic and acquisitive growth in FY2023. Regional Rail expanded its footprint through two bolt-on acquisitions and one new rail services contract, including three short-line railroads in the Midwest region of the US and several short-line railroads in Canada. Its existing freight lines delivered good volumes offsetting the impact of cost inflation. EC Waste completed the self-funded bolt-on acquisition of A&A Waste Management, a business that provides non-hazardous solid waste collections in Puerto Rico. This acquisition, combined with an increase in landfill volumes, contributed to the top-line growth of the business in the year.

Table 8: Assets under management as at 31 March 2023

Fund/strategy	Close date	Fund size	3i commitment/ share	Remaining 3i commitment	% invested[3] at 31 March 2023	AUM £m	Fee income earned in 2023 £m
3iN[1]	Mar-07	n/a	£841m	n/a	**n/a**	**2,882**	**49**
3i Managed Infrastructure Acquisitions LP	Jun-17	£698m	£35m	£5m	**87%**	**1,280**	**4**
3i managed accounts	various	n/a	n/a	n/a	**n/a**	**744**	**5**
BIIF	May-08	£680m	n/a	n/a	**91%**	**457**	**4**
3i North American Infrastructure platform	Mar-22[2]	US$495m	US$300m	US$108m	**64%**	**389**	**2**
3i European Operational Projects Fund	Apr-18	€456m	€40m	€5m	**86%**	**359**	**2**
US Infrastructure	Nov-17	n/a	n/a	n/a	**n/a**	**300**	**–**
3i India Infrastructure Fund	Mar-08	US$1,195m	US$250m	n/a	**73%**	**–**	**–**
Total						**6,411**	**66**

1 AUM based on the share price at 31 March 2023.
2 First close completed in March 2022.
3 % invested is the capital deployed into investments against the total Fund commitment.

Other funds

3i EOPF and 3i Managed Infrastructure Acquisitions Fund ("3i MIA") performed well in the year. 3i EOPF purchased the European projects portfolio from 3iN for £106 million. Following this acquisition, 3i EOPF has now deployed 86% of its total commitments.

3i's proprietary capital infrastructure portfolio

The Group's proprietary capital infrastructure portfolio consists of its 29% quoted stake in 3iN, its investment in Smarte Carte and direct stakes in other managed funds.

Quoted stake in 3iN

In February 2023, 3iN successfully completed a share placing of £100 million. The funds were used to part pay drawings on their RCF and partly used to fund the acquisition of Future Biogas. 3i did not participate in this placing and its holding in 3iN was therefore diluted from 30% to 29%. At 31 March 2023, our 29% stake in 3iN (31 March 2022: 30%) was valued at £841 million (31 March 2022: £934 million) as a result of a 10% year-on-year decline in its share price to 313 pence (31 March 2022: 347 pence), which was caused by broader market volatility. As a result we recognised an unrealised loss of £93 million (2022: unrealised gain of £137 million), partially offset by £29 million of dividend income (2022: £27 million).

North America Infrastructure proprietary capital

Smarte Carte traded strongly in 2022 driven by robust US travel and retail demand across each of its lines of business, coupled with a steady recovery in international volumes. The business continues to leverage its existing footprint to expand into financially attractive ancillary services such as porter services and bag storage at its airports and other locations and recently completed a refinancing at attractive terms. At 31 March 2023, Smarte Carte was valued at £300 million on a DCF basis (31 March 2022: £207 million).

Assets under management

Infrastructure AUM increased to £6.4 billion (2022: £5.7 billion), principally due to an increase in 3i managed accounts and good performance across 3i MIA and our US infrastructure portfolio, offset by a decline in the share price of 3iN.

Table 9: Unrealised profits/(losses) on the revaluation of Infrastructure investments in the year to 31 March

	2023 £m	2022 £m
Quoted	**(93)**	137
Discounted cash flow ("DCF")	**103**	36
Fund/other	**13**	5
Total	**23**	178

Further information on our valuation methodology, including definitions and rationale, is included in the portfolio valuation – an explanation section.

Table 10: Infrastructure portfolio movement for the year to 31 March 2023

Investment	Valuation	Opening value at 1 April 2022 £m	Investment £m	Disposals at opening book value £m	Unrealised profit/(loss) £m	Other movements[1] £m	**Closing value at 31 March 2023 £m**
3iN	Quoted	934	–	–	(93)	–	**841**
Smarte Carte	DCF	207	–	–	83	10	**300**
Regional Rail	DCF	48	7	–	13	2	**70**
EC Waste	DCF	86	–	–	7	5	**98**
3i MIA	Fund	53	–	–	12	–	**65**
3i EOPF	Fund	24	6	–	1	1	**32**
Other	Other	–	3	–	–	–	**3**
Total		1,352	16	–	23	18	**1,409**

1 Other movements include foreign exchange.

Scandlines

Scandlines is held for its ability to deliver long-term capital returns whilst generating cash dividends.

Performance

Scandlines performed well in the year, generating a GIR of £52 million, or 10% of opening portfolio value (2022: £112 million, 26%). The business delivered a second consecutive year of record growth in freight volumes in 2022, reaffirming Scandlines' position as a critical part of the Scandinavian trade infrastructure. Covid-19 impacted leisure volumes at the start of 2022, but a strong summer peak season resulted in overall 2022 leisure volumes marginally ahead of pre-pandemic levels. The business continues to benefit from the operational efficiencies implemented throughout the pandemic. As a result of good cash flow generation, the business returned total dividends to 3i of £38 million in FY2023 (2022: £13 million).

Scandlines continues to progress its zero-emission fleet ambition with the construction of its new electric freight ferry, which is expected to be operational in 2024. Further details can be found on page 51.

We continue to value Scandlines on a DCF basis and at 31 March 2023 its value of £554 million (31 March 2022: £533 million) reflects the dividends received in the year and a degree of caution on the outlook.

Foreign exchange

We hedge the balance sheet value of our investment in Scandlines. In September 2022, we increased the size of this hedging programme from €500 million to €600 million to cover the higher underlying valuation of our investment.

We recognised a £21 million gain on foreign exchange translation (March 2022: loss of £4 million) offset by a £7 million fair value loss (March 2022: gain of £2 million) from derivatives in our hedging programme.

Table 11: Gross investment return for the year to 31 March

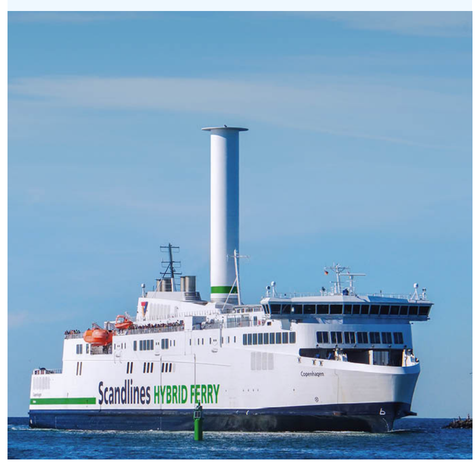
Investment basis	2023 £m	2022 £m
Unrealised profit on the revaluation of investments	–	101
Dividends	38	13
Foreign exchange on investments	21	(4)
Movement in fair value of derivatives	(7)	2
Gross investment return	**52**	112
Gross investment return as a % of opening portfolio value	**10%**	26%

At a glance

Gross investment return

£52m or 10%

(2022: £112m or 26%)



Sustainability

What's in this section

A responsible approach	43
1. Invest responsibly	44
2. Recruit and develop a diverse pool of talent	52
3. Act as a good corporate citizen	57
Our TCFD disclosures	60

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.

Pre-investment

Assessment and action planning

- Screen each opportunity against the requirements of the RI policy at the first stage in our process
- Identify and assess the most material ESG risks inherent in each investment opportunity
- Commission specialist due diligence on ESG matters where required
- Include ESG considerations (both risks and value creation considerations linked to the investment case) in the Investment Committee materials
- Integrate relevant action points into the 180-day post-investment plan

During investment period

Use of influence and engagement

- Implement robust governance and procedures at the portfolio company to ensure that ESG risks and opportunities are assessed regularly and managed carefully
- Use active participation and influence on portfolio company boards to ensure they are addressing the ESG factors impacting their businesses
- Leverage the 3i portfolio and network to provide introductions to other companies, useful contacts and advisers and share best practice, sometimes through dedicated forums such as the plastics, carbon and CIO roundtables we held for portfolio companies in recent years
- Provide a sounding board and support to portfolio companies as they devise their sustainability strategies and implement and deliver sustainability projects

Data collection and monitoring

- Collect ESG data from portfolio companies on an annual basis to understand the baseline and measure progress
- Prepare detailed quantitative and qualitative ESG assessment as part of the March semi-annual portfolio company review process
- Discuss ESG assessment during semi-annual portfolio company review meetings, involving investment teams as well as Investment Committee members and selected 3i Board members
- Set and monitor progress with portfolio-wide objectives (eg for portfolio companies to produce a carbon emissions baseline and implement a sustainability strategy)

Exit

Preparation and communication

- Consider the data and governance structures which may be required in advance of a sale process
- Work with advisers to communicate relevant sustainability information to potential buyers

Objectives

Pre-investment	Use of influence and engagement	Data collection and monitoring	Exit
The Investment Committee may decline investment opportunities where red flags are raised in the pre-investment ESG risk assessment that it does not believe can be remedied post investment or commission further specialist due diligence to assess whether a situation can be remedied.	We use our influence to assess and mitigate risks and ensure value creation opportunities are captured.	Data is used to develop our understanding and management of ESG matters, to enhance our decision making, to facilitate better financing opportunities and to identify key themes, trends and opportunities across the portfolio.	Good ESG performance can protect and potentially enhance the value achieved in an exit.

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 compliance[1]

45%

of portfolio companies publish sustainability reports[1]

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

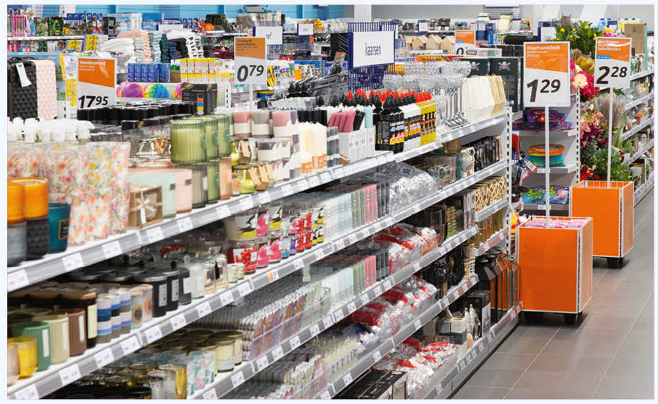
Action is committed to reducing the absolute emissions from its own operations and to decreasing the impact the company has on the environment. In support of this, it has set an ambitious reduction target with several initiatives underway, including disconnecting its store base from the gas grid, installing 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 CO_2 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).

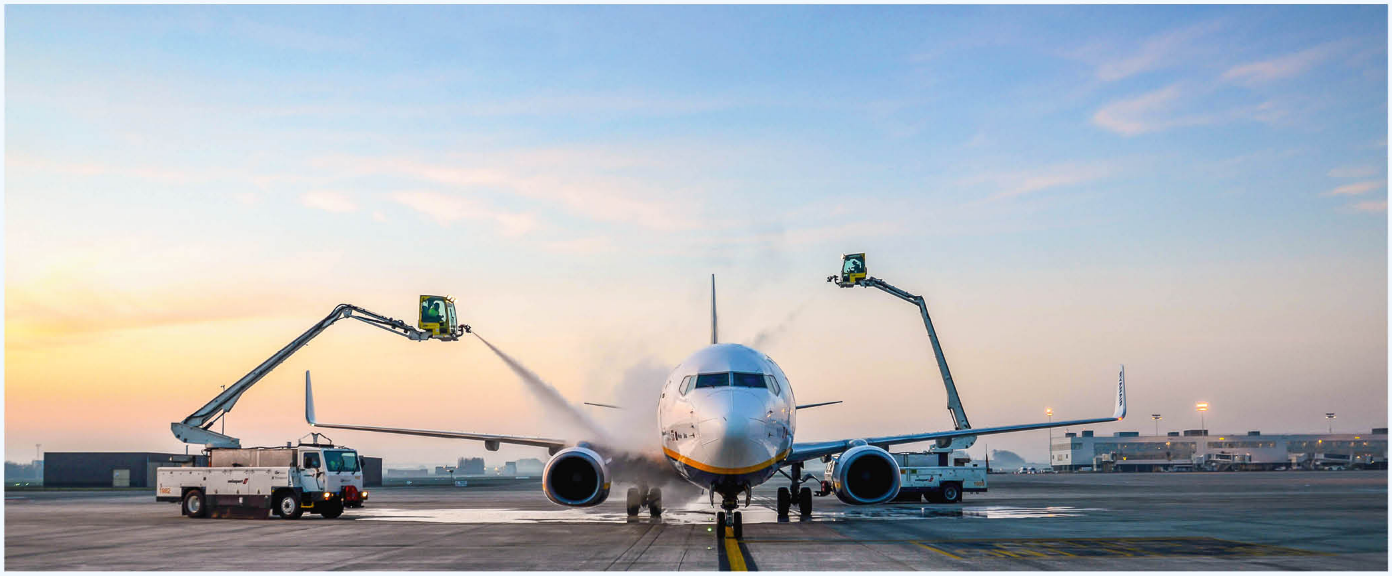
Progress on material topic: health and safety

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 3×3 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 tCO_2e 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 6,000m^2 facility in Mitry-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 tCO_2e 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

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 CO_2 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 CO_2 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 CO_2 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 sex[1]:

	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 SIP[1]

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.

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.

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

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.

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 (92nd percentile) Scale: 0-100 (higher scores are better)
FTSE Russell	3.8 (81st percentile) Scale: 0 to 5 (higher scores are better)
ISS ESG	ISS ESG Corporate Rating: B- Scale: D- to A+
Morningstar Sustainalytics[1]	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.

Board of Directors

Chief Executive | **Board's Audit and Compliance Committee**

ESG Committee

Group Risk Committee

Investment Committee

- Oversight
- Implementation

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	• Climate risks • Climate scenario analysis • Net zero commitments and transition plans
September 2022	• Emerging ESG themes
January 2023	• Regulatory horizon on climate risk management and reporting • Market insights
March 2023	• TCFD and ESG reporting

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

General Counsel and Company Secretary (Chair)

Central functions
Group Finance Director
Chief Operating Officer
Group Investor Relations Director

Investment teams
Sustainability Director, Private Equity
Sustainability Director, Infrastructure

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.

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.

+ **PAGES 94-158**
Governance

+ **PAGES 131-144**
Remuneration report

» **SUSTAINABILITY REPORT 2023 PAGES 12, 13 AND 16**
www.3i.com/sustainability/sustainability-reports-library

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.

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.

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 is 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.

PAGES 2-19
Overview and business strategy

SUSTAINABILITY REPORT 2023 PAGES 12, 13 AND 16
www.3i.com/sustainability/sustainability-reports-library

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.

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

SUSTAINABILITY REPORT 2023 PAGES 24-26
www.3i.com/sustainability/sustainability-reports-library

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 companies[1] (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.

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 tCO_2e. This comprised:

GHG emissions (Scope)[2]	FY2023 (tCO_2e) UK	FY2023 Rest of the world	FY2023 Total	FY2022 (tCO_2e)[1] UK	FY2022 Rest of the world	FY2022 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 tCO_2e per full time equivalent employee, based on an average of 241 employees (2022: 0.8 tCO_2e; 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 UK	FY2023 Rest of the world	FY2023 Total	FY2022[2] UK	FY2022 Rest of the world	FY2022 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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SUSTAINABILITY REPORT 2023 PAGES 44-47
www.3i.com/sustainability/sustainability-reports-library

Performance and risk

What's in this section

Financial review	68
Reconciliation of Investment basis and IFRS	74
Alternative Performance Measures	77
Risk management	78
Principal risks and mitigations	84
Directors' duties under Section 172	92

Financial review

Very strong financial performance

Highlights – Investment basis

Gross investment return
£5,104m
(2022: £4,525m)

Operating profit before carried interest
£4,956m
(2022: £4,417m)

Total return
£4,585m
(2022: £4,014m)

Total return on opening shareholders' funds
36%
(2022: 44%)

Diluted NAV per share at 31 March 2023
1,745p
(31 March 2022: 1,321p)

Total dividend
53.0p
(31 March 2022: 46.5p)

Table 12: Total return for the year to 31 March

Investment basis	2023 £m	2022 £m
Realised profits over value on the disposal of investments	**169**	238
Unrealised profits on the revaluation of investments	**3,769**	3,824
Portfolio income		
Dividends	**416**	375
Interest income from investment portfolio	**91**	85
Fees receivable	**7**	3
Foreign exchange on investments	**530**	(2)
Movement in the fair value of derivatives	**122**	2
Gross investment return	**5,104**	4,525
Fees receivable from external funds	**70**	62
Operating expenses	**(138)**	(128)
Interest receivable	**4**	–
Interest payable	**(54)**	(53)
Exchange movements	**(29)**	9
Other (expense)/income	**(1)**	2
Operating profit before carried interest	**4,956**	4,417
Carried interest		
Carried interest and performance fees receivable	**41**	54
Carried interest and performance fees payable	**(418)**	(454)
Operating profit before tax	**4,579**	4,017
Tax charge	**(2)**	(5)
Profit for the year	**4,577**	4,012
Re-measurements of defined benefit plans	**8**	2
Total comprehensive income for the year ("Total return")	**4,585**	4,014
Total return on opening shareholders' funds	**36 %**	44 %

Investment basis and alternative performance measures ("APMs")

In our Strategic report we report our financial performance using our Investment basis. We do not consolidate our portfolio companies; as private equity and infrastructure investments they are not operating subsidiaries. IFRS 10 sets out an exception to consolidation and requires us to fair value other companies in the Group (primarily intermediate holding companies and partnerships), which results in a loss of transparency. As explained in the Investment basis, Reconciliation of investment basis and IFRS sections below, the total comprehensive income and net assets are the same under our audited IFRS financial statements and our Investment basis. The Investment basis is simply a "look through" of IFRS 10 to present the underlying performance and we believe it is more transparent to readers of our Annual report and accounts.

In October 2015, the European Securities and Markets Authority ("ESMA") published guidelines about the use of APMs. These are financial measures such as KPIs that are not defined under IFRS. Our Investment basis is itself an APM, and we use a number of other measures which, on account of being derived from the Investment basis, are also APMs.

Further information about our use of APMs, including the applicable reconciliations to the IFRS equivalent where appropriate, is provided at the end of the Financial review and should be read alongside the Investment basis to IFRS reconciliation. Our APMs are gross investment return as a percentage of the opening investment portfolio value, cash realisations, cash investment, operating cash profit, net cash/(debt) and gearing.

Financial review continued

Realised profits

We generated total realised proceeds of £857 million (2022: £788 million) and realised profits of £169 million in the year (2022: £238 million), all of which were generated from Private Equity.

Unrealised value movements

We recognised an unrealised profit of £3,769 million (2022: £3,824 million). Action's continued strong performance contributed £3,708 million (2022: £2,655 million). We also saw good contributions from a number of our other Private Equity investments including SaniSure, AES, WilsonHCG, Royal Sanders, Audley Travel, nexeye and Dutch Bakery offsetting negative contributions from Luqom, YDEON, BoConcept, Formel D and Mepal. Our US infrastructure portfolio also delivered good value growth in the year offsetting a 10% year-on-year share price reduction in our quoted holding in 3iN.

Further information on the Private Equity, Infrastructure and Scandlines valuations is included in the business reviews.

Portfolio income

Portfolio income increased to £514 million during the year (2022: £463 million), primarily due to strong dividend income of £416 million (2022: £375 million), particularly from Action. Interest income from portfolio companies, the majority of which is non-cash, increased to £91 million (2022: £85 million), whilst fee income increased in the year to £7 million (2022: £3 million), reflecting the monitoring and negotiation fees receivable relating to new investments within our Private Equity portfolio.

Fees receivable from external funds

Fees received from external funds increased to £70 million (2022: £62 million). 3i receives a fund management fee from 3iN, which amounted to £49 million in FY2023 (2022: £44 million).

3i also received fee income of £4 million (2022: £6 million) from 3i MIA through management fees and continued to generate fee income from 3i managed accounts and other funds. In Private Equity, we recognised a £4 million (2022: £4 million) administration fee for our management of the 3i 2020 Co-investment Programme related to Action.

Operating expenses

Operating expenses increased to £138 million (2022: £128 million) reflecting the full-year impact of new hires in both Private Equity and Infrastructure, increased business activity and inflationary impacts on travel, marketing and professional fee costs.

Interest payable

The Group recognised interest payable of £54 million (2022: £53 million). Interest payable predominantly includes interest on the Group's loans and borrowings and amortisation of capitalised fees.

Operating cash profit

We generated an operating cash profit of £364 million in the year (2022: £340 million). Cash income increased to £497 million (2022: £450 million), principally due to an increase in dividend income. We received £325 million of cash dividends from Action (2022: £284 million). We also received cash dividends from Scandlines, 3iN, Tato and AES, as well as a good level of cash fees from our external funds in Infrastructure. Excluding the dividends received from Action, the operating cash profit was £39 million.

Cash operating expenses increased to £133 million (2022: £110 million), driven principally by higher fixed and variable compensation costs, as well as by inflationary impacts on travel and marketing costs, as well as professional fees.

Table 13: Unrealised value movements on the revaluation of investments for the year to 31 March

Investment basis	2023 £m	2022 £m
Private Equity	**3,746**	3,545
Infrastructure	**23**	178
Scandlines	**–**	101
Total	**3,769**	3,824

Table 14: Operating cash profit for the year to 31 March

Investment basis	2023 £m	2022 £m
Cash fees from external funds	**67**	68
Cash portfolio fees	**5**	9
Cash portfolio dividends and interest	**425**	373
Cash income	**497**	450
Cash operating expenses[1]	**(133)**	(110)
Operating cash profit	**364**	340

1 Cash operating expenses include operating expenses paid and lease payments.

Carried interest and performance fees

We receive carried interest and performance fees from third-party funds and 3iN. We also pay carried interest and performance fees to participants in plans relating to returns from investments. These are received and/or paid subject to meeting certain performance conditions. In Private Equity (excluding Action), we typically accrue net carried interest payable of c.12% of GIR, based on the assumption that all investments are realised at their balance sheet value. Carried interest is paid to participants when cash proceeds have actually been received following a realisation, refinancing event or other cash distribution and performance hurdles are passed in cash terms. Due to the length of time between investment and realisation, the schemes are usually active for a number of years and their participants include both current and previous employees of 3i.

The continued excellent performance of Action in the Buyouts 2010-12 vintage and good performance in our other vintages led to a £392 million increase in carried interest payable in FY2023. During the year, £24 million (2022: £13 million) was paid to participants in Private Equity, of which £23 million was paid to participants in the Private Equity Buyouts 2010-12 carry plan.

In March 2023, we completed a transaction to provide liquidity for existing external investors in Action who are invested via our 3i 2020 Co-investment Programme and at the same time a portion of the outstanding carried interest liability in the Buyouts 2010-12 scheme relating to Action was crystallised, which is expected to result in a c. £200 million carried interest payment to participants in the Buyouts 2010-12 scheme in May 2023. This payment continues a series of carried interest payments to participants in the Buyouts 2010-12 scheme, the first of which occurred in May 2020, following the sale of EFV's interest in Action in FY2020. The economic result of this transaction is to increase 3i's investment in Action, net of carry, from 47.7% to 48.9%. 3i's gross investment in Action also increased to 52.9% (31 March 2022: 52.7%) following the purchase of a further small (£30 million) equity stake in Action.

3iN pays a performance fee based on its NAV on an annual basis, subject to a hurdle rate of return. The continued strong performance of the assets held by 3iN resulted in the recognition of £35 million (2022: £26 million) of performance fees receivable. £25 million (2022: £22 million) was recognised as an expense with the remaining fees payable deferred for an expense in future years. During the year, £27 million was paid to the Infrastructure team including payments for the 3i MIA performance plan. The cumulative total potential payable for performance fees including fees generated and deferred from prior periods amounts to £55 million.

Overall, the effect of the income statement charge, cash payments of £51 million (2022: £23 million), as well as currency translation meant that the balance sheet carried interest and performance fees payable was £1,351 million (31 March 2022: £963 million).

Table 15: Carried interest and performance fees for the year to 31 March

Investment basis Statement of comprehensive income	2023 £m	2022 £m
Carried interest and performance fees receivable		
Private Equity	**4**	3
Infrastructure	**37**	51
Total	**41**	54
Carried interest and performance fees payable		
Private Equity	**(392)**	(416)
Infrastructure	**(26)**	(38)
Total	**(418)**	(454)
Net carried interest payable	**(377)**	(400)

Table 16: Carried interest and performance fees at 31 March

Investment basis Statement of financial position	2023 £m	2022 £m
Carried interest and performance fees receivable		
Private Equity	**6**	8
Infrastructure	**37**	51
Total	**43**	59
Carried interest and performance fees payable		
Private Equity	**(1,325)**	(926)
Infrastructure	**(26)**	(37)
Total	**(1,351)**	(963)

Table 17: Carried interest and performance fees paid in the year to 31 March

Investment basis cash flow statement	2023 £m	2022 £m
Carried interest and performance fees cash paid		
Private Equity	**24**	13
Infrastructure	**27**	10
Total	**51**	23

Net foreign exchange movements

The Group recorded a total foreign exchange translation gain of £623 million including the impact of foreign exchange hedging in the year (March 2022: £9 million), as a result of sterling weakening by 4% against the euro and by 6% against the US dollar.

In October and November 2022, we took advantage of the weakness of sterling against the euro and US dollar by implementing a medium-term foreign exchange hedging programme to partially reduce the sensitivity of the Group's net asset value and impact of mismatched currency cash flows to changes in euro and US dollar exchange movements. The exposure of the Group's underlying investment portfolio to euro and US dollar has increased significantly in recent years through the organic growth of our existing European and US portfolio companies and due to the majority of our new investments being denominated in euro and US dollar.

We locked in favourable euro and US dollar rates compared to historical market averages, with forward foreign exchange contracts of a notional amount of €2 billion and $1.2 billion. In addition, during the year we also increased the size of our hedging programme for Scandlines, increasing the notional amount from €500 million to €600 million. Including the impact from foreign exchange hedging, 71% of the Group's net assets are denominated in euros or US dollars. Based on the Group's net assets, including the impact from foreign exchange hedging, a 1% movement in euro and US dollar foreign exchange rates would impact total return by £106 million and £12 million, as shown in Table 18 below.

Pension

The Group's UK defined benefit plan ("the Plan") is fully insured following previous buy-in policies with Legal & General in May 2020 and February 2019 and Pension Insurance Corporation in March 2017. These polices provide long-term security for the Plan members and 3i is no longer exposed to any material longevity, interest or inflation risk in the Plan or any ongoing requirement to fund the Plan. During the year the Group gave notice to terminate the Plan. The Trustees have taken steps to commence a buy-out and wind up of the Plan, the completion of which could take up to 18 months.

During the year the Group recognised an £8 million re-measurement gain (2022: £3 million) on the German defined benefit plan. The liability of this plan decreased in the year following an increase in the discount rate.

Tax

The Group's parent company continues to operate in the UK as an approved investment trust company. An approved investment trust is a UK investment company which is required to meet certain conditions set out in the UK tax rules to obtain and maintain its tax status. This approval allows certain investment profits of the Company, broadly its capital profits, to be exempt from tax in the UK. The Group's tax charge for the year was £2 million (2022: £5 million).

The Group's overall UK tax position for the financial year is dependent on the finalisation of tax returns of the various corporate and partnership entities in the UK group.

Table 18: Net assets[1] and sensitivity by currency at 31 March

	FX rate	£m	%	1% sensitivity £m
Sterling	n/a	**4,797**	28	**n/a**
Euro[2]	1.1377	**10,641**	64	**106**
US dollar[2]	1.2361	**1,154**	7	**12**
Danish krone	8.4752	**222**	1	**2**
Other	n/a	**30**	–	**n/a**

1 The net assets position includes the impact from foreign exchange hedging.
2 The sensitivity impact calculated on the net assets position includes the impact from foreign exchange hedging.

Balance sheet and liquidity

At 31 March 2023, the Group had net debt of £363 million (31 March 2022: £746 million) and gearing of 2% after the receipt of strong cash income of £497 million and net cash proceeds of £555 million, offsetting dividend payments of £485 million and repayment of our £200 million fixed-rate 2023 bond in the year.

The Group had liquidity of £1,312 million as at 31 March 2023 (31 March 2022: £729 million) comprising cash and deposits of £412 million (31 March 2022: £229 million) and an undrawn RCF of £900 million. During the year, we increased our available liquidity by introducing a two-year £400 million tranche to the existing base £500 million RCF. Since 31 March 2023, we extended the maturity of the £400 million additional tranche to July 2025.

The investment portfolio value increased to £18,388 million at 31 March 2023 (31 March 2022: £14,305 million) mainly driven by unrealised profits of £3,769 million in the year.

Further information on investments and realisations is included in the Private Equity, Infrastructure and Scandlines business reviews.

Going concern

The Annual report and accounts 2023 are prepared on a going concern basis. The Directors made an assessment of going concern, taking into account the Group's current performance and the outlook, and performed additional analysis to support the going concern assessment. Further details on going concern can be found on page 123 in the Resilience statement.

Dividend

The Board has recommended a second FY2023 dividend of 29.75 pence per share (2022: 27.25 pence), taking the total dividend for the year to 53.0 pence per share (2022: 46.5 pence). Subject to shareholder approval, the dividend will be paid to shareholders in July 2023.

Table 19: Simplified consolidated balance sheet at 31 March

Investment basis Statement of financial position	2023 £m	2022 £m
Investment portfolio	**18,388**	14,305
Gross debt	**(775)**	(975)
Cash and deposits	**412**	229
Net debt	**(363)**	(746)
Carried interest and performance fees receivable	**43**	59
Carried interest and performance fees payable	**(1,351)**	(963)
Other net assets	**127**	99
Net assets	**16,844**	12,754
Gearing[1]	**2 %**	6 %

1 Gearing is net debt as a percentage of net assets.

Key accounting judgments and estimates

A key judgement is the assessment required to determine the degree of control or influence the Group exercises and the form of any control to ensure that the financial treatment of investment entities is accurate. The introduction of IFRS 10 resulted in a number of intermediate holding companies being presented at fair value, which has led to reduced transparency of the underlying investment performance. As a result, the Group continues to present a non-GAAP Investment basis set of financial statements to ensure that the commentary in the Strategic report remains fair, balanced and understandable. The reconciliation of the Investment basis to IFRS is shown on pages 74 to 76.

In preparing these accounts, the key accounting estimates are the carrying value of our investment assets, which is stated at fair value, and the calculation of carried interest payable.

Given the importance of the valuation of investments, the Board has a separate Valuations Committee to review the valuation policy, process and application to individual investments. However, asset valuations for unquoted investments are inherently subjective, as they are made on the basis of assumptions which may not prove to be accurate. At 31 March 2023, 95% by value of the investment assets were unquoted (31 March 2022: 93%).

The valuation of the proprietary capital portfolio is a primary input into the carried interest payable and receivable balances, which are determined by reference to the valuation at 31 March 2023 and the underlying investment management agreements.

Financial review continued

Background to Investment basis financial statements

The Group makes investments in portfolio companies directly, held by 3i Group plc, and indirectly, held through intermediate holding company and partnership structures ("Investment entity subsidiaries"). It also has other operational subsidiaries which provide services and other activities such as employment, regulatory activities, management and advice ("Trading subsidiaries"). The application of IFRS 10 requires us to fair value a number of intermediate holding companies that were previously consolidated line by line. This fair value approach, applied at the intermediate holding company level, effectively obscures the performance of our proprietary capital investments and associated transactions occurring in the intermediate holding companies.

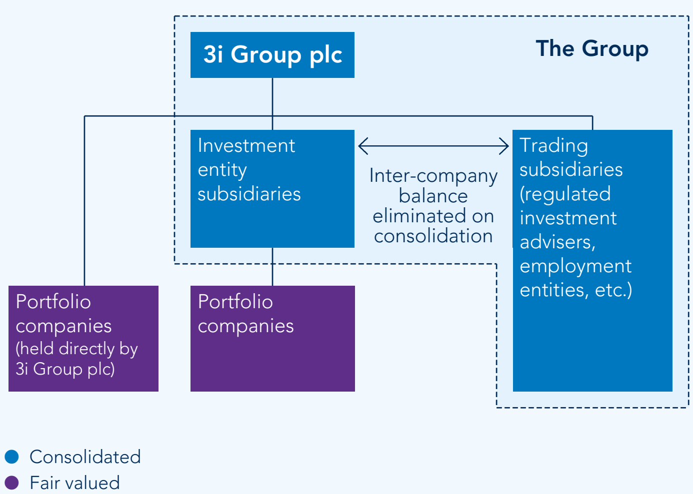
The financial effect of the underlying portfolio companies and fee income, operating expenses and carried interest transactions occurring in Investment entity subsidiaries are aggregated into a single value. Other items which were previously eliminated on consolidation are now included separately.

To maintain transparency in our report and aid understanding we introduced separate non-GAAP "Investment basis" Statements of comprehensive income, financial position and cash flow in our 2014 Annual report and accounts. The Investment basis is an APM and the Strategic report is prepared using the Investment basis as we believe it provides a more understandable view of our performance. Total return and net assets are equal under the Investment basis and IFRS; the Investment basis is simply a "look through" of IFRS 10 to present the underlying performance.

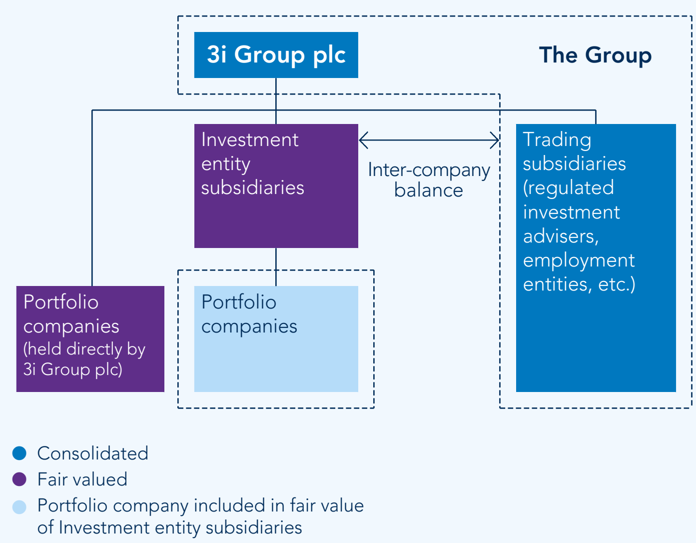
Reconciliation of Investment basis and IFRS

A detailed reconciliation from the Investment basis to IFRS basis of the Consolidated statement of comprehensive income, Consolidated statement of financial position and Consolidated cash flow statement is shown on the following pages.

Investment basis of consolidation



IFRS 10 basis of consolidation



Reconciliation of Investment basis and IFRS

Reconciliation of consolidated statement of comprehensive income

for the year to 31 March

	Notes	Investment basis 2023 £m	IFRS adjustments 2023 £m	IFRS basis 2023 £m	Investment basis 2022 £m	IFRS adjustments 2022 £m	IFRS basis 2022 £m
Realised profits over value on the disposal of investments	1,2	**169**	**(105)**	**64**	238	(149)	89
Unrealised profits on the revaluation of investments	1,2	**3,769**	**(1,872)**	**1,897**	3,824	(2,043)	1,781
Fair value movements on investment entity subsidiaries	1	**–**	**2,112**	**2,112**	–	1,974	1,974
Portfolio income							
Dividends	1,2	**416**	**(187)**	**229**	375	(169)	206
Interest income from investment portfolio	1,2	**91**	**(62)**	**29**	85	(55)	30
Fees receivable	1,2	**7**	**3**	**10**	3	3	6
Foreign exchange on investments	1,3	**530**	**(327)**	**203**	(2)	(7)	(9)
Movement in the fair value of derivatives		**122**	**–**	**122**	2	–	2
Gross investment return		**5,104**	**(438)**	**4,666**	4,525	(446)	4,079
Fees receivable from external funds		**70**	**–**	**70**	62	–	62
Operating expenses	4	**(138)**	**1**	**(137)**	(128)	1	(127)
Interest receivable	1	**4**	**–**	**4**	–	–	–
Interest payable		**(54)**	**–**	**(54)**	(53)	–	(53)
Exchange movements	1,3	**(29)**	**23**	**(6)**	9	7	16
Income from investment entity subsidiaries	1	**–**	**30**	**30**	–	32	32
Other (expense)/income		**(1)**	**–**	**(1)**	2	–	2
Operating profit before carried interest		**4,956**	**(384)**	**4,572**	4,417	(406)	4,011
Carried interest							
Carried interest and performance fees receivable	1,4	**41**	**–**	**41**	54	(1)	53
Carried interest and performance fees payable	1,4	**(418)**	**380**	**(38)**	(454)	408	(46)
Operating profit before tax		**4,579**	**(4)**	**4,575**	4,017	1	4,018
Tax charge	1,4	**(2)**	**–**	**(2)**	(5)	–	(5)
Profit for the year		**4,577**	**(4)**	**4,573**	4,012	1	4,013
Other comprehensive income/(expense)							
Exchange differences on translation of foreign operations	1,3	**–**	**4**	**4**	–	(1)	(1)
Re-measurements of defined benefit plans		**8**	**–**	**8**	2	–	2
Other comprehensive income for the year		**8**	**4**	**12**	2	(1)	1
Total comprehensive income for the year ("Total return")		**4,585**	**–**	**4,585**	4,014	–	4,014

The IFRS basis is audited and the Investment basis is unaudited.

Notes to the Reconciliation of consolidated statement of comprehensive income above:

1 Applying IFRS 10 to the Consolidated statement of comprehensive income consolidates the line items of a number of previously consolidated subsidiaries into a single line item "Fair value movements on investment entity subsidiaries". In the "Investment basis" accounts we have disaggregated these line items to analyse our total return as if these Investment entity subsidiaries were fully consolidated, consistent with prior years. The adjustments simply reclassify the Consolidated statement of comprehensive income of the Group, and the total return is equal under the Investment basis and the IFRS basis.

2 Realised profits, unrealised profits and portfolio income shown in the IFRS accounts only relate to portfolio companies that are held directly by 3i Group plc and not those portfolio companies held through Investment entity subsidiaries. Realised profits, unrealised profits and portfolio income in relation to portfolio companies held through Investment entity subsidiaries are aggregated into the single "Fair value movement on investment entity subsidiaries" line. This is the most significant reduction of information in our IFRS accounts.

3 Foreign exchange movements have been reclassified under the Investment basis as foreign currency asset and liability movements. Movements within the Investment entity subsidiaries are included within "Fair value movements on investment entities".

4 Other items also aggregated into the "Fair value movements on investment entity subsidiaries" line include fees receivable from external funds, audit fees, administration expenses, carried interest and tax.

Notes to Reconciliation of consolidated statement of financial position on page 75:

1 Applying IFRS 10 to the Consolidated statement of financial position aggregates the line items into the single line item "Investments in investment entity subsidiaries". In the Investment basis we have disaggregated these items to analyse our net assets as if the Investment entity subsidiaries were consolidated. The adjustment reclassifies items in the Consolidated statement of financial position. There is no change to the net assets, although for reasons explained below, gross assets and gross liabilities are different. The disclosure relating to portfolio companies is significantly reduced by the aggregation, as the fair value of all investments held by Investment entity subsidiaries is aggregated into the "Investments in investment entity subsidiaries" line. We have disaggregated this fair value and disclosed the underlying portfolio holding in the relevant line item, ie, quoted investments or unquoted investments. Other items which may be aggregated include carried interest, other assets and other payables, and the Investment basis presentation again disaggregates these items.

2 Intercompany balances between Investment entity subsidiaries and trading subsidiaries also impact the transparency of our results under the IFRS basis. If an Investment entity subsidiary has an intercompany balance with a consolidated trading subsidiary of the Group, then the asset or liability of the Investment entity subsidiary will be aggregated into its fair value, while the asset or liability of the consolidated trading subsidiary will be disclosed as an asset or liability in the Consolidated statement of financial position for the Group.

3 Investment basis financial statements are prepared for performance measurement and therefore reserves are not analysed separately under this basis.

Reconciliation of Investment basis and IFRS continued

Reconciliation of consolidated statement of financial position
as at 31 March

	Notes	Investment basis 2023 £m	IFRS adjustments 2023 £m	IFRS basis 2023 £m	Investment basis 2022 £m	IFRS adjustments 2022 £m	IFRS basis 2022 £m
Assets							
Non-current assets							
Investments							
Quoted investments	1	**962**	**(121)**	**841**	1,063	(129)	934
Unquoted investments	1	**17,426**	**(8,749)**	**8,677**	13,242	(7,534)	5,708
Investments in investment entity subsidiaries	1,2	**–**	**7,844**	**7,844**	–	6,791	6,791
Investment portfolio		**18,388**	**(1,026)**	**17,362**	14,305	(872)	13,433
Carried interest and performance fees receivable	1	**3**	**–**	**3**	8	1	9
Other non-current assets	1	**33**	**(3)**	**30**	50	(5)	45
Intangible assets		**5**	**–**	**5**	6	–	6
Retirement benefit surplus		**53**	**–**	**53**	53	–	53
Property, plant and equipment		**3**	**–**	**3**	3	–	3
Right of use asset		**9**	**–**	**9**	13	–	13
Derivative financial instruments		**73**	**–**	**73**	7	–	7
Deferred income taxes		**–**	**–**	**–**	1	–	1
Total non-current assets		**18,567**	**(1,029)**	**17,538**	14,446	(876)	13,570
Current assets							
Carried interest and performance fees receivable	1	**40**	**–**	**40**	51	–	51
Other current assets	1	**41**	**(11)**	**30**	105	(1)	104
Current income taxes		**1**	**–**	**1**	1	–	1
Derivative financial instruments		**48**	**–**	**48**	10	–	10
Cash and cash equivalents	1	**412**	**(250)**	**162**	229	(17)	212
Total current assets		**542**	**(261)**	**281**	396	(18)	378
Total assets		**19,109**	**(1,290)**	**17,819**	14,842	(894)	13,948
Liabilities							
Non-current liabilities							
Trade and other payables	1	**(11)**	**7**	**(4)**	(21)	7	(14)
Carried interest and performance fees payable	1	**(1,049)**	**1,006**	**(43)**	(915)	873	(42)
Loans and borrowings		**(775)**	**–**	**(775)**	(775)	–	(775)
Derivative financial instruments		**(3)**	**–**	**(3)**	–	–	–
Retirement benefit deficit		**(20)**	**–**	**(20)**	(26)	–	(26)
Lease liability		**(5)**	**–**	**(5)**	(9)	–	(9)
Deferred income taxes		**(1)**	**–**	**(1)**	(1)	–	(1)
Provisions		**(4)**	**–**	**(4)**	(3)	–	(3)
Total non-current liabilities		**(1,868)**	**1,013**	**(855)**	(1,750)	880	(870)
Current liabilities							
Trade and other payables	1	**(85)**	**9**	**(76)**	(81)	1	(80)
Carried interest and performance fees payable	1	**(302)**	**268**	**(34)**	(48)	13	(35)
Loans and borrowings		**–**	**–**	**–**	(200)	–	(200)
Derivative financial instruments		**(1)**	**–**	**(1)**	–	–	–
Lease liability		**(5)**	**–**	**(5)**	(5)	–	(5)
Current income taxes		**(4)**	**–**	**(4)**	(4)	–	(4)
Total current liabilities		**(397)**	**277**	**(120)**	(338)	14	(324)
Total liabilities		**(2,265)**	**1,290**	**(975)**	(2,088)	894	(1,194)
Net assets		**16,844**	**–**	**16,844**	12,754	–	12,754
Equity							
Issued capital		**719**	**–**	**719**	719	–	719
Share premium		**790**	**–**	**790**	789	–	789
Other reserves	3	**15,443**	**–**	**15,443**	11,346	–	11,346
Own shares		**(108)**	**–**	**(108)**	(100)	–	(100)
Total equity		**16,844**	**–**	**16,844**	12,754	–	12,754

The IFRS basis is audited and the Investment basis is unaudited.
Notes: see page 74.

Reconciliation of Investment basis and IFRS continued

Reconciliation of consolidated cash flow statement
for the year to 31 March

	Notes	Investment basis 2023 £m	IFRS adjustments 2023 £m	IFRS basis 2023 £m	Investment basis 2022 £m	IFRS adjustments 2022 £m	IFRS basis 2022 £m
Cash flow from operating activities							
Purchase of investments	1	**(330)**	**284**	**(46)**	(596)	272	(324)
Proceeds from investments	1	**885**	**(658)**	**227**	758	(464)	294
Amounts paid to investment entity subsidiaries	1	**–**	**(535)**	**(535)**	–	(349)	(349)
Amounts received from investment entity subsidiaries	1	**–**	**841**	**841**	–	685	685
Net cash flow from derivatives		**23**	**–**	**23**	11	–	11
Portfolio interest received	1	**19**	**(7)**	**12**	4	(1)	3
Portfolio dividends received	1	**406**	**(183)**	**223**	369	(165)	204
Portfolio fees received	1	**5**	**–**	**5**	9	–	9
Fees received from external funds		**67**	**–**	**67**	68	–	68
Carried interest and performance fees received	1	**58**	**–**	**58**	10	–	10
Carried interest and performance fees paid	1	**(51)**	**22**	**(29)**	(23)	9	(14)
Operating expenses paid	1	**(128)**	**–**	**(128)**	(106)	1	(105)
Co-investment loans received/(paid)	1	**3**	**2**	**5**	(5)	2	(3)
Tax received	1	**–**	**–**	**–**	1	–	1
Interest received	1	**4**	**–**	**4**	–	–	–
Net cash flow from operating activities		**961**	**(234)**	**727**	500	(10)	490
Cash flow from financing activities							
Issue of shares		**1**	**–**	**1**	1	–	1
Purchase of own shares		**(30)**	**–**	**(30)**	(54)	–	(54)
Dividends paid		**(485)**	**–**	**(485)**	(389)	–	(389)
Repayment of long-term borrowing		**(200)**	**–**	**(200)**	–	–	–
Lease payments		**(5)**	**–**	**(5)**	(4)	–	(4)
Interest paid		**(54)**	**–**	**(54)**	(52)	–	(52)
Net cash flow from financing activities		**(773)**	**–**	**(773)**	(498)	–	(498)
Cash flow from investing activities							
Purchase of property, plant and equipment		**(1)**	**–**	**(1)**	–	–	–
Net cash flow from investing activities		**(1)**	**–**	**(1)**	–	–	–
Change in cash and cash equivalents	2	**187**	**(234)**	**(47)**	2	(10)	(8)
Cash and cash equivalents at the start of year	2	**229**	**(17)**	**212**	225	(9)	216
Effect of exchange rate fluctuations	1	**(4)**	**1**	**(3)**	2	2	4
Cash and cash equivalents at the end of year	2	**412**	**(250)**	**162**	229	(17)	212

The IFRS basis is audited and the Investment basis is unaudited.
Notes to Reconciliation of consolidated cash flow statement above:

1 The Consolidated cash flow statement is impacted by the application of IFRS 10 as cash flows to and from Investment entity subsidiaries are disclosed, rather than the cash flows to and from the underlying portfolio. Therefore in our Investment basis financial statements, we have disclosed our cash flow statement on a "look through" basis, in order to reflect the underlying sources and uses of cash flows and disclose the underlying investment activity.
2 There is a difference between the change in cash and cash equivalents of the Investment basis financial statements and the IFRS financial statements because there are cash balances held in Investment entity subsidiaries. Cash held within Investment entity subsidiaries will not be shown in the IFRS statements but will be seen in the Investment basis statements.

Alternative Performance Measures ("APMs")

We assess our performance using a variety of measures that are not specifically defined under IFRS and are therefore termed APMs. The APMs that we use may not be directly comparable with those used by other companies. Our Investment basis is itself an APM. The explanation of and rationale for the Investment basis and its reconciliation to IFRS is provided on page 73. The table below defines our additional APMs.

Gross investment return as a percentage of opening portfolio value

Purpose	Calculation	Reconciliation to IFRS
A measure of the performance of our proprietary investment portfolio.	It is calculated as the gross investment return, as shown in the Investment basis Consolidated statement of comprehensive income, as a % of the opening portfolio value.	The equivalent balances under IFRS and the reconciliation to the Investment basis are shown in the Reconciliation of the consolidated statement of comprehensive income and the Reconciliation of the consolidated statement of financial position respectively.

PAGE 18 KPIs

Cash realisations

Purpose	Calculation	Reconciliation to IFRS
Cash proceeds from our investments support our returns to shareholders, as well as our ability to invest in new opportunities.	The cash received from the disposal of investments in the year as shown in the Investment basis Consolidated cash flow statement.	The equivalent balance under IFRS and the reconciliation to the Investment basis is shown in the Reconciliation of the consolidated cash flow statement.

PAGE 18 KPIs

Cash investment[1]

Purpose	Calculation	Reconciliation to IFRS
Identifying new opportunities in which to invest proprietary capital is the primary driver of the Group's ability to deliver attractive returns.	The cash paid to acquire investments in the year as shown on the Investment basis Consolidated cash flow statement.	The equivalent balance under IFRS and the reconciliation to the Investment basis is shown in the Reconciliation of the consolidated cash flow statement.

PAGE 18 KPIs

Operating cash profit

Purpose	Calculation	Reconciliation to IFRS
By covering the cash cost of running the business with cash income, we reduce the potential dilution of capital returns.	The cash income from the portfolio (interest, dividends and fees) together with fees received from external funds less cash operating expenses and leases payments as shown on the Investment basis Consolidated cash flow statement. The calculation is shown in Table 14 of the Financial review.	The equivalent balance under IFRS and the reconciliation to the Investment basis is shown in the Reconciliation of the consolidated cash flow statement.

PAGE 18 KPIs

Net (debt)/cash

Purpose	Calculation	Reconciliation to IFRS
A measure of the available cash to invest in the business and an indicator of the financial risk in the Group's balance sheet.	Cash and cash equivalents plus deposits less loans and borrowings as shown on the Investment basis Consolidated statement of financial position.	The equivalent balance under IFRS and the reconciliation to the Investment basis is shown in the Reconciliation of the consolidated statement of financial position.

Gearing

Purpose	Calculation	Reconciliation to IFRS
A measure of the financial risk in the Group's balance sheet.	Net debt (as defined above) as a % of the Group's net assets under the Investment basis. It cannot be less than zero.	The equivalent balance under IFRS and the reconciliation to the Investment basis is shown in the Reconciliation of the consolidated statement of financial position.

1 Cash investment of £397 million is different to cash investment per the cash flow of £330 million due to a £57 million syndication in Infrastructure which was received in FY2023 and a £10 million investment in Private Equity to be paid in FY2024.

Risk management

Effective risk management underpins the successful delivery of our strategy and longer-term sustainability of the business. Our values and culture at 3i are embedded in our approach to risk management.

Understanding our risk appetite, culture and values

As both an investor and asset manager, 3i is in the business of taking risks in order to seek to achieve its targeted returns for shareholders and other investors. The Board approves the strategic objectives that determine the level and types of risk that 3i is prepared to accept. The Board reviews 3i's strategic objectives and risk appetite at least annually. The Group's risk management framework is designed to support the delivery of the Group's strategic objectives and the longer-term sustainability of the business and its investment portfolio.

3i's Risk appetite statement, which is consistent with previous years, is built on rigorous and comprehensive investment procedures and conservative capital management. Please refer to page 79 for further details.

Culture

Integrity, rigour and accountability are central to our values and culture and are embedded in our approach to risk management. Our Investment Committee, which has oversight of the investment pipeline development and approves new investments, significant portfolio changes and divestments, is integral to ensuring a consistent approach across the business. This includes alignment with 3i's financial and strategic objectives; cultural values and business conduct rules; and ensuring that the long-term sustainability of portfolio companies is taken into consideration. Members of the Executive Committee have responsibility for their own business or functional areas and the Group expects individual behaviours to meet its high standards of conduct. All employees share the responsibility for upholding 3i's strong control culture and supporting effective risk management. Senior managers, typically those who report to Executive Committee members, are required to confirm their individual and business area compliance annually. In addition, all staff are required to comply with regulatory conduct rules and are assessed on how they demonstrate 3i's values as part of their annual appraisal. Finally, our Remuneration Committee is responsible for ensuring the Group's remuneration policy is aligned with the Group's culture and values, weighted towards variable compensation dependent on performance, and does not encourage inappropriate risk taking.

The following sections outline the principal risks to our strategic objectives, our assessment of their potential impact on our business in the context of the current environment and how we seek to mitigate them.

Approach to risk governance

The Board is responsible for risk assessment, the risk management process and for the protection of the Group's reputation, brand integrity and longer-term sustainability. It considers the most significant current and emerging risks facing the Group using a range of quantitative data and analyses where possible. These include vintage controls which consider the portfolio concentration by geography and sector; periodic reporting of financial and non-financial KPIs from the portfolio, including leverage levels and ESG and sustainability indicators; and liquidity reporting.

Board oversight is exercised through the Audit and Compliance Committee which focuses on upholding standards of integrity; financial and non-financial reporting; risk management; going concern and resilience; and internal control. The Audit and Compliance Committee's activities are discussed further in its report on pages 114 to 118.

The Board has delegated the responsibility for risk oversight to the Chief Executive. He is assisted by the Group Risk Committee ("GRC") in managing this responsibility, and is guided by the Board's appetite for risk and any specific limits set. The GRC maintains the Group risk review, which summarises the Group's principal risks, associated mitigating actions and key risk indicators, and identifies any changes to the Group's risk profile. The review also incorporates a watch list of new and emerging risks for monitoring purposes. The risk review takes place four times a year, with the last review in April 2023, and the Chief Executive provides updates to each Audit and Compliance Committee meeting.

The Investment Committee has principal responsibility for managing the Group's investment portfolio and monitoring its most material risks. It ensures a consistent approach to investment and portfolio management processes across the business.

The Group's work on ESG and sustainability is overseen by the ESG Committee. The Committee assists and advises the Chief Executive, directly and by way of input into the work of the Investment and Group Risk Committees. The Committee also supports the coordination of the Group's various ESG and sustainability activities, including the management of ESG-related risks and opportunities across the portfolio.

In addition to the above, a number of other Board and Executive Committee members contribute to the Group's overall risk governance structure. Please refer to page 80 for further details on the Risk governance structure.

Risk appetite

Our risk appetite is defined by our strategic objectives. We invest capital in businesses to deliver capital returns, and portfolio and fund management cash income to cover our costs and increase returns to our investors. As proprietary capital investors we have a long-term, responsible approach.

Investment risk

The substantial majority of the Group's capital is invested in Private Equity. Before the Group commits to a Private Equity investment, we assess the opportunity using the following criteria:

- return objective: individually assessed and subject to a minimum target of a 2x money multiple over four to six years;
- geographic focus: headquartered in our core markets of northern Europe and North America;
- sector expertise: focus on Business & Technology Services, Consumer, Industrial Technology and Healthcare;
- responsible investment: all investments are screened against the criteria and exclusions set out in our Responsible Investment policy; and
- vintage: invest up to £750 million per annum in four to seven new investments in companies with an enterprise value range of €100 million to €500 million at investment.

Investments made by 3iN need to be consistent with 3iN's overall return target of 8% to 10% over the medium term and generate a mix of capital and income returns. Other Infrastructure investments made by the Group should be capable of delivering capital growth and fund management fees which together generate mid-teen returns. All Infrastructure investments are also made subject to the criteria set out in the Group's Responsible Investment policy.

On occasion, the Group may conclude that it is in the interest of shareholders, and consistent with our strategic objectives, to hold a Private Equity investment for a longer period.

Capital management

3i adopts a conservative approach to managing its capital resources as follows:

- the Group aims to operate within a range of £500 million net cash to £1 billion net debt, with tolerance to operate outside of this range on a short-term basis and up to a gearing level of 15% dependent on investment and realisation flows. The Group may raise debt, or use other financing from time to time, to manage investment and realisation flows. The Group has no appetite for structural gearing ie the achievement of its returns objectives is not reliant on gearing;
- The Group manages liquidity conservatively; maintaining a RCF to provide additional committed liquidity and financial flexibility, and monitoring using a framework that assesses forecast cash flows and a broader range of factors;
- the Group accepts a degree currency exposure risk with respect to its investment portfolio, but aims to partially reduce the impact of currency movements on its net asset value through a combination of matching currency realisations with investments and the use of its euro and US dollar foreign exchange hedging programmes, taking into account the associated costs and liquidity risks. These portfolio hedging programmes have a total size of €2.0 billion and $1.2 billion respectively;
- in addition, the Group may hedge specific assets or exposures where appropriate; for example, in relation to currency exposures on longer-term investments, such as Scandlines (€600 million hedging programme); and
- we have limited appetite for the dilution of capital returns as a result of operating and interest expenses. All our business lines generate cash income to mitigate this risk.

Risk management continued

Risk governance structure

Board

- Approves the Group's risk appetite and strategy
- Responsible for ensuring an effective risk management and oversight process across the Group and for the investment strategy
- Ownership and oversight of the Group's ESG and sustainability approach and policies
- Assisted by four Board Committees with specific responsibility for key risk management areas
- Delegates management of the Group to the Chief Executive

Nominations Committee

- Responsible for ensuring that the Board has the necessary skills, experience and knowledge to enable the Group to deliver its strategic objectives
- Responsible for appointing a diverse Board

Audit and Compliance Committee

- Responsible for reviewing financial and non-financial reporting risks and internal controls, and the relationship with the External auditor
- Reviews and challenges reports from Group Finance, Tax, Internal Audit and Compliance
- Receives updates from the Chief Executive at each meeting on the output of the latest GRC meeting and on ESG matters

Valuations Committee

- Specific and primary responsibility for the valuation policy and valuation of the Group's investment portfolio including the impact of sustainability related matters
- Provides oversight and challenge of underlying assumptions on the valuation of the investment portfolio
- Direct engagement with the External auditor, including its specialist valuations team

Remuneration Committee

- Responsible for ensuring a remuneration culture which is weighted towards variable reward and strictly dependent on performance whilst not encouraging inappropriate risk taking
- Approves carried interest and asset performance linked schemes for our investment professionals that are in line with market practice and enable the Group to attract and retain the best talent
- By excluding Executive Directors from carried interest or performance fee profit schemes, the Committee ensures that their remuneration is closely aligned with shareholder returns

Chief Executive

- Delegated responsibility for management of the Group
- Delegated responsibility for investment decisions
- Delegated responsibility for risk management
- Delegated responsibility for assessment and management of ESG risks and opportunities across the Group and portfolio

Executive Committee

- Monitors divisional performance
- Facilitates information sharing between divisions
- Meets monthly

Conflicts Committee

- Deals with potential conflicts as required

Treasury Transactions Committee

- Considers specific treasury transactions as required

Market Abuse Regulation Committee

- Considers potential disclosure matters as required

Investment Committee

- Principal committee for managing the Group's investment portfolio and monitoring its most material risks
- Meets as often as required
- Chaired by the Chief Executive
- Strict oversight of each step of the investment lifecycle
- Approves all investment, divestment and material portfolio decisions
- Monitors investments against original investment case
- Ensures investments are in line with the Group's investment policy and risk appetite
- Implements the Responsible Investment policy and assesses the sustainability of the Group's portfolio companies and ESG risks and opportunities

Group Risk Committee

- Assists the Chief Executive with the oversight of risk management across the Group
- Implements the Group's risk appetite policy and monitors performance
- Maintains the Group risk review which details its principal risk exposures; a watch list of new and emerging risks; and appropriate mitigations and controls
- Two members of the GRC form the Risk Management function as required under the FCA's Investment Funds sourcebook
- Maintains oversight of the risks relating to ESG matters and of the Responsible Investment policy
- Chaired by the Chief Executive

ESG Committee

- Advises on ESG-related risks and opportunities relevant to the Group and its investment portfolio
- Develops the Group's ESG approach, and related policies and procedures
- Ensures the Group's compliance with relevant ESG-related legal and regulatory requirements, standards and guidelines
- Coordinates ESG-related activities and initiatives across the Group and investment portfolio
- Reviews and monitors the Group's ESG performance

Risk framework

The risk framework is augmented by a separate Risk Management function which has specific responsibilities under the FCA's Investment Funds sourcebook and is functionally and hierarchically separate from the investment teams. It considers the separate risk reports for each Alternative Investment Fund ("AIF") managed by the Group, including areas such as portfolio composition, portfolio valuation, operational updates and team changes, which are then considered by the GRC. The function meets ahead of the GRC meetings to consider the key risks impacting the Group, and any changes in the relevant period where appropriate.

The Group operates a "three lines of defence" framework for managing and identifying risk:

(1) The first line of defence against outcomes outside our risk appetite is constituted by our business functions themselves.

(2) Line management is supported by oversight and control functions, specifically Compliance, Group Finance, Human Resources and Legal.

(3) Internal Audit provides independent assurance over the operation of controls and is the third line of defence.

The internal audit programme includes the review of the effectiveness of risk management processes and recommendations to improve the internal control environment.

Role of Group Risk Committee in risk management

The quarterly Group risk review process includes an analysis of external developments, emerging risks, and the monitoring of key strategic and financial metrics (such as KPIs) considered to be indicators of potential changes in the Group's risk profile. The GRC uses this information to identify its principal risks. It then evaluates the impact and likelihood of each risk, in the context of the Group's strategic objectives and with reference to associated measures and KPIs. The adequacy of the mitigation plans is then assessed and, if necessary, additional actions are agreed and reviewed at the subsequent meeting. A report summarising the key conclusions of each GRC meeting together with a copy of the risk review report is provided to the Audit and Compliance Committee, which provides independent oversight of the work of the GRC.

A number of focus topics are also agreed in advance of each meeting. In FY2023, the GRC covered the following:

- a review of the Group's IT framework including cyber security, systems developments and IT resilience;
- an update on the Group's business continuity and resilience planning and testing;
- a review of the Group's stress tests to support its going concern, Viability and Resilience statements;
- semi-annual updates from the investment business lines on ESG and sustainability issues and themes with respect to the Group's portfolio companies, including progress with carbon reporting;
- semi-annual updates from 3i's ESG Committee, including progress with TCFD; and
- the proposed risk disclosures in the FY2023 Annual report and accounts.

There were no significant changes to the GRC's overall approach to risk governance or its operation in FY2023. During the year, we undertook a benchmarking exercise to compare 3i's principal risks, along with the current watch list, against the risk disclosures of a peer group of PE investment trusts, European investment companies, traditional asset managers and a selection of US alternative asset managers. The overall conclusion was that 3i's approach remains fit for purpose.

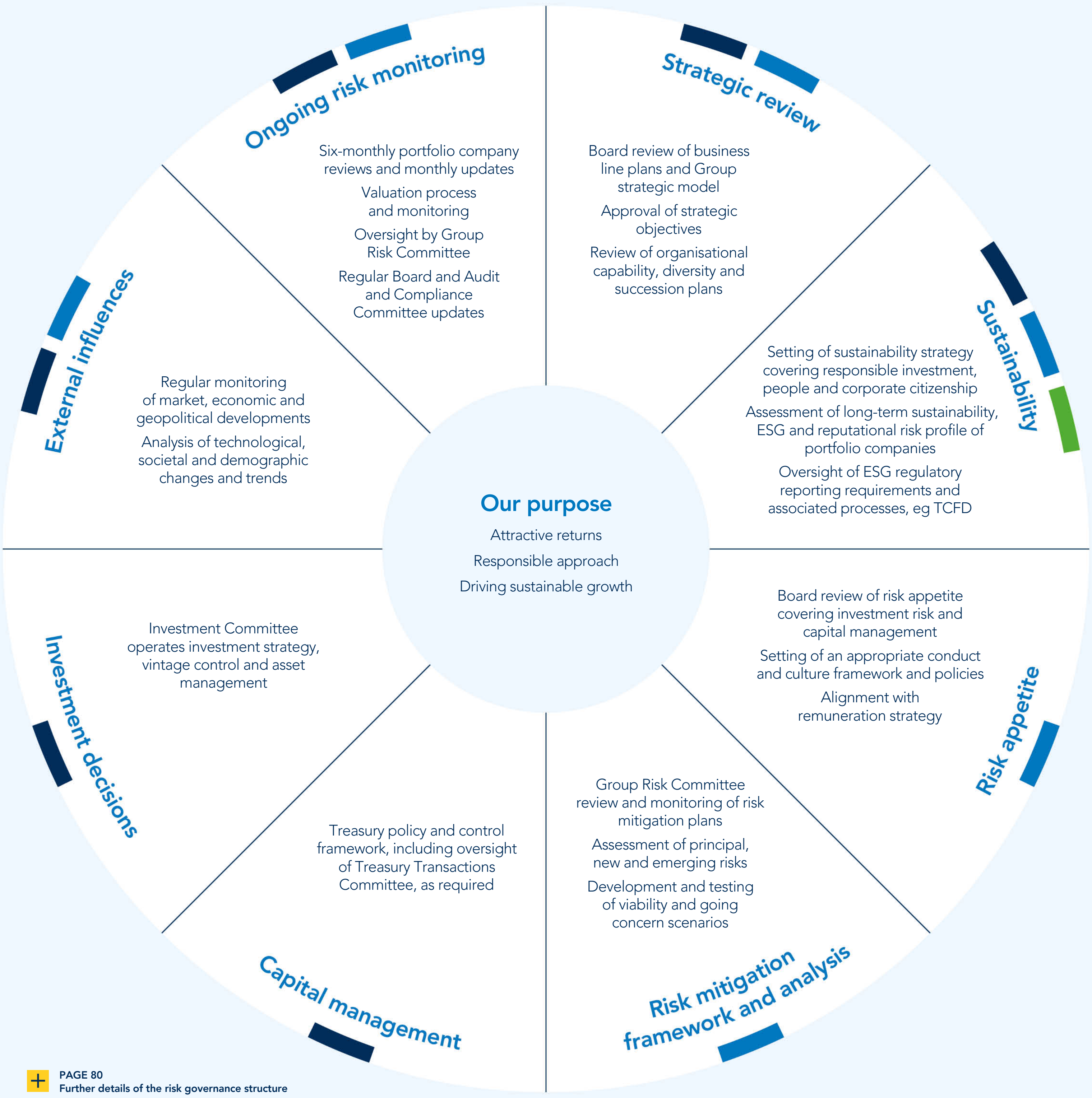
Role of the ESG Committee

The Group's ESG Committee provides input and advice on the assessment and management of relevant ESG risk and opportunities; the development of the Group's ESG strategy; and coordination of ESG-related activities and initiatives. The GRC receives semi-annual updates on the work of the Committee as part of its risk review process. Refer to the TCFD disclosures on pages 60-66 for further details.

Integrated approach to risk management

3i's approach to risk management consists of a number of interrelated processes, illustrated below, the operation of which is overseen by a combination of the Investment Committee, Executive Committee, Group Risk Committee and ESG Committee.

- Responsibility of Investment Committee
- Responsibility of Group Risk Committee
- Responsibility of ESG Committee



+ PAGE 80
Further details of the risk governance structure

Role of Investment Committee in risk management

Our Investment Committee is fundamental to the management of investment risk. It is involved in and approves every material step of the investment, portfolio management and realisation process. The assessment and management of ESG risks and opportunities is embedded in our investment, portfolio management and value creation processes. All investments are screened against 3i's Responsible Investment policy.

The investment case presented at the outset of our investment consideration process includes the expected benefit of operational improvements, growth initiatives, ESG and sustainability initiatives, and M&A activity that will be driven by our investment professionals together with the portfolio company's management team. It will also include a view on the likely exit strategy and timing.

In evaluating new and existing investments, the Investment Committee considers potential reputational risks and broader ESG and sustainability developments and trends. The latter includes the risks and opportunities in relation to the environmental aspects of each company's products and services, the markets in which they operate, and the supply chain. Investment cases may include consideration of the feasibility and cost of initiatives to reduce the company's environmental footprint, where material.

After an investment is made, each investment case is closely monitored:

- our monthly portfolio monitoring reviews assess current performance against budget, prior year and a set of traffic light indicators and bespoke, forward-looking financial and non-financial KPIs;
- we hold semi-annual in-depth reviews of all our assets. We focus on the longer-term performance and plan for the investment compared to the original investment case, together with any strategic developments, a detailed assessment of ESG and sustainability risks and opportunities, and market outlook; and
- our monitoring processes also include consideration of instances where individual portfolio company underperformance could have adverse reputational consequences for the Group, even though the value impact may not be material.

The monthly portfolio monitoring reviews and the semi-annual reviews are attended by the Investment Committee and the senior members of the investment teams. A number of non-executive Directors attend the semi-annual reviews.

Finally, we recognise the need to plan and execute a successful exit at the optimum time, taking consideration of market conditions. This risk is closely linked to the external economic environment. Exit plans are refreshed where appropriate in the semi-annual portfolio reviews and the divestment process is clearly defined and overseen by the Investment Committee.

We review our internal processes and investment decisions in light of actual outcomes on an ongoing basis.

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

PAGES 14-15
Our long-term, responsible approach

Principal risks and mitigations – aligning risk to our strategic objectives

Business and risk environment in FY2023

We define our principal risks as those that have the potential to impact the delivery of our strategic objectives materially. During the year, the Directors considered a robust assessment of the principal and new and emerging risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. Further details can be found in the Audit and Compliance Committee report on pages 114 to 118.

This section provides an overview of the Group's principal risks; new and emerging risks; and the key matters considered during the year as part of the risk assessment process.

For the most part, FY2023 remained a year of considerable uncertainty compounded by the impact of a number of downside factors. These include the impact of Russia's invasion of Ukraine; Russian sanctions; measures taken to combat the spread of Covid-19 in China; and impact of higher inflation and interest rates and other economic headwinds.

Notwithstanding the levels of uncertainty experienced, most of the underlying risk factors are a continuation of the key themes which were under active consideration at the start of FY2023. Accordingly, the Group's overall principal risk profile has remained stable although the precise nature of the individual risks may have evolved.

In order to reflect more accurately the nature of the risks involved, we relabelled the principal risk of "Risk of escalation or widening of Russia/Ukraine conflict" as "Geopolitical risks", and the risk of "High pricing in 3i's core sectors" as "Transaction execution challenges in the current market". The overall assessment of the likelihood and impact of these risks to operations of the Group, however, remains unchanged.

In light of recent developments, we have split out the risk of higher interest rates from the more general risk of "Global economic uncertainty". The former is now shown as a distinct principal risk: "Impact of higher interest rates on debt markets and pricing of specific asset classes".

The risk of "Exposure of portfolio companies to disruption from Covid-19" has reduced through a combination of the easing of restrictions and the implementation of appropriate contingency plans. This has been removed as a principal risk and moved to the risk watch list under the heading of "Re-emergence of a global pandemic". Our focus is on the longer-term economic impact of the pandemic, whilst remaining mindful of the risk of new variants and the potential for further disruption.

The Group's risk mitigation plans, which are subject to regular review, have not required any major changes during the year other than the implementation of a medium-term foreign exchange hedging programme in light of periods of significant volatility in foreign exchange markets.

External

External risks are the risks to our business which are usually outside of our direct control such as political, economic, environmental, social, regulatory and competitor risks.

The period has been characterised by global economic uncertainty, weaker growth, market volatility, higher inflation and increased interest rates. Some of the factors contributing to this are continuations of events and themes noted last year. These include the impact of Russia's invasion of Ukraine and readjustment of the global economy to the dislocations related to Covid-19. More recently, the impact of higher interest rates has resulted in the increased pricing of specific assets and exposed some significant weaknesses in the banking sector. This development has been added as a distinct principal risk for review and monitoring purposes.

As noted under the comments on capital management below, 3i continues to maintain a conservative approach to managing its capital resources within the limits set out in its Risk appetite statement and a clearly defined treasury policy.

The impact of higher energy costs, general price inflation and higher interest rates has been the subject of close monitoring across the portfolio. Measures and initiatives put in place some time ago have enabled portfolio companies to manage their performance through a more volatile and uncertain period. This is reflected in the continued positive momentum in the portfolio performance across both business lines during the year; in particular, investments in the areas of value-for-money, private label, healthcare and infrastructure.

ESG and sustainability is increasingly important in the context of our strategic and investment objectives. Further information on work done in relation to ESG reporting, including TCFD compliance, and our approach to climate-related risk and opportunities can be found in our TCFD report on pages 60 to 66.

The Group's resilience assessment and viability testing consider a range of stress test scenarios which include a number of severe yet plausible external events. The development of these scenarios is done in conjunction with the Group's risk review process. Further details can be found on pages 123 to 125.

Principal risks and mitigations – aligning risk to our strategic objectives continued

Investment

Our overarching objective is to source attractive investment opportunities at the right price and execute our investment plans successfully. Our investment teams, who are responsible for origination and asset management, are rewarded with performance-based remuneration which is designed to ensure alignment with the Group's investment objectives and risk management appetite.

Notwithstanding the very challenging external environment described previously, portfolio performance remains robust reflecting a combination of the diversity and structure of the portfolio, our disciplined approach to investment, and mitigating steps taken to address cost pressures and weaker consumer demand where there is a particular exposure. As a result, there have been no major changes to the principal risks associated with investment outcomes over the past year.

As part of our portfolio monitoring, all of our new investments in the year are subject to rigorous review, including performance against a 180-day plan. We continued to monitor the portfolio actively and, where necessary, hold additional reviews for assets where there are more significant operational challenges. As part of this process leverage, banking covenants and counterparty risks are closely monitored across the portfolio.

Our investment and portfolio monitoring reviews include an enhanced ESG and sustainability assessment, which is completed annually and enables current and emerging risks and opportunities to be tracked on a systematic basis, with updates provided on a semi-annual basis. Good progress has been made in further advancing the ESG and sustainability maturity of the portfolio and improving carbon measurement and reporting capabilities.

Operational

3i's operational risk profile has remained stable over the year.

The Group has maintained a hybrid working model which supports a strong collaborative working culture whilst giving staff a degree of flexibility. The operational effectiveness of the model was reviewed during the year and some refinements implemented based on feedback and benchmarking.

3i has continued to operate robust and secure IT systems supported by key third-party service providers. We also continue to review and refresh our IT systems, device strategy, and cyber security framework. We engage the services of a leading cyber security services company, including a part-time Chief Information Security Officer, which provides ready access to intelligence and expert advice on new and emerging cyber security threats.

Incident management and business continuity plans are reviewed at least annually. This includes consideration of a broad range of "severe but plausible" business disruption scenarios and incorporates an assessment of third-party supplier risks.

Attracting and retaining key people remains a significant operational priority. Our Remuneration Committee ensures that our variable compensation schemes are in line with market practice and consistent with sound risk management. These schemes include carried interest, an important long-term incentive, which rewards cash-to-cash returns.

Although we saw significant competition in the recruitment market during the year, the Group continued to experience modest levels of voluntary staff turnover; 9.5% in FY2023. This reflects 3i's strong performance and helps to underpin the longer-term resilience of the business. The effective on-boarding and integration of new hires remains a priority and is an important part of maintaining a cohesive Group culture and good control mindset.

Detailed succession plans are in place for each business area. The Board completed its last formal annual review of the Group's organisational capability and succession plans in September 2022.

Fraud risk is considered on a regular basis. 3i has a robust fraud risk assessment and anti-fraud programme in place. The latter includes fraud prevention work by Internal Audit, awareness training and provision of an independent reporting service or "hotline" accessible by all staff. The Group's cyber security programme also aims to identify and mitigate the risks of third-party frauds, for example ransomware and phishing attacks, through the use of IT security tools and regular staff training.

Capital management

3i has maintained a conservative approach to managing its capital resources and has operated within the limits set out in its Risk appetite statement on page 79 and in accordance with the treasury policy approved by the Board. Accordingly, there are currently no principal risks in relation to capital management.

The Group implemented a euro and US dollar medium-term foreign exchange hedging programme given the significant volatility in foreign exchange markets experienced during the year. The purpose of the programme is to partially reduce the sensitivity of the Group's net asset value and impact of mismatched currency cash flows to changes in the euro and US dollar. The liquidity impact of this programme was carefully assessed prior to implementation and incorporated into the Group's liquidity monitoring framework. The Risk appetite statement has been updated to reflect this change.

New and emerging risks

In addition to the review of principal risks, the GRC maintains a watch list of risks which are deemed of sufficient importance to require active monitoring by the GRC but are not currently regarded as risks to the achievement of the Group's strategic objectives. This includes new and emerging risks. The watch list sets out how these risks are being mitigated and any further actions agreed by the GRC. Risks on the watch list may be reclassified as principal risks and vice versa based on the GRC's assessment.

During the year we replaced the risk of "Operational and cultural disruption to the Group from Covid-19" on the watch list with "Re-emergence of a global pandemic" and added a new risk "Impact of cost and other pressures on key third-party suppliers".

Other risks on the current watch list include some portfolio-related risks, such as concentration and specific sector exposures; tax risks in relation to changing rules; the UK/EU trading relationship; cyber security; and the increasing reporting requirements relating to ESG topics.

We recognise the increasing importance of environmental and climate-related risks, which are monitored and managed through our risk governance framework and compliance processes and procedures. These are also designed to ensure that 3i is compliant with all applicable environmental legislation and reporting requirements. We screen all investment opportunities against the Responsible Investment policy, assess the relevant ESG factors and screen out businesses at an early stage which have unsustainable environmental practices, or which are exposed to excessive risks. Once invested, we monitor environmental and climate-related risks closely and use our influence to ensure that our portfolio companies have robust governance processes in place to manage ESG risks; are compliant with emerging regulations and legislation in this field; and encourage the development of more environmentally sustainable behaviours. We also have the flexibility to sell investments that become or have the potential to become overly exposed to ESG risks. Further information and details of our TCFD disclosures can be found on pages 60 to 66.

Our thematic approach to investment origination and portfolio construction involves consideration of new and emerging risks and trends which can support long-term sustainable growth in our portfolio (pages 16 to 17). The outputs of this approach also form part of our medium-term viability stress testing and long-term business resilience assessment (pages 123 to 125). The current key themes include demographic and social change; digitalisation, automation and big data; energy transition, energy security and resource scarcity; and value-for-money and discount.

Outlook

As previously noted, the longer-term economic outlook continues to be adversely affected by a number of factors including high inflation; the cost-of-living crisis; higher interest rates; Russia's invasion of Ukraine; and wider geopolitical tensions. Whilst an improved global economic growth and a faster fall in inflation are plausible scenarios, our outlook remains cautious in view of the levels of uncertainty and number of potential downside factors which could hamper economic recovery and potentially lead to wider market volatility.

3i's business model, its disciplined approach to investment, active portfolio management, and diverse investment portfolio have been resilient to the challenges of the past year and in the latest stress tests carried out as part of our viability assessment.

3i continues to work closely with portfolio management teams to support their respective business and contingency plans in response to challenging economic and market conditions. Enhanced portfolio monitoring and reporting processes remain in place to identify actions needed to support portfolio companies through periods of uncertainty and to take advantage of new opportunities as these arise.

We made four new Private Equity investments in the year and have continued to grow portfolio value through our buy-and-build strategy. For further information on the investments made during the year, please refer to our Investment Activity section (pages 25 to 29). We have a clear and consistent strategy and a disciplined approach to investment whilst looking to put more capital behind those portfolio companies we already know well. We expect competition for the best assets in our sectors to remain intense and prices high. Accordingly, our focus remains on bilateral or complex processes and our buy-and-build platforms where we continue to build an attractive pipeline of new and further investment opportunities.

Principal risks and mitigations – aligning risk to our strategic objectives continued

The disclosures on the following pages are not an exhaustive list of risks and uncertainties faced by the Group, but rather a summary of the principal risks which are regularly reviewed by the GRC and the Board, and have the potential to affect materially the achievement of the Group's strategic objectives and impact its financial performance, reputation and brand integrity.

Investment

Principal risk

Lower investment and realisation rates

Movement in risk status in FY2023

Link to strategic objectives

Potential impact

- May impact longer-term returns and capital management and therefore ability to deliver strategic plan
- May impact progress with specific strategic initiatives
- May reduce staff morale and confidence
- Cost base may not be sustainable
- May impact Group's reputation as an investor of proprietary capital and as a manager of 3iN and other funds
- Increases the importance of the role of bolt-on acquisition opportunities

Risk management and mitigation

- Regular monitoring of investment and divestment pipeline
- Early involvement of Investment Committee as new investment ideas are identified
- Disciplined approach to sourcing investment opportunities and pricing
- Regular review of asset allocation
- Focus on bolt-on acquisition opportunities, which can be more attractively priced and offer synergy benefits

FY2023 outcome

- Invested in four new Private Equity companies and completed 11 bolt-on acquisitions, with three requiring 3i proprietary capital investment
- Investment Committee maintained a cautious stance, declining a number of investment proposals where price and risk and reward failed to meet Group requirements

Principal risk

Underperformance of portfolio companies

Movement in risk status in FY2023

Link to strategic objectives

Potential impact

- Reduction in NAV and realisation potential impacting shareholder returns
- Impacts reputation as an investor of proprietary capital and as a manager of 3iN and other funds
- Greater portfolio concentration increases the potential impact and profile of specific cases of underperformance
- May set back specific strategic initiatives
- May impact long-term returns

Risk management and mitigation

- Rigorous initial assessment of new investment opportunities to maintain quality of our investment pipeline
- Monthly portfolio monitoring of all investments to review operating performance, identify weaknesses and opportunities early and take action as appropriate
- Additional monitoring of Action, including 3i Chief Executive chairmanship of the Action board
- Active management of portfolio company Chairman, CEO and CFO appointments
- Sharing of any incidents of portfolio fraud and cyber breaches across investment teams to ensure monitoring is up to date

FY2023 outcome

- Liquidity support provided to two portfolio companies in the year
- Close monitoring and adaptation of portfolio company exit plans
- 90% of our portfolio companies valued on an earnings basis grew their earnings over the last 12 months to 31 December 2022

Risk exposure has increased
No significant change in risk exposure
Risk exposure has decreased

Grow investment portfolio earnings
Use our strong balance sheet
Realise investments with good cash-to-cash returns
Increase shareholder distributions
Maintain an operating cash profit

Principal risks and mitigations – aligning risk to our strategic objectives continued

Investment continued

Principal risk

Portfolio ESG and sustainability risk profile/performance

Movement in risk status in FY2023

No significant change in risk exposure

Link to strategic objectives

Grow investment portfolio earnings; Realise investments with good cash-to-cash returns; Increase shareholder distributions

Potential impact

- Poor or insufficient management of ESG risks or adverse developments impact 3i's reputation as an investor
- Potential impact on NAV, realisation potential and shareholder returns and on new Infrastructure fundraising initiatives
- Inability to meet external reporting obligations or published targets

Risk management and mitigation

- Investment Committee, Group Risk Committee and ESG Committee involvement with Board oversight
- Responsible Investment policy
- Structured approach to identify and manage ESG and sustainability risks and "themes" and to collect relevant data as part of the semi-annual portfolio company review process
- Early engagement with 3i Communications team in the event of any incidents
- Limited exposure to remote/more challenging geographies and higher risk sectors
- Close monitoring of trends and developments in external reporting

FY2023 outcome

- Further improvements in the monitoring of ESG risks through a defined sustainability development framework
- Dedicated resource embedded and training of 3i's investment teams and Board delivered
- Collected Scope 1 and 2 data from over 79% of our Private Equity portfolio companies and over 95% of our economic infrastructure investments[1]

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

External

Principal risk

Global economic uncertainty

Movement in risk status in FY2023

No significant change in risk exposure

Link to strategic objectives

Grow investment portfolio earnings; Realise investments with good cash-to-cash returns; Maintain an operating cash profit; Use our strong balance sheet

Potential impact

- Impacts general market confidence and risk appetite
- Higher risk of market volatility, price shocks or a significant market correction
- Potential for extended period of higher inflation and interest rates
- Limits earnings growth or reduces NAV owing to contraction of earnings in our investments and/or changes in multiples and discount rates used for their valuation
- Increases liquidity or covenant risks across the portfolio or limits ability to refinance our investments
- Leads to reduced M&A volumes in 3i's core markets, economic instability and lower growth, which impacts investment portfolio exit plans and realisation levels
- Overall shape of the portfolio and resilience

Risk management and mitigation

- Regular portfolio company reviews and Investment Committee focus on investment strategy, exit processes and refinancing strategies
- Monthly portfolio monitoring to identify and address portfolio issues promptly
- Monitoring of valuations and application of policy by the Valuations Committee
- Regular liquidity and currency monitoring and strategic reviews of the Group's balance sheet
- Regular review of resourcing and key man exposures as part of business line reviews and the portfolio company review process

FY2023 outcome

- Strong performance of Action and resilient performance from the remainder of the portfolio
- Overall increase in portfolio valuation particularly in value-for-money and private label, healthcare, industrial technology, business technology and services and infrastructure sectors
- Group GIR of 36%
- Low Group gearing of 2% and liquidity of £1,312 million. Undrawn RCF of £900 million

Risk exposure has increased
No significant change in risk exposure
Risk exposure has decreased

Grow investment portfolio earnings
Use our strong balance sheet
Realise investments with good cash-to-cash returns
Increase shareholder distributions
Maintain an operating cash profit

External continued

Principal risk

Impact of higher interest rates on debt markets and pricing of specific assets

This risk was previously considered as part of the risk of "Global economic uncertainty" but has been separated out as a standalone principal risk

Link to strategic objectives

Potential impact

- Higher risk of market volatility, price shocks or a significant market correction
- Limits earnings growth or reduces NAV owing to contraction of earnings in our investments and/or changes in multiples and discount rates used for their valuation
- Increases liquidity or covenant risks across the portfolio or limits ability to refinance our investments
- Impacts market confidence and risk appetite more generally

Risk management and mitigation

- Regular portfolio company reviews as well as Investment Committee focus on investment strategy, exit processes and refinancing strategies
- Monthly portfolio monitoring, including financing arrangements, to identify and address issues promptly
- Monitoring of valuations and application of policy by the Valuations Committee
- Regular liquidity, currency and counterparty risk monitoring and strategic reviews of the Group's balance sheet

FY2023 outcome

- Strong performance of Action and resilient performance from the remainder of the portfolio
- Overall increase in portfolio valuation particularly in value-for-money and private label, healthcare, industrial technology, business technology and services and infrastructure sectors
- Group GIR of 36%
- Low Group gearing of 2% and liquidity of £1,312 million. Undrawn RCF of £900 million
- Average leverage across the PE portfolio was 2.5x (31 March 2022: 3.3x)
- Over 70% of total term debt hedged at a weighted average tenor of more than three years with the interest rate element capped at a weighted average hedge rate below 2%

Principal risk

Volatility in capital markets, foreign exchange and commodities

Movement in risk status in FY2023

Link to strategic objectives

Potential impact

- May impact portfolio company valuations and realisation processes
- Increases risks with exit plans and bank financing
- Potential for large equity market fall to impact asset valuations
- Unhedged foreign exchange rate movements impact total return and NAV

Risk management and mitigation

- Portfolio company reviews focus on investment strategy, exit plans and refinancing strategies
- Long-term approach to setting valuation multiples
- Active management of exit strategies by Investment Committee to enable us to adapt to market conditions
- Regular liquidity and currency monitoring, and strategic reviews of the Group's balance sheet
- Foreign exchange hedging programmes and management of investment and realisation currency flows

FY2023 outcome

- Implementation of euro and US dollar medium-term foreign exchange hedging programme
- Foreign exchange exposures at the portfolio company level monitored and hedged where appropriate
- Strong portfolio performance, demonstrating resilience, leading to an increase in portfolio value in the year
- At 31 March 2023, 87% of the investment portfolio was denominated in euros or US dollars. Sterling weakened 4% against the euro and 6% against the US dollar and as a result, we generated a total foreign exchange translation gain of £623 million (2022: £9 million gain) net of derivatives in the year

Risk exposure has increased

No significant change in risk exposure

Risk exposure has decreased

Grow investment portfolio earnings

Use our strong balance sheet

Realise investments with good cash-to-cash returns

Increase shareholder distributions

Maintain an operating cash profit

Principal risks and mitigations – aligning risk to our strategic objectives continued

External continued

Principal risk

Transaction execution challenges in current market

Movement in risk status in FY2023

Link to strategic objectives

Potential impact

- Reduced investment rates in Private Equity and Infrastructure as a result of higher pricing or market uncertainties
- Risk of wider outcomes on core investment case assumptions, impacting returns
- Market uncertainty may result in some attractive investment opportunities
- Reduced level of realisations and refinancing

Risk management and mitigation

- Strong central oversight and disciplined approach to investment pipeline and pricing
- Active management of investments and exit strategies by Investment Committee
- 3i's local teams and networks facilitate the origination of off-market transactions

FY2023 outcome

- Invested in four new Private Equity companies and completed 11 bolt-on acquisitions to support buy-and-build strategies
- Realisation of Havea and Christ, and partial disposal of Q Holdings in the year

Principal risk

Geopolitical risks

Movement in risk status in FY2023

Link to strategic objectives

Potential impact

- Indirect operational impact, eg third-party suppliers or supply chain disruption
- Impact of higher energy and commodity prices, price shocks and supply chain issues
- Increased transportation times and costs
- Increased number and complexity of sanctions
- Direct or indirect reputational risks, eg exposures to Russia
- Impact on NAV through contraction of Private Equity portfolio earnings or changes in valuation multiples
- Reduced realisation potential, impacting shareholder returns

Risk management and mitigation

- Detailed scenario and contingency planning at the portfolio company level
- Steps taken by portfolio companies to manage through an extended period of disruption
- Regular assessment of portfolio company operations and performance
- Sanctions policy and monitoring
- Long-term approach to valuation multiples

FY2023 outcome

- Contingency plans in place to address key risks and subject to review as part of the portfolio company review process
- Supply side constraints and price inflation continue to be closely managed and monitored across the portfolio

Risk exposure has increased
No significant change in risk exposure
Risk exposure has decreased
Grow investment portfolio earnings
Use our strong balance sheet
Realise investments with good cash-to-cash returns
Increase shareholder distributions
Maintain an operating cash profit

Principal risks and mitigations – aligning risk to our strategic objectives continued

Operational

Principal risk

Ability to recruit, develop and retain key people

Movement in risk status in FY2023

No significant change in risk exposure

Link to strategic objectives

Realise investments with good cash-to-cash returns; Use our strong balance sheet; Increase shareholder distributions

Potential impact

- Impairs ability to deliver key performance objectives
- Potential to delay execution of strategic plan with possible impact on shareholder returns

Risk management and mitigation

- Specific focus by Remuneration Committee which approves all material incentive arrangements to ensure they reflect market practice
- Annual Board review of succession planning
- Regular review of resourcing and key man exposures as part of business line reviews and the portfolio company review process
- HR policies and procedures for recruitment and vetting, and ongoing performance management

FY2023 outcome

- Organisational capability and succession plan reviewed by the Board in September 2022
- Successful talent recruitment and continuous training and development programmes throughout the year. 41 new hires in FY2023
- Limited staff voluntary turnover of 9.5%
- Good progress with recruitment and integration of new hires
- A well-established hybrid working model

Risk exposure has increased
No significant change in risk exposure
Risk exposure has decreased

Grow investment portfolio earnings
Use our strong balance sheet
Realise investments with good cash-to-cash returns
Increase shareholder distributions
Maintain an operating cash profit

Directors' duties under Section 172

Section 172 statement

Directors have a duty to promote the success of the Company for the benefit of its members.

The Company's purpose (as set out on page 1, namely to generate attractive returns for our shareholders and co-investors by investing in private equity and infrastructure assets) is reflected in the decisions that the Board makes. This is done by taking a long-term, responsible approach to creating value through thoughtful origination, disciplined investment and active management of our assets, driving sustainable growth in our investee companies.

Our business model is set out on pages 12 to 13 and the Board's strategic objectives and key performance indicators are set out on pages 18 and 19.

By considering the Company's purpose together with its strategic objectives and having clear governance processes in place for decision making, we seek to ensure Board discussion has regard to the potential long-term consequences of any decision and the impact of such decisions on stakeholder groups including those listed in section 172 of the Companies Act 2006 ("section 172"). Board decisions often involve complex interactions of factors and require Directors to understand and have regard to a wide range of stakeholder interests and concerns.

Under section 172 a director of a company must act in a way he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard to the following factors ("section 172 factors"):

The likely consequences of any decision in the long term	Our purpose and strategy, including our long-term responsible investment approach, aims to drive sustainable growth in our investment portfolio. Read more in the Strategic report.
The interests of the Company's employees	Our employees are critical to the success of the Company and our approach as a responsible employer is described more fully in the Sustainability section on pages 52 to 56.
The need to foster the Company's business relationships with suppliers, customers and others	We engage with all our third-party service providers, suppliers and customers in an open and transparent way to foster strong business relationships to ensure both the success of the Company and its legal and regulatory compliance. Read more on page 105.
The impact of the Company's operations on the community and the environment	We use our influence to promote a focus in our investee companies to mitigate adverse environmental and social impacts and to act responsibly in the communities in which they operate. Read more in the Sustainability report on page 43 to 66.
The desirability of maintaining a reputation for high standards of business conduct	Our success relies on maintaining a strong reputation and seeking to ensure our values and culture are aligned to our purpose, our strategy and our ways of working. Read more on pages 15 and 57 to 59.
The need to act fairly towards all members of the Company	The Board actively engages with its shareholders and takes into account their interests when implementing our strategy. Read more on pages 93 and 106 to 107.

How stakeholder interests have influenced decision making

The Board believes that considering the Company's stakeholders in key business decisions is fundamental to the way in which it operates. The Board takes account of the interests of stakeholders as well as the section 172 factors in deciding on actions that would likely promote the long-term success of the Company for the benefit of its members as a whole. At each Board meeting Directors are reminded of their duties under section 172.

During the year, when the Board made decisions implementing the Company's strategic priorities, the different interests of our stakeholder groups, and the impact of key decisions upon them, were considered. The Board acknowledges that not every decision made will necessarily result in a positive outcome for every stakeholder group, and the Board and the Executive Committee assess those conflicts and take them into account in their decision making.

Examples of key decisions taken by the Board in the year together with details of how the interests of stakeholders and the other factors mentioned in section 172 were taken into account are given below. Further detail on Board decision making is given on pages 102 to 103.

Key decisions in the year

FY2022 second dividend and FY2023 first dividend

Background: In May 2022 the Board decided on an increased total dividend for FY2022 and in November 2022 a first dividend for FY2023 (in line with the Company's dividend policy announced in May 2018) of one half of the total dividend for the previous year.

Stakeholder considerations: Against a tough macroeconomic backdrop, the Board took into account shareholders' desire for income distributions as well as the need to maintain liquidity for new investment and operating expenses. In addition, the Board considered the Company's forward-looking liquidity in light of past and projected investment and realisations, the outlook for the Company and the desire to maintain a strong, low-geared balance sheet. The Board took account of the fact that the Company's investment portfolio had maintained good overall momentum notwithstanding the difficult macroeconomic conditions. The economic and geopolitical developments (including inflation, higher interest rates, higher energy prices, supply chain issues and Russia's invasion of Ukraine) were among the other factors taken into account, alongside the Company's strong financial performance and outlook, in decisions taken in the current year in respect of the proposed FY2023 second dividend.

Impact on the success of 3i: Being thoughtful about setting the dividend is particularly important as it has a direct and indirect effect on all the Company's stakeholders. In particular, shareholders are able to rely on the consistent approach taken by 3i in respect of its dividend policy which forms an important aspect of the investment case for 3i's shareholders.

Foreign exchange hedging programme

Background: In October and November 2022 we took advantage of the significant volatility in foreign exchange markets by approving the implementation of a medium-term foreign exchange hedging programme to partially reduce the sensitivity of the Group's net asset value and impact of mismatched currency cash flows to changes in the euro and US dollar. The exposure of the Group's underlying investment portfolio to the euro and the US dollar had increased significantly in recent years through the organic growth of our existing European and US portfolio companies and due to the majority of our new investments being denominated in euros and US dollars. As at 31 March 2023, the notional amount of the forward foreign exchange contracts held by the Group associated with this hedging programme was €2.0 billion and $1.2 billion. In addition, we increased the size of our hedging programme for Scandlines, increasing the notional amount of €500 million to €600 million in September 2022.

Stakeholder considerations: In light of significant volatility in foreign exchange markets and increasing foreign exchange risk for 3i, the Board took into account shareholders' expectations for the Company to appropriately mitigate an enhanced risk. The Board considered the benefits of reducing NAV foreign exchange sensitivity, mitigating the foreign exchange risk from foreign currency cash inflows that are used to fund Sterling cash outflows, such as the dividend, and the opportunity for 3i to lock in a portion of the year-to-date foreign exchange gains, against any costs and risk associated with an NAV foreign exchange hedging programme including liquidity risk. The Board assessed the liquidity risk created by the hedging programme in various downside scenarios and were comfortable it could be managed given the moderate size of the hedging programme compared to the total size of the portfolio and mitigation from forecast foreign currency inflows. Overall the Board was supportive of a well-timed enhancement to the Company's risk management framework.

Impact on the success of 3i: Entering into the hedging arrangements reduced the NAV foreign exchange sensitivity, partially mitigated the foreign exchange risk from foreign currency cash inflows that are used to fund Sterling cash outflows, and provided the opportunity for 3i to lock in a portion of the year-to-date foreign exchange gains. The hedging programme forms part of the wider liquidity and treasury risk management framework and aligns with 3i's purpose of generating attractive returns though a long-term responsible approach and driving sustainable growth.

For the purposes of the UK Companies Act 2006, the Strategic report of 3i Group plc comprises pages 1 to 93.

By order of the Board

Simon Borrows
Chief Executive
10 May 2023

Governance

What's in this section

Chairman's introduction	95
Board of Directors	96
Executive Committee	98
The role of the Board	100
Corporate governance statement	101
What the Board did in FY2023	102
How the Board operates	103
Engaging with stakeholders	104
Engaging with shareholders	106
Skills and experience	108
Nominations Committee report	109
Audit and Compliance Committee report	114
Audit and Assurance Policy	119
Resilience statement	123
Valuations Committee report	126
Directors' remuneration report	131
Additional statutory and corporate governance information	153

Chairman's introduction

David Hutchison
Chairman

“Effective corporate governance is fundamental to the way 3i, and its portfolio companies, conduct business. By encouraging entrepreneurial and responsible management, effective corporate governance supports the creation of long-term, sustainable value for shareholders and contributes to wider society. Our strong corporate governance framework has continued to underpin 3i's purpose and the delivery of our strategy.”

The Board is more than ever aware of its responsibility to have regard to the interests of a wide group of stakeholders as it seeks to promote the long-term success of the Group. We remain committed to upholding our values and culture and ensuring that we have both the financial and human resources to manage through the current challenging macroeconomic and geopolitical circumstances and deliver our long-term strategy.

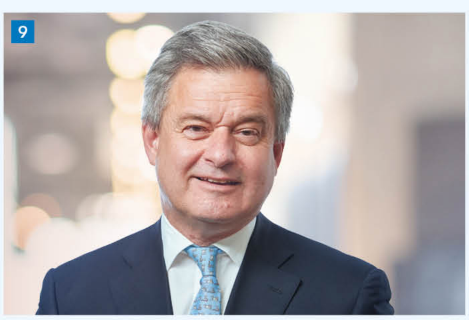
David Hutchison
Chairman

10 May 2023

Board leadership and Company purpose

Board of Directors

The Board promotes a culture of strong governance across the business.



PAGES 100
Role of the Board

Board leadership and Company purpose continued
Board of Directors continued

1 David Hutchison
Chairman

Chairman since November 2021 and non-executive Director since 2013. David has considerable investment and banking experience across a range of asset classes which supports his chairmanship of the Board.

Previous experience
Chief Executive of Social Finance Limited from 2009 to March 2022. Until 2009 Head of UK Investment Banking at Dresdner Kleinwort Limited and a member of its Global Banking Operating Committee. From 2012 to 2017, a non-executive director of the Start-Up Loans Company.

2 Simon Borrows
Chief Executive

Chief Executive since 2012, and an Executive Director since he joined 3i in 2011. Chairman of the Group's Risk Committee, Executive Committee and Investment Committee. Chairman of the Supervisory Board of Peer Holding I B.V., the Dutch holding company for the Group's investment in Action.

Previous experience
Formerly Chairman of Greenhill & Co International LLP, having previously been Co-Chief Executive Officer of Greenhill & Co, Inc. Before founding the European operations of Greenhill & Co in 1998 he was the Managing Director of Baring Brothers International Limited. Formerly a non-executive director of the British Land Company PLC and Inchcape plc.

3 James Hatchley
Group Finance Director

Group Finance Director since June 2022 and an Executive Director since May 2022. A member of the Executive Committee, Investment Committee, Group Risk Committee and ESG Committee. Joined 3i in 2017 and was Group Strategy Director until June 2022.

Previous experience
Formerly Chief Operating Officer of KKR in Europe and, before that, Co-CEO of Avoca Capital. Earlier in his career, James was a corporate finance professional for 20 years, principally with Greenhill & Co. and Schroders. He qualified as a chartered accountant in 1992. Formerly a non-executive director of Great Ormond Street Hospital for Children NHS Foundation Trust.

4 Jasi Halai
Chief Operating Officer

Chief Operating Officer and an Executive Director since May 2022. A Member of the Executive Committee, Investment Committee, Group Risk Committee and ESG Committee. Joined 3i in 2005 and has held a variety of posts in the business, most recently as Group Financial Controller and Operating Officer. Also a non-executive director of Barratt Developments PLC.

Previous experience
Prior to joining 3i, worked for CDC Group (now British International Investment) and at Actis following its demerger from CDC. Jasi is a chartered management accountant. Formerly a non-executive director of Porvair PLC.

5 Caroline Banszky
Independent non-executive Director

Non-executive Director since 2014. Also a non-executive director of IntegraFin Holdings plc and Gore Street Energy Storage Fund plc. Caroline brings to the Board extensive banking, investment and operating experience across a range of businesses. This as well as her accountancy background contributes to her effective chairmanship of the Audit and Compliance Committee.

Previous experience
Formerly the Chief Executive of the Law Debenture Corporation p.l.c. from 2002 to 2016. Chief Operating Officer of SVB Holdings PLC, a Lloyd's listed integrated vehicle, from 1997 to 2002. Previously Finance Director of N M Rothschild & Sons Limited from 1995 to 1997, having joined the bank in 1981. She originally trained at what is now KPMG.

6 Stephen Daintith
Independent non-executive Director

Non-executive Director since 2016. Chief Financial Officer and an executive director of Ocado Group plc. Stephen contributes directly relevant financial and operating experience, drawn from a range of consumer, digital, engineering and other international businesses, to the Board's decision making.

Previous experience
Formerly an executive director of Rolls-Royce Holdings plc from 2017 to March 2021 and Finance Director of Daily Mail and General Trust plc ("DMGT") from 2011 to 2017. Non-executive director of ZPG Plc. Prior to joining DMGT he was Chief Operating Officer and Chief Financial Officer of Dow Jones and prior to that Chief Financial Officer of News International. He originally qualified as a chartered accountant with Price Waterhouse (now part of PwC).

7 Lesley Knox
Independent non-executive Director

Non-executive Director since October 2021 and Senior Independent Director since November 2021. Also a non-executive director of Legal & General Group plc and Dovecot Studios Limited, Senior Independent Director and Chair of Remuneration Committee of Genus Plc, and a trustee of Grosvenor Group Limited pension fund and National Galleries of Scotland Foundation. Lesley brings to the Board's discussions a wealth of international, strategic and financial services experience having spent over 17 years in senior roles in financial services, including in asset management and corporate finance.

Previous experience
Formerly held a number of senior roles in financial services, including head of institutional asset management at Kleinwort Benson. Also previously served as Chair of Alliance Trust PLC, as Senior Independent Director at Hays plc and non-executive director of SAB Miller plc, Centrica plc and Thomas Cook Group plc.

8 Coline McConville
Independent non-executive Director

Non-executive Director since 2018. Also Senior Independent Director of Fevertree Drinks plc, a non-executive director of Travis Perkins plc, a member of the Supervisory Board of Tui AG and a non-executive director of King's Cross Central General Partnership. Coline has a diverse commercial background, having worked in a range of sectors and also brings to the Board significant listed board experience including chairing several remuneration committees and acting as Senior Independent Director at Fevertree. This enables her to make valuable contributions to the Board's discussions and to those of the Remuneration Committee, which she now chairs.

Previous experience
Formerly a non-executive director of Tui Travel plc, UTV Media plc, Wembley National Stadium Limited, Shed Media plc, HBOS plc and Inchcape plc. Prior to that was Chief Operating Officer and Chief Executive Officer Europe of Clear Channel International Limited and had previously worked for McKinsey and LEK.

9 Peter McKellar
Independent non-executive Director

Non-executive Director since June 2021. Also Deputy Chairman of AssetCo plc, a board member of Scottish Enterprise and Vice Chairman of Investcorp Europe Acquisition Corp 1. Peter brings to the Board significant experience and understanding of financial services and asset management, with a particular expertise in private equity and infrastructure. This enables him to bring a valuable asset management perspective to the Board's discussions and to those of the Valuations Committee, which he now chairs.

Previous experience
Formerly Global Head of Private Markets at Standard Life Aberdeen plc and previously led Standard Life Investments' private equity and infrastructure business and was their Chief Investment Officer. Prior to that, he held a variety of finance posts in industry and corporate finance positions.

10 Alexandra Schaapveld
Independent non-executive Director

Non-executive Director since January 2020. Also Senior Independent Director and Chair of the Remuneration Committee at Bumi Armada Berhad, and non-executive director and Chair of the Audit Committee at Société Générale S.A. Alexandra brings extensive financial services expertise in a number of important markets for 3i as well as considerable board experience in a variety of sectors. These help provide an international perspective to the Board's decision-making process.

Previous experience
Formerly on the boards of Vallourec S.A., FMO N.V., Stage Entertainment N.V., Holland Casino N.V., VU University and VU Medical Center and Duin & Kruidberg. Prior to that, many years of corporate and investment banking at RBS and ABN AMRO.

Executive Committee

Board leadership and Company purpose continued
Executive Committee continued

1 **Simon Borrows**
Chief Executive

2 **James Hatchley**
Group Finance Director

3 **Jasi Halai**
Chief Operating Officer

PAGE 97
See profiles

4 **Kevin Dunn**
General Counsel and Company Secretary

Joined 3i in 2007 as General Counsel and Company Secretary. Responsible for 3i's legal, compliance, internal audit and company secretarial functions. A member of the Executive Committee, Group Risk Committee and ESG Committee.

Previous experience
Prior to joining 3i, was a Senior Managing Director, running GE's European Leveraged Finance business after serving as European General Counsel for GE. Prior to GE, was a partner at the law firms Travers Smith and Latham & Watkins.

5 **Rob Collins**
Managing Partner, Head of North American Infrastructure

Joined 3i in 2017 as the Managing Partner for North American Infrastructure. A member of the Executive Committee. Also a non-executive director of Smarte Carte, Regional Rail and EC Waste.

Previous experience
Prior to joining 3i, led Hastings' infrastructure investment team in North America and Europe. Founded the infrastructure M&A practice at Morgan Stanley and Greenhill where he was a Managing Director at both firms. Started his infrastructure career at Goldman Sachs after serving as a nuclear-power officer in the US Navy.

6 **Pieter de Jong**
Co-Head Private Equity

Joined 3i in 2004 and served as Managing Director of 3i Benelux between 2011 and 2019. A member of the Executive Committee, Investment Committee and Group Risk Committee. Also a non-executive director of Yanga, Mepal, Dutch Bakery and Royal Sanders and a board observer at WP.

Previous experience
Started his career at Stork in the US, before joining Van Den Boom Group, a corporate finance consulting firm in Benelux, where he became partner/owner responsible for M&A. After selling the firm to NIBC in 2000, he headed the M&A department until 2003.

7 **Julien Marie**
Chief Human Resources Officer

Joined 3i in 2001 as HR Manager and was appointed HR Director in 2004. A member of the Executive Committee and Group Risk Committee.

Previous experience
Prior to joining 3i, worked at Bouygues Construction and Bouygues Telecom for six years.

8 **Scott Moseley**
Managing Partner, Co-Head of European Infrastructure

Joined 3i in 2007 and was made a Partner in 2012. Managing Partner, Co-Head of European Infrastructure since July 2022 and a member of the Executive Committee, Investment Committee and Group Risk Committee. Also a non-executive director of Tampnet, ESVAGT and GCX.

Previous experience
His experience with infrastructure investment has included various roles within the capital markets teams at WestLB and Credit Agricole.

9 **Bernardo Sottomayor**
Managing Partner, Co-Head of European Infrastructure

Joined 3i in 2015 as a Partner with responsibility for origination and execution of new investments across Europe, principally economic infrastructure businesses. Managing Partner, Co-Head of European Infrastructure since July 2022 and a member of the Executive Committee, Investment Committee and Group Risk Committee. Also a non-executive director of TCR and a board observer at Attero and Joulz.

Previous experience
Prior to joining 3i, 18 years of infrastructure investment experience and was most recently a Partner at Antin Infrastructure which manages funds investing in infrastructure opportunities across Europe. Prior to Antin, he was Managing Director, Head of Acquisitions for Deutsche Bank's European infrastructure fund. His prior experience was in utilities, as Head of M&A at Energias de Portugal, and in infrastructure M&A advisory with UBS and Citigroup in London.

10 **Peter Wirtz**
Co-Head Private Equity

Joined 3i in 1998 and served as 3i Germany Co-Head between 2009 and 2019. A member of the Executive Committee, Investment Committee and Group Risk Committee. Also a non-executive director of Luqom and YDEON.

Previous experience
Prior to joining 3i, worked for Deutsche Bank and spent four years with Procter & Gamble in various finance functions.

The role of the Board

The role of the Board is to lead the Company in promoting the long-term sustainable success of the Company and generating value for shareholders. The Board continues to ensure compliance with sound corporate governance principles and ensures that a strong corporate governance framework is embedded throughout the organisation. The Board has the primary oversight over the Company's purpose (see page 1), values (see page 15) and strategy and satisfies itself that these and its culture are aligned. All Directors are required to act with integrity, lead by example, and promote the Company's culture and values.

The Board approves the Group's strategic objectives which are set out on pages 18 and 19. It ensures the necessary resources are in place for the Company to meet these objectives through a Board approved planning and budgeting process. The Board measures performance against those objectives using the KPIs set out on page 18 which are reported to the Board in the monthly Board report. As the business evolves and pursues its strategic objectives, the strong governance framework supports the Board in ensuring that across the 3i Group decisions are made in the right way.

The framework of controls established by the Board to enable risk to be assessed and managed is described in the Risk management section on pages 78 to 91.

+ PAGE 80
Risk governance structure

The Board ensures that employee policies and practices are consistent with the Company's values and supports its long-term sustainable success during its annual review of the Group Succession Planning and Strategic Capability Review. The Remuneration Committee reviews workforce remuneration and the alignment of incentives and rewards with culture. The Board, through its Audit and Compliance Committee, assesses and monitors behaviours and its adherence to the Company's values. Regular reports from the Internal Audit and Group Compliance teams consider and comment on culture within the business and their consistency with the Company's culture. Arrangements to enable employees to raise any matters of concern are described on page 57.

Attendance at Board and Committee meetings[1]

	Independence	Board	Audit and Compliance Committee	Nominations Committee	Remuneration Committee	Valuations Committee
Total meetings held[1]		7	6	2	6	4
Number attended:						
D A M Hutchison	Independent on appointment	7(7)	–	2(2)	6(6)	4(4)
S A Borrows	Executive Director	7(7)	–	–	–	4(4)
J G Hatchley[2]	Executive Director	6(6)	–	–	–	3(3)
J H Halai[2]	Executive Director	6(6)	–	–	–	–
J S Wilson[3]	Executive Director	2(2)	–	–	–	1(1)
C J Banszky	Independent	7(7)	6(6)	2(2)	6(6)	–
S W Daintith	Independent	7(7)	6(6)	2(2)	–	4(4)
L M S Knox	Independent	7(7)	–	2(2)	6(6)	2(4)
C McConville	Independent	7(7)	6(6)	2(2)	6(6)	–
P A McKellar	Independent	7(7)	–	2(2)	6(6)	4(4)
A Schaapveld	Independent	7(7)	6(6)	2(2)	–	4(4)

1 This table shows the number of scheduled full meetings of the Board and its Committees attended by each Director who is a member thereof in the year, together with (in brackets) the number of meetings they were eligible to attend. In addition to these meetings a number of additional meetings of the Board and its Committees were held, often at short notice, to deal with ad hoc business as it arose.
2 Mr Hatchley and Ms Halai were both appointed to the Board on 12 May 2022.
3 Ms Wilson retired from the Board on 30 June 2022.

Non-executive Directors also attended a number of other Company meetings to increase their understanding of the 3i business, the portfolio companies and the strength and depth of our people.

Corporate governance statement

The Company seeks to comply with established best practice in the field of corporate governance. The Board has defined the Company's purpose (which is set out on page 1) and determined its values and strategy (which are further described on pages 12 to 19). In support of these and to ensure the Company's culture is aligned with them, the Board has adopted core values and global policies which set out the behaviour expected of employees in their dealings with shareholders, customers, colleagues, suppliers and others who engage with the Company.

Throughout the year, the Company complied with the provisions of the UK Corporate Governance Code (the "Code") save for provision 19 of the Code in respect of the tenure of the Chairman. The Code was published by the Financial Reporting Council ("FRC") in July 2018 and is available on the FRC website.

In 2019, when searching for a new Chairman as a successor to Simon Thompson, the Nominations Committee appointed an external search firm to assist it in the search process. The Nominations Committee considered carefully what appointment would be in the best interests of the Company. In the context of the Company's investment business, where, as a long-cycle investor, a number of the Company's largest investments are held and developed over periods well in excess of a decade, a deep knowledge of and familiarity with the investment portfolio can be critical to a Chairman's effectiveness. The Nominations Committee considered a number of external candidates in addition to David Hutchison. The Nominations Committee decided that David Hutchison was the best and most appropriate candidate for appointment. Factors underlying the Nominations Committee's decision included David's deep knowledge of the Company's business and its portfolio assets, in part gained from his seven years as chair of the Company's Valuations Committee, as well as his understanding of the rationale underpinning the Board's conservative balance sheet and selective investment strategies.

In taking this decision the Nominations Committee and the Board were very conscious of the UK Corporate Governance Code provisions on Chairman tenure in excess of nine years and that David had then already served as a non-executive Director for eight years. However, Nominations Committee and the Board believed this appointment was the most appropriate course for the reasons mentioned above.

UK Corporate Governance Code

Board leadership and Company purpose
The way in which the Principles set out in section 1 of the Code have been applied is described on pages 96 to 102.

Division of responsibility
Pages 102 and 107 explain how the Principles set out in section 2 of the Code have been applied.

Composition, succession and evaluation
Details on how the Company has applied the Principles set out in section 3 of the Code relating to Board composition, succession and evaluation are set out in the Nominations Committee report on pages 109 to 113 and in this Directors' report on page 108.

Audit, risk and internal control
The Audit and Compliance Committee report on pages 114 to 118 and the Risk management section on pages 78 to 91 explain how the Principles set out in section 4 of the Code have been applied.

Remuneration
The Remuneration report on pages 131 to 152 outlines how the Company has applied the Principles set out in section 5 of the Code which relate to remuneration.

The Nominations Committee and the Board are conscious of risks that can arise from the extended tenure of a chairman. In particular, the risk that a chairman might cease to exercise objective judgement, fail to ensure that management were held to account by the Board, and insufficiently promote constructive challenge amongst Board members. The Nominations Committee and the Board noted that the Chairman role was a new role for David and this was therefore different from a case where a chairman served as chairman for over nine years. In addition, to mitigate these risks, the Nominations Committee and the Board also sought to balance this appointment with the appointment of a very experienced senior director as Senior Independent Director whose role would include ensuring corporate governance arrangements remained robust and appropriate and in particular would include leading the process for considering each year whether the continued appointment of David as Chairman was in the best interests of the Company. This led to the appointment of Lesley Knox as Senior Independent Director in October 2021.

The Nominations Committee will undertake an annual review, led by the Senior Independent Director, of the continued appropriateness of David's appointment.

The first such review of the continued appropriateness of David's appointment was held by the Nominations Committee (in the absence of David) in March 2023. This review concluded that David continued to perform effectively as Chairman, continued to exercise objective judgement and continued to appropriately promote constructive challenge amongst Board members. The Nominations Committee also noted that in the context of a business where long-term knowledge of the business and its assets was of great importance, David's continued appointment was all the more appropriate given that following the 2023 AGM two of the five non-executive Directors will have less than three-year's service and a further non-executive Director will have less than four-year's service. The Committee's overall conclusion was that David's continued appointment as Chairman for the coming year was in the best interests of the Company and that the balance and independence on the Board remained appropriate.

The Board agreed that David should not be a member of Remuneration Committee after 31 March 2023.

In addition, the appointment in November 2021 of Peter McKellar, an independent non-executive Director with extensive experience of asset management and asset valuation, as Chairman of the Valuations Committee provided continuity and effective governance of that Committee.

For further details see the Nominations Committee report on pages 109 to 113.

What the Board did in FY2023

The Board met for seven scheduled full meetings during FY2023 and also held a strategy day in December 2022. A table of individual Board member attendance at the scheduled Board and Committee meetings is provided on page 100.

The Board's agenda is set by the Chairman. Board members and, as appropriate, executives from the relevant business areas are invited to present on key items allowing the Board the opportunity to debate and challenge initiatives directly with the senior management team.

As described on page 92, the Board in its decision making has regard to the interests of stakeholders as well as the section 172 factors when determining steps that would likely promote the success of the Company for the benefit of its members as a whole. Examples of a number of important decisions taken by the Board in the year together with details of how, where relevant, the Board had regard to the interests of relevant stakeholders are set out on page 93. Our key stakeholders are discussed on pages 104 and 105.

In addition to the Board decisions referred to above, the Board also dealt with its regular annual cycle of business including: the Group's strategic plan; related KPIs and annual budget; regular reports from the Chief Executive and the Board's Committees; updates on the Group's Private Equity and Infrastructure businesses; the recommendations of the Valuations Committee on valuations of investments; the Annual report and accounts, Half-yearly report and quarterly performance updates; and the Group's organisational capability and succession plans.

Division of responsibilities

How the Board operates

The Board ensures that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently.

The Board meets formally on a regular basis for scheduled Board meetings and on an ad hoc basis when the need arises. There is a clear division of responsibilities between the Chairman and Chief Executive. There is a clearly defined schedule of matters reserved for the Board. The Board has resumed its practice of holding one meeting a year at or near one of our non-UK offices or one of our portfolio companies, providing a chance for non-executive Directors to meet our local teams and the management of some of our portfolio companies. This year that meeting was held in Amsterdam and Directors had the opportunity to meet the Action senior management team and visit an Action distribution centre and two Action stores. They also met and received a presentation from the CEO of Dutch Bakery.

The Board is assisted by various Principal Committees of the Board, which report to it regularly and details of their activities in the year are provided on pages 109 to 152.

Matters delegated by the Board to the Chief Executive include implementation of the Board approved strategy, day-to-day management and operation of the business, the appointment and most remuneration of employees below the Executive Committee, and risk management function. The Board receives regular reports on potential conflicts of interests involving Directors and any actual conflicts of interest identified are managed appropriately. This may involve excluding the Director concerned from relevant information and discussions.

Day-to-day management of the Group is the responsibility of the Chief Executive. To assist him in this role, the Chief Executive has established a number of additional management committees, including the Investment Committee, the Group Risk Committee and the ESG Committee, which are outlined in the description of our governance framework on page 80.

Responsibilities of the Chairman

- Leads the Board and is responsible for its overall effectiveness in directing the Company.
- Leads the Board in its oversight of the purpose, values and culture of the Company.
- Leads the Board in setting its agenda, approving strategy, monitoring financial and operational performance, and establishing the Group's risk appetite.
- Organises the business of the Board, ensuring its effectiveness, and that it maintains an effective system of internal controls.
- Ensures that Directors receive accurate, timely and clear information. This includes ensuring that the non-executive Directors receive regular reports on shareholders' views on the Group.
- Responsible for the composition of the Board, facilitates constructive Board relations and the effective contribution of all non-executive Directors.
- Leads the annual Board and Board Committee evaluation process.

Responsibilities of the Chief Executive

- Direct charge of the Group on a day-to-day basis and is accountable to the Board for the financial and operational performance of the Group.
- Chairs the Investment Committee to review the acquisition, management and disposal of investments.
- Leads the Executive management team to develop and implement the Group's strategy and manage the risk and internal control framework.
- Reports to the Board on financial and operational performance, risk management and progress in delivering the strategic objectives.
- Regularly engages with shareholders and other key stakeholders on the Group's activities and progress.

Role of non-executive Directors

- Provide constructive challenge, strategic guidance and hold management to account.
- Scrutinise the performance of management in meeting agreed objectives.
- Seek assurance on the integrity of the financial information and that financial controls and systems of risk management are robust and defensible.
- Determine appropriate levels of remuneration for Executive Directors and Executive Committee and together with the Chairman, have a prime role in appointing Directors and in succession planning for the Board.
- Ensure that they have sufficient time to meet their Board responsibilities.

Role of the Senior Independent Director

- The Senior Independent Director provides a sounding board for the Chairman and serves as an intermediary for the other Directors and the shareholders, and has a prime role in succession planning for the Chairman.
- Leads the annual review of the continued appropriateness of the Chairman's appointment and the Chairman's evaluation.

Engaging with stakeholders and others

Our key stakeholders and others with whom we have business relationships are described below together with an explanation of how we engage and foster business relationships with them and outcomes of such engagement.

Stakeholders and other relationships	Engagement	Outcome
Shareholders	The Company has an extensive shareholder engagement programme which enables investors to make informed decisions about their investment in the Company.	A strong relationship with shareholders is essential for the long-term success of the business. They provide our permanent capital and it is for their benefit that the Directors are required to promote the success of the Company. FOR MORE INFORMATION Page 106 Engaging with shareholders
Fund investors	There is extensive engagement with fund investors and co-investors by the Fund Investor Relations team through regular and ad hoc meetings, supported by comprehensive reporting and access to a web-based investor portal for fund investors. The Chief Executive and relevant investment professionals participate in some of these meetings, as appropriate.	Fund investors provide capital which we invest as part of our investment management activities and are customers to whom we owe regulatory duties. Positive engagement with Fund investors enhances our relationship with them and provides them with the information they require to maintain their investment in the relevant fund. FOR MORE INFORMATION Page 4 Details of total assets under management
Employees	Our approach as a responsible employer is described in the Sustainability section. The Directors' report on page 157 includes details on their engagement with our people. We continue to support our employees and to maintain strong employee engagement.	3i is a people business. Our people are critical to the success of the Company and we rely on having motivated people with the appropriate expertise and skills required to deliver our strategy. FOR MORE INFORMATION Pages 52 to 56 Sustainability report www.3i.com/sustainability/sustainability-reports-library
Investee companies	Our investment teams work closely with investee companies and their management both formally at portfolio company board level and informally on an ongoing basis. One or more investment team professionals are usually appointed as directors of each investee company. In addition, regular Chairman, CEO and CFO forums across the Private Equity and Infrastructure portfolios share best practice and experience. Most recently, CIOs from both the Private Equity and Infrastructure portfolio companies attended a forum to discuss best practice in the effective procurement of information technology ("IT") and cyber services.	As part of our long-term responsible approach to investment, close engagement with investee companies fosters a strong governance framework and enables us to help them grow and create value. FOR MORE INFORMATION Pages 12 to 13 Our business model Pages 43 to 51 Sustainability report Pages 21 to 41 Investment activity

Division of responsibilities continued

Stakeholders	Engagement	Outcome
Bondholders, lenders and hedging counterparties	Together with the Group Finance Director, the Group Treasurer manages engagement with the holders of the Company's bonds, the lenders in the Company's revolving credit facility and the Company's hedging counterparties through regular reviews and updates including the Group's results presentations. A dedicated section on 3i.com is maintained for debt investors.	Access to bank borrowing, hedging instruments and the ability to issue bonds and other debt provides important flexibility and resilience to the Company's financial structure. The successful implementation of the recent foreign exchange hedging programme is an example of the benefits of positive engagement with lenders and hedging counterparties. FOR MORE INFORMATION Pages 71 to 72
Government and Regulators	Our Group Compliance team and local professionals lead our relationships with national and international regulators, in particular with the FCA in the UK, the SEC in the US and the CSSF in Luxembourg. The Company actively participates in policy forums, engages on regulatory matters and is a member of a number of industry consultative bodies, including the British Private Equity & Venture Capital Association and Invest Europe.	The Company works in a regulated environment and can only continue to operate if it is in compliance with relevant law and regulations. Maintaining constructive dialogue and strong relationships with relevant authorities helps support the achievement of our strategic goals.
Third-party professional advisers and service providers	The investment teams, Executive Directors and functional teams lead these relationships and maintain close and regular dialogue with our professional advisers and service providers. Appropriate measures are in place to ensure there is a Group-wide approach to these relationships. 3i ensures that suppliers are paid promptly in accordance with our procurement policies. These advisers and service providers include due diligence providers, operational and IT support providers, law firms, the Registrars, the External auditor and the Company's corporate brokers.	The Company relies on its extensive network of professional advisers and service providers to help it originate, analyse and execute new investments, to assist with portfolio management and to support the business operations of the Company.
Communities	For details of the Company's contribution to and engagement with communities see the Sustainability section.	The Company is committed to contributing positively to the communities in which it and its portfolio companies operate. FOR MORE INFORMATION www.3i.com/sustainability/corporate-citizenship/charitable-giving Page 59 Community

Engaging with shareholders

Approach to investor relations and Board oversight

The Board recognises the importance of maintaining an engaged and purposeful relationship with existing and potential shareholders. Shareholders provide our permanent capital and it is for their benefit that the Directors are required to promote the success of the Company. 3i has a comprehensive Investor Relations programme to help investors to understand its performance.

The Chief Executive, the Group Finance Director and the Group Investor Relations Director meet with the Company's principal shareholders and with potential shareholders on a regular basis to discuss the Group's activities, strategy and financial performance.

The Chairman offers to meet major shareholders on corporate governance, strategy and management annually and is available as required. Non-executive Directors are also available to meet shareholders, as required.

The Executive Directors brief the Board on a regular basis on the implementation of the Investor Relations programme and on feedback received from analysts and investors. Any significant concern raised by shareholders in relation to the Group is communicated to the Board.

Investor Relations programme

We engage our market audiences through a full programme of events. Our results presentations and capital markets seminars are webcast live and available to all who are interested. On-demand webcasts are also available on the website after the events.

FY2023

Our FY2023 Investor Relations programme

2022

May
- Annual results announcement and presentation webcast
- UK and international investor meetings
- Kepler Investment Companies Conference
- Chairman's meetings with shareholders

June
- UK and international investor meetings (continued)
- Numis UK Conference
- BNP Paribas Exane European CEO Conference
- Annual General Meeting

July
- Q1 performance update
- Group investor call

September
- Private Equity capital markets seminar
- Bank of America Financial Services conference
- Institutional shareholder dinner in London

October

November
- Half-yearly results announcement and presentation webcast
- UK and international investor meetings
- JPMorgan Cazenove Best of British Conference

December
- UK and international investor meetings (continued)
- Numis Pan-European Investor Conference, New York

2023

January
- Q3 performance update
- Group investor call

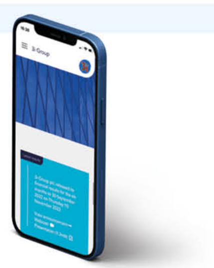
February
- UK investor meetings

March
- Action capital markets seminar
- Group investor call

Website

3i's website provides a brief description of 3i's history, current operations, strategy and portfolio, as well as articles, interviews and videos to showcase specific themes and investments. It also includes an archive of over 10 years of news and historical financial information on the Group and details of forthcoming events for shareholders and analysts.

FOR MORE INFORMATION ABOUT 3I AND REGULAR UPDATES
www.3i.com/investor-relations



Institutional investors

The Executive Directors and Group Investor Relations Director meet with the Group's principal shareholders on a one-on-one basis twice a year, generally following the publication of annual and half-yearly results, but also as required during the year. They also host large group investor calls after the publication of quarterly performance updates, to target both existing and potential shareholders.

The Chairman offers to meet large shareholders annually and he and the Senior Independent Director are available to meet with shareholders as required.

The Executive Directors and Group Investor Relations Director also meet with potential investors on a regular basis throughout the year, as part of arranged UK and international roadshows and as required.

Throughout the year, the Executive Directors and Group Investor Relations Director participated in conferences for institutional investors organised by Bank of America, JPMorgan Cazenove, BNP Paribas Exane, Kepler Cheuvreux and Numis.

In FY2023, the investors engaged principally on the operational and financial health of the portfolio in light of the macroeconomic disruption and on the market conditions for new investment and realisations. There is also an increasing focus on the performance and growth prospects of Action, our largest portfolio company.

Individual investors

Individual investors are encouraged to engage with the Group and provide feedback through the Group Investor Relations Director and the Company Secretary, whose contact details are available on the website, as well as at the Annual General Meetings. Individual investors can attend the live webcasts of results presentations and capital markets seminars, and access a wealth of information on 3i, its portfolio and financial and non-financial news on the website. Please see "Website" on page 106 for more information on this content.

Capital markets seminars

We held two capital markets seminars in FY2023, including one in September 2022 and one in March 2023. Both were held virtually via a webcast accessible to all on the 3i website. The presentation materials and on-demand webcasts remain available on the website.

During our September 2022 capital markets seminar, we presented on three of our Private Equity investments: BoConcept, Cirtec Medical and WilsonHCG. The presentations were delivered by the Private Equity investment executives responsible for those investments.

The Action capital markets seminar in March 2023 consisted of presentations by the 3i Chief Executive and the management team of Action. This event focused on Action's business model and strategy, its financial performance and its approach to sustainability.

Annual and half-yearly results presentations

The Executive Directors present the annual and half-yearly results via live webcasts accessible to all on the 3i website. Viewers are encouraged to submit questions to the presenters during the webcasts. The presentation materials are made available on the website and the on-demand webcasts remain available on the website for a period of 12 months.

Annual General Meeting

The AGM is an important opportunity for the Board to communicate with 3i's individual shareholders, who are encouraged to ask questions during the meeting, and have an opportunity to meet Directors before and after the formal proceedings.

At the Meeting, business presentations are generally made by the Chairman and the Chief Executive. The Chairs of the Remuneration, Audit and Compliance and Nominations Committees are generally available to answer shareholders' questions. Business to be discussed at the Meeting is notified to shareholders in advance through the Notice of Meeting and covers matters such as the annual election of Directors, the appointment of the External auditor and the dividend declaration. During the Meeting, shareholders are also asked to approve the financial statements and reports of the Directors and the External auditor. In addition, shareholders are asked to approve the Directors' remuneration report.

The 2022 AGM was again held in person, after the pared back proceedings of 2020 and 2021 as a result of the Covid-19 pandemic.

The 2022 Notice of AGM was dispatched to shareholders not less than 20 working days before the Meeting. At that Meeting, voting on each resolution was taken on a poll and the poll results were made available on the Company's website. At the 2022 AGM, all resolutions were passed with at least 90% of the votes in favour.

Composition, succession and evaluation

Skills and experience

Training and advice

The Company has a training policy which provides a framework within which training for Directors is planned with the objective of ensuring Directors understand the duties and responsibilities of being a director of a listed company. All Directors are required to keep their skills up to date and maintain their familiarity with the Company and its business.

On appointment, all non-executive Directors have discussions with the Chairman and the Chief Executive following which appropriate briefings on the responsibilities of Directors, the Company's business and the Company's procedures are arranged. The Company provides opportunities for non-executive Directors to obtain a thorough understanding of the Company's business by meeting members of the senior management team who in turn arrange, as required, visits to investment or support teams.

All non-executive Directors have the opportunity to access the Company's Compliance e-training modules which are used to train the Company's employees on regulatory compliance matters. In the year, Directors received a series of training presentations from EY on a range of matters related to climate risks, climate scenario analysis, net zero commitments and transition plans, emerging ESG themes, regulatory horizon on climate risk management and reporting, market insights and TCFD and ESG reporting. They also received through the Audit and Compliance Committee updates on developments in relation to regulatory matters, financial and other reporting requirements and the UK and global tax environment. Directors have the opportunity to suggest additional subjects for presentations where they believe it would be helpful.

The Company has procedures for Directors to take independent legal or other professional advice in relation to the performance of their duties. In addition, Directors have access to the advice and services of the General Counsel and Company Secretary, who advises the Board, through the Chairman, on governance matters.

Performance and evaluation

During the year, the Board conducted an annual evaluation of its own performance and that of its Committees and individual Directors. This year the process was conducted internally by the Chairman with the support of Lintstock Limited ("Lintstock") (who facilitated the full external evaluation in 2022). Lintstock has no other connections with the Company. The evaluation consisted of a questionnaire completed by all Board members and the other members of the Executive Committee, and a summary results report. The Chairman then held one-to-one discussions with each Director informed by the results of the questionnaire. The Chairman subsequently reported the results of the evaluation to the Board.

The topics covered by the annual Board evaluation included:

- Board composition and expertise;
- stakeholder engagement;
- Board dynamics;
- Board support;
- the performance of the Board's Committees;
- management and focus of Board meetings;
- the Board's strategic and operational oversight;
- risk management and internal control;
- succession planning and people; and
- priorities for change.

The overall finding of the review was that the Board had continued to perform strongly and had benefited from the leadership provided by the Chairman.

The review concluded that the Board's size and composition was broadly appropriate. Whilst no new non-executive Director appointments were anticipated in the short-term, the review identified attributes in any new appointees which could be valuable to the Board in due course. The review recognised the importance of non-executive Directors deepening their understanding of the Company's portfolio investments (and building their relationships with the Company's investment teams) by attending the semi-annual portfolio company review meetings.

The review noted the benefits to the Directors of visiting a 3i non-UK office once a year to maintain contact with overseas investment teams. In addition, the January 2023 visit to Action and meetings with Action's senior management were noted as being extremely useful in broadening the Directors' insight into Action. The review also recognised the importance of maintaining focus on the other 3i portfolio companies - both Private Equity and Infrastructure - to ensure the Board's oversight and its support to maximise their potential and their ability to grow on their own merits.

One of the principal areas where improvement was noted was in relation to the Board's work on ESG matters and the greater confidence in its consideration and management of risk.

The review also identified priorities for the Board to pursue in the coming year which included:

- continued focus on Board diversity in its widest form;
- focusing on talent development, retention and recruitment across the business, supported by increased reporting on remuneration matters to the Board by the chair of the Remuneration Committee; and
- overseeing the continued refinement of the Group's ESG policy.

In her role as Senior Independent Director, Lesley Knox led a review by the Directors of the performance of the Chairman which was also facilitated by a questionnaire and summary results report prepared by Lintstock. Ms Knox subsequently reported back to the Board on the review and provided feedback to the Chairman.

Nominations Committee report

David Hutchison
Committee Chairman

What the Committee reviewed in FY2023

- Board and senior management succession
  - Chairman tenure
  - Contingency Executive Director succession plan
  - Board and senior management succession plans
- Board evaluation
- Size, balance and composition of the Board

Committee membership	Meetings
David Hutchison (Chairman)	2(2)
Caroline Banszky	2(2)
Stephen Daintith	2(2)
Lesley Knox	2(2)
Coline McConville	2(2)
Peter McKellar	2(2)
Alexandra Schaapveld	2(2)

The column above headed "Meetings" shows the number of meetings of the Committee attended by each member during the year, together with, in parentheses, the number of meetings they were entitled to attend. As explained in this report Mr Hutchison did not attend discussions on the Chairman's tenure.

"I am pleased to present the Nominations Committee report for the year ended 31 March 2023. My report explains the role of the Committee as well as its work this year."

Dear Shareholder

Role and membership of the Committee

The Committee's principal role is to ensure that the Board has the necessary skills and experience to enable the Group to deliver its current and future strategic objectives. In doing this it keeps under review the balance and composition of the Board and ensures that plans are in place for orderly succession to both the Board and senior management positions, including contingency plans for unanticipated events. It also reviews the Company's work on diversity, equity and inclusion. The Committee's discussions are complemented by discussions at meetings of the full Board where appropriate.

Directors

Directors' biographical details are set out on page 97.

All Directors are subject to re-appointment every year. Accordingly, at the AGM to be held on 29 June 2023, all the Directors will retire from office and, being eligible, will seek re-appointment, save for Caroline Banszky who is retiring from the Board at the conclusion of the AGM. The Board's recommendation for the re-appointment of Directors is set out in the 2023 Notice of AGM.

During the year Julia Wilson, formerly Group Finance Director, retired from the Board on 30 June 2022. James Hatchley joined the Board as Group Finance Director Designate on 12 May 2022 and became Group Finance Director on 30 June 2022. Jasi Halai joined the Board as Chief Operating Officer on 12 May 2022.

Throughout the year Lesley Knox continued to serve as Senior Independent Director. As Senior Independent Director Lesley provides support to me, acts as an intermediary with the other Directors, if necessary, and oversees my appraisal by the other Directors. Lesley is also available to the Company's shareholders to address any concerns they have been unable to resolve through me, Simon Borrows or James Hatchley or where they consider these channels to be inappropriate.

Appointments and appointment process

We have a formal, rigorous and transparent process to identify the skills and experience required, appraise suitable candidates and appoint new Directors. In the case of non-executive Directors, the appraisal includes an assessment of whether potential candidates have sufficient time available to fulfil their roles. Recommendations for appointment are put to the full Board for approval. Specialist recruitment consultants assist the Committee with the appointment process for non-executive Directors. During the year there were no non-executive Director recruitment exercises and accordingly the Committee did not work with any external search consultants in the year. The Committee reviewed its appointment process and agreed the process remained appropriate. Work in the year in relation to Director recruitment is described in the table on page 112.

Succession planning

The Committee considers long-term succession planning as well as ensuring an appropriate level of refreshment and diversity on the Board. Contingency plans to cater for unexpected events are also considered. Our approach to succession planning at Board level seeks to ensure that retirements are planned for and take place in a coordinated manner to minimise the risk to the Company's strategic objectives through gaps in key skills on the Board or a lack of continuity. The Committee is of the view that length of service will not necessarily compromise the independence or contribution of directors of a company such as 3i, where continuity and knowledge of the Company's investment business, its strategic objectives and its largest individual investments are beneficial to the Board. Accordingly, the Committee does not believe the adoption of inflexible numerical limits on the Directors' Board tenure is the best way to ensure diversity and Board refreshment overall. In determining the appropriate length of service for each Director, the Nominations Committee judges the appropriate balance between the retention of the corporate memory of the Company with a suitable rate of refreshment at any given point in time.

The Board and Nominations Committee has carefully considered the question of Chairman tenure. They believe it should be aligned with the Chairman's role in enabling the Board to lead the Company towards its long-term sustainable success, generating value for shareholders and by behaving responsibly with regards to the impacts of its action on wider society.

In my absence the Nominations Committee, chaired by the Senior Independent Director, reviewed my tenure as Chairman in March 2023. Further details are set out in Report from the Senior Independent Director on page 113 and in the Corporate governance statement on pages 101and 102.

The Board also recognises that in providing leadership, governance, challenge and support it must, when considering the Chairman tenure, take account of matters including: the importance of Director independence; the need to periodically refresh the Board and its leadership; knowledge and understanding of the Company's investment business and its strategic objectives; as well as diversity, continuity and retention of corporate memory. We believe that an appropriate balance of all these factors is essential both for the effective functioning of the Board and the delivery of the Board's purpose. At times this may result in some longer-serving Directors, including potentially the Chairman.

Diversity and inclusion

The Board strongly supports the principle of boardroom diversity. The Board's aim is to have a Board and Board Committees which are diverse in terms of skills, gender, social and ethnic backgrounds, and cognitive and personal strengths. Where we engage external consultancies on Director appointments, they are instructed to put forward a diverse range of candidates for consideration. The Board makes appointments on merit and against objective criteria.

The Board currently comprises 10 Directors of whom five are women and following our June 2023 AGM the Board will comprise nine Directors of whom four will be women. This exceeds the 40% female gender diversity target set by the FTSE Women Leaders review. The Board meets the Parker Review recommendation of having at least one Director from a minority ethnic group.

During the year the Committee reviewed the Company's Equal Opportunities and Diversity policy and decided that no changes to the policy were required at this time. The Committee also reviewed the Company's diversity, equity and inclusion activities during the year and considered how the Company's current diversity policy had been implemented, its objectives and linkage to Company strategy. Further details on diversity policy are set out in the Sustainability report on page 52 and 53.

The Committee reviews and monitors initiatives aimed at developing a diverse pipeline of talent within the Company below Board level through the succession planning process referred to above and the appointments process. As a business with in the region of 250 employees globally, 3i makes relatively few new hires each year but, when hiring, we proactively seek to recruit from a diverse pool of candidates. As importantly, we take a long-term, sustainable approach to improving the diversity of our workforce and are committed to creating an inclusive culture in which both existing and newly-recruited staff can reach their potential, regardless of their gender, social or ethnic backgrounds.

The gender balance of our employees and our senior managers is reported in more detail in the Sustainability section on page 53. At 31 March 2023 our employees were 59.8% male and 40.2% female. The under-representation of women in senior management and investment roles at 3i is an issue we share with much of the private equity and alternative asset investment sector. Nonetheless, 3i continues to focus on increasing the number of women in these roles, whilst recognising that significant change will take time to achieve. As at 31 March 2023, 26% of Executive Committee plus direct reports were female.

As at 31 March 2023, around one in eight of 3i's total UK employees were people with an ethnic minority (excluding white minority) background. The proportion of our employees from an ethnic minority (excluding white minority) background in mid to higher salary brackets also exceeded one in eight.

The Company participates in a number of diversity, equity and inclusion initiatives, details of which are contained in the Sustainability section on pages 52 to 54.

David Hutchison
Chairman, Nominations Committee

10 May 2023

Diversity of individuals on the Company's Board and in executive management

In accordance with LR 9.8.6 R (9) of the FCA Listing Rules the Board confirms that as at 31 March 2023 the Company met the targets set out in that rule in that at least 40% of the Board were women, that at least one of the specified senior positions on the Board (the Chair, the Chief Executive, the Senior Independent Director or the Chief Financial Officer) was held by a woman and that at least one Director was from a minority ethnic background. There have been no changes to the Board since 31 March 2023 which would affect the Company's ability to meet these targets.

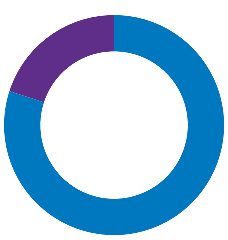
In accordance with LR 9.8.6 R (10) of the FCA Listing Rules the following tables set out data as at 31 March 2023 on the ethnic background and the gender identity or sex of the individuals on the Company's Board and in its executive management.

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
Gender identity or sex					
Men	5	50 %	3	9	90 %
Women	5	50 %	1	1	10 %
Not specified/prefer not to say	–	–	–	–	–
Ethnic background					
White British or other white (including minority-white groups)	9	90 %	4	6	60 %
Mixed/Multiple ethnic groups	–	–	–	–	–
Asian/Asian British	1	10 %	–	1	10 %
Black/African/Caribbean/Black British	–	–	–	–	–
Other ethnic group including Arab	–	–	–	–	–
Not specified/prefer not to say	–	–	–	3	30 %

The tables above include data for three individuals who are included in both the Board and executive management. The Company's approach to collecting the data used for the purposes of the above disclosures was to use data on gender or sex from our employee records and to ask the individuals which ethnic background was applicable to them together with permission to use it for this purpose, save where individuals were located in non-UK jurisdictions where we believed it would be inappropriate to make such a request.

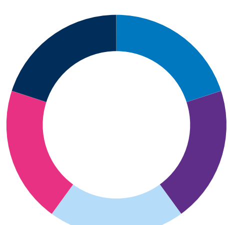
Composition of the Board at 10 May 2023

Sector experience



- **80%** Financial Services
- **20%** Other

Tenure



- **20%** >9 years
- **20%** 6-9 years
- **20%** 3-6 years
- **20%** 1-3 years
- **20%** 0-1 years

Gender diversity

- **50%** Women
- **50%** Men

Activities in the year

Board and senior management succession

The Committee keeps Board and senior management succession under regular review.

The Committee considers long-term succession planning as well as ensuring an appropriate level of refreshment and diversity on the Board. The Committee's approach to succession planning at Board level seeks to ensure that retirements are planned for and take place in a coordinated manner to minimise risk to the Company's strategic objectives through gaps in key skills on the Board or a lack of continuity. Contingency plans to cater for unexpected events are also considered. The Committee regularly discusses planned and contingency succession arrangements for the Executive Directors and other senior positions.

What the Committee did

Size, balance and composition of the Board, and non-executive Director appointments

Following the appointment of Lesley Knox as a non-executive Director there were no additional non-executive Director appointments during the year. The Committee has continued to keep the size, balance and composition of the Board under review during the year. Immediately following the 2023 AGM the Board will comprise nine Directors, being the Chairman, three executive Directors and five independent non-executive Directors.

Outcome

The Committee remains of the view that a nine or 10 member Board is an appropriate size of Board for the Company and that the Board has the right balance of skills and experience. The Committee decided that whilst there was no immediate need for non-executive Director recruitment, in the interests of long-term succession planning the Committee would likely commence a search process for a further non-executive Director in the second half of 2023.

What the Committee did

Executive Director appointments

The Committee's work in relation to the retirement of Julia Wilson and the appointments of James Hatchley and Jasi Halai in summer 2022 largely took place in the prior financial year and is described in the 2022 Nominations Committee report.

Outcome

The appointments of James Hatchley and Jasi Halai in consequence of Julia Wilson's retirement were finalised and took effect in the year.

What the Committee did

Contingency Executive Director succession plan

The Committee reviewed its short-term contingency succession plans for scenarios where any of the executive Directors were unexpectedly unable to carry out their duties.

Outcome

Following James Hatchley's and Jasi Halai's appointments the Committee approved revised contingency arrangements for circumstances where any of the executive Directors suddenly became unable to carry out their duties.

What the Committee did

Senior management succession plans

In relation to succession planning below Board level, and as part of the Board's work to support the development of a diverse pipeline of talent, the Committee and the Board considered and discussed the 2022 Group Succession Planning and Strategic Capability Review which was presented to the Directors by relevant Executive Committee members and the Chief Human Resources Officer. This annual review identifies development and succession plans for key staff including all members of the Executive Committee and their direct reports with details of short-term contingency arrangements in case of a sudden vacancy, planned successors and identification of those who, with further experience, could be potential longer-term successors.

Outcome

The Board and the Committee were able to satisfy themselves as to the appropriateness of the succession planning process in place for senior positions within the Group.

Activities in the year continued

	What the Committee did	Outcome
Board evaluation	Details on how the annual Board evaluation process was conducted and areas covered are on page 108. Following an externally facilitated evaluation in FY2022, the evaluation process for the year was conducted internally with assistance from Lintstock. The Committee reviewed the evaluation process which had been followed in the year with a view to identifying whether any changes or improvements should be made for future years.	Details on the outcome of the evaluation are set out on page 108. The evaluation process informed the development of the Board's rolling agenda for the subsequent year and confirmed the Board's key strategic priorities and objectives. The Committee and the Board agreed that further consideration should be given over the coming year to evaluation arrangements going forward including benchmarking for external facilitators to conduct the Board's next externally facilitated evaluation process which is required to be held not later than FY2025.
Review of Chairman tenure	The Committee keeps the continued tenure of the Chairman under regular review. This process is led by the Senior Independent Director and is particularly important given that the Chairman has served as a Director for in excess of nine years.	Led by the Senior Independent Director, and in the absence of the Chairman, the Committee reviewed the appropriateness of the Chairman's continued appointment in March 2023. Details of the review are set out below in the report from the Senior Independent Director. The Committee concluded that the Chairman's continued appointment for the coming year was in the best interests of the Company.

Report from the Senior Independent Director on the Committee's annual review of Chairman tenure

David Hutchison, who was appointed as Chairman of the Board in November 2021, has now served as a Director for in excess of nine years. This does not comply with the provisions of the UK Corporate Governance Code ("the Code") and a full explanation of the background to David's appointment as Chairman and why the Nominations Committee and the Board believe it appropriate for the Chairman to continue in office is therefore set out on pages 101 and 102.

The Board and Nominations Committee are aware of the risks to good corporate governance which could follow from excessive Chairman tenure. As one of the measures adopted to mitigate this risk the Nominations Committee has decided that it will review annually the continued appropriateness of the Chairman's appointment. This review will be led by the Senior Independent Director and will take place in the absence of the Chairman.

The first such review, led by me, took place in March 2023. The Nominations Committee discussed the reasoning behind the provisions of the Code limiting Chairman tenure, reviewed the circumstances of David Hutchison's appointment as Chairman and reviewed his performance in this role over the past year.

This review concluded that David continued to perform effectively as Chairman, continued to exercise objective judgement and continued to appropriately promote constructive challenge amongst Board members. The Nominations Committee also noted that in the context of a business where long-term knowledge of the business and its assets was of great importance, David's continued appointment was all the more appropriate given that following the 2023 AGM two of the five non-executive Directors will have had less than three-year's service and a further non-executive Director will have had less than four-year's service. The Committee concluded that David's continued appointment for the coming year was in the best interests of the Company.

Lesley Knox
Senior Independent Director
10 May 2023

FOR MORE INFORMATION
Pages 101 and 102

Audit, risk and control

Audit and Compliance Committee report

Caroline Banszky
Committee Chair

What the Committee reviewed in FY2023

- Financial and non-financial reporting
- External audit
- Internal control, compliance and risk management
- Risk review

Committee membership	Meetings
Caroline Banszky (Chairman)	6(6)
Stephen Daintith	6(6)
Coline McConville	6(6)
Alexandra Schaapveld	6(6)

The column above headed "Meetings" shows the number of meetings of the Committee attended by each member during the year, together with, in parentheses, the number of meetings they were entitled to attend. Other regular attendees at the Committee meetings include the following: Group Chairman; Chief Executive; Group Finance Director; Chief Operating Officer; Company Secretary; Director of Group Reporting and Valuations; Head of Internal Audit; Head of Group Compliance; and the External auditor, KPMG LLP.

"I am pleased to present the Audit and Compliance Committee report for the year ended 31 March 2023. My report explains the Committee's work this year."

Dear Shareholder

We held six regular scheduled meetings this year, four of which were coordinated with 3i's external reporting timetable. In addition to the Committee's usual focus on internal controls and the integrity of the Group's financial reporting, this year the Board completed sustainability training focused on climate risk and scenario analysis, net zero commitments, emerging ESG themes and TCFD reporting. We also spent time reviewing management's approach to cyber risk and developments in reporting and disclosure including the European Single Electronic Format ("ESEF").

On 24 October 2022, we received a letter from the FRC detailing a review of 3i Group's Annual report and accounts for the year ended 31 March 2022 in accordance with the FRC Corporate Reporting Review Operating Procedures. The FRC review was based solely on the Annual report and accounts and did not benefit from detailed knowledge of our business or an understanding of the underlying transactions entered into. The review was concluded with no questions or queries raised. We have taken into account the disclosure enhancements suggested as part of the review.

During the year we implemented the required processes and reporting under the Investment Firms Prudential Regime ("IFPR") and successfully filed the new returns. As part of this, we undertook the first Internal Capital Adequacy and Risk Assessment ("ICARA").

On 31 May 2022, the Government published its responses to its consultation on its White Paper: "Restoring trust in audit and corporate governance (March 2021)". On 10 March 2023, the Department for Business and Trade shared new draft reporting regulations which will implement certain new reporting requirements for large listed and private companies, many of which were confirmed in the Government's response to its White Paper. The Committee will continue to monitor closely any proposed legislation, changes in corporate governance requirements and emerging best practice.

In advance of each Committee meeting, I met the Group Finance Director, the Chief Operating Officer and the Heads of Compliance, IT, Tax and Internal Audit to discuss their reports as well as any relevant issues. I also met privately with KPMG as part of my ongoing review of their effectiveness and, periodically, with other members of the 3i senior management team.

I have continued to have regular discussions and planning meetings with management and KPMG on delivering the Annual report and accounts as part of my review of their ongoing effectiveness. As part of my year-end review, I met with KPMG to discuss their approach to audit quality and what assurance had been taken in connection with their audit of 3i. I also met with KPMG's engagement quality controls partner for the 3i audit, an independent audit partner who reviews and challenges the key audit areas, and discussed how the risk assessment would be challenged, and audit procedures and conclusions reached by the audit team. I am pleased to report that there were no significant findings arising from KPMG's review.

The rest of the report sets out in detail the Committee's activities in the year. It is structured into four parts:

- Governance
- Report on the year
- Internal audit
- External audit

I look forward to engaging with you on the work of the Committee.

As noted in the Chairman's statement, I will be retiring from the Board following the 2023 Annual General Meeting and I am pleased to confirm that Stephen Daintith will become the next Chairman of the Audit and Compliance Committee.

Caroline Banszky
Chair, Audit and Compliance Committee

10 May 2023

AUDIT AND COMPLIANCE COMMITTEE'S TERMS OF REFERENCE
www.3i.com/investor-relations/governance/principal-board-committees

What the Committee reviewed in FY2023

Financial and non-financial reporting

- Annual and half-year reports
- Quarterly performance updates
- Key accounting judgements and estimates
- Update on the relevant thematic reviews from the FRC
- European Single Electronic Format ("ESEF") developments
- Reviewed the Annual report to ensure that it is fair, balanced and understandable, including APMs
- Going concern and viability
- Resilience statement
- ESG disclosure enhancements

External audit

- Confirmation of the External auditor independence
- Policy and approval for non-audit fees
- FY2023 audit plan, including significant audit risks (being the valuation of the unquoted investment portfolio and the calculation of carried interest)
- Audit results report, including the results from testing Key Audit Matters
- External auditor performance and effectiveness

Internal control, compliance and risk management

- Review of 3i's system of control and risk management
- External and internal audit reports
- Review of the Viability statement and the supporting stress test scenarios
- Update on cyber security and penetration tests
- Business resilience including IT and disaster recovery
- Staff annual verification exercise
- Audit and Assurance policy

Risk review

- Valuation reports and recommending the investment portfolio valuation to the Board
- Review of investment themes from portfolio company review process and portfolio performance including ESG issues and risks
- Regular reviews of compliance with regulatory rules and compliance monitoring findings
- Annual tax update and reports on tax policy and strategy
- Reports from the Group Risk Committee ("GRC") and the risk log
- Update on litigation matters

Governance

All members of the Committee are independent non-executive Directors. The Board believes members have the necessary range of financial, risk, control and commercial experience required to provide effective challenge to management. In particular, the Board is satisfied that Caroline Banszky and Stephen Daintith have the recent and relevant financial experience as outlined in the FRC's Corporate Governance Code and the Committee as a whole has competence relevant to the sector in which it operates. The attendance of members at meetings is shown in the table on page 100.

The Committee meets privately for part of its meetings and also has regular private meetings with the External auditor, the Group Finance Director, the Chief Operating Officer, the Head of Internal Audit and the Head of Compliance in the absence of other members of the management team.

Report on the year

In addition to assessing and evaluating the areas of significant accounting judgement and monitoring the effectiveness of 3i's risk management framework, the Committee particularly focused on a number of topics, which are set out below.

Financial reporting regulators

The Committee considered the letter received from the FRC, as detailed on page 114 of this report and papers from the FRC, including its annual review of corporate reporting and their published thematic reviews. The Committee reviewed a paper prepared by management, which detailed how it had taken due account of the matters raised and the enhancements it proposed to relevant disclosures in the Half-yearly accounts 2022 and Annual report and accounts 2023. The Committee also considered a paper prepared by management which detailed 3i's approach to the developments in the European Single Electronic Format for digital reporting.

The Group's internal control and risk management systems including those in relation to the financial reporting process include:

- a comprehensive system of key control and oversight processes, including regular reconciliations, line manager reviews and systems' access controls;
- updates for the Committee on accounting developments, including draft and new accounting standards and legislation;
- a separate Valuations Committee which considers the Group's investment valuation policies, application and outcome;
- approval of the Group's budget by the Board and a comprehensive system of financial reporting to the Board, based on the annual budget with monthly reporting of actual results, analysis of variances, scrutiny of key performance indicators and re-forecasting as required;
- reports from Internal Audit on matters relevant to the financial reporting process, including periodic assessments of internal controls, processes and fraud risk;
- independent updates and reports from the External auditor on accounting developments, application of accounting standards, key accounting judgements and observations on systems and controls;
- appointment of experienced and professional staff, both by recruitment and promotion, of the necessary calibre to fulfil their allotted responsibilities; and
- appropriate Board oversight of external reporting.

Taxation

The Committee received an annual update from the Group Tax Director on the Group's taxation status which covered liaison with fiscal authorities in the UK and overseas, the resourcing of elements of the Group's compliance obligations and potential fiscal developments given the current economic climate.

Going concern and viability

The Directors are required to make a statement in the Annual report and accounts as to 3i's viability. The Committee provides advice to the Board on the form and content of the statement, including the underlying assumptions. In advance of the year end the Committee reviewed the Group's proposed stress test scenarios to support the going concern basis and Viability statement. At the year end, the Committee evaluated a report from management setting out its view of 3i's viability and content of the proposed Viability statement. This report was based on the Group's strategic plan and covered forecasts for investments and realisations, liquidity and gearing, including forecast outcomes of the stress test of the plan and forecast capital and liquidity performance against an assessment of the Group's risk profile. It incorporated the 31 March 2023 valuations, and consideration of a range of economic outcomes. The Committee discussed whether the choice of the three-year period remained appropriate. It concluded that it remained the most appropriate period and provided more certainty on the Group's performance due to the nature of the Group's business and its risk appetite to invest in Private Equity and Infrastructure investments for a period of four to five years, whilst acknowledging the reduced reliability of assumptions in the later period of the plan.

The Directors believe the Group has sufficient financial resources and liquidity, is well placed to manage business risks in the current economic environment, and can continue operations for a period of at least 12 months from the date of issue of these financial statements. The Directors have also considered key dependencies set out within the Risk management section including investment and operational requirements.

Taking into account the assessment of the Group's stress testing results and its risk appetite statement (as disclosed on page 79), the Committee agreed to recommend the Viability statement and three-year viability period which was subsequently approved by the Board.

Areas of accounting judgement and control focus

The Committee pays particular attention to matters it considers to be important by virtue of their complexity, level of judgement and potential impact on the financial statements and wider business model. Significant areas of focus considered by the Committee are detailed in the table below, alongside the actions taken by the Committee (with appropriate challenge from the External auditor) to address them.

Areas of accounting judgement and control focus

Valuation of the proprietary capital investment portfolio

Area of significant attention

The most material area of judgement and estimation in the financial statements, and noted as a significant risk and Key Audit Matter by the External auditor, relates to the valuation of the unquoted investment portfolio, which at 31 March 2023 was £17,426 million, or 91% of gross assets, under the Investment basis.

In recognition of the importance of this area, the Board has a Valuations Committee to review the valuations policy, process and application to individual investments. The Valuations Committee provides quarterly oral reports to the Audit and Compliance Committee and the Board.

What the Committee reviewed and concluded

On behalf of the Board, the Committee received and evaluated quarterly reports from the Chairman of the Valuations Committee and the External auditor, with particular focus on the assumptions supporting the valuation of unquoted asset investments, any valuation uncertainties and the proposed disclosure in the financial statements. Members of the Committee also attend the Valuations Committee meetings.

The detail on the key valuation considerations and the review and challenge undertaken in the year is included in the Valuations Committee report on pages 126 to 130.

The Committee reviewed and concluded that no fair value adjustment should be made to the investment entity subsidiaries' NAVs and judgement for control is appropriate for those investees and funds consolidated within the Group.

Carried interest payable

Area of significant attention

The valuation of the investment portfolio is a primary input into the carried interest payable and receivable balances, which are determined by reference to the valuation at 31 March 2023.

As at 31 March 2023, following 3i's decision to crystallise a portion of the outstanding carried interest liability in the Buyouts 2010-12 scheme, c.£200 million will be paid to participants in May 2023.

What the Committee reviewed and concluded

Internal Audit reviews the carried interest balances and carry plan distributions made to plan participants before the payments are made. Summaries of the work done are included in updates to the Committee.

The Committee reviewed a summary of carried interest payable as part of the overall summary prepared by management to support the Annual report and accounts 2023.

Fair, balanced and understandable and the presentation of 3i's reports and accounts

Area of significant attention

Under the UK Corporate Governance Code, the Board should establish arrangements to ensure the Annual report presents a fair, balanced and understandable assessment of the Group's position and prospects.

The Group prepares the non-GAAP Investment basis financial statements to provide a disaggregated view of the underlying portfolio alongside the IFRS basis to aid in the understanding of the results and performance of the underlying portfolio.

What the Committee reviewed and concluded

The Committee reviewed the Half-yearly and Annual financial statements as well as the Quarterly performance updates with management, focusing on the integrity and clarity of disclosure and enabling the Board to provide the fair, balanced and understandable confirmation to shareholders in the Annual report and accounts 2023.

A report summarising the considerations for the Annual report and accounts 2023 was reviewed by the Committee in advance of the year end and a summary of the detailed procedures undertaken was prepared alongside the Annual report and accounts 2023.

Internal audit

The Committee continued to monitor the scope, activity, and resources of the Group's Internal Audit function, including approving the internal audit plan and assessing whether its operating model remained effective. The Committee monitors internal audit activity quarterly, which includes the results of its reviews of 3i's investment offices and updates on outstanding agreed actions from previous reports, as well as other areas of identified higher risk. The Committee concluded that the Internal Audit function remained effective.

Risk and internal control reviews

The Committee is responsible on behalf of the Board for overseeing the effectiveness of the Group's risk management and internal control systems. It monitors the activities of the GRC, the risk management processes in place and Internal Audit's assessment of the effectiveness of controls, the use of the Group's whistle blowing facility and compliance with the UK Bribery Act.

As highlighted on page 81 in the Risk management section, a report summarising each quarterly GRC meeting is provided to the Committee for review and discussion. This report provides an update on the assessment of the Group's principal risks and new and emerging risks, together with details of how these are being managed or mitigated. The Committee also receives a twice-yearly update on key ESG and sustainability risks and developments across the portfolio. In addition, the Head of Internal Audit prepares an annual report providing an independent assessment of the effectiveness of 3i's risk management and internal control systems for presentation to the Committee.

The overall risk management and internal control process is regularly reviewed by the Committee as well as the Board and complies with the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting issued by the FRC. The Committee performed its annual review of the system's effectiveness and reported its conclusions to the Board. The process has been in place for the year under review and up to the date of approval of this Annual report and accounts 2023.

External audit

The Committee has responsibility for making recommendations to the Board on the appointment of the External auditor, determining its independence from the Group and its management and agreeing the scope and fee for the audit.

Auditor independence

The Group has a policy for setting out what non-audit services can be purchased from the firm appointed as External auditor or a member of the firm's network. The aim of the policy is to support and safeguard the objectivity and independence of the External auditor and to comply with the FRC's Ethical Standards for auditors. It also ensures that where fees for approved non-audit services are greater than a pre-determined limit, they are subject to the Committee Chair's prior approval.

The policy permits certain non-audit services to be procured, following approval, when the Committee continues to see benefits for the Group in engaging KPMG. Examples of this include work:

- that is closely related to the external audit as described in para 5.36 of the FRC's Ethical Standards;
- where a detailed understanding of the Group is required; and
- where KPMG is able to provide a higher quality and/or better value service than other potential providers.

The key principle of our policy is that permission to engage the External auditor will always be refused when a threat to independence and/or objectivity is present or perceived or without any proper safeguards in place. In line with the FRC's Ethical Standards, 3i will not generally use KPMG for any non-audit services (unless explicitly permitted) that are not closely related to KPMG's role as 3i's External auditor. This includes tax and legal, consulting and investment-related services such as due diligence.

All proposals for services with KPMG must be forwarded to the Chief Operating Officer in the first instance and will require approval by the Chairman of the Audit and Compliance Committee above a defined limit and provided the work is not closely related to KPMG's role of 3i's External auditor. Examples of services that require additional approval include:

- the fee exceeds £100,000; or
- the service is work other than services closely related to KPMG's role as 3i's External auditor.

Smaller engagements with fees of less than £100,000 and services that are explicitly permitted and are not considered closely related to the audit are approved by the Chief Operating Officer on behalf of the Committee.

KPMG has reviewed its own independence in line with these criteria and its own ethical guideline standards. This includes the review of due diligence processes undertaken within the Group's investment activities. KPMG has confirmed to the Committee that following its review it is satisfied that it has acted in accordance with relevant regulatory and professional requirements.

Audit and non-audit fees

The total audit fee for the year was £2.8 million (2022: £2.7 million). Non-audit fees paid to the External auditor were £0.4 million (2022: £0.3 million). The Committee concluded that these fees fell within its criteria for engaging KPMG and do not believe they pose a threat to the External auditor's independence or objectivity.

Assessing external audit effectiveness

The Committee reviews the effectiveness of KPMG through the use of questionnaires completed by management, by considering the extent of its contribution at Committee meetings throughout the course of the year, and in one-to-one meetings.

The FY2023 evaluation also reviewed the quality of the audit process, the use of KPMG's valuation specialists to support the audit of the portfolio valuations and the technical knowledge of the team.

The Committee concluded that the audit was effective and that there should be a resolution to shareholders to recommend the re-appointment of KPMG LLP at the 2023 AGM.

Audit and Assurance policy

As an investment company, our business model is to allocate, invest and manage risk capital. We do this from a platform that has good and responsible values, a grounded team culture, a prudent financial approach and a wide international reach and diversity through our well-established office network. Our investment executives are able to use the power of broader portfolio experience and learnings to grow and improve each specific investment. This only works with rigorous processes, robust central control and an uncompromising attitude to the resilience of the investment portfolio, all of which is governed by the Investment Committee.

Through a comprehensive and consistent process, we apply a high degree of judgement in setting the investment valuations which underpin our periodic reported financial performance and are the most material area of judgement in the financial statements. The Valuations Committee sets policy and provides oversight of the integrity of this valuation process. On behalf of the Board, the Audit and Compliance Committee receives quarterly reports from the Chairman of the Valuations Committee and the External auditor, with a focus on key assumptions, valuation uncertainties and disclosure in the financial statements. As a FTSE100 company, transparency and integrity of our reporting of investment outcomes and valuations is fundamental.

Purpose and scope

This Audit and Assurance policy ("Policy") sets out the framework and requirements by which the Board ensures that our investment, valuation and reporting processes and controls (in the broadest sense) are adhered to, and that the employee culture is aligned with our strategic delivery, providing appropriate mitigation of the risk and judgement inherent in our business model. The Policy covers external and internal audit activities and other sources of assurance available to the Board.

The scope and nature of the Group's audit and assurance activities are influenced by the Group's legal, regulatory, governance and operating structures. As a listed company, the Group is subject to the Listing Rules of the UK Listing Authority and the provisions of the UK Corporate Governance Code. In headcount terms, 3i is a relatively small organisation with a non-hierarchical operating structure.

The Group provides investment management and other services for which regulatory authorisation is required. It does not, however, have permission to deal with retail clients. 3i is regulated in a number of jurisdictions; primarily in the UK by the Financial Conduct Authority. The contracts for 3i's investment services and its regulatory authorisations carry a wide range of obligations which are incorporated into the Group's systems and controls and apply to all staff. These requirements include the need to maintain minimum levels of regulated capital which are monitored by way of an internal capital and risk assessment. This involves the use of stress testing scenarios which also link into the Group's viability assessment work.

Development

This Policy is owned by the Board and developed based on a range of inputs including the views of Executive Committee and assurance providers, and benchmarking against emerging good practice. The Policy is reviewed at least annually and its operation overseen by the Audit and Compliance Committee.

Risk and assurance

The Group Risk Committee, Executive Committee and senior managers are required to provide the Audit and Compliance Committee with regular updates on a range of topics to enable the Committee to form a view on the adequacy of the planned assurance work in relation to the Group's principal risks, risk mitigation plans and any significant new risks, themes or developments.

Both the External and Internal auditors are expected to form an independent view on the principal risks and the controls to mitigate these, taking into account the risk profile and strategy of the business and the assessment performed by the Group Risk Committee. This in turn provides the basis for making informed risk-based decisions regarding the scope and focus of assurance work. The auditors are required to present details of their respective risk assessments, areas of focus and audit approach to the Audit and Compliance Committee for its consideration and input.

In addition to scheduled updates from Finance, Group Compliance, IT and Tax, the Audit and Compliance Committee may seek assurance work in other areas from time to time, either from internal sources or externally commissioned work. The oversight work of the other Board Committees, notably the Valuations and Remuneration Committees, is also taken into consideration.

Viability and going concern

There is an established process for preparing the Group's Viability statement, coordinated by Group Finance. This involves engagement with 3i's Group Strategy team and Private Equity and Infrastructure business lines to develop a range of plausible and relevant stress test scenarios, which are also linked back to the Group's principal risks.

The views of the Group Risk Committee are sought on the test scenarios, results and proposed disclosures. This is then presented to the Audit and Compliance Committee for consideration and input. The External auditor also provides independent assurance on the reasonableness of the inputs, key assumptions and stress test scenario analysis, in the context of its work on viability and going concern.

Key internal controls and assurance

The design of the Group's key control framework is directly linked to the Group's risk mitigation plans, and is summarised in the table below.

The Audit and Compliance Committee requisitions assurance work which focuses on the design and effectiveness of the internal control framework. The adequacy of assurance coverage is considered as part of the presentation of the respective external and Internal audit assurance plans described above. Use is also made of external benchmarking and frameworks to provide additional assurance in specific areas. For example, the National Institute of Standards and Technology ("NIST") Cybersecurity Framework is deployed to assess and improve 3i's ability to prevent, detect and respond to cyber attacks. Assurance work is expected to adapt to changes to the Group's risk and operating profile, illustrated by the examples in the Audit and Assurance approach section on page 121.

3i is reliant on a number of key third-party suppliers, notably in the areas of IT and accounting support services. For the purposes of oversight and management, these suppliers are grouped into tiers based on their business criticality using a bespoke Supplier Relationship Management Toolkit and taking into account their impact on 3i's regulated investment activities. This tool provides a structured and consistent risk-based approach to assessing supplier performance, including areas such as data security and business resilience. 3i also engages the services of a procurement specialist to provide supplier management and procurement support. From an assurance standpoint, 3i obtains copies of Independent Service Auditor's Reports where available and Internal Audit carries out reviews of the key supplier relationship management processes as part of its cyclical programme of work.

Given the importance of people to 3i's business, the Board carries out an annual in-depth review of succession planning and other key people-related matters, and receives regular updates from across the business. The Remuneration Committee oversees 3i's remuneration arrangements, designed to ensure there is appropriate alignment between staff performance, conduct and behaviours on the one hand, and the Group's strategic objectives, risk appetite and internal control framework on the other.

Summary of Key control framework

Investment process
- Due diligence process
- Investment procedures
- Investment Committee review and approval
- ESG and sustainability assessment
- Responsible Investment policy

Investment portfolio companies
- 3i appointed directors
- Minimum required governance standards
- Investment procedures for investment and portfolio company management

Investment portfolio management
- Monthly portfolio company dashboards and performance monitoring
- Six-monthly investment and portfolio company reviews
- 3i board representatives and active management of senior appointments
- Setting and monitoring of ESG and sustainability requirements

Viability and going concern
- Stress testing methodology and modelling
- Analysis of assets and liabilities
- Capital adequacy review process
- Group strategy and liquidity forecasting models

Valuations process
- Approved Valuations policy
- Investment and portfolio company review processes
- Central oversight by the Valuations team, Investment Committee and Valuations Committee

Financial reporting
- Framework of key financial controls and reconciliations
- Portfolio, fund and partnership accounting processes
- Documented analyses of complex transactions and changes in accounting requirements and disclosures

People and culture
- Values framework and HR policies
- Performance management framework
- Remuneration policies
- Conduct and compliance policies and monitoring
- Succession planning process

Advisory relationships
- Pre-approved suppliers of investment due diligence services
- Tendering and approval process for other advisers, eg legal, tax
- Monitoring of performance and patronage
- Confidentiality and conflicts management

Third-party service suppliers
- Use of 3i's Supplier Relationship Management tool
- Required contractual protections, eg data security and business continuity
- Oversight and governance frameworks for critical suppliers
- Independent service organisation reports

Balance sheet management
- Treasury policy and control framework
- Liquidity monitoring framework
- Fund transfer and release controls
- Portfolio concentration and vintage control monitoring framework
- Foreign Exchange hedging programmes

Change management
- Approval process for changes to corporate structure or new products/business areas
- Ongoing monitoring of legal and regulatory changes
- Active participation and engagement with government, regulators and trade bodies

IT systems and security
- IT policies and procedures
- Access and data security controls
- Back-up and disaster recovery procedures and testing
- IT and cyber security monitoring and control framework, and regular penetration tests

In addition to the direct work of the Board and its Committees, both Group Compliance and Internal Audit are required to provide an independent view on conduct, culture, behaviours and other people-related matters as an integral part of their monitoring and review work. Internal Audit also carries out an annual review of the implementation of 3i's key remuneration policies.

In order to assist in its annual review of the effectiveness of internal systems and controls, the Audit and Compliance Committee also requires an annual risk and control effectiveness review from Internal Audit and an end-of-audit report from the External auditor. In addition, the Executive Committee, in turn supported by their direct reports, is required to sign-off an annual control attestation which is coordinated by Group Compliance and reviewed and reported on independently by Internal Audit to the Audit and Compliance Committee.

Reporting of control findings

For monitoring and reporting purposes, a significant control failure or weakness is defined as one resulting in or with potential to result in a material misstatement in the financial statements or loss to the business, or significant reputational damage, penalties or sanctions.

Both the External and Internal Auditors are required to provide the Audit and Compliance Committee with details of their respective reporting frameworks including, for example, materiality limits, risk ratings and reporting thresholds. This is to ensure there is a degree of consistency and understanding of the definitions applied. It further assists in understanding the nature and severity of any control findings reported; the appropriateness of proposed remedial actions, timelines and ownership; and the need for disclosure.

The Board and Executive Committee have a very limited tolerance for operational risk events and errors. Accordingly, a relatively low reporting threshold is applied by both Group Compliance and Internal Audit with respect to any findings. This involves both a qualitative and quantitative impact assessment. A similarly low threshold is set for the Group's risk log reporting process, under which any financial losses or exposures greater than £20,000 must be reported.

Assurance over company reporting

The Group's approach to assurance over company reporting is grounded in a culture of transparency and openness. The External auditor, for example, holds regular catch-up meetings with senior managers across the business, the Audit and Compliance Committee Chair and Internal Audit throughout the year, not only during the reporting cycle.

The Group aims to identify changes in reporting requirements and potential technical accounting or disclosure issues at an early stage and to engage fully with the External auditor, Audit and Compliance Committee and external advisers as appropriate. Areas of greater complexity or judgement are documented to facilitate the overall process and regular updates are provided to the Audit and Compliance Committee. In more specialist areas where there is limited in-house expertise, such as reporting on climate change, the Group seeks to employ external experts both to assist with the analysis and, where appropriate, provide some assurance on the relevant reporting.

The External auditor's report in the Annual report and accounts provides a comprehensive overview of Key Audit Matters, audit scope and materiality. This includes details of the main audit risks and the approach taken to information in the Annual report other than the audited financial statements. The other information in the Annual report includes the presentation of the financial results on a separate non-GAAP Investment basis, in the interest of transparency and understanding, which are reconciled to the audited accounts prepared using the IFRS basis of consolidation. The Group's half-yearly financial report is subject to a review in accordance with the relevant auditing standards on the review of interim financial statements. Details are set out in the External auditor's report in the full-year and half-year reports.

The preparation of 3i's external reporting is subject to a well-established input, review and verification process, covering the financial statements and other information in the Annual report; the Half-yearly report; and other reporting by the Company. The process involves close engagement with 3i's investment and professional service teams and Internal Audit to ensure that the reporting is fair, balanced and understandable, as well as complete and accurate. The Audit and Compliance Committee is briefed and consulted at each stage of the process.

Audit and assurance approach

The Group's audit and assurance approach is adapted to reflect changing circumstances. Specific examples during the year included:

- continued focus on new and emerging cyber security risks, and management updates and assurance work in relation to: (i) protective and detective cyber controls; (ii) results of penetration and other tests; and (iii) cyber and IT security staff training and awareness;
- additional processes put in place to assess the impact of increased market and geopolitical uncertainties, including sanctions, on investment portfolio company performance and valuations (and subject to additional assurance work where appropriate);
- increased focus and more frequent updates on the review of sustainability reporting, covering reporting obligations, data capture, and related internal processes and controls; engaged EY's sustainability practice to advise on 3i's climate disclosures and related processes;
- ongoing assurance with respect to the oversight and performance of key service providers, including business continuity arrangements;
- independent views sought from Group Compliance and Internal Audit on people-related matters; for example, the effectiveness of 3i's hybrid working model, staff morale, conduct, culture and behaviours.

Approach to investment portfolio companies

The companies in 3i's proprietary capital and managed investment portfolios operate independently of 3i, with their own boards. 3i's oversight is exercised through the appointment of 3i investment executives to serve as directors on the boards. Each board is responsible for its own audit and assurance arrangements including the appointment of their external auditors and, where appropriate, internal auditors.

3i sets minimum governance standards for its investment portfolio companies overseen by the 3i appointed directors. The standards cover the overall governance structure; independent financial review; internal controls; IT systems and cyber security; legal and regulatory compliance; critical incident management; and financial reporting.

These governance standards form part of a broader range of ESG and sustainability measures applied by 3i to each investment portfolio company, benchmarked against industry standards for the relevant sector. Reporting against these standards and the development of specific action plans is an integral part of 3i's semi-annual investment portfolio company review process.

3i's Internal Auditors provide an independent assessment of the completeness and accuracy of the investment portfolio company review reports as part of their work on 3i's investment business units.

Approach to fraud risk

The assessment of fraud risk forms part of the assurance planning presented to the Audit and Compliance Committee. Internal Audit, for example, undertakes a detailed fraud risk assessment and carries out a cyclical programme of anti-fraud assurance work, the results of which are reported to the Audit and Compliance Committee.

3i investment executives are required to report any significant fraud incidents occurring at the investment portfolio company level. This includes details of the root cause and remedial actions. This reporting enables both the Group Risk and Audit and Compliance Committees to assess any potential reputational risks to 3i and possible reporting or notification requirements.

Auditor independence and effectiveness

The Audit and Compliance Committee assesses the independence and effectiveness of both the External and Internal Auditors at least annually and in accordance with the relevant professional standards and FRC Guidance. In addition, the Committee Chairman meets regularly with the external audit team and Head of Internal Audit. Internal Audit also reports against a small number of agreed key performance indicators and is subject to an external quality assessment at least every five years.

Assurance resourcing

There are a number of different categories of assurance activities. The Audit and Compliance Committee's involvement in the review of assurance budgets and resourcing is based on the profile, risk and nature of those activities. The overall objective is to ensure that resourcing is adequate to meet the assurance needs of the Board in a way which is operationally efficient and reflects any relevant external developments.

The audit scoping and fees for the External auditor are reviewed and approved in detail by the Audit and Compliance Committee on an annual basis. The Committee also reviews any fees paid for non-audit services and fees paid by 3i's investment portfolio companies, as part of its assessment of the External auditor's objectivity and independence.

Resourcing for Internal Audit, including any co-sourcing needs, is reviewed annually and confirmed on a regular basis directly with the Head of Internal Audit, to ensure that this is sufficient to support the requirements of the agreed assurance plan. The Head of Internal Audit is responsible for the associated budgeting and management of costs.

There are a range of "2nd line" functions and roles which are also an important source of assurance. These include, for example, Group Compliance, the Chief Information Security Officer, and Health and Safety officer. Assurance work may also be requisitioned from external providers in specialist areas, such as the measurement of greenhouse gas emissions, or in the form of expert advice on specific matters. The review of resourcing for these areas forms an integral part of the Group's budgeting process and is the responsibility of the relevant Executive Committee member. The Group's operating costs budget is subject to Board approval.

Further information

Investment basis

+ PAGE 73
Background to Investment basis financial statements

Principal risks and mitigations

+ PAGES 78-86
Risk governance and oversight arrangements
PAGES 87-91
Summary of principal risks and risk mitigation
PAGES 124-125
Going concern and viability

Audit and Compliance Committee report

+ PAGES 116-117
Areas of accounting judgement and control focus
PAGE 118
Internal audit
PAGE 118
External auditor independence
PAGE 118
Audit and non-audit fees
PAGES 119-122
Audit and Assurance policy
PAGES 123-125
Resilience statement

Accounting policies

+ PAGE 167
Basis of preparation – going concern

Notes to the accounts

+ PAGE 176
Details of fees for audit and non-audit services

Independent Auditor's report

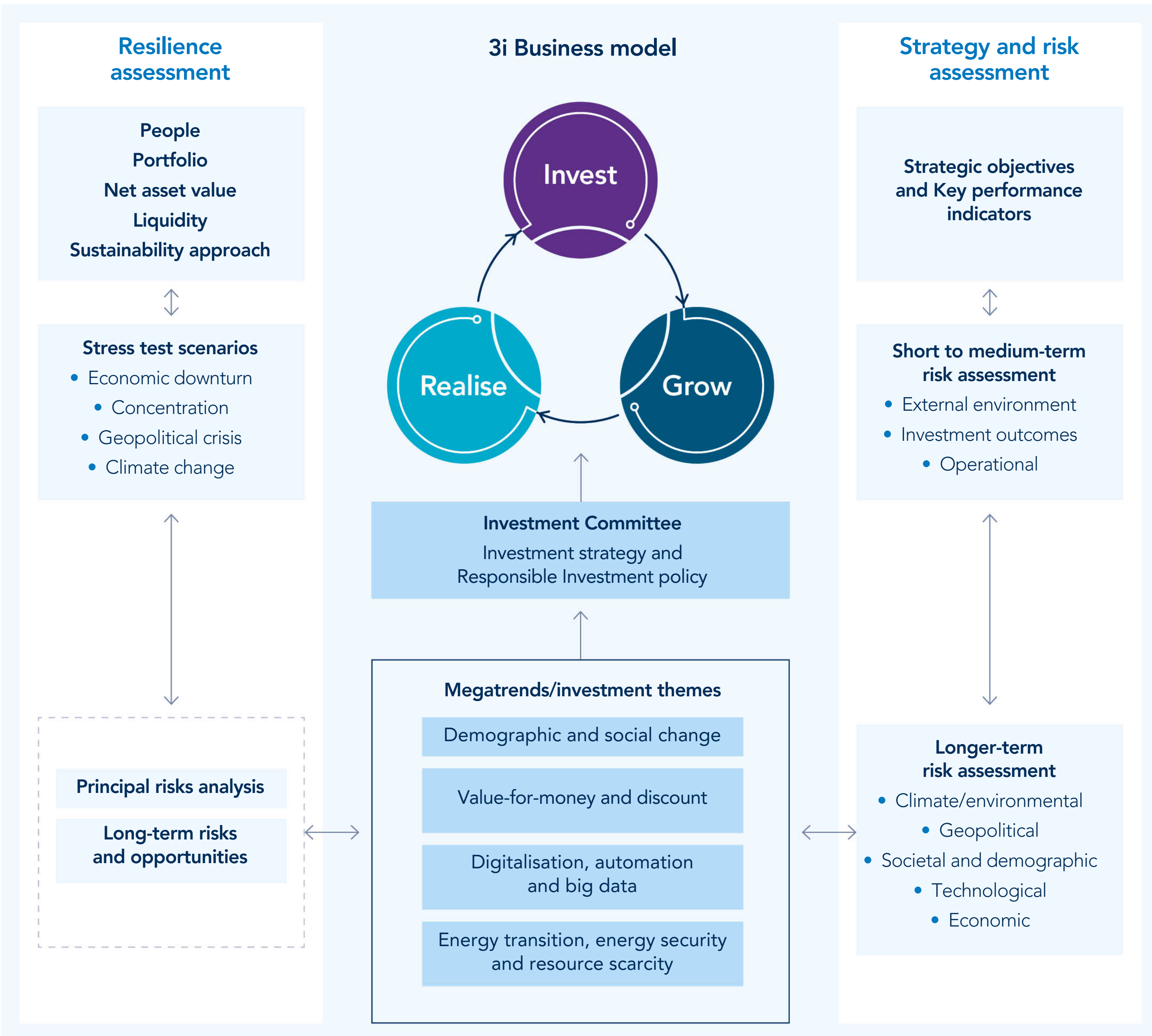
+ PAGES 209-212
Overview of audit
PAGE 213
Going concern risk and response
PAGE 215
Key audit risks and response
PAGE 222
Materiality
PAGE 223
Audit scope
PAGE 224
Audit work on other information

Resilience statement

Our resilience is dependent on the success of our investment strategy, careful management of our balance sheet and costs, and the ability to attract and retain a capable and diverse team. This is underpinned by a strong institutional culture and values, robust corporate governance, and effective risk and operational management.

The success of our investment strategy, in particular, requires a long-term, responsible and risk-based approach to building a resilient portfolio with strong growth potential, and maintaining and developing the expertise, relationships and institutional culture to support this. This foundation supports 3i's ability to generate attractive returns through sustainable growth.

Our resilience assessment draws upon a number of interdependent components, illustrated below. Further information can be found in the sections on the Group's business strategy (pages 12 to 17), Approach to risk management (pages 78 to 91) and Sustainability (pages 43 to 66).



Short-term resilience

In assessing our short-term resilience, we undertake regular portfolio monitoring, including six-monthly strategic portfolio company reviews and monthly trading updates for each portfolio company. These reviews highlight and appraise sources of risk at a portfolio company level and feed into the quarterly valuation process. Regular portfolio updates are provided to the Board and Audit and Compliance Committee.

We also carry out periodic assessments of the Group's operational resilience, including key people risks, IT systems and security infrastructure, and critical third-party suppliers.

Active management of liquidity underpins our short-term resilience, which is supported by the ready availability of short-term funding and a conservative balance sheet policy that ensures a low level of structural gearing at the holding company level. This short-term resilience was demonstrated during the pandemic and, more recently during the challenging macroeconomic conditions, when 3i was able continue to invest in new acquisitions and buy-and-build opportunities.

The identification of material uncertainties, that could cast significant doubt over the ability of the Group to continue as a going concern, forms the basis of the Directors' Going concern statement below.

Going concern statement

Going concern is assessed for a period of at least 12 months from the date of approval of the Annual report and accounts. The Directors are required to evaluate whether the Group has adequate resources to continue in operational existence for at least the next 12 months. The Directors have made an assessment of going concern, taking into account both the Group's current performance and outlook using the information available up to the date of issue of these financial statements.

In carrying out their assessment of going concern and short-term resilience, the Directors considered a wide range of information, including:

- details of the Group's strategy, risk appetite, and business and operating models;
- information on the Group's principal risks and mitigation plans;
- a summary of the financial position considering performance; and
- current market volatility and geopolitical and economic uncertainties.

The Group monitors its funding position and its liquidity risk throughout the year to ensure it has access to sufficient funds to meet forecast cash requirements.

At 31 March 2023, the Group remained well funded with liquidity of £1,312 million (31 March 2022: £729 million). Liquidity comprised cash and deposits of £412 million (31 March 2022: £229 million) and undrawn RCF of £900 million (31 March 2022: £500 million). During the year, we repaid our £200 million fixed-rate 2023 bond and increased our existing base £500 million RCF with an additional two-year £400 million tranche that provides the Group with additional financial flexibility at low cost. Since 31 March 2023, we extended the maturity of the £400 million additional tranche to July 2025. To preserve liquidity, the Group monitors liquidity regularly, ensuring it is adequate and sufficient. This is underpinned by the monitoring of investments, realisations, foreign exchange hedging, operating expenses and receipt of portfolio cash income.

In addition, the Group implemented a moderately sized euro and US dollar medium-term foreign exchange hedging programme. The purpose of the programme is to partially reduce the sensitivity of the Group's net asset value and impact of mismatched currency cash flows to changes in foreign exchange rates. The liquidity impact of this programme was carefully assessed prior to implementation and incorporated into the Group's liquidity monitoring framework.

Liquidity is also central to the Group's dividend policy to maintain or grow the dividend year on year. This policy is subject to maintaining a conservative balance sheet approach and is therefore informed by the outlook for investment and realisation levels. Allowing the Group to exercise discretion over the level of dividends paid ensures that the Directors can recommend a sustainable dividend which takes into account the need to maintain liquidity for new investment and operating expenses.

The Directors have acknowledged their responsibilities in relation to the financial statements for the year to 31 March 2023. After making the assessment on going concern and short-term resilience, the Directors considered it appropriate to prepare the financial statements of the Company and the Group on a going concern basis. The Group has sufficient financial resources and liquidity and is well positioned to manage business risks in the current economic environment and can continue operations for a period of at least 12 months from the date of this report. The Directors have concluded that there are no material uncertainties or risks that could cast significant doubt over the short-term resilience of the Group or its ability to continue as a going concern over the duration of that period based on investment and operational requirements.

Medium-term resilience

The assessment of medium-term resilience, which includes the modelling of stress tests and reverse stress tests, considers the viability and performance of the Group in the event of specific stressed scenarios which are assumed to occur over a five-year horizon in line with the Group's strategic planning process.

The stress testing focuses upon the principal risks, but also considers those new and emerging risks which are considered to be of sufficient importance to require active monitoring by the GRC; these include, for example, concentration risk in the portfolio and the impact of climate change. The medium-term resilience of the Group is examined through analysing the impact of these scenarios on key metrics such as net asset value and liquidity.

In each stress test scenario, the Group remains viable. The medium-term resilience of 3i is further supported by the availability of controllable management actions that can mitigate the impact of certain stress events. These actions include, for example, the flexing of investment and dividend levels for liquidity purposes.

Viability statement

The stress testing as detailed above forms the basis of the Viability statement. 3i conducts its strategic planning over a five-year period; the Viability statement is based on the first three years, which reflects the nature of the Group's business and its risk appetite to invest in Private Equity and Infrastructure investments for a period of four to five years and, therefore, provides more certainty over the forecasting assumptions used. The Directors assess 3i's viability and medium-term resilience over a three-year period from the date that the Annual report and accounts is approved. 3i's strategic plan and associated principal risks, as set out on pages 87 to 91, are the foundation of the Directors' assessment.

The assessment is overseen by the Chief Operating Officer and Finance Director and is subject to challenge by the GRC, review by the Audit and Compliance Committee and approval by the Board.

The Group's strategic plan projects the performance, net asset value and liquidity of 3i over a five-year period and is presented at the Directors' annual strategy meeting in December and updated during the year as appropriate. At the strategy meeting, the Directors consider the strategy and opportunities for, and threats to, each business line and the Group as a whole. The outcome of those discussions is included in the next iteration of the strategic plan which is then used to support the assessment of viability and medium-term resilience. The current iteration of the strategic plan reflects the residual effect of the pandemic and other recent economic developments.

The Group's viability testing considers multiple severe, yet plausible, individual and combined stress scenarios. These scenarios include a range of estimated impacts, primarily based on providing additional support to portfolio companies as a result of the downturn and delaying the Group's ability to realise and make new investments. A key judgement applied is the extent of the impact of the ongoing Russian invasion of Ukraine together with the effects of higher inflation and tighter monetary policy. The scenarios tested are as follows:

- Widespread economic turmoil – considers the impact of a recession, triggered by persistent inflation, high interest rates and weak consumer demand, with a significant impact on valuations and realisations;
- Concentration risk – considers a material adverse event affecting a single large asset in the investment portfolio;
- Combined scenario with widespread economic turmoil and concentration risk – considers both scenarios occurring at the same time;
- Loss of key personnel – considers the impact of the loss of key personnel;
- Impact of a significant event – considers the impact of a loss in value of certain portfolio companies following a material event such as significant operational underperformance, covenant breaches, fraud, a cyber security breach or other ESG issues; and
- Climate change – considers the impact of climate change on 3i's portfolio, driven by changes in consumer behaviour, regulations, and other physical and business risks.

The assessment projects the amount of capital the Group needs in the business to cover its risks, including financial and operational risks, under such stress scenarios. The results of each of the stress test scenarios indicate that the Group is able to meet its obligations as they fall due for the viability period over three years from the date of approval of these financial statements by, in certain cases, making use of controllable management actions. In all these scenarios the Directors expect the Group to be able to recover without a permanent long-term impact on its solvency or capital requirements.

Mitigating actions within management control include reducing new investment levels, dividend levels and drawing on the existing RCF. The analysis shows that, while there may be a significant impact on the Group's reported performance in the short term under a number of these scenarios, the resilience and quality of the balance sheet is such that solvency is maintained, and the business remains viable.

As part of the assessment of viability and medium-term resilience, the Group also undertakes reverse stress testing to identify the circumstances under which the Group's business model would no longer remain viable. These circumstances include a prolonged delay in the projected realisation date of investments, at the same time as continued investment by the Group at a level not supported by the liquidity forecast. In the absence of any mitigating management actions, these reverse stress tests determine the point at which the Group would lack the liquidity to remain viable. Overall, the reverse stress tests are sufficiently improbable as to provide a low risk of impact to the Group's viability and medium-term resilience. In practice, in the event of a market downturn and a significant delay in realisations, mitigating actions within management control would be exercised to provide sufficient liquidity.

Taking the inputs from the strategic planning process and its stress scenarios, the Directors reviewed an assessment of the potential effects of 3i's principal risks on its current portfolio and forecast investment and realisation activity, and the consequent impact on 3i's capital and liquidity.

Based on this assessment, the Directors have a reasonable expectation that the Company and the Group will be able to continue in operation and meet all their liabilities as they fall due up to at least the end of the three-year period of the assessment.

Long-term resilience

The long-term resilience of our business is underpinned by our capabilities as a leading investor in Private Equity and Infrastructure and our effective risk management of the core elements of our business model (pages 12 to 13). This includes our long-term responsible approach to investment, conservative balance sheet strategy and an effective team built on a consistent set of shared values.

Fundamental to our long-term resilience is our investment strategy. We invest capital in businesses to deliver capital returns and portfolio and fund management cash income to cover our costs, and increase returns to our investors. Our long-term investment horizon is possible because we have a permanent capital base and are not driven by fundraising cycles. We adopt a sector and thematic approach to origination and portfolio construction which in turn supports long-term sustainable growth in the portfolio.

Crucially, this investment approach can be adapted in response to new and emerging risks and challenges including climate change, societal and demographic trends and technological changes. It also informs decision taking on portfolio realisations enabling the composition of the investment portfolio to evolve over time.

The analysis and management of our principal risks is focused on the short to medium term, and used as a basis to develop a range of stress test scenarios. Although these are modelled over a five-year horizon, the resilience shown by the Group, and its ability to recover from these stressed situations, supports the assessment of our resilience over a longer term. The availability and effectiveness of management actions employed in the stress testing demonstrates the flexibility with which we can respond to new and emerging risks.

Valuations Committee report

Peter McKellar
Committee Chairman

Committee membership

Committee membership	Meetings
Peter McKellar (Chairman)	4(4)
Simon Borrows	4(4)
Stephen Daintith	4(4)
James Hatchley[1]	3(3)
David Hutchison	4(4)
Lesley Knox	2(4)
Alexandra Schaapveld	4(4)
Julia Wilson[2]	1(1)

The column above headed "Meetings" shows the number of meetings of the Committee attended by each member during the year, together with, in parentheses, the number of meetings they were entitled to attend. Other regular attendees at the Committee include the following: Audit and Compliance Committee Chair; Chief Operating Officer; Group General Counsel; Managing Partners of Private Equity; Director of Group Reporting and Valuations; and the External Auditor, KPMG LLP.

[1] Mr Hatchley was appointed to the Board on 12 May 2022.
[2] Ms Wilson retired from the Board on 30 June 2022.

> "I am pleased to present the Valuations Committee report for the year ended 31 March 2023. My report explains the role of the Committee, as well as the work we reviewed this year."

Dear Shareholder

The Valuations Committee plays a key role in providing the Board with assurance that the valuation methodology and process are robust and independently challenged. During the year, we met four times as part of the Group's external reporting timetable. We reviewed and challenged the assumptions behind management's proposed asset valuations and reported to the Audit and Compliance Committee and the Board.

Our principal focus year on year is the Group's unquoted investments in Private Equity and Infrastructure, as well as in Scandlines, as a high level of judgement is required to value this portfolio of assets. This portfolio accounts for 95% of 3i's investment portfolio. The valuation of the Group's largest Infrastructure investment, namely the quoted holding in 3iN, represents 5% of 3i's investment portfolio, and the valuation is based on the share price of the listed company at the relevant balance sheet date.

At the start of FY2023, the Valuations Committee's main area of attention was on the immediate impact of Russia's invasion of Ukraine. Through our March 2022 individual portfolio company review ("PCR") process and rigorous portfolio monitoring, we quickly established the limited value impact on our portfolio. The focus for the remainder of FY2023 was the challenging macroeconomic headwinds, such as rising inflation and energy prices and weakening of consumer sentiment affecting some of our portfolio companies. The majority of our portfolio companies continue to mitigate these headwinds through effective margin management, operational efficiencies and organic and acquisitive growth. A small number of our portfolio companies, mainly concentrated in the discretionary consumer sector, have seen significant trading pressure and external sector derating which we reflected in the valuations of Luqom and YDEON in particular.

VALUATIONS COMMITTEE'S TERMS OF REFERENCE
www.3i.com/investor-relations/governance/principal-board-committees

At each Committee meeting we received a detailed report from the Group Finance Director and Chief Operating Officer recommending the proposed valuation of the Group's investment portfolio. This report highlights the main drivers of value movement, analysed between performance (movement in earnings and net debt), multiple movements and other factors. At each meeting we also reviewed selected assets for detailed discussion; examples of such assets covered during the year included Action, Evernex, Mepal, MPM, Luqom and YDEON.

I met the Group Finance Director and Chief Operating Officer in advance of each meeting to discuss the key valuation assumptions and to review management's paper before circulation. I also met the External auditor, KPMG, privately to discuss the results of its quarterly reviews. These reviews challenged management's approach to valuations, the selection of comparable companies and the relevance of earnings adjustments. Additionally, KPMG selected a sample of 14 assets across the half-year and full-year ends for an in-depth review by its specialist valuations team to help to derive an independent valuation range. In January 2023, KPMG and I discussed their approach to the year-end audit and their sample of assets selected.

In advance of the full-year and half-year ends, management hold PCR meetings with the respective investment teams. Non-executive Directors, including members of the Committee, attended a significant proportion of the meetings held in September 2022 and March 2023.

Our valuation approach remains consistent. The valuation inputs for the Group's portfolio companies are reviewed on a case-by-case basis and considered against business plans, budgets, shorter and longer-term views on trading, and sector performance. Management considers various data points to support the fair value of investments, including estimates of run-rate and forecast earnings and the maintainability of these, in addition to historic earnings. A very small portion of our portfolio is at an earlier stage of its growth cycle than our traditional investments. For those investments we consider financial and operational milestones to inform fair value, as well as triangulation to a discounted cash flow ("DCF") model. The judgements applied and resulting valuations were discussed with the Committee and the External auditor throughout the year.

We continue to progress our ESG agenda, focusing on supporting our portfolio companies through their ESG initiatives and preparing the Group to comply with ESG regulatory reporting requirements. We embed an assessment of ESG factors throughout our investment lifecycle. These assessments, which are typically included as part of our PCR process, help inform investment decisions, mitigation of risk or value creation opportunities. It is our view that portfolio companies that have high ESG standards are better able to achieve sustainable business growth. Management continues to progress the collection of quantitative and qualitative ESG data and the ability to store and monitor it. As part of our case-by-case review of our portfolio companies the risks and opportunities from climate change are an important consideration in the overall discussion on fair value.

The rest of this report sets out in more detail what the Committee did in the year.

Peter McKellar
Chairman, Valuations Committee

10 May 2023

The Committee focused on the following significant issues in FY2023:

Earnings and multiple assumptions

Area of significant attention

Of the total portfolio by value, 88% is valued using a multiple of earnings at 31 March 2023, or 27% excluding Action (see further detail on Action as an area of significant attention on page 129). This requires judgement, as the earnings of the portfolio company may be adjusted so that they are considered "maintainable". We also apply a liquidity discount to the enterprise value determined according to factors such as our alignment with management and other shareholders and our investment rights in the company. The liquidity discounts vary between 5%-25% of the enterprise value of each portfolio company.

There is also a significant degree of judgement in selecting the set of comparable quoted companies and transactions which are used as a key data point in determining the appropriate multiple to calculate an enterprise value. Multiples are selected by reference to the market valuation of quoted comparable companies, M&A transactions and input in certain cases from corporate finance advisers. We also take into account growth profile, geographic location, business mix, degree of diversification, and leverage/refinancing risk. The multiple implied by the quoted comparables may be adjusted if, in certain cases, the longer-term view (cycle or exit plan) supports the use of a different multiple. This continues to be an important exercise given the market volatility we have seen as a result of the macroeconomic environment. We continue to consider the impact of IFRS 16 and ASC 842 on the quoted comparable companies for those assets that report under local GAAP.

Private Equity assets are typically valued using a multiple of earnings. However, alternative valuation methodologies, such as DCF valuations, may be considered as an alternative benchmark for potential values or as a cross-check relative to the earnings-based valuation.

In the year, the Committee placed a key focus on:

- the revised projections for each portfolio company versus performance, considering the impact of increased costs and market sentiment;
- the maintainability of earnings across LTM, forecast and run-rate earnings and the impact of one-off related normalisation adjustments; and
- our long-term, through-the-cycle, view on multiples against the volatility of capital markets and the average of the quoted comparable peer sets.

What the Committee reviewed and concluded

Earnings data is received monthly from Private Equity portfolio companies and monitored closely by management. Actual earnings may then be adjusted in management's proposed valuations, for example, to reflect a full year's trading of an acquired business, removing profit from discontinued activities, any forecast uncertainty or to exclude exceptional transaction costs. Material adjustments are highlighted to the Committee in the quarterly report for review and approval.

All multiples used by management have been adjusted where the longer-term view of the exit or multiple supports the use of a different multiple. At 31 March 2023, three portfolio company valuation multiples, including Action, were valued above their peer set averages but remain well within the peer set range. Notable changes in multiples, which commonly result from significant bolt-on acquisitions, a change in performance or a shift in market sentiment in that sector, are presented to the Committee quarterly and adjustments are reviewed by the Committee at each meeting.

The Committee focused on the following significant issues in FY2023:

Action

Area of significant attention

Action forms 61% of the total portfolio by value. Valued on a multiple of earnings basis, Action is the largest investment for the Group and, therefore, its valuation is a key area of focus.

Action's run-rate earnings grew significantly in the 12 months to the end of Action's P3 2023 (which ended on 2 April 2023), driven by further new store openings, higher footfall and a higher number of transactions. Action's buying power, flexibility in its category assortment and ability to absorb some of the inflationary pressure enabled it to manage both cost and pricing effectively. Action remains highly cash generative and the business distributed two dividends to all shareholders in the year, of which 3i received £325 million.

Action was valued using its run-rate earnings for the 12 months to P3 2023 of €1,439 million and a run-rate multiple of 18.5x (31 March 2022: 18.5x) after applying a liquidity discount of 5%.

When considering the multiple for Action we paid particular attention to the following areas:

- the appropriateness of the comparable peers from both a forward and backward-looking view; and
- the performance of peers compared to that of Action.

Management also cross-checked the earnings-based valuation against a DCF model.

What the Committee reviewed and concluded

The Committee noted Action's excellent performance in the year, against a very challenging macroeconomic environment.

The Committee reviewed the work done by management on the comparable peer set and Action's relative performance across its key performance indicators, as well as the potential use of the DCF model.

The Committee agreed with management's approach of valuing Action on the basis of a multiple of earnings, but noted that the DCF model provides a useful reference point.

The Committee reviewed the run-rate adjustments and earnings normalisations to ensure a consistent valuation methodology was applied.

Assets valued using a DCF basis

Area of significant attention

For assets valued using a DCF basis, which represent 6% of the total portfolio by value, the key valuation judgements relate to longer-term assumptions that drive the underlying business plan and cash flows and decisions on the appropriate discount rates.

Scandlines, Smarte Carte, Regional Rail and EC Waste are the significant investments valued using a DCF valuation basis. In the year, Christ, previously valued on a DCF basis, was sold and we moved Audley Travel from a DCF basis to an earnings basis.

What the Committee reviewed and concluded

Material assumptions for the DCF valuations and any changes to these assumptions are reviewed by the Committee. Sensitivity to assumptions is also noted. Any material changes are reviewed by the Committee and external advice is sought from time to time.

The Committee focused on the following significant issues in FY2023:

Imminent sale assets	Area of significant attention	What the Committee reviewed and concluded
	At any point in time it is likely that a number of potential exit processes from the portfolio are underway. Judgement is applied by management as to the likely eventual exit proceeds and certainty of completion. This means that in some cases an asset may not be moved to an imminent sales basis until very shortly before completion; in other cases, the move may occur on signing, even if the time to completion is a period of some months. However, as a general rule an asset moves to an imminent sale basis only when a process is materially complete and the remaining risks are estimated to be small, given the completion risk around unquoted equity transactions.	Active sales processes are reviewed by the Committee, including details such as the timeline to potential completion, the number and make-up of bidders for investments, execution and due diligence risks, and regulatory or competition clearance issues. Management proposes a treatment for each asset in a sales process, which the Committee reviews at each meeting. The Committee discussed the disposals of Havea and Christ, which were realised at premiums of 50% and 45% respectively, relative to their opening valuations. The Committee also considered the partial disposals of Q Holding. Although not an area of valuation judgement, the Committee reviews the results of the back-testing that management prepares on material assets disposed of to reconcile the price achieved with the carrying value at the last quarterly valuation. In the case of Havea, continued strong performance and a competitive exit process led to a significant uplift over opening value.

Review process

As part of its challenge and review process, the Committee:

- considered the management information provided to support the Committee's review of the valuations, including management's responses to any challenges raised by Committee members or the External auditor;
- sought assurance from the External auditor as to whether and how they had considered the appropriateness of valuations and the underlying assumptions made;
- reviewed the consistency of the views of management and the External auditor and their valuation specialists; and
- reviewed and challenged the differential between carrying values and those implied by the multiples of comparable quoted companies and transactions.

The Committee was satisfied that the application of the valuation policy and process was appropriate during the period under review, and recommended the portfolio valuation to the Audit and Compliance Committee and the Board at each quarter end for approval by the Board.

In addition, the Committee is responsible for keeping the Group's valuation policy under review and recommending any changes to the policy to the Audit and Compliance Committee and the Board. The policy is reviewed at least annually, with the last update in January 2023, incorporating minor updates following the release of the revised IPEV guidelines in December 2022. Management was involved in the consultation process.

More information on our valuation methodology, including definitions and rationale, is included in Note 13 - Fair values of assets and liabilities on page 184 and in the Portfolio valuation – an explanation section on page 229.

External audit

As part of its year-end audit, KPMG's specialist valuations team reviews a selection of investments to support its overall audit opinion on the financial statements as a whole.

Directors' remuneration report

Coline McConville
Committee Chair

Committee membership during the year

Name	Membership status	Meetings
Coline McConville	Chair since June 2020 and member since December 2018	6(6)
Caroline Banszky	Member since November 2015	6(6)
David Hutchison	Member since December 2013 and until March 2023	6(6)
Lesley Knox	Member since November 2021	6(6)
Peter McKellar	Member since June 2021	6(6)

The column above headed "Meetings" shows the number of meetings of the Committee attended by each member during the year, together with, in parentheses, the number of meetings they were entitled to attend.
The Chief Executive, the Remuneration Director and the General Counsel & Company Secretary attend Committee meetings by invitation, other than when their personal remuneration is being discussed.

Dear Shareholder

This letter summarises the key Executive Director remuneration issues considered by the Committee in the year and decisions we arrived at.

FY2023 Performance

Against the backdrop of very strong overall results for the year, the FY2023 scorecard, as set out in the annual report on remuneration, shows good performance against the scorecard's financial metrics, and also strong performance against the qualitative measures set for the year.

3i generated a total return on shareholders' funds in the year of 36%, delivered predominantly by the strong performance of Action, as well as through good contributors from the majority of the remaining portfolio, particularly those operating in the value-for-money and private label, healthcare and infrastructure sectors. This was achieved in spite of challenging macroeconomic headwinds including the consequences of Russia's invasion of Ukraine, high inflation, rising interest rates and increased energy prices plus some ongoing Covid-19 unwind difficulties. The Group's clear and consistent strategy has ensured that our portfolio, while not immune to these pressures, has shown resilience at all stages of the economic cycle.

The Private Equity business completed four deals in the year, as well as 11 bolt-on acquisitions, in a market that has slowed considerably in 2022 as compared to 2021. Despite challenging market conditions, Private Equity realised proceeds of £857 million, demonstrating the appeal of our portfolio companies.

Demand for Infrastructure assets continued but we remained disciplined on price when deploying capital. 3iN completed two new investments in the year, and our North America infrastructure team also closed two bolt-on acquisitions for Regional Rail and one for EC Waste.

We have made significant progress in the year on our sustainability agenda. We have implemented a range of sustainability initiatives within the Group and across the portfolio prioritising portfolio emissions data collection, ESG training, climate scenario analysis and deepening our engagement with (and support for) the portfolio on ESG matters. After careful consideration, we have committed to setting a near-term science-based target for the Group under the Science Based Targets initiative. Work is underway to formulate a science-based target covering the Group's direct Scope 1 and 2 emissions, as well as the Scope 3 emissions associated with our portfolio. We expect to submit a target for validation during FY2024. Meanwhile, a significant proportion (83%) of our core portfolio companies now report Scope 1 and 2 carbon emissions.

During the year the Company successfully implemented a foreign exchange hedging programme to partially reduce the sensitivity of the Group net asset value and the impact of mismatched currency cash flows to changes in euro and US dollar exchange movements. The exposure of the Group's underlying investment portfolio to currency fluctuation has increased significantly in recent years due to the growth of our existing European and US portfolio businesses and them being denominated in euro or US dollars.

This year's results are reflected in the outcomes against the FY2023 scorecard, and the Committee determined that the FY2023 bonus awards be set at 85% of maximum (FY2022: 98% of maximum) for Executive Directors. The Committee considered that the formulaic outcome under the scorecard was a fair reflection of overall performance and that it was not necessary to exercise any upward or downward discretion to adjust the outcome.

2020 LTIP outcomes

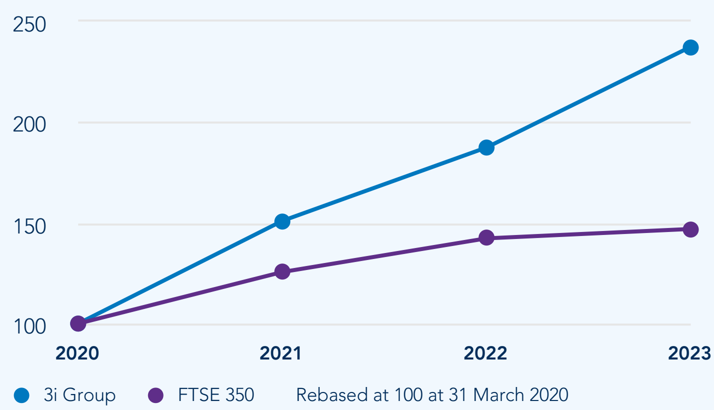
In line with the approach that has been in place since 2013, the 2020 LTIP award was based on two equally weighted performance conditions: absolute TSR and relative TSR against the FTSE 350. You will see in this report that based on performance over the three year period, the 2020 LTIP achieved 100% vesting with absolute TSR growth of 20% per annum and relative TSR well above the upper decile of the peer group. The starting share price of 1,006 pence used for measurement of TSR performance was based on the three-month average closing share price from 1 January 2020 to 31 March 2020 (i.e. a period that was mostly undisturbed by the steep falls in the share price due to Covid-19).

In considering whether any windfall gain adjustment was appropriate for awards, the Committee took into account a number of factors both at grant and at vesting, including:

- The starting share price of 1,006 pence for measurement of TSR compared to the 798.4 pence share price on the date of the award (which was used to calculate the number of shares) meant that the element of the award subject to absolute TSR was 21% (i.e. 207.6 pence) underwater. Therefore, TSR of 27.5% per annum was required to achieve full vesting of the absolute TSR element, which further increased the stretch in the target.
- The exceptional performance of the business over the measurement period including Gross Investment Returns of 26% in FY2021, 43% in FY2022 and 36% in FY2023 and the strong TSR performance as shown in the graph opposite.
- The strict and consistent application of the policy during the period, where bonus awards for FY2020 were materially reduced and previous LTIP cycles were impacted by absolute TSR performance.

Factoring in all of the above, the Committee considered that the value of awards being released was appropriate without adjustment.

3i total shareholder return vs FTSE 350 total return over the 3 years to 31 March 2023



Looking forward

As noted in my letter last year, Jasi Halai and James Hatchley joined the Board on 12 May 2022, with remuneration arrangements set in line with the shareholder approved policy and at a level that would allow progression in their roles over time.

Following a review of Jasi's performance and progress in the role, the Committee feels that it would be appropriate to increase Jasi's base salary by 7.5%, an increase that is the same rate as for those outside the higher earners (including senior management) within 3i. As Jasi continues to develop in her role the Committee may want to acknowledge this through periodic base salary increases at a higher percentage than other Executive Directors, as appropriate.

As set out in the report, the base salaries for Simon Borrows and James Hatchley are to be increased by 3.75%, in line with other senior employees in the Group. The Committee will continue to keep their remuneration arrangements under review.

Remuneration policy

Our remuneration policy being presented to shareholders this year remains largely unchanged since it was first presented to shareholders in 2014. This clear, simple and consistent policy has delivered short-term and long-term remuneration outcomes that are directly linked to the Company's strategic objectives.

I hope that you will find this report a clear account of the way in which the Committee has implemented the remuneration policy during the year and I look forward to your support for our Annual Report on Remuneration and Remuneration Policy at the upcoming AGM.

Coline McConville
Chair, Remuneration Committee
10 May 2023

The Annual report on remuneration (Implementation report)

During FY2023, we operated under the remuneration policy approved at the 2020 AGM, which can be found on our website at **www.3i.com**.

Director remuneration for the year (audited)

Single total figure of remuneration for each Director

								FY2023								FY2022
£'000	**Salary /fees**	**Benefits**	**Pension**	**Total Fixed Pay**	**Annual bonus**	**LTIP**	**Total Variable Pay**	**Total**	Salary/ fees	Benefits	Pension	Total Fixed Pay	Annual bonus	LTIP	Total Variable Pay	Total
S A Borrows	**687**	**16**	**18**	**721**	**2,357**	**5,464**	**7,821**	**8,542**	661	16	18	695	2,613	2,907	5,520	6,215
J G Hatchley	**431**	**14**	**45**	**490**	**921**	**282**	**1,203**	**1,693**	–	–	–	–	–	–	–	–
J S Wilson	**121**	**5**	**13**	**139**	**–**	**–**	**–**	**139**	481	18	51	550	1,188	1,321	2,509	3,059
J H Halai	**298**	**16**	**31**	**345**	**573**	**190**	**763**	**1,108**	–	–	–	–	–	–	–	–
D A M Hutchison	**325**	**–**	**–**	**325**	**–**	**–**	**–**	**325**	187	–	–	187	–	–	–	187
S R Thompson	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	191	–	–	191	–	–	–	191
C J Banszky	**96**	**–**	**–**	**96**	**–**	**–**	**–**	**96**	93	–	–	93	–	–	–	93
S W Daintith	**84**	**–**	**–**	**84**	**–**	**–**	**–**	**84**	81	–	–	81	–	–	–	81
L M S Knox	**94**	**–**	**–**	**94**	**–**	**–**	**–**	**94**	44	–	–	44	–	–	–	44
P A McKellar	**96**	**–**	**–**	**96**	**–**	**–**	**–**	**96**	72	–	–	72	–	–	–	72
C McConville	**96**	**–**	**–**	**96**	**–**	**–**	**–**	**96**	93	–	–	93	–	–	–	93
A Schaapveld	**84**	**–**	**–**	**84**	**–**	**–**	**–**	**84**	81	–	–	81	–	–	–	81

- The amounts shown in the above table represent the remuneration paid to Mr Hatchley and Ms Halai from appointment to the Board on 12 May 2022, apart from the LTIP, which is the full value of shares vesting. The amounts shown for Mrs Wilson represent payments made for FY2023 up until retiring from the Board on 30 June 2022.
- Benefits for Executive Directors include a car allowance, provision of health insurance and, for Mrs Wilson and Ms Halai, the value of the Share Incentive Plan matching share awards.
- The amounts shown as pension are salary supplements in lieu of pension contributions. These supplements were in line with pension contributions for the Group's employees generally (12% of pensionable salary).
- Annual bonus awards made in respect of the year are delivered as 60% 3i Group plc shares deferred over four years, and the remaining 40% as a cash payment in May 2023. All annual bonus awards are subject to the malus/clawback policy. Those shares deferred over four years are released in four equal annual instalments commencing June 2024 and all share awards carry the right to receive dividends and other distributions.
- In addition to the table above, dividends or dividend equivalents on unvested deferred share awards were paid during the year (Mr Borrows: £139k, Mr Hatchley: £56k, Ms Halai: £14k and Mrs Wilson: £63k).
- The values shown in the FY2023 LTIP column represent the performance shares vesting from the 2020 LTIP, together with the value of accrued dividends on those shares. The shares have been valued using the three-month average closing share price to 31 March 2023 (1,559.45 pence). The 2020 LTIP value attributable to share price growth since the awards were granted is £2,469k, £127k and £86k for Mr Borrows, Mr Hatchley and Ms Halai respectively. Further detail is provided on page 137. The values shown in the FY2022 LTIP column represent the shares that vested from the 2019 LTIP last year, together with the value of accrued dividends on those shares. This value has been restated using the prevailing share price at the time of vesting (1,123.5 pence), being the third anniversary of grant (i.e. 27 June 2022).
- The fees shown for the non-executive Directors include fees used to purchase shares in the Company.
- Non-executive Directors receive reimbursement for their reasonable expenses for attending Board meetings. The Group meets the associated tax cost.
- Mr Hatchley retained Directors's fees of £8k from Great Ormond Street Hospital for Children NHS Foundation Trust (to 30 September 2022) and Ms Halai retained Directors' fees of £43k from Porvair plc (to 31 January 2023) and £17k from Barratt Developments plc (from 1 January 2023).

FY2023 performance

Formulaic performance measures (70% of total. FY2022 payout 55.5%)

Area of strategic focus	Weighting	Metric	Threshold	Maximum	Performance	Pay-out
Portfolio returns (excl. Action)	30.0 %	Private Equity Gross investment return (% of opening portfolio value)	10 %	15 %	12 %	52 %
Portfolio returns (Action)	27.5 %	Gross investment return (% of opening portfolio value)	17 %	23 %	61 %	100 %
Portfolio returns	7.5 %	3iN total return	8 %	10 %	15 %	100 %
Portfolio returns	2.5 %	Scandlines return	8 %	10 %	9.8 %	92 %
Operating performance	2.5 %	Operating cash profit	£0m	>£0m	£364m	100 %

- The successful implementation of foreign currency hedging across our portfolio improved the Private Equity Gross investment return by 2%.
- The threshold and maximum return targets are set in line with 3iN's public return objectives.
- Excluding the dividend received from Action (£325 million) the operating cash profit was £39 million.

Qualitative performance measures (30% of total. FY2023 payout 29.5%)

Area of strategic focus	Weighting	Metric	Expectation	Performance	Comments
Investment management and operations	7.5%	Private Equity portfolio earnings growth	>10%	18%	90% of our portfolio by value grew earnings to the end of 2022, with particularly strong performance from our assets operating in the value-for-money and private label and healthcare sectors.
		New capital invested in Private Equity	Up to €700m	€394m	Total new capital invested in Private Equity in the year reflects the considerable slow-down in these markets during FY2023 compared to prior years. The Private Equity business continued its disciplined approach to the deployment of capital in these markets and we invested in four new portfolio companies, xSuite, Konges Slojd, VakantieDiscounter and Digital Barriers. In the year, we also completed 11 bolt-on acquisitions, three of which we supported with further investment of £63 million.
		New 3iN capital committed in Core/PPP	£500m	£416m	The demand for Infrastructure assets remained strong and the team has continued to deploy capital while retaining its pricing discipline. During the year the 3iN team completed the acquisitions of Global Cloud Xchange and Future Biogas as well as the purchase of an additional stake in TCR (a portion of which was subsequently syndicated to external investors).
		Development of assets relative to their investment plans			The Group has continued to benefit from the carefully constructed portfolio, in both the Private Equity and Infrastructure businesses, aligned around specific sectors whose growth characteristics have supported performance and underpinned its resilience. The portfolio is effectively managed to support them addressing current challenges including inflationary pressures, supply chain issues and the reduction in some areas of consumer spending. In aggregate, in a challenging environment, we generated total Private Equity proceeds of £857 million, including Havea (£471 million), at a healthy premium to opening value, and three partial disposals by Q Holding (£332 million).

The Annual report on remuneration (Implementation report) continued

Area of strategic focus	Weighting	Metric	Expectation	Performance	Comments
ESG	10.0%	Environmental, social and governance targets across the portfolio and 3i Group			We continue to make good progress in developing the Group's ESG strategy. The ESG Committee met frequently through the year and focused on portfolio data collection and management, climate training, climate scenario analysis as well as deepening ESG engagement with the portfolio. After careful consideration, we have made a public commitment under the Science Based Targets initiative to set near-term science-based targets for the Group. Work is now underway to formulate science-based targets that will cover the Group's direct Scope 1 and 2 emissions, as well as the Scope 3 emissions associated with our portfolio. We expect to submit a target for validation during FY2024.The Board has received regular reports on progress, and this complex project is ongoing. The Company has supported nine charity partners which work across a variety of areas, donating a total of £1 million. In addition, £500,000 was donated to the Turkey Mozaik Foundation in support of victims of the earthquake in Turkey and Syria.
Strategy	5.0%	Development of the strategic vision of the Group and progress of corporate projects			The Company invested £30 million to purchase a small additional stake in Action as part of a liquidity window and at the same time we crystallised c. £200 million of the outstanding carried interest in the Buyouts 2010-12 scheme relating to Action. The North American Infrastructure platform delivered solid performance. Regional Rail expanded its footprint through two bolt-on acquisitions and one new rail services contract, including three short-line railroads in the Midwest region of the US and several short-line railroads in Canada. Smarte Carte traded strongly in 2022 driven by robust US travel and retail demand across each of its lines of business, coupled with a steady recovery in international volumes. During the year the Company successfully implemented a foreign exchange hedging programme to partially reduce the sensitivity of Group net asset value and impact of mismatched currency cash flows to changes in euro and US dollar exchange movements. The exposure of the Group's underlying investment portfolio to euro and US dollar movements has increased significantly in recent years due to the growth of our existing European and US portfolio businesses and due to most new investments being denominated in euro or US dollars.
People	7.5%	Development of the quality and strength of the Group's staff			The transition of the Finance Director, the appointment of the new Chief Operating Officer and the appointment of the co-heads of Infrastructure were completed successfully during the year. The newly promoted Private Equity Partners have bedded in well and the leadership of Private Equity is reviewing origination capabilities and structure across the team. We continue to take part in various initiatives to improve DE&I internally and across the industry, including sponsorship of Level 20, offering internships as part of GAIN (Girls are Investors) and #10000BlackInterns programmes.

Consistent with previous years, the Board did not set a threshold and maximum for all metrics, and set expectations rather than targets for some. This is because the timing of investments and realisations is highly sensitive to market conditions, and a more prescriptive approach would run the risk of creating perverse incentives for executives. For example, setting a target level of realisations may result in the earlier sale of assets than would otherwise be appropriate, and setting a target level of investments may result in investing at inflated prices.

Executive Director annual bonus outcomes

In light of the performance detailed above, and following an assessment taking into account the shareholder, employee, and wider stakeholder experience, the Committee awarded bonuses to the Executive Directors of 85% of maximum. The Committee considered that the formulaic outcome under the scorecard was a fair reflection of overall performance and that it was not necessary to exercise any upward or downward discretion to adjust the bonus outcomes. Bonuses are delivered as 40% paid in cash immediately and 60% deferred into the Company's shares, vesting in equal instalments over four years. Annual bonus awards are subject to the malus/clawback policy.

Share awards vesting in FY2023 subject to performance conditions

2020 Long-term incentive award (audited)

The Long-term incentive awards granted in June 2020 were subject to performance conditions based on absolute and relative Total Shareholder Return over the three financial years to 31 March 2023. The table below shows the achievement against these conditions and the resulting proportion of the awards which will vest in June 2023.

	Weighting	Threshold		Maximum		Actual		Total
Total Shareholder Return Measure	%	Performance	% vesting	Performance	% vesting	Performance	% vesting	% vesting
Absolute Total Shareholder Return	50 %	10% pa	20 %	18% pa	100 %	20% pa	100 %	100 %
Relative Total Shareholder Return (as measured against the FTSE 350 Index)	50 %	Median	25 %	Upper quartile	100 %	Above Upper quartile	100 %	

The table below shows the grants made to each Executive Director on 27 June 2020 at a share price of 798 pence and the resulting number of shares that will vest due to the achievement against the performance targets as set out above. The value of the shares vesting has been included in the single figure table using the three month average closing share price to 31 March 2023 of 1,559.45 pence.

As set out in the cover letter from the Committee Chair, reflecting on performance delivered over the performance period (in terms of operational performance of the business and returns delivered to our shareholders), the Committee considered the formulaic out-turn to be an appropriate reflection of performance and therefore did not exercise any discretion or downwards adjustment in relation to the award.

	Basis of award at grant	Face value at grant £'000	Number of shares awarded at 798p per share	% vesting	Number of shares vesting	Value of shares vesting at 1,559.45p per share £'000
S A Borrows	Face value award of 4 times base salary of £647k	2,587	324,230	100 %	324,230	5,056
J Hatchley	Discretionary award made in 2020	134	16,760	100 %	16,760	261
J Halai	Discretionary award made in 2020	90	11,272	100 %	11,272	176

The proportion of the award vesting to Simon Borrows is subject to a further holding period, and shares will be released on the fifth anniversary of grant together with the value of dividends that would have been received during the period from grant to the release date. The awards made to James Hatchley and Jasi Halai were granted before they became Executive Directors and are not subject to a further holding period. Accordingly, they will be released in June 2023.

Change in the remuneration of the Directors compared to other employees

The table below shows the percentage change in remuneration paid to each Director and employees as a whole for the past three performance years.

	FY2023			FY2022			FY2021		
	Salary/Fees	Benefits	Bonus	Salary/Fees	Benefits	Bonus	Salary/Fees	Benefits	Bonus
S A Borrows	4 %	0 %	(10)%	3 %	0 %	9 %	0 %	0 %	149 %
J G Hatchley	–	–	–						
J H Halai	–	–	–						
D A M Hutchison	0 %	–	–	85 %	–	–	9 %	–	–
C J Banszky	0 %	–	–	0 %	–	–	0 %	–	–
S W Daintith	0 %	–	–	0 %	–	–	0 %	–	–
L M S Knox	0 %	–	–	0 %	–	–	0 %	–	–
P A McKellar	0 %	–	–	0 %	–	–	0 %	–	–
C McConville	0 %	–	–	3 %	–	–	3 %	–	–
A Schaapveld	0 %	–	–	(5)%	–	–	467 %	–	–
All other employees	13 %	2 %	6 %	7 %	9 %	32 %	2 %	2 %	76 %

D A M Hutchison was appointed Chairman in November 2021. The change in the fees shown above is due to part-year payments.

Details of share awards granted in the year

LTIP

Performance share awards were granted to the Executive Directors during the year as shown in the table below.

Description of award	A performance share award, which releases shares, subject to satisfying the performance conditions, on the fifth anniversary of award.
Face value	Chief Executive – 400% of salary, being 210,792 shares. Group Finance Director – 250% of salary, being 92,892 shares. Chief Operating Officer - 225% of salary, being 57,810 shares. The share price used to make the award was the average mid-market closing price over the five working days starting with the day of the announcement of the 2022 annual results (1,315.5 pence). We continue to apply our long-held consistent policy of measuring performance using the three-month average closing share price to 31 March and granting awards using the five-day average closing price (starting on the day of the announcement of the annual results).
Performance period	1 April 2022 to 31 March 2025.
Performance targets	50% of the award is based on absolute TSR measured over the performance period, and vests: • 0% vesting below 10% pa TSR; • 20% vesting at 10% pa TSR; • straight-line vesting between 10% and 18% pa TSR; and • 100% vesting at 18% pa TSR. 50% of the award is based on relative TSR measured against the FTSE 350 Index over the performance period, and vests: • 0% vesting for below median performance against the index; • 25% vesting for median performance against the index; • 100% vesting for upper quartile performance against the index; and • straight-line vesting between median and upper quartile performance. Total shareholder returns are calculated based on the average closing share price over the first three months of the calendar year.
Remuneration Committee discretion	The Committee can reduce any award which would otherwise vest if there are unauthorised breaches of the Group's liquidity and gearing policies or where significant adjustment is required to ensure the outcome is a fair reflection of the performance of the Company and the individual.

Deferred bonuses awarded in FY2023

The Chief Executive is considered to be Identified Staff and, for awards made during FY2023, 60% of the annual bonus was delivered in 3i Group plc shares deferred over four years (and which vest one quarter per annum over those four years). The remaining 40% was delivered as a cash bonus in May 2022. The awards for Mr Hatchley and Ms Halai were made while they were Directors but are in respect of performance in their roles prior to being appointed to the Board. The following awards were made on 4 June 2022 in respect of FY2022 performance:

	Face value at grant	Number of shares awarded at 1,315.5p per share	Vesting
S A Borrows	£1,568k	119,178	Four equal instalments annually from 1 June 2023
J G Hatchley	£821k	62,441	Three equal instalments annually from 1 June 2023
J H Halai	£212k	16,115	Three equal instalments annually from 1 June 2023

The face value of the award made to Mr Borrows was reported in the FY2022 single figure of remuneration. The share price used to calculate face value was the average of the mid-market closing prices over the five working days starting with the date of the announcement of the Company's results for the year ended 31 March 2022 (12 May 2022 to 18 May 2022), which was 1,315.5 pence. These awards are not subject to further performance conditions but are subject to our malus and clawback policy.

Share Incentive Plan

During the year, Mrs Wilson and Ms Halai participated in the HMRC approved Share Incentive Plan which allowed employees to invest up to £150 per month from pre-tax salary in ordinary shares ("partnership shares"). For each partnership share, the Company grants two free ordinary shares ("matching shares") which are forfeited if the participant resigns within three years of grant. Dividends are reinvested in further ordinary shares ("dividend shares").

During the year, Mrs Wilson purchased 36 partnership shares, and received 72 matching shares at prices ranging between 1,118.67 pence and 1,296.17 pence per share, with an average price of 1,231.78 pence. Ms Halai purchased 138 partnership shares, and received 276 matching shares and 816 dividend shares at prices ranging between 1,105.17 pence and 1,649 pence per share, with an average price of 1,330.83 pence.

Hedging of share awards

As a matter of policy the Group ensures that it holds the maximum potential number of shares granted under the LTIP and Deferred Share Plan from the date of grant. Shares are purchased by the Employee Benefit Trust in the market as and when required to ensure that coverage is maintained.

Pension arrangements (audited)

The Executive Directors receive pension benefits on the same percentage basis (12%) of their pensionable salaries as other employees of the Company. During the year, they received salary supplements in lieu of pension of £18k (Mr Borrows), £45k (Mr Hatchley) and £31k (Ms Halai) respectively.

Payments to past Directors (audited)

Mrs Wilson left the Board on 30 June 2022 and remained an employee until 30 September 2022. For the three months to 30 September 2022 she received regular salary, pension and benefits totalling £147k. As disclosed in last year's annual report and accounts, Mrs Wilson did not receive an FY23 annual bonus.

Payments for loss of office (audited)

No payments to Directors for loss of office were made in the year.

Statement of Directors' shareholding and share interests (audited)

The Company's share ownership and retention policy requires Executive Directors to build up over time and thereafter maintain a shareholding in the Company's shares equivalent to at least 3.0 times gross salary in the case of the Chief Executive and 2.0 times gross salary for the Group Finance Director and Chief Operating Officer. In addition, shareholding targets have been introduced for other members of the Executive Committee at 1.5 times their gross salaries and for partners in the Group's businesses at 1.0 times their gross salaries. Since 2018 non-executive Directors and the Chairman are required to build up over time and thereafter maintain a shareholding in the Company's shares equivalent to at least 1 times their respective annual base fees (cash and shares).

Executive Directors are expected to maintain a shareholding in the Company for two years post employment at the lower of their shareholding at the time they leave employment and the levels set out above.

Details of Directors' interests (including interests of their connected persons) in the Company's shares as at 31 March 2023 are shown in the table below. The closing share price on 31 March 2023 was 1,685 pence.

	Owned outright	Deferred shares	Subject to performance	Shareholding requirement	Current shareholding (% salary)
S A Borrows	16,289,972	760,745	421,887	300 %	42,469
J G Hatchley	309,240	128,553	103,804	200 %	1,867
J H Halai	72,514	49,939	65,149	200 %	935

	Shares owned outright	Shareholding requirement	Current shareholding (% base fee)
D A M Hutchison	103,351	100 %	535
C J Banszky	25,987	100 %	642
S W Daintith	20,083	100 %	496
L M S Knox	1,788	100 %	44
P A McKellar	102,211	100 %	2,523
C McConville	9,067	100 %	224
A Schaapveld	4,485	100 %	111

- The share interests shown for Ms Halai include shares held in the 3i Group Share Incentive Plan. The owned outright column includes partnership and dividend shares under the SIP. The deferred shares column includes matching shares under the SIP.
- The number of shares shown includes the 2020 Performance Share award. The performance against the performance targets results in 100% of the shares being released as described on page 137.
- Directors are restricted from hedging their exposure to the 3i share price.
- From 1 April 2023 to 1 May 2023, Ms Halai became interested in a further 8 shares overall outright (SIP Partnership Shares) and a further 16 deferred shares (SIP Matching Shares). There were no other changes to Directors' share interests in that period.

Treatment of Julia Wilson's share awards

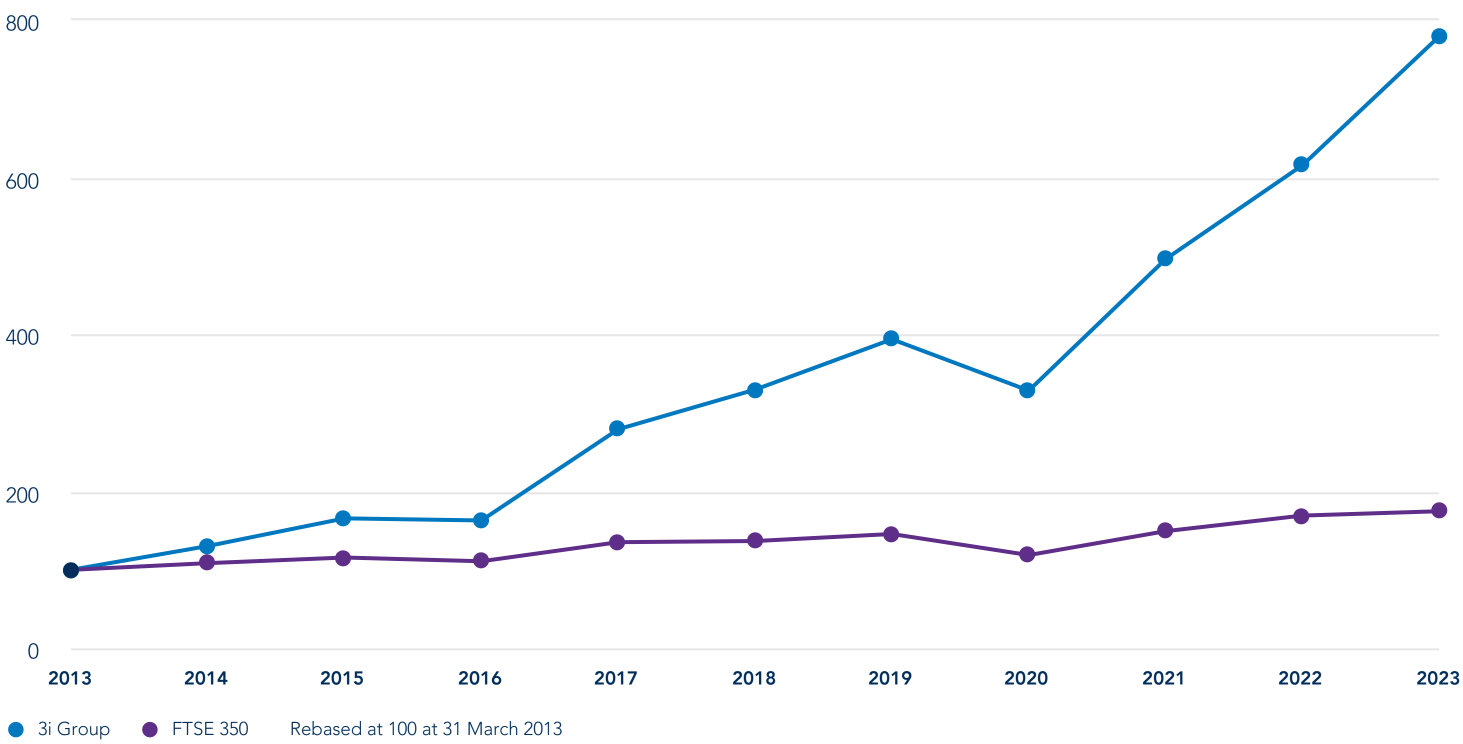
As set out in the cover letter from the Remuneration Committee Chair accompanying the 2022 Directors' remuneration report, Julia Wilson retired during the year and has been treated as a good leaver for the purposes of outstanding incentive awards. The table below sets out the awards she retains, and when they will be released to her (the LTIP shares continuing to be subject to performance). All awards will remain subject to our malus and clawback policy. A shareholding in the Company is required for two years after leaving at the lower of the shareholding at the time employment ends and the levels required while they were a Director (being 200% of salary for the Group Finance Director).

Award Date	Award type	Shares	Subject to performance	Release dates
28 June 2018	LTIP	19,734	No	June 2023
7 June 2019	Deferred Shares	14,964	No	June 2023
27 June 2019	LTIP	53,925	No	50% June 2023 and June 2024
4 June 2020	Deferred Shares	16,359	No	50% June 2023 and June 2024
25 June 2020	LTIP	122,881	No	June 2025
4 June 2021	Deferred Shares	39,724	No	33% June 2023, 33% June 2024 and 34% June 2025
1 July 2021	LTIP	47,976	Yes	July 2026
1 June 2022	Deferred Shares	54,172	No	25% June 2023, 2024, 2025 and 2026

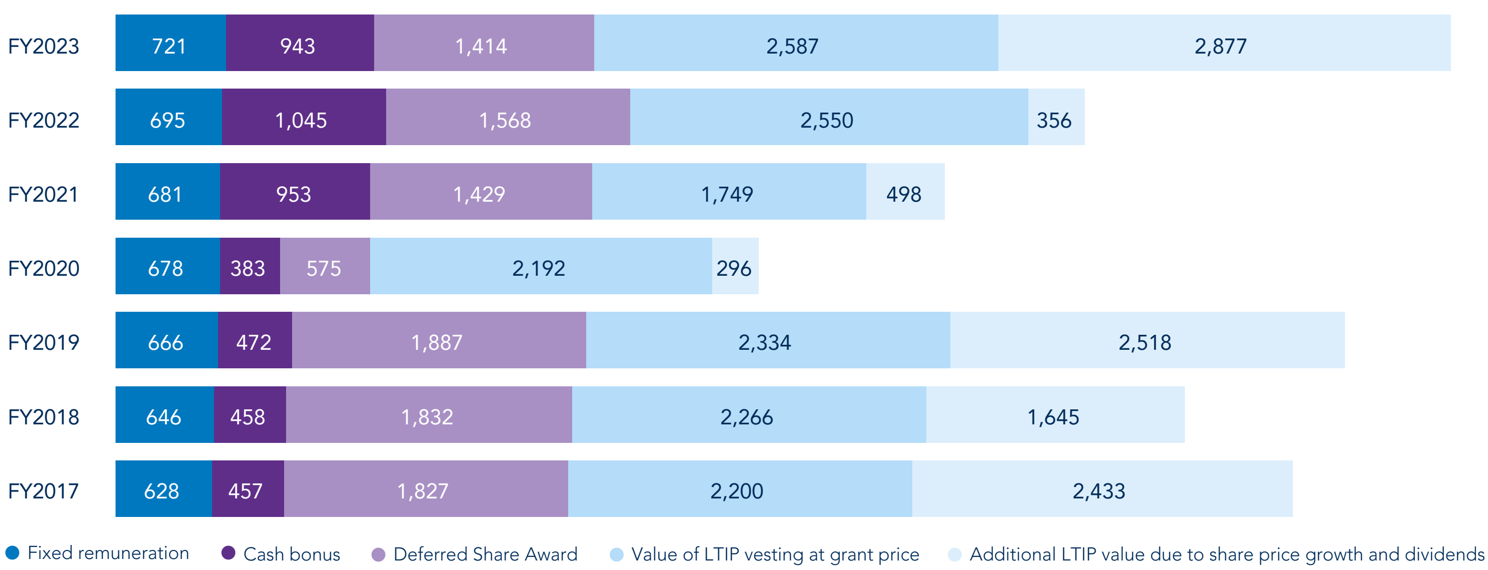
Performance graph – TSR graph

This graph compares the Company's Total ShareholderReturn for the 10 financial years to 31 March 2023 with the Total Shareholder Return of the FTSE 350 Index. The FTSE 350 Index is considered to be an appropriate comparator as it reflects both the variety of the Company's portfolio of international investments as well as the diverse currencies in which those investments are denominated.

3i Total Shareholder Return vs FTSE 350 total return over the 10 years to 31 March 2023



Chief Executive's single figure remuneration history (£'000)



Performance table

Table of historic Chief Executive data

Year	Chief Executive	Single figure of total remuneration £'000	Percentage of maximum annual bonus paid	Percentage of maximum LTIP vesting
FY2023	S A Borrows	8,542	85 %	100 %
FY2022	S A Borrows	6,215	98 %	100 %
FY2021	S A Borrows	5,310	92 %	71 %
FY2020	S A Borrows	4,124	37 %	91 %
FY2019	S A Borrows	7,877	93 %	100 %
FY2018	S A Borrows	6,847	93 %	100 %
FY2017	S A Borrows	7,544	95 %	100 %
FY2016	S A Borrows	5,821	93 %	98 %
FY2015	S A Borrows	8,278	93 %	91 %
FY2014	S A Borrows	3,222	93 %	– %

Relative importance of spend on pay

	FY2023	FY2022	Change %
Remuneration of all employees	**£97m**	£89m	9 %
Dividends paid to shareholders	**£485m**	£389m	25 %

Statement of implementation of the remuneration policy in the coming year

The table below sets out how the Committee intends to operate the remuneration policy in FY2024.

Policy element	Implementation of policy during FY2024
Base salary	Base salaries for employees will be increased by 7.5% for junior staff (40% of staff) and 3.75% for senior staff. The 3.75% increase will also be applied to the Chief Executive and Group Finance Director. As set out in further detail in the cover letter from the Remuneration Committee Chair, the base salary of the Chief Operating Officer will be increased to reflect development in the role. Effective from 1 July 2023, salaries for the current Executive Directors will therefore be as follows: • Chief Executive: £719,240 (3.75%) • Group Finance Director: £507,130 (3.75%) • Chief Operating Officer: £363,350 (7.5%)
Pension	No changes to the current arrangements are proposed for FY2024 and a pension contribution or salary supplement will be as follows: • Chief Executive: £18k • Group Finance Director: 12% of salary • Chief Operating Officer: 12% of salary Prior to 2011 Executive Directors were eligible for membership of the 3i Group Pension Plan, a defined benefit contributory scheme. Pension accrual ceased for all members with effect from 5 April 2011. Salary linkage was removed in February 2023 and replaced with a time-limited cash allowance, which the Chief Operating Officer receives, in line with other, similar affected staff.

Policy element	Implementation of policy during FY2024
Annual bonus	The maximum annual bonus opportunities for FY2024 will remain unchanged, in line with the remuneration policy, as follows: • Chief Executive: 400% of salary • Group Finance Director: 250% of salary • Chief Operating Officer: 225% of salary Any bonus will be awarded based on a balanced scorecard of both financial and strategic measures agreed by the Committee, alongside a consideration of the wider context of personal performance (including values and behaviours), risk, market and other factors. The Committee has agreed that the scorecard for the year will be driven 70% by quantitative financial targets around portfolio returns and similar metrics, with the balance measured against a series of investment management, ESG, strategic and people goals. The Committee considers that the specific targets and expectations contained within the FY2024 scorecard are commercially sensitive and therefore will not be disclosed in advance. We will report to shareholders next year on performance and the resulting bonus out-turns. At least 50% of any bonus award will be deferred into shares vesting in equal instalments over four years. Awards are subject to the Company's malus and clawback policy.
Benefits	No changes to the current arrangements are proposed for FY2024. Benefits will continue to include a car allowance, provision of health insurance and any Share Incentive Plan matching share awards.
Long-term Incentive Plan	Awards under the Long-term Incentive Plan in FY2024 will remain unchanged and be made as follows: • Chief Executive: 400% of salary • Group Finance Director: 250% of salary • Chief Operating Officer: 225% of salary Performance will be measured over a three-year period and will be determined by the Remuneration Committee. Performance measures remain unchanged from the previous year and will be as follows: 50% of the award is based on absolute TSR measured over the performance period, and vests: • 0% vesting below 10% pa TSR; • 20% vesting at 10% pa TSR; • straight-line vesting between 10% and 18% pa TSR; and • 100% vesting at 18% pa TSR. 50% of the award is based on relative TSR measured against the FTSE 350 Index over the performance period, and vests: • 0% for below median performance against the index; • 25% for median performance against the index; • 100% for upper quartile performance against the index; and • straight-line vesting between median and upper quartile performance. Total shareholder returns are calculated based on the average closing share price over the first three months of the calendar year. Awards are subject to the Company's malus and clawback policy. To the extent that shares vest, awards are subject to a holding period whereby they are released on or around (but not earlier than) fifth anniversary of grant. The Chief Executive, Group Finance Director and Chief Operating Officer do not participate in carried interest plans or similar arrangements.

Policy element	Implementation of policy during FY2024
Shareholding requirements	Shareholding requirements will be as follows: • Chief Executive: 300% of salary • Group Finance Director: 200% of salary • Chief Operating Officer: 200% of salary • Non-executive Directors (including the Company Chairman): 100% of base fee (cash and shares) • Executive Directors will be expected to maintain a shareholding in the Company for two years post employment at the lower of their shareholding at the time they leave employment and of the levels set out above. Deferred bonus awards and shares to be released under the Long-term Incentive Plan may be reduced or withheld if the post-employment shareholding targets for the Executive Directors are not met.
Non-executive Director fees	The base fees for the non-executive Directors have increased by 3% and in FY2024 will be: **Chairman fee:** £259,500 plus £75,700 in 3i shares **Non-executive Directors:** Board membership base fee: £54,000 plus £16,250 in 3i shares Senior Independent Director fee: £10,000 Committee Chairman: £20,000 Committee member: £8,000 Committee fees are payable in respect of the Audit and Compliance Committee, Remuneration Committee and Valuations Committee.
Malus and clawback policy	Long-term incentive awards and deferred bonus share awards made during the year to Executive Directors may be forfeited or reduced in exceptional circumstances on such basis as the Committee considers to be fair, reasonable and proportionate taking into account an individual's role and responsibilities. Such exceptional circumstances include: (1) a material misstatement in the financial statements of the Company or Group or any Member of the Group; or (2) where an individual has caused, wholly or in part, a material loss for the Group as a result of: (i) reckless, negligent or wilful actions or omissions; or (ii) inappropriate values or behaviour. (3) an error in assessing any applicable Performance Conditions or the number of shares; (4) the assessment of any applicable Performance Conditions and/or the number of shares to be released being based on inaccurate or misleading information; (5) misconduct on the part of the individual concerned; (6) a Member of the Group is censured by a regulatory body or suffers a significant detrimental impact on its reputation, provided that the Committee determines that the individual was responsible for, or had management oversight over, the actions, omissions or behaviour that gave rise to that censure or detrimental impact; or (7) the Company (or entities representing a material proportion of the Group) becomes insolvent or otherwise suffers a corporate failure so that ordinary shares in the Company cease to have material value, provided that the individual is responsible (in whole or in part) for that insolvency or failure. In exceptional circumstances (and on such basis as the Committee considers fair, reasonable and proportionate taking into account an individual's role and responsibilities), the Group may recover amounts that have been paid or released from awards (including cash bonus awards), as long as a written request for the recovery of such sums is made in the two-year period from the date of payment or release and in circumstances where either (a) there has been a material misstatement of Group financial statements or (b) the Group suffers a material loss. In arriving at its decision, the Committee will take into consideration such evidence as it may reasonably consider relevant including as to the impact of the affected individual's conduct, values or behaviours on the material misstatement or material loss, as the case may be.

Remuneration Committee advisers

The Committee appointed Deloitte LLP as advisers in 2013 and during the year they provided the Committee with external, independent advice.

Deloitte LLP are members of the Remuneration Consultants Group and as such, voluntarily operate under the code of conduct in relation to executive remuneration consulting in the UK. During the year, Deloitte LLP also provided 3i with certain tax advisory services. The Committee has reviewed the advice provided during the year and is satisfied that it has been objective and independent. The total fees for advice during the year were £63,500 (excluding VAT) (2022: £37,200 (excluding VAT)).

Result of voting at the 2020 and 2022 AGM

At the 2022 AGM, shareholders approved the Remuneration report that was published in the 2022 Annual report and accounts. At the 2020 AGM, shareholders approved the Directors' remuneration policy. The results for both of these votes are shown below:

Resolution	Votes for	Votes against	Total votes cast	Votes withheld
Approval of the Directors' remuneration report at the 2022 AGM	698,465,310	50,874,149	749,339,459	222,221
	93.21 %	6.79 %		
Approval of the Directors' remuneration policy at the 2020 AGM	716,053,723	43,782,598	759,836,321	2,395,365
	94.24 %	5.76 %		

Audit

The tables in this report (including the Notes thereto) on pages 133 to 144 marked as "audited" have been audited by KPMG.

By order of the Board

Coline McConville
Chair, Remuneration Committee
10 May 2023

Directors' remuneration policy

Policy report

Remuneration policy table

The table below summarises the policy in respect of each element of the Company's remuneration for Executive and non-executive Directors effective from the date of the 2023 Annual General Meeting. This policy will be put forward for shareholder approval at the 2023 Annual General Meeting in accordance with section 439A of the Companies Act 2006.

Changes to the policy operated in FY2023: No material changes

In developing the revised remuneration policy the Committee followed a robust process which included discussions on the content of the policy at three Remuneration Committee meetings. The Committee considered input from management and from its independent remuneration advisers and assessed the Policy against the provisions of the UK Corporate Governance Code. We have made no material changes to the policy. Minor changes have been made to provide the Committee with flexibility to implement the policy as intended over its term and align with best practice. Minor changes have also been made to the policy to reflect Jasi Halai joining the Board.

Executive Directors

Purpose and link to strategic objectives	Operation	Opportunity	Performance metrics
Base salary			
• To provide a fixed element of pay at a level that aids the recruitment, retention and motivation of high-performing people. • To reflect their role, experience and importance to the business.	• Salaries are normally reviewed annually by the Committee, with any changes usually becoming effective from 1 July. • These are reviewed by taking into account a number of factors, including: – performance of the Company and individual; – wider market and economic conditions; – any changes in responsibilities; and – the level of increases made across the Company.	• Whilst there is no maximum salary level, increases are generally considered in the context of those awarded to other employees and the wider market. • Higher increases may be awarded in exceptional circumstances. For example, this may include a change in size, scope or responsibility of role, or development within the role or a specific retention issue. • The annual base salary for each Executive Director is set out in the Annual report on remuneration for the year.	• None, although the Committee considers when setting salary levels the breadth and responsibilities of the role as well as the competence and experience of the individual.
Pension			
• To provide contributions to Executive Directors to enable them to make long-term savings to provide post-retirement income. • Pension contributions are provided both to support retention and recruit people of the necessary calibre.	• Participation in the defined contribution pension scheme (3i Retirement Plan) or cash equivalent. • Prior to 2011 Executive Directors were eligible for membership of the 3i Group Pension Plan, a defined benefit contributory scheme. Pension accrual ceased for all members with effect from 5 April 2011. Salary linkage was removed in February 2023 and replaced with a time-limited cash allowance in line with other, similarly affected staff.	• Executive Directors receive a pension contribution or cash allowance of up to 12% of pensionable salary. The pension policy for Executive Directors is identical to the pension policy for other employees. • For those Executive Directors who were members of the 3i Group Pension Plan, their deferred pension will change to reflect the deferred pension available on leaving, payable from age 60. • Details for the current Executive Directors are set out in the Annual report on remuneration for the year.	• n/a

Directors' remuneration policy continued

Purpose and link to strategic objectives	Operation	Opportunity	Performance metrics
Benefits			
• To provide market competitive benefits at the level needed to attract and retain high-performing people. • To provide health benefits to support the well-being of employees.	• Executive Directors are entitled to a combination of benefits, including, but not limited to, non-pensionable car allowance, private medical insurance, an annual health assessment and life assurance. • The Remuneration Committee may remove benefits that Executive Directors receive or introduce other benefits if it is appropriate to do so.	• Whilst there is no maximum level of benefits, they are generally set at an appropriate market competitive level, taking into account a number of factors including market practice for comparable roles within appropriate pay comparators. • The Remuneration Committee may review the benefits for an existing or new Executive Director at any point.	• n/a
Annual bonus			
• To incentivise the achievement of the Group's strategic objectives on an annual basis. • Deferral into shares reinforces retention and enhances alignment with shareholders by encouraging longer-term focus and risk alignment.	• Bonus awards are considered annually based on performance in the relevant financial year. • All performance targets are reviewed and set by the Committee early in the year. Awards are typically determined by the Committee after the year end based upon the actual performance against these targets. • No more than 50% of any bonus award is paid as cash. • At least 50% of any bonus award will be deferred into shares vesting in equal instalments over four years. • Deferred bonus awards may be granted in the form of conditional share awards, options or forfeitable shares. Awards may also be settled in cash in exceptional circumstances. • Participants receive the value of dividends in cash or shares on the shares which are subject to the award. • Awards are subject to the malus/ clawback policy (as set out in the Notes on page 148).	• Maximum bonus of 400% of salary for the Chief Executive. • Maximum bonus of 250% of salary for the Group Finance Director. • Maximum bonus of 225% of salary for the Chief Operating Office.	• Performance is assessed against a balanced scorecard which aligns with the strategic objectives of the Group. • The targets can be a range of financial, business line specific, personal, risk and other key Group targets. • The Committee uses the scorecard as a prompt and guide to judgement and considers the performance outcomes in the wider context of personal performance (including values and behaviours), risk, market and other factors. • The Committee has discretion to adjust the annual bonus outcomes, both upwards and downwards (where significant adjustment is required), to ensure the outcome is a fair reflection of the overall performance of the Company and the individual. • Details of the annual performance targets/expectations (and performance against them) are shown within the Annual report on remuneration.

Directors' remuneration policy continued

Purpose and link to strategic objectives	Operation	Opportunity	Performance metrics
Long-term Incentive Plan			
• Alignment of reward with long-term, sustainable Company performance and the creation of shareholder value over the longer term. • The selection of absolute and relative return targets for shareholder returns ensures participants' and shareholders' interests remain aligned irrespective of market conditions.	• All performance targets, along with relative weightings, are reviewed and set by the Committee prior to awards being made. • The Committee may make an award in the form of forfeitable shares, conditional share awards, stock appreciation rights, or options under the plan. Awards may be settled in cash in exceptional circumstances. • Awards vest subject to the Group's achievements against the performance targets over a fixed three-year period. • To the extent that shares vest, awards are subject to a holding period whereby they are released on or around (but not earlier than) the fifth anniversary of grant. • The Committee may determine that participants may receive the value of dividends in cash or shares which would have been paid on the shares that vest under awards. • Awards are subject to the malus/ clawback policy (as set out on the next page).	• Awards granted in respect of a financial year will have a face value of up to 400% of salary for the Chief Executive. • Awards granted in respect of a financial year will have a face value of up to 250% of salary for the Group Finance Director. • Awards granted in respect of a financial year will have a face value of up to 225% of salary for the Chief Operating Officer. • Normally, no payment will be made for below threshold performance. • Between 20% and 25% of the award vests at threshold performance, depending upon the performance condition.	• The scorecard will contain at least two measures of shareholder return, including at least one absolute and one market/peer group relative measure together with any other metrics the Committee feel are applicable at the time of grant. • The achievement against these targets is measured over a three-year period and is determined by the Committee. • The Committee has discretion to adjust the formulaic LTIP outcomes, both upwards and downwards (where significant adjustment is required), to ensure the outcome is a fair reflection of the performance of the Company and the individual. • The Committee can reduce any award which would otherwise vest if gross debt or gearing limits are breached. • Details of the current performance conditions are shown within the Annual report on remuneration.
Shareholding requirements			
• To create alignment with shareholders by encouraging longer-term focus.	• Executive Directors are required to build up over a reasonable period of time, and thereafter maintain, a shareholding in the Company's shares. Vested shares (net of income tax and National Insurance contributions) under the Deferred Bonus Plan and Long-term Incentive Plan should be retained until the shareholding requirement is met. • In addition, shareholding targets exist for other members of the Executive Committee and for staff designated as "partners" in the Group's businesses. • The Committee retains the ability to introduce additional retention conditions. • Post cessation of employment, Executive Directors are also expected to remain aligned with the interests of shareholders for a period after leaving the Company, save for in exceptional circumstances. Details of this policy are set out in the Annual report of remuneration.	• The shareholding targets for the Executive Directors are: • Chief Executive – 3.0 times salary • Group Finance Director – 2.0 times salary • Chief Operating Officer – 2.0 times salary • Executive Committee members have a target of 1.5 times salary and selected "partners" 1.0 times salary.	• n/a

Notes to the remuneration policy table

Performance conditions

The Committee selected the performance conditions used for determining the annual bonus and LTIP awards as they align directly with the short and long-term strategy of the business. These conditions are set annually by the Committee at levels that take into account the Board's business plan.

Consistency with policy for all employees

All employees are eligible to receive salary, pension contributions and benefits and to be considered for a discretionary annual bonus, with the maximum opportunities reflecting the role and seniority of each employee. Other members of the Executive Committee are subject to the same bonus deferral arrangements as the Executive Directors. Higher-earning members of staff below the Executive Committee have a portion of their bonus deferred into shares vesting in equal instalments over a three-year period.

Within each of the Group's businesses, senior members of staff have a significant part of their compensation linked to the long-term performance of the Group's and its clients' investments through carried interest schemes or similar arrangements.

Co-investment and carried interest plans

The Group's Long-term Incentive Plan, approved by shareholders on 4 July 2001, 6 July 2011 and 25 June 2020, prohibits the Chief Executive and Group Finance Director from participating in carried interest plans and similar arrangements. In addition, the Committee's policy is that no current Executive Director will benefit from these arrangements.

Malus/clawback policy

Long-term incentive awards and deferred bonus share awards that have not been delivered to Executive Directors, may be forfeited or reduced in exceptional circumstances on such basis as the Committee considers to be fair, reasonable and proportionate taking into account an individual's role and responsibilities. Such exceptional circumstances include:

(1) a material misstatement in the financial statements of the Company or Group or any Member of the Group; or

(2) where an individual has caused, wholly or in part, a material loss for the Group as a result of:
   (i) reckless, negligent or wilful actions or omissions; or
   (ii) inappropriate values or behaviour.

(3) an error in assessing any applicable Performance Conditions or the number of shares;

(4) the assessment of any applicable Performance Conditions and/or the number of shares to be released being based on inaccurate or misleading information;

(5) misconduct on the part of the individual concerned;

(6) a Member of the Group is censured by a regulatory body or suffers a significant detrimental impact on its reputation, provided that the Committee determines that the individual was responsible for, or had management oversight over, the actions, omissions or behaviour that gave rise to that censure or detrimental impact; or

(7) the Company (or entities representing a material proportion of the Group) becomes insolvent or otherwise suffers a corporate failure so that ordinary shares in the Company cease to have material value, provided that the individual is responsible (in whole or in part) for that insolvency or failure.

The Group may recover amounts that have been paid or released from awards (including cash bonus awards), as long as a written request for the recovery of such sums is made in the two-year period from the date of payment or release and in circumstances where either (a) there has been a material misstatement of Group financial statements or (b) the Group suffers a material loss, and (in either case) the Committee considers that there is reasonable evidence to show that the misstatement or loss has been caused by the individual's reckless, negligent or wilful actions or inappropriate values or behaviours.

The Committee may make minor changes to this Policy, which do not have a material advantage to Directors, to aid in its operation or implementation without seeking shareholder approval for a revised version of this Policy report.

Non-executive Directors – Fees

Purpose and link to strategy	Operation	Opportunity

• To attract and retain high-performing non-executive Directors of the calibre required.	• Non-executive Directors receive a basic annual fee.
	• The fee is delivered in a mix of cash and shares.
	• The Chairman's fee is reviewed annually by the Committee.
	• Fees are benchmarked against other companies of comparable size and against listed financial services companies.
	• The Board is responsible for determining all other non-executive Director fees, which are reviewed annually to ensure they remain appropriate.
		• Fees are set at a level which is considered appropriate to attract and retain the calibre of individual required by the Company but the Company avoids paying more than necessary for this purpose.
		• Additional fees are paid for the following roles/duties:
		  • Senior Independent Director
		  • Committee Chair
		  • Committee membership
		• Committee fees are payable in respect of the Audit and Compliance Committee, Remuneration Committee, Valuations Committee and other Committees where appropriate.

Recruitment policy

In determining remuneration arrangements for new executive appointments to the Board (including internal promotions), the Committee will take into consideration all relevant factors, including the calibre of the individual, the nature of the role, local market practice, the individual's current remuneration package, 3i remuneration policy, internal relativities and existing arrangements for other Executive Directors. For external appointments, some variation may be necessary in order to attract the successful candidate and to reflect particular skills or experience specifically required.

The maximum level of variable pay (as expressed as a multiple of base salary) which may be awarded to new Executive Directors in respect of their appointment shall be no more generous than the combined maximum limits expressed in the remuneration policy table above in respect of the Chief Executive, with an appropriate mix between annual bonus and LTIP opportunity, excluding any awards made to compensate the Executive Director for awards forfeited by their previous employer. Where necessary relocation costs (including any tax) will be paid together with any legal fees or other costs incurred by the individual in relation to their appointment.

It may be necessary to compensate the new Executive Director for remuneration terms being forfeited from their current employer. The Committee's intention is that any such award would be no more generous than the awards being forfeited and would be determined on a comparable basis at the time of grant, including the pay-out schedule and performance conditions, where appropriate.

In determining whether it is appropriate to use judgement, as set out above, the Committee will ensure that any awards made are in the best interests of both the Company and its shareholders. The Committee is at all times conscious of the need to pay no more than is necessary, particularly when determining buyout arrangements.

For both internal and external appointments, it may be deemed appropriate, in order to attract and compensate a new Executive Director, to buy out awards held in carried interest or other asset-related incentive arrangements. The Committee's intention is that any such buyout would be at a fair value at the time of appointment.

In the event of the appointment of a new non-executive Director, remuneration arrangements will normally be in line with those detailed in the relevant table above.

Service contracts

The main terms of the service contracts of the Executive Directors who served in the year were as follows:

Provision	Policy
Notice period	• 12 months' notice if given by the Company. • 6 months' notice if given by the Executive Director. • Company policy is that Executive Directors' notice periods should not normally exceed one year. Save for these notice periods the contracts have no unexpired terms.
Dates of contracts	• Mr S A Borrows – 17 May 2012 • Mr J Hatchley – 12 May 2022 • Ms J Halai – 12 May 2022
Termination payments	• Mr Borrows' contract entitles the Company to terminate employment without notice subject to making 12 monthly payments thereafter equivalent to monthly basic pay and benefits less any amounts earned from alternative employment. • All Directors' contracts entitle the Company to give pay in lieu of notice.
Remuneration and benefits	• The operation of all incentive plans, including being eligible to be considered for an annual bonus and Long-term Incentive Plan awards, is non-contractual. • On termination of employment outstanding awards will be treated in accordance with the relevant plan rules.

The Chairman and the non-executive Directors do not have service contracts or contracts for services. Their appointment letters provide for no entitlement to compensation or other benefits on ceasing to be a Director. Service contracts are available for inspection at the Company's headquarters in business hours.

Payment for loss of office

As outlined above, the Committee must satisfy any contractual obligations agreed with the Executive Directors. Details of the Directors' notice periods are shown alongside the service contract information.

An Executive Director may be eligible to receive a time pro-rated annual bonus in respect of the year up until he or she ceased employment. In determining whether to award any bonus, the Committee will assess performance during the financial year up to the date of cessation of active involvement in their management role. The Committee may also make a payment in respect of outplacement costs and legal fees where appropriate.

The treatment of outstanding share awards is governed by the relevant share plan rules. The following table and the Note below it summarise the leaver categories and the impact on the share awards which employees (including Executive Directors) may hold.

For the avoidance of doubt, the Committee reserves the right to make any remuneration payments and payments for loss of office notwithstanding that they are not in line with the policy set out above, where the terms of that payment were agreed (i) before the 2014 policy came into effect or (ii) before this policy came into effect, provided that the terms of payment were consistent with the shareholder approved Directors' remuneration policy in force at the time they were agreed or were otherwise approved by shareholders; or (iii) at a time when the relevant individual was not a Director of the Company (or other person to whom this policy applied) and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company or such other person. For these purposes "payments" includes the Committee satisfying awards of variable remuneration and, in relation to an award or option over shares, the terms of the payment are "agreed" at the time the award is granted. This policy applies equally to any individual who is required to be treated as a Director under the applicable regulations.

Directors' remuneration policy continued

Plan	Good leaver categories	Good leaver treatment[1]	Bad leaver treatment[1]
Deferred share awards	• Death • Retirement • Ill health, injury, disability • Redundancy • Employing company/business ceasing to be part of 3i Group • "Scheduled Departure" (ie a participant leaving on such a basis and/or within a specified timeframe as agreed by the Committee)	• Awards vest in full on the normal vesting date. • On death, awards vest in full immediately.	• Unvested awards lapse in full. • Vested awards structured as options may be exercised for three months following the participant's cessation of employment.
Long-term Incentive Plan	• Death • Retirement • Ill health, injury, disability • Redundancy • Employing company/business ceasing to be part of 3i Group • "Scheduled Departure" (ie a participant leaving on such a basis and/or within a specified timeframe as agreed by the Committee)	• Awards vest on the normal vesting date subject to performance. Pro rating for time will apply. • If a participant dies, the Committee will determine the extent to which awards should vest as soon as practicable following the participant's death.	• Awards normally lapse in full. • If the Committee decides in exceptional circumstances that the awards should vest after the participant's cessation of employment, awards will vest subject to performance and pro rating for time and other conditions may be imposed.

1 The treatments set out in the table above apply to all employees and are expected to operate in the vast majority of cases. The Plan rules retain discretion for the Committee to reduce awards in exceptional circumstances to Good Leavers or permit vesting (in whole or in part) of awards which would otherwise lapse to Bad Leavers. The Committee will report on the use of this discretion if it is exercised in relation to any Executive Director.

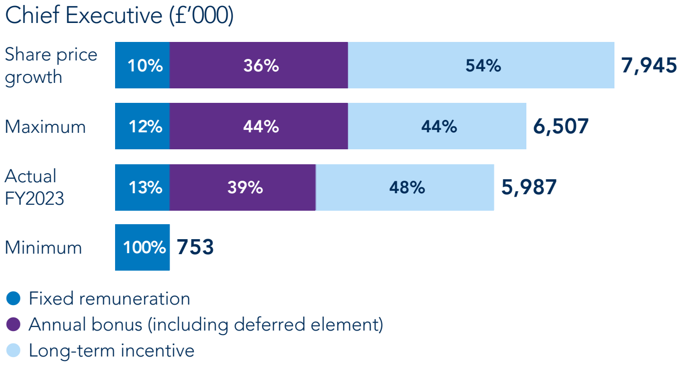
Change of control

Deferred share awards will generally vest early on a takeover, merger or other corporate reorganisation. Alternatively, participants may be allowed or required to exchange their awards for new awards.

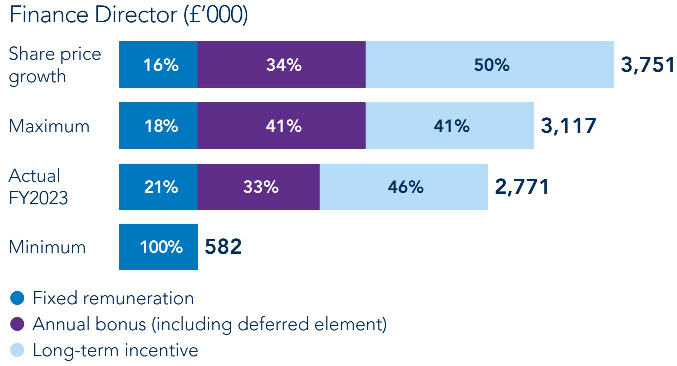
Long-term Incentive Plan awards will generally vest early on a takeover, merger or other corporate reorganisation. Alternatively, participants may be allowed or required to exchange their awards for new awards. Where an award vests early in these circumstances, the Committee will determine the level of vesting based on performance to that date and the proportion of the performance period that has passed.

Scenarios

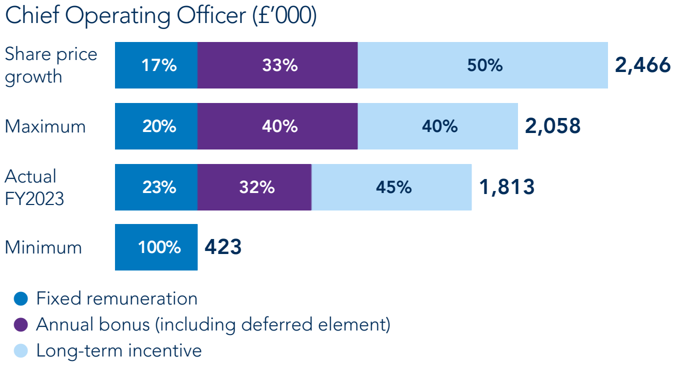
Chief Executive (£'000)



Finance Director (£'000)



Chief Operating Officer (£'000)



The assumptions made in preparing these graphs are that:

- Minimum – this includes only the fixed elements of pay, being base salary, benefits and pension;
- Actual – this represents the remuneration received by each Executive Director for their performance in the year;
- Maximum – this is calculated as the fixed elements and the maximum annual bonus and Long-term Incentive Plan awards; and
- Share price growth – this is calculated as the fixed elements and the maximum annual bonus and Long-term Incentive Plan awards (assuming a 50% share price appreciation).

Consideration of wider employee pay

As part of the annual Committee agenda, the Committee reviews the overall pay and bonus decisions in aggregate for the Group. This ensures that the pay and conditions in the wider Group are taken into account when determining Directors' pay. In particular:

- the range of salary increases awarded over time to other employees are taken into account when considering salary increases for the Executive Directors; and
- the bonus awards made to Directors are considered and made in the context of the range of discretionary bonus awards made within the business. These are based upon Company performance, and are closely correlated to the Executive Director bonus awards.

The Company does not consult with employees when preparing the Executive Director remuneration policy. However, a number of our employees are shareholders and so are able to express their views in the same way as other shareholders.

Consideration of shareholder views

The Committee has remained engaged with shareholders during the period since 2020, and will continue to be mindful of shareholder views when evaluating and setting ongoing remuneration strategy, and commits to consulting with shareholders prior to any significant changes to remuneration policy.

By Order of the Board

Coline McConville
Chair, Remuneration Committee
10 May 2023

Additional statutory and corporate governance information

This section of the Directors' report contains the corporate governance statement required by FCA Disclosure Guidance and Transparency Rule 7.2.

Corporate governance

The Corporate Governance Code to which the Company is subject is the UK Corporate Governance Code (the "Code") which was published by the FRC in July 2018 and which is available on the FRC website.

Details on the Company's compliance with the Code and an explanation as to why the Company has not complied throughout the year with provision 19 of the Code in respect of Chairman tenure are set out in the Corporate Governance statement on pages 101 and 102 and in the report on the Nomination Committee's review of Chairman tenure on page 113.

The Group's internal control and risk management systems, including those in relation to the financial reporting process, are described in the Risk management section on pages 78 to 91 and in the Audit and Assurance policy on pages 119 to 122.

Directors and independence

Directors' biographical details are set out on page 97. The Board currently comprises the Chairman, six non-executive Directors and three Executive Directors. Mr D A M Hutchison (Chairman), Ms C J Banszky, Mr S A Borrows, Mr S W Daintith, Ms L M S Knox, Mr P A McKellar, Ms C L McConville and Ms A Schaapveld all served as Directors throughout the year under review. Mr J G Hatchley and Ms J H Halai joined the Board on 12 May 2022 and they both remained in office for the remainder of the year. Mrs J S Wilson served as a Director throughout the year until her retirement from the Board on 30 June 2022.

The Board regularly considers the independence of non-executive Directors. The Board considers all of the Company's non-executive Directors to be independent. The Chairman was independent on appointment as Chairman.

Investment policy

The UK Listing Authority's Listing Rules require 3i, as a closed-ended investment fund, to publish an investment policy. Shareholder approval is required for material changes to this policy. Non-material changes can be made by the Board. The current policy is set out below. No changes have been made to the policy since it was published in the Company's 2018 Report and Accounts.

- 3i is an investment company which aims to provide its shareholders with quoted access to private equity and infrastructure returns. Currently, its main focus is on making quoted and unquoted equity and/or debt investments in businesses and funds in Europe, Asia and the Americas. The geographies, economic sectors, funds and asset classes in which 3i invests continue to evolve as opportunities are identified. Proposed investments are assessed individually and all significant investments require approval from the Group's Investment Committee. Overall investment targets are subject to periodic reviews and the investment portfolio is also reviewed to monitor exposure to specific geographies, economic sectors and asset classes.
- 3i seeks to diversify risk through significant dispersion of investments by geography, economic sector, asset class and size as well as through the maturity profile of its investment portfolio.
- Although 3i does not set maximum exposure limits for asset allocations, it does have a maximum exposure limit that, save as mentioned below, no investment will be made unless its cost[1] does not exceed 15% of the investment portfolio value as shown in the last published valuation. A further investment may be made in an existing portfolio business provided the aggregate cost of that investment and of all other unrealised investments in that portfolio business does not exceed 15% of the investment portfolio value as shown in the last published valuation. A higher limit of 30% will apply to the Company's investment in 3i Infrastructure plc. For the avoidance of doubt, 3i may retain an investment, even if its carrying value is greater than 15% or 30% (as the case may be) of the portfolio value at the time of an updated valuation.
- Investments are generally funded with a mixture of debt and shareholders' funds with a view to maximising returns to shareholders, whilst maintaining a strong capital base. 3i's gearing depends not only on its level of debt, but also on the impact of market movements and other factors on the value of its investments. The Board takes this into account when, as required, it sets a precise maximum level of gearing. The Board has therefore set the maximum level of gearing at 150% and has set no minimum level of gearing. If the gearing ratio should exceed the 150% maximum limit, the Board will take steps to reduce the gearing ratio to below that limit as soon as practicable thereafter. 3i is committed to achieving balance sheet efficiency.

1 Where 3i makes an investment in an existing portfolio business as part of a restructuring or reorganisation of its investment in that existing portfolio business (which restructuring or reorganisation may involve, without limitation, 3i disposing of all or part of its existing investment in the relevant portfolio business and reinvesting all or part of the proceeds into a different entity which acquires or holds the relevant portfolio business or a substantial part thereof), the cost of that investment, for the purposes of determining the maximum exposure limit under this policy, shall, to the extent that the investment does not increase 3i's exposure to the relevant portfolio business, be deemed to be the cost of 3i's existing investment in the relevant portfolio business (or, in the case of a partial reinvestment, the pro-rated cost of 3i's existing investment in the relevant portfolio business) immediately prior to the restructuring or reorganisation. If 3i's investment includes a further investment, such that 3i increases its overall exposure to the relevant portfolio business as part of the restructuring or reorganisation, the cost of any such further investment at the date of such investment shall be added to the cost of the investment in the existing portfolio business as determined pursuant to the previous sentence.

Appointment and re-election of Directors

Subject to the Company's Articles of Association, the Companies Acts and satisfactory performance evaluation, non-executive Directors are appointed for an initial three-year term. Before the third and sixth anniversaries of first appointment, the Director discusses with the Board whether it is appropriate for a further three-year term to be served.

Under the Company's Articles of Association, the minimum number of Directors is two and the maximum is 20, unless otherwise determined by the Company by ordinary resolution. Directors are appointed by ordinary resolution of shareholders or by the Board. The Company's Articles of Association provide for all Directors to retire from office at every Annual General Meeting of the Company although they may offer themselves for reappointment by the shareholders.

Shareholders can remove any Director by special resolution and appoint another person to be a Director in their place by ordinary resolution. Shareholders can also remove any Director by ordinary resolution of which special notice has been given.

Subject to the Company's Articles of Association, retiring Directors are eligible for re-appointment. The office of Director is vacated if the Director resigns, becomes bankrupt or is prohibited by law from being a Director or where the Board so resolves following the Director suffering from ill health or being absent from Board meetings for 12 months without the Board's permission.

The Board's responsibilities and processes

The composition of the Board and its Committees as well as the Board's key responsibilities and the way in which it and its Committees work are described on pages 97 to 152. The Board is responsible to shareholders for the overall management of the Group and may exercise all the powers of the Company subject to the provisions of relevant statutes, the Company's Articles of Association and any directions given by special resolution of the shareholders. The Articles of Association empower the Board to offer, allot, grant options over or otherwise deal with or dispose of the Company's shares as the Board may decide.

The Companies Act 2006 authorises the Company to make market purchases of its own shares if the purchase has first been authorised by a resolution of the Company.

At the AGM in June 2022, shareholders renewed the Board's authority to allot ordinary shares and to repurchase ordinary shares on behalf of the Company subject to certain limits. Details of the authorities which the Board will be seeking at the 2023 AGM are set out in the 2023 Notice of AGM.

The Board's diversity policies in relation to Directors are described in the Nominations Committee report on page 110 and such policies in relation to employees are described on page 156.

Matters reserved for the Board

The Board has approved a formal schedule of matters reserved to it and its duly authorised Committees for decision. These include matters such as the Group's overall strategy, strategic plan and annual operating budget; approval of the Company's financial statements and changes to accounting policies or practices; changes to the capital structure or regulated status of the Company; major capital projects or changes to business operations; investments and divestments above certain limits; policy on borrowing, gearing, hedging and treasury matters; and adequacy of internal control systems.

Rights and restrictions attaching to shares

A summary of the rights and restrictions attaching to shares as at 31 March 2023 is set out below.

The Company's Articles of Association may be amended by special resolution of the shareholders in a general meeting. Holders of ordinary shares enjoy the rights set out in the Articles of Association of the Company and under the laws of England and Wales. Any share may be issued with or have attached to it such rights and restrictions as the Company by ordinary resolution or, failing such resolution, the Board may decide.

Holders of ordinary shares are entitled to attend, speak and vote at general meetings and to appoint proxies and, in the case of corporations, corporate representatives to attend, speak and vote at such meetings on their behalf. To attend and vote at a general meeting a shareholder must be entered on the register of members at such time (not being earlier than 48 hours before the meeting) as stated in the Notice of general meeting. On a poll, holders of ordinary shares are entitled to one vote for each share held.

Holders of ordinary shares are entitled to receive the Company's Annual report and accounts, to receive such dividends and other distributions as may lawfully be paid or declared on such shares and, on any liquidation of the Company, to share in the surplus assets of the Company after satisfaction of the entitlements of the holders of any shares with preferred rights as may then be in issue.

There are no restrictions on the transfer of fully paid shares in the Company, save that the Board may decline to register: a transfer of uncertificated shares in the circumstances set out in the Uncertificated Securities Regulations 2001; a transfer to more than four joint holders; a transfer of certificated shares which is not in respect of only one class of share; a transfer which is not accompanied by the certificate for the shares to which it relates; a transfer which is not duly stamped in circumstances where a duly stamped instrument is required; or a transfer where in accordance with section 794 of the Companies Act 2006 a notice (under section 793 of that Act) has been served by the Company on a shareholder who has then failed to give the information required within the specified time.

In the latter circumstances the Company may make the relevant shares subject to certain restrictions (including in respect of the ability to exercise voting rights, to transfer the shares validly and, except in the case of a liquidation, to receive the payment of sums due from the Company).

There are no shares carrying special rights with regard to control of the Company. There are no restrictions placed on voting rights of fully paid shares, save where in accordance with Article 12 of the Company's Articles of Association a restriction notice has been served by the Company in respect of shares for failure to comply with statutory notices or where a transfer notice (as described below) has been served in respect of shares and has not yet been complied with. Where shares are held on behalf of former or current employees under employee share schemes, those participants can give instructions to the holder of such shares as to how votes attached to such shares should be exercised.

In the circumstances specified in Article 38 of the Company's Articles of Association the Company may serve a transfer notice on holders of shares. The relevant circumstances relate to: (a) potential tax disadvantage to the Company, (b) the number of "United States Residents" who own or hold shares being 75 or more, or (c) the Company being required to be registered as an investment company under relevant US legislation. The notice would require the transfer of relevant shares and, pending such transfer, the rights and privileges attaching to those shares would be suspended.

The Company is not aware of any agreements between holders of its securities that may restrict the transfer of shares or exercise of voting rights.

Share capital and debentures

The issued ordinary share capital of the Company as at 1 April 2022 was 973,238,638 ordinary shares and at 31 March 2023 was 973,312,950 ordinary shares of 7319⁄22 pence each. It increased over the year by 74,312 ordinary shares on the issue of shares to the Trustee of the 3i Group Share Incentive Plan.

At the Annual General Meeting ("AGM") on 30 June 2022, the Directors were authorised to repurchase up to 97,000,000 ordinary shares in the Company (representing approximately 10% of the Company's issued ordinary share capital as at 11 May 2022) until the Company's AGM in 2023 or 29 September 2023, if earlier. This authority was not exercised in the year. Details of the authorities which the Board will be seeking at the 2023 AGM are set out in the 2023 Notice of AGM.

As at 31 March 2023 the Company had sterling fixed rate notes in issue as detailed in Note 17 to the accounts.

The Articles of Association also specifically empower the Board to exercise the Company's powers to borrow money and to mortgage or charge the Company's assets and any uncalled capital and to issue debentures and other securities.

Portfolio management and voting policy

In relation to unquoted investments, the Group's approach is to seek to add value to the businesses in which the Group invests through the Group's extensive experience, resources and contacts and through active engagement with the Boards of those companies. In relation to quoted investments, the Group's policy is to exercise voting rights on all matters affecting its interests.

Tax and investment company status

The Company is an investment company under section 833 of the Companies Act 2006. HM Revenue & Customs has approved the Company as an Investment Trust under section 1158 of the Corporation Tax Act 2010 and the Company directs its affairs to enable it to continue to remain so approved.

Where appropriate, the Company looks to the provisions included within the Association of Investment Companies SORP.

Major interests in ordinary shares

The table below shows notifications of major voting interests in the Company's ordinary share capital (notifiable in accordance with Chapter 5 of the FCA's Disclosure Guidance and Transparency Rules or section 793 Companies Act 2006) which had been received by the Company as at 31 March 2023 and 20 April 2023.

	As at 31 March 2023	% of issued share capital	As at 20 April 2023	% of issued share capital
Artemis Investment Management LLP	34,324,935	3.53	34,175,832	3.51
BlackRock, Inc	97,162,296	9.98	111,171,740	11.42
Legal & General Investment Management Limited	29,296,147	3.01	28,048,580	2.88
Vanguard Group Inc	43,104,309	4.43	43,104,309	4.43

3i Investments plc

3i Investments plc is authorised by the FCA to, among other things, manage Alternative Investment Funds ("AIFs"). It is currently the Alternative Investment Fund Manager ("AIFM") of seven AIFs, including the Company and 3i Infrastructure plc. In compliance with regulatory requirements, 3i Investments plc has ensured that a depository has been appointed for each AIF. This is Citibank UK Limited.

The Annual report and accounts meet certain investor disclosure requirements as set out in FUND 3.2.2R, 3.2.3R, 3.2.5R and 3.2.6R of the FCA's Investment Funds sourcebook ("FUND Disclosures") for the Company as a standalone entity. The Company's profit for the year is stated in its Company statement of changes in equity on page 165 and its financial position is shown on page 164. The Company performs substantially all of its investment-related activities through its subsidiaries and therefore the Group's Consolidated statement of comprehensive income is considered to be more useful to investors than a Company statement.

Furthermore, in some instances the relevant FUND Disclosures have been made in relation to the Group on a consolidated basis rather than in respect of the Company on a solo basis. This is because the Company operates through its Group subsidiaries and therefore reporting on the Group's activities provides more relevant information on the Company and its position. There have been no material changes to the disclosures required to be made under FUND 3.2.2R in the past year.

Although certain FUND Disclosures are made in this Annual report, full disclosures are summarised on the 3i website at **www.3i.com**. This will be updated as required and changes noted in future Annual reports.

For the purposes of the FUND Disclosures set out in FUND 3.3.5(R)(5) and (6), the total amount of remuneration paid by the AIFM to its staff for the year to 31 March 2023 was £200 million, of which £45 million was fixed remuneration and £155 million was variable remuneration. The total number of beneficiaries is 241. The aggregate total remuneration paid to AIFM Remuneration Code Staff for the year to 31 March 2023 was £66 million, of which £54 million was paid to senior management and £12 million was paid to other AIFM Remuneration Code Staff. A summary of the remuneration policy of 3i can be found on the Company's website.

Dividends

A first FY2023 dividend of 23.25 pence per ordinary share in respect of the year to 31 March 2023 was paid on 11 January 2023. The Directors recommend a second FY2023 dividend of 29.75 pence per ordinary share be paid in respect of the year to 31 March 2023 to shareholders on the Register at the close of business on 23 June 2023.

The trustee of The 3i Group Employee Trust and the trustee of the 2010 Carry Trust have each waived (subject to certain minor exceptions) dividends declared on shares in the Company held by those trusts and the trustee of The 3i Group Share Incentive Plan has waived dividends on unallocated shares in the Company held by it.

Directors' conflicts of interests, external appointments and indemnities

Directors have a statutory duty to avoid conflicts of interest with the Company. The Company's Articles of Association enable Directors to approve conflicts of interest and include other conflict of interest provisions. The Company has implemented processes to identify potential and actual conflicts of interest. Such conflicts are then considered for approval by the Board, subject, if necessary, to appropriate conditions.

The Board has adopted a policy on Directors' other appointments under which additional external appointments should not be undertaken without prior approval of the Board. Executive Directors should not take on more than one non-executive directorship in a FTSE 100 company or other significant appointment.

As permitted by the Company's Articles of Association during the year and as at the date of this Directors' report, there were in place Qualifying Third-Party Indemnity Provisions (as defined under relevant legislation) for the benefit of the Company's Directors and Qualifying Pension Scheme Indemnity Provisions for the benefit of the directors of one associated company, Gardens Pension Trustees Limited.

Directors' employment contracts

Mr S A Borrows, Ms J H Halai and Mr J G Hatchley each have employment contracts with the Group with notice periods of 12 months where notice is given by the Group and six months where notice is given by the Director. Save for these notice periods their employment contracts have no unexpired terms. None of the other Directors has a service contract with the Company.

Employment

The employment policy of the Group is one of equal opportunity in the selection, training, career development and promotion of employees, regardless of age, gender, sexual orientation, ethnic origin, religion and whether disabled or otherwise. Further details on equal opportunities and diversity are included in the Strategic report on pages 52 to 53 and in the Nominations Committee report on pages 110 and 111.

3i treats applicants and employees with disabilities fairly and provides facilities, equipment and training to assist disabled employees to do their jobs. Arrangements are made as necessary to ensure support to job applicants who happen to be disabled and who respond to requests to inform the Company of any requirements. Should an employee become disabled during their employment, efforts would be made to retain them in their current employment or to explore the opportunities for their retraining or redeployment within 3i. Financial support is also provided by 3i to support disabled employees who are unable to work, as appropriate to local market conditions.

3i's principal means of keeping in touch with the views of its employees is through employee appraisals, informal consultations, team briefings and employee conferences. Managers throughout 3i have a continuing responsibility to keep their staff informed of developments and to communicate financial results and other matters of interest. This is achieved by structured communication including regular meetings of employees. Members of the Board have regular formal and informal interaction with a significant number of 3i employees, including through office visits and one-to-one meetings.

3i is an equal opportunities employer and has clear grievance and disciplinary procedures in place. 3i also has an employee assistance programme which provides a confidential, free and independent counselling service and is available to all UK employees and their families in the UK.

3i's employment policies are designed to provide a competitive reward package which will attract and retain high-quality staff, whilst ensuring that the relevant costs remain at an appropriate level.

3i's remuneration policy is influenced by 3i's financial and other performance conditions and market practices in the countries in which it operates. All employees receive a base salary and are also eligible to be considered for a performance-related annual variable incentive award. For those members of staff receiving higher levels of annual variable incentive awards, a proportion of such awards is delivered in 3i shares, vesting over a number of years. Remuneration policy is reviewed by the 3i Group plc Remuneration Committee, comprising 3i Group plc non-executive Directors.

Where appropriate, employees are eligible to participate in 3i share schemes to encourage employees' involvement in 3i's performance. Investment executives in the Private Equity business line may also participate in carried interest schemes, which allow executives to share directly in future profits on investments. Similarly, investment executives in the Infrastructure business line may participate in asset-linked and/or fee-linked incentive arrangements. Employees participate in local state or company pension schemes as appropriate to local market conditions.

Employees are able to raise in confidence with the Company any matters of concern. Issues can be raised with line management, the Internal Audit team and the Human Resources team as appropriate. Employees can also raise matters with an externally run confidential telephone reporting line, and can do so anonymously if they wish. Matters raised are investigated and followed up as appropriate. The Board monitors any matters reported to the externally run telephone reporting line through an annual report to Audit and Compliance Committee from Internal Audit.

Workforce engagement

The Company has a Staff Engagement strategy which has been adopted by the Board as the most appropriate way for the Company to comply with the relevant requirements of the UK Corporate Governance Code. This is in preference to adopting one of the three workforce engagement examples specifically mentioned in the UK Corporate Governance Code. The Board believes this Strategy is appropriate and proportionate in the context of an office-based workforce with in the region of 250 employees worldwide, all of whom engage regularly with members of senior management. Senior management and members of the Board meet formally and informally with staff in a variety of contexts including office visits, investment reviews, Board and Committee presentations and Board dinners with investment teams. A general "open door" policy (whether physically or virtually) adopted by senior management encourages interaction with staff. The Human Resources team are a point of contact for all members of staff and they as well as line managers report issues requiring management attention to senior management as they occur. The Internal Audit and Group Compliance teams consider employee matters including culture, compliance with the Company's values and staff turnover in their reports to senior management. The formal annual appraisal process provides a further opportunity for engagement.

During the year the Board visited 3i's Amsterdam office and met formally and informally with the Amsterdam team. Directors receive updates on employee matters in presentations from the business line heads as well as from the Chief Human Resources Officer in the annual Board consideration of the Group Succession Planning and Strategic Capability Review. Committee Chairs held a number of private and other meetings with function heads during the year. Non-executive Directors also meet with a wide range of members of the investment teams at the twice-yearly PCR meetings.

Diversity and inclusion policy

Details of the Company's approach to diversity and inclusion are set out under the heading Employment on page 156, in the Sustainability section on pages 52 and 53 and in the Nomination Committee report on pages 110 and 111.

Political donations

In line with Group policy, during 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.

Significant agreements

As at 31 March 2023, the Company was party to one agreement subject to a renegotiation period on a change of control of the Company following a takeover bid. This agreement is a £900 million multi-currency Revolving Credit Facility Agreement dated 13 March 2020, between the Company, Barclays Bank PLC and a number of other banks. The Company is required to promptly notify Barclays Bank PLC, as agent bank, of a change of control. This opens a 20-day negotiation period to determine if each lender is willing to continue participating in the facility. For any lender with whom no agreement is reached, amounts outstanding to that lender would be repayable and their commitment cancelled, with no less than 10 business days' notice after the end of the negotiation period.

Internal control and risk management systems

A description of the Group's internal control and risk management systems in relation to the financial reporting process is set out in the Risk management section on pages 78 to 91 and in the Audit and Assurance policy on pages 119 to 122.

Going concern

The Directors have acknowledged their responsibilities in relation to the financial statements for the year to 31 March 2023.

After making enquiries, the Directors considered it appropriate to prepare the financial statements of the Company, and the Group, on a going concern basis. The Viability statement is included on pages 124 and 125.

Audit information

Pursuant to section 418(2) of the Companies Act 2006, each of the Directors confirms that:

- so far as they are aware, there is no relevant audit information of which the Company's Auditor is unaware; and
- they have taken all steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the Company's Auditor is aware of such information.

Appointment of Auditor

In accordance with section 489 of the Companies Act 2006, a resolution proposing the re-appointment of KPMG LLP as the Company's Auditor will be put to members at the forthcoming AGM.

Information required by Listing Rule 9.8.4

Information required by Listing Rule 9.8.4 not included in this section of the Directors' report may be found as set out below:

Topic	Location
Capitalised interest	Portfolio income on page 69
Share allotments	Note 20 on page 189

Information included in the Strategic report

In accordance with section 414 C (11) of the Companies Act 2006, the following information otherwise required to be set out in the Directors' report has been included in the Strategic report: risk management objectives and policies; post-balance sheet events; likely future developments in the business; engagement with suppliers, customers and others; employee involvement; and greenhouse gas emissions. The Directors' Viability statement is also shown in the Strategic report on pages 124 and 125.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual report and the Group and parent Company financial statements for each financial year in accordance with applicable United Kingdom law and regulations. They are required to prepare the Group financial statements in accordance with UK adopted international accounting standards and applicable law and have elected to prepare the parent Company financial statements on the same basis.

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of their profit or loss for that period. In preparing each of the Group and parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with UK-adopted international accounting standards and applicable law;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic report, Directors' report, Directors' remuneration report and Corporate governance statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement of the Directors in respect of the Annual financial report

The Directors confirm that to the best of their knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

The Directors consider this Annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

The Directors of the Company and their functions are listed on page 97.

3i Group plc is registered in England with company number 1142830.

Directors' report

For the purposes of the UK Companies Act 2006, the Directors' report of 3i Group plc comprises the Governance section on pages 94 to 158 other than the Directors' remuneration report on pages 131 to 152.

The Strategic report, Directors' report and Directors' remuneration report have been drawn up and presented in accordance with and in reliance upon English company law and the liabilities of the Directors in connection with those reports shall be subject to the limitations and restrictions provided by that law.

By order of the Board

K J Dunn
Company Secretary

10 May 2023

Registered office:
16 Palace Street
London SW1E 5JD

Audited financial statements

What's in this section

Consolidated statement of comprehensive income	160
Consolidated statement of financial position	161
Consolidated statement of changes in equity	162
Consolidated cash flow statement	163
Company statement of financial position	164
Company statement of changes in equity	165
Company cash flow statement	166
Significant accounting policies	167
Notes to the accounts	171
KPMG LLP's independent auditor's report	208

Consolidated statement of comprehensive income

for the year to 31 March

	Notes	2023 £m	2022 £m
Realised profits over value on the disposal of investments	2	**64**	89
Unrealised profits on the revaluation of investments	3	**1,897**	1,781
Fair value movements on investment entity subsidiaries	12	**2,112**	1,974
Portfolio income			
Dividends		**229**	206
Interest income from investment portfolio		**29**	30
Fees receivable	4	**10**	6
Foreign exchange on investments		**203**	(9)
Movement in the fair value of derivatives	18	**122**	2
Gross investment return		**4,666**	4,079
Fees receivable from external funds	4	**70**	62
Operating expenses	5	**(137)**	(127)
Interest receivable		**4**	–
Interest payable		**(54)**	(53)
Exchange movements		**(6)**	16
Income from investment entity subsidiaries		**30**	32
Other (expense)/income		**(1)**	2
Operating profit before carried interest		**4,572**	4,011
Carried interest			
Carried interest and performance fees receivable	14	**41**	53
Carried interest and performance fees payable	15	**(38)**	(46)
Operating profit before tax		**4,575**	4,018
Tax charge	8	**(2)**	(5)
Profit for the year		**4,573**	4,013
Other comprehensive income that may be reclassified to the income statement			
Exchange differences on translation of foreign operations		**4**	(1)
Other comprehensive income that will not be reclassified to the income statement			
Re-measurements of defined benefit plans	26	**8**	2
Other comprehensive income for the year		**12**	1
Total comprehensive income for the year ("Total return")		**4,585**	4,014

Earnings per share			
Basic (pence)	9	**475.0**	415.4
Diluted (pence)	9	**473.8**	414.3

The Notes to the accounts section forms an integral part of these financial statements.

Consolidated statement of financial position

as at 31 March

	Notes	2023 £m	2022 £m
Assets			
Non-current assets			
Investments			
Quoted investments	11,13	**841**	934
Unquoted investments	11,13	**8,677**	5,708
Investments in investment entity subsidiaries	12,13	**7,844**	6,791
Investment portfolio		**17,362**	13,433
Carried interest and performance fees receivable	14	**3**	9
Other non-current assets	16	**30**	45
Intangible assets		**5**	6
Retirement benefit surplus	26	**53**	53
Property, plant and equipment		**3**	3
Right of use asset		**9**	13
Derivative financial instruments	18	**73**	7
Deferred income taxes	8	**–**	1
Total non-current assets		**17,538**	13,570
Current assets			
Carried interest and performance fees receivable	14	**40**	51
Other current assets	16	**30**	104
Current income taxes		**1**	1
Derivative financial instruments	18	**48**	10
Cash and cash equivalents		**162**	212
Total current assets		**281**	378
Total assets		**17,819**	13,948
Liabilities			
Non-current liabilities			
Trade and other payables	19	**(4)**	(14)
Carried interest and performance fees payable	15	**(43)**	(42)
Loans and borrowings	17	**(775)**	(775)
Derivative financial instruments	18	**(3)**	–
Retirement benefit deficit	26	**(20)**	(26)
Lease liability		**(5)**	(9)
Deferred income taxes	8	**(1)**	(1)
Provisions		**(4)**	(3)
Total non-current liabilities		**(855)**	(870)
Current liabilities			
Trade and other payables	19	**(76)**	(80)
Carried interest and performance fees payable	15	**(34)**	(35)
Loans and borrowings	17	**–**	(200)
Derivative financial instruments	18	**(1)**	–
Lease liability		**(5)**	(5)
Current income taxes		**(4)**	(4)
Total current liabilities		**(120)**	(324)
Total liabilities		**(975)**	(1,194)
Net assets		**16,844**	12,754
Equity			
Issued capital	20	**719**	719
Share premium		**790**	789
Capital redemption reserve		**43**	43
Share-based payment reserve	27	**31**	33
Translation reserve		**(2)**	(6)
Capital reserve		**14,044**	10,151
Revenue reserve		**1,327**	1,125
Own shares	21	**(108)**	(100)
Total equity		**16,844**	12,754

The Notes to the accounts section forms an integral part of these financial statements.

David Hutchison
Chairman

10 May 2023

Consolidated statement of changes in equity

for the year to 31 March

2023	Share capital £m	Share premium £m	Capital redemption reserve £m	Share-based payment reserve £m	Translation reserve £m	Capital reserve[1] £m	Revenue reserve[1] £m	Own shares £m	Total equity £m
Total equity at the start of the year	**719**	**789**	**43**	**33**	**(6)**	**10,151**	**1,125**	**(100)**	**12,754**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**4,064**	**509**	**–**	**4,573**
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**–**	**4**	**–**	**–**	**–**	**4**
Re-measurements of defined benefit plans	**–**	**–**	**–**	**–**	**–**	**8**	**–**	**–**	**8**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**4**	**4,072**	**509**	**–**	**4,585**
Share-based payments	**–**	**–**	**–**	**19**	**–**	**–**	**–**	**–**	**19**
Release on exercise/forfeiture of share awards	**–**	**–**	**–**	**(21)**	**–**	**–**	**21**	**–**	**–**
Exercise of share awards	**–**	**–**	**–**	**–**	**–**	**(22)**	**–**	**22**	**–**
Ordinary dividends	**–**	**–**	**–**	**–**	**–**	**(157)**	**(328)**	**–**	**(485)**
Purchase of own shares	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(30)**	**(30)**
Issue of ordinary shares	**–**	**1**	**–**	**–**	**–**	**–**	**–**	**–**	**1**
Total equity at the end of the year	**719**	**790**	**43**	**31**	**(2)**	**14,044**	**1,327**	**(108)**	**16,844**

1 Refer to Note 20 for the nature of the capital and revenue reserves.

2022	Share capital £m	Share premium £m	Capital redemption reserve £m	Share-based payment reserve £m	Translation reserve £m	Capital reserve[1] £m	Revenue reserve[1] £m	Own shares £m	Total equity £m
Total equity at the start of the year	719	788	43	34	(5)	6,733	916	(64)	9,164
Profit for the year	–	–	–	–	–	3,547	466	–	4,013
Exchange differences on translation of foreign operations	–	–	–	–	(1)	–	–	–	(1)
Re-measurements of defined benefit plans	–	–	–	–	–	2	–	–	2
Total comprehensive income for the year	–	–	–	–	(1)	3,549	466	–	4,014
Share-based payments	–	–	–	18	–	–	–	–	18
Release on exercise/forfeiture of share awards	–	–	–	(19)	–	–	19	–	–
Exercise of share awards	–	–	–	–	–	(18)	–	18	–
Ordinary dividends	–	–	–	–	–	(113)	(276)	–	(389)
Purchase of own shares	–	–	–	–	–	–	–	(54)	(54)
Issue of ordinary shares	–	1	–	–	–	–	–	–	1
Total equity at the end of the year	719	789	43	33	(6)	10,151	1,125	(100)	12,754

1 Refer to Note 20 for the nature of the capital and revenue reserves.

The Notes to the accounts section forms an integral part of these financial statements.

Consolidated cash flow statement

for the year to 31 March

	Notes	2023 £m	2022 £m
Cash flow from operating activities			
Purchase of investments		**(46)**	(324)
Proceeds from investments		**227**	294
Amounts paid to investment entity subsidiaries		**(535)**	(349)
Amounts received from investment entity subsidiaries		**841**	685
Net cash flow from derivatives		**23**	11
Portfolio interest received		**12**	3
Portfolio dividends received		**223**	204
Portfolio fees received		**5**	9
Fees received from external funds		**67**	68
Carried interest and performance fees received	14	**58**	10
Carried interest and performance fees paid	15	**(29)**	(14)
Operating expenses paid		**(128)**	(105)
Co-investment loans received/(paid)		**5**	(3)
Tax received		**–**	1
Interest received		**4**	–
Net cash flow from operating activities		**727**	490
Cash flow from financing activities			
Issue of shares		**1**	1
Purchase of own shares	21	**(30)**	(54)
Dividend paid	10	**(485)**	(389)
Repayment of long-term borrowing	17	**(200)**	–
Lease payments	17	**(5)**	(4)
Interest paid		**(54)**	(52)
Net cash flow from financing activities		**(773)**	(498)
Cash flow from investing activities			
Purchases of property, plant and equipment		**(1)**	–
Net cash flow from investing activities		**(1)**	–
Change in cash and cash equivalents		**(47)**	(8)
Cash and cash equivalents at the start of the year		**212**	216
Effect of exchange rate fluctuations		**(3)**	4
Cash and cash equivalents at the end of the year		**162**	212

The Notes to the accounts section forms an integral part of these financial statements.

Company statement of financial position

as at 31 March

	Notes	2023 £m	2022 £m
Assets			
Non-current assets			
Investments			
Quoted investments	11,13	**841**	934
Unquoted investments	11,13	**8,677**	5,708
Investment portfolio		**9,518**	6,642
Carried interest and performance fees receivable	14	**81**	62
Interests in Group entities	23	**7,867**	6,801
Other non-current assets	16	**16**	24
Derivative financial instruments	18	**73**	7
Total non-current assets		**17,555**	13,536
Current assets			
Carried interest and performance fees receivable	14	**17**	26
Other current assets	16	**9**	89
Derivative financial instruments	18	**48**	10
Cash and cash equivalents		**128**	188
Total current assets		**202**	313
Total assets		**17,757**	13,849
Liabilities			
Non-current liabilities			
Loans and borrowings	17	**(775)**	(775)
Derivative financial instruments	18	**(3)**	–
Total non-current liabilities		**(778)**	(775)
Current liabilities			
Trade and other payables	19	**(728)**	(667)
Loans and borrowings	17	**–**	(200)
Derivative financial instruments	18	**(1)**	–
Total current liabilities		**(729)**	(867)
Total liabilities		**(1,507)**	(1,642)
Net assets		**16,250**	12,207
Equity			
Issued capital	20	**719**	719
Share premium		**790**	789
Capital redemption reserve		**43**	43
Share-based payment reserve	27	**31**	33
Capital reserve		**14,563**	10,577
Revenue reserve		**212**	146
Own shares	21	**(108)**	(100)
Total equity		**16,250**	12,207

The Company profit for the year to 31 March 2023 is £4,538 million (2022: £3,925 million).

The Notes to the accounts section forms an integral part of these financial statements.

David Hutchison
Chairman
10 May 2023

Company statement of changes in equity

for the year to 31 March

2023	Share capital £m	Share premium £m	Capital redemption reserve £m	Share-based payment reserve £m	Capital reserve[1] £m	Revenue reserve[1] £m	Own shares £m	Total equity £m
Total equity at the start of the year	719	789	43	33	10,577	146	(100)	12,207
Profit for the year	–	–	–	–	4,165	373	–	4,538
Total comprehensive income for the year	–	–	–	–	4,165	373	–	4,538
Share-based payments	–	–	–	19	–	–	–	19
Release on exercise/forfeiture of share awards	–	–	–	(21)	–	21	–	–
Exercise of share awards	–	–	–	–	(22)	–	22	–
Ordinary dividends	–	–	–	–	(157)	(328)	–	(485)
Purchase of own shares	–	–	–	–	–	–	(30)	(30)
Issue of ordinary shares	–	1	–	–	–	–	–	1
Total equity at the end of the year	719	790	43	31	14,563	212	(108)	16,250

1 Refer to Note 20 for the nature of the capital and revenue reserves.

2022	Share capital £m	Share premium £m	Capital redemption reserve £m	Share-based payment reserve £m	Capital reserve[1] £m	Revenue reserve[1] £m	Own shares £m	Total equity £m
Total equity at the start of the year	719	788	43	34	7,109	77	(64)	8,706
Profit for the year	–	–	–	–	3,599	326	–	3,925
Total comprehensive income for the year	–	–	–	–	3,599	326	–	3,925
Share-based payments	–	–	–	18	–	–	–	18
Release on exercise/forfeiture of share awards	–	–	–	(19)	–	19	–	–
Exercise of share awards	–	–	–	–	(18)	–	18	–
Ordinary dividends	–	–	–	–	(113)	(276)	–	(389)
Purchase of own shares	–	–	–	–	–	–	(54)	(54)
Issue of ordinary shares	–	1	–	–	–	–	–	1
Total equity at the end of the year	719	789	43	33	10,577	146	(100)	12,207

1 Refer to Note 20 for the nature of the capital and revenue reserves.

The Notes to the accounts section forms an integral part of these financial statements.

Company cash flow statement

for the year to 31 March

	Notes	2023 £m	2022 £m
Cash flow from operating activities			
Purchase of investments		**(46)**	(324)
Proceeds from investments		**227**	294
Amounts received from subsidiaries		**1,034**	803
Amounts paid to subsidiaries		**(805)**	(509)
Net cash flow from derivatives		**23**	11
Portfolio interest received		**12**	3
Portfolio dividends received		**223**	204
Portfolio fees paid		**(1)**	(2)
Carried interest and performance fees received	14	**34**	3
Co-investment loans received/(paid)		**5**	(3)
Interest received		**3**	–
Tax received		**–**	2
Net cash flow from operating activities		**709**	482
Cash flow from financing activities			
Issue of shares		**1**	1
Purchase of own shares	21	**(30)**	(54)
Dividend paid	10	**(485)**	(389)
Repayment of long-term borrowing	17	**(200)**	–
Interest paid		**(54)**	(51)
Net cash flow from financing activities		**(768)**	(493)
Change in cash and cash equivalents		**(59)**	(11)
Cash and cash equivalents at the start of the year		**188**	195
Effect of exchange rate fluctuations		**(1)**	4
Cash and cash equivalents at the end of the year		**128**	188

The Notes to the accounts section forms an integral part of these financial statements.

Significant accounting policies

Reporting entity

3i Group plc (the "Company") is a public limited company incorporated and domiciled in England and Wales. The consolidated financial statements ("the Group accounts") for the year to 31 March 2023 comprise of the financial statements of the Company and its consolidated subsidiaries (collectively, "the Group").

The Group accounts have been prepared and approved by the Directors in accordance with section 395 of the Companies Act 2006 and the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008. The Company has taken advantage of the exemption in section 408 of the Companies Act 2006 not to present its Company statement of comprehensive income and related Notes.

A Basis of preparation

The Group and Company accounts have been prepared and approved by the Directors in accordance with UK-adopted international accounting standards. The financial statements are presented to the nearest million sterling (£m), the functional currency of the Company.

The Group did not implement the requirements of any new standards in issue for the year ended 31 March 2023. No other standards or interpretations have been issued that are expected to have a material impact on the Group's financial statements.

The principal accounting policies applied in the preparation of the Group accounts are disclosed below, but where possible, they have been shown as part of the Note to which they specifically relate in order to assist the reader's understanding. These policies have been consistently applied and apply to all years presented, except for in relation to the adoption of new accounting standards.

Going concern

These financial statements have been prepared on a going concern basis as disclosed in the Directors' report. The Directors have made an assessment of going concern for a period of at least 12 months from the date of approval of the accounts, taking into account the Group's current performance, financial position and the principal and emerging risks facing the business.

The Directors' assessment of going concern, which takes into account the business model on pages 12 to 13 and the Group's liquidity of £1,312 million, indicates that the Group and parent company will have sufficient funds to continue as a going concern, for at least the next 12 months from the date of approval of the accounts. As detailed within the Financial review on pages 69 to 73 on the Investment basis the Group covers its cash operating costs, £133 million at 31 March 2023, with cash income generated by our Private Equity and Infrastructure businesses and Scandlines, £497 million at 31 March 2023. The Group's liquidity comprised of cash and deposits of £412 million (31 March 2022: £229 million) and an undrawn multi-currency facility of £900 million (31 March 2022: £500 million), which has no financial covenants. During the year the Group increased its existing RCF base of £500 million with an additional two-year £400 million tranche which provides the Group with additional liquidity in the medium term at low cost. Post 31 March 2023 the Group has successfully extended its £400 million tranche by a further year to July 2025.

The Group manages liquidity with the aim of ensuring it is adequate and sufficient, by regular monitoring of investments, realisations, operating expenses and portfolio cash income and there have been no post balance sheet changes that would be materially detrimental to liquidity. The Directors are of the opinion that the Group's cash flow forecast is sufficient to support the Group given the current market, economic conditions and outlook.

In addition, the Directors have modelled a number of severe, yet plausible, individual and combined stress scenarios for a period of at least 12 months from the date of issue of these financial statements. The scenarios include the consideration of the potential impact of a recession triggered by persistent inflation, high interest rates and weak consumer demand, as well as the impact of a significant downturn event specifically on the Group's largest asset. These scenarios include a range of estimated impacts, primarily based on providing additional support to portfolio companies. The scenarios are most sensitive to a delay in realisations which contribute to the liquidity of the Group. A key judgement applied is the extent of recessionary impacts alongside the likely recovery profile of portfolio companies.

The results of each of the stress test scenarios indicate that the Group is able to meet its obligations as they fall due for a period of at least 12 months from the date of approval of these financial statements including, where appropriate, making use of controllable management actions. In all these scenarios the Directors expect the Group to be able to recover without a permanent long-term impact on its solvency or capital requirements. Mitigating actions within management control include for example, drawing on the existing RCF or temporarily reducing new investment levels.

Having performed the assessment on going concern, the Directors considered it appropriate to prepare the financial statements of the Company and Group on a going concern basis, and have concluded that the Group has sufficient financial resources, is well placed to manage business risks in the current economic environment, and can continue operations for a period of at least 12 months from the date of issue of these financial statements.

B Basis of consolidation

In accordance with IFRS 10 the Company meets the criteria as an investment entity and therefore is required to recognise subsidiaries that also qualify as investment entities at fair value through profit or loss. It does not consolidate the investment entities it controls. Subsidiaries that provide investment related services, such as advisory, management or employment services, are not accounted for at fair value through profit and loss and continue to be consolidated unless those subsidiaries qualify as investment entities, in which case they are recognised at fair value. Subsidiaries are entities controlled by the Group. Control, as defined by IFRS 10, is achieved when the Group has all of the following:

- power over the relevant activities of the investee;
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to affect those returns through its power over the investee.

The Group is required to determine the degree of control or influence the Group exercises and the form of any control to ensure that the financial treatment is accurate.

Subsidiaries are fully consolidated from the date on which the Group effectively obtains control. All intragroup balances and transactions with subsidiaries are eliminated upon consolidation. Subsidiaries are de-consolidated from the date that control ceases.

The Group comprises several different types of subsidiaries. For a new subsidiary, the Group assesses whether it qualifies as an investment entity under IFRS 10, based on the function the entity performs within the Group. For existing subsidiaries, the Group annually reassesses the function performed by each type of subsidiary to determine if the treatment under IFRS 10 exception from consolidation is still appropriate. The types of subsidiaries and their treatment under IFRS 10 are as follows:

General Partners ("GPs") – Consolidated

General Partners provide investment management services and do not hold any direct investments in portfolio assets. These entities are not investment entities.

Investment managers/advisers – Consolidated

These entities provide investment related services through the provision of investment management or advice. They do not hold any direct investments in portfolio assets. These entities are not investment entities.

Holding companies of investment managers/advisers – Consolidated

These entities provide investment related services through their subsidiaries. Typically they do not hold any direct investment in portfolio assets and these entities are not investment entities.

Limited Partnerships and other intermediate investment holding structures – Fair valued

The Group makes investments in portfolio assets through its ultimate parent company as well as through other limited partnerships and corporate subsidiaries which the Group has created to align the interests of the investment teams with the performance of the assets through the use of various carried interest schemes. The purpose of these limited partnerships and corporate holding vehicles, many of which also provide investment related services, is to invest for investment income and capital appreciation. These partnerships and corporate subsidiaries meet the definition of an investment entity and are accounted for at fair value through profit and loss.

Portfolio investments – Fair valued

Under IFRS 10, the test for accounting subsidiaries takes wider factors of control as well as actual equity ownership into account. In accordance with the investment entity exception, these entities have been held at fair value with movements in fair value being recognised in profit or loss.

Associates – Fair valued

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Investments that are held as part of the Group's investment portfolio are carried in the Consolidated statement of financial position at fair value even though the Group may have significant influence over those companies.

Further detail on our application of IFRS 10 can be found in the Reconciliation of Investment basis to IFRS section.

C Critical accounting judgements and estimates

The reported results of the Group are sensitive to the accounting policies, assumptions and estimates that underpin the preparation of its financial statements. UK company law and IFRS require the Directors, in preparing the Group's financial statements, to select suitable accounting policies, apply them consistently and make judgements and estimates that are reasonable and prudent. The Group's estimates and assumptions are based on historical experience and expectation of future events and are reviewed periodically. The actual outcome may be materially different from that anticipated.

(a) Critical judgements

In the course of preparing the financial statements, one judgement has been made in the process of applying the Group's accounting policies, other than those involving estimations, that has had a significant effect on the amounts recognised in the financial statements as follows:

I. Assessment as an investment entity

The Board has concluded that the Company continues to meet the definition of an investment entity, as its strategic objective of investing in portfolio investments and providing investment management services to investors for the purpose of generating returns in the form of investment income and capital appreciation remains unchanged.

(b) Critical estimates

In addition to these significant judgements the Directors have made two estimates, which they deem to have a significant risk of resulting in a material adjustment to the amounts recognised in the financial statements within the next financial year. The details of these estimates are as follows:

I. Fair valuation of the investment portfolio

The investment portfolio, a material group of assets of the Group, is held at fair value. Details of valuation methodologies used and the associated sensitivities are disclosed in Note 13 Fair values of assets and liabilities in this document. Given the importance of this area, the Board has a separate Valuations Committee to review the valuations policies, process and application to individual investments. A report on the activities of the Valuations Committee (including a review of the assumptions made) is included in the Valuations Committee report on pages 126 to 130.

II. Carried interest payable

Carried interest payable is calculated based on the underlying agreements, and assuming all portfolio investments are sold at their fair values at the balance sheet date. The actual amounts of carried interest paid will depend on the cash realisations of these portfolio investments and valuations may change significantly in the next financial year. The fair valuation of the investment portfolio is itself a critical estimate, as detailed above. The sensitivity of carried interest payable to movements in the investment portfolio is disclosed in Note 15.

D Other accounting policies

(a) Gross investment return

Gross investment return is equivalent to "revenue" for the purposes of IAS 1. It represents the overall increase in net assets from the investment portfolio net of deal-related costs and includes foreign exchange movements in respect of the investment portfolio. The substantial majority is investment income and outside the scope of IFRS 15. It is analysed into the following components with the relevant standard shown where appropriate:

i. Realised profits or losses over value on the disposal of investments are the difference between the fair value of the consideration received in accordance with IFRS 13 less any directly attributable costs, on the sale of equity and the repayment of interest income from the investment portfolio, and its carrying value at the start of the accounting period, converted into sterling using the exchange rates in force at the date of disposal.

ii. Unrealised profits or losses on the revaluation of investments are the movement in the fair value of investments in accordance with IFRS 13 between the start and end of the accounting period converted into sterling using the exchange rates in force at the date of fair value assessment.

iii. Fair value movements on investment entity subsidiaries are the movements in the fair value of Group subsidiaries which are classified as investment entities under IFRS 10. The Group makes investments in portfolio assets through these entities which are usually limited partnerships or corporate subsidiaries.

iv. Portfolio income is that portion of income that is directly related to the return from individual investments. It is recognised to the extent that it is probable that there will be economic benefit and the income can be reliably measured. The following specific recognition criteria must be met before the income is recognised:

- Dividends from equity investments are recognised in profit or loss when the shareholders' rights to receive payment have been established;
- Interest income from the investment portfolio is recognised as it accrues. When the fair value of an investment is assessed to be below the principal value of a loan, the Group recognises a provision against any interest accrued from the date of the assessment going forward until the investment is assessed to have recovered in value; and
- The accounting policy for fee income is included in Note 4.

v. Foreign exchange on investments arises on investments made in currencies that are different from the functional currency of the Company, being sterling. Investments are translated at the exchange rate ruling at the date of the transaction in accordance with IAS 21. At each subsequent reporting date, investments are translated to sterling at the exchange rate ruling at that date.

vi. Movement in the fair value of derivatives relates to the change in fair value of forward foreign exchange contracts which have been used to minimise foreign currency risk in the investment portfolio. See Note 18 for more details.

(b) Foreign currency translation

For the Company and those subsidiaries and associates whose balance sheets are denominated in sterling, which is the Company's functional and presentational currency, monetary assets and liabilities and non-monetary assets held at fair value denominated in foreign currencies are translated into sterling at the closing rates of exchange at the balance sheet date. Foreign currency transactions are translated into sterling at the average rates of exchange over the year and exchange differences arising are taken to profit or loss.

The statements of financial position of subsidiaries, which are not held at fair value, denominated in foreign currencies are translated into sterling at the closing rates. The statements of comprehensive income for these subsidiaries and associates are translated at the average rates and exchange differences arising are taken to other comprehensive income. Such exchange differences are reclassified to profit or loss in the period in which the subsidiary or associate is disposed of.

(c) Treasury assets and liabilities

Short-term treasury assets, and short and long-term treasury liabilities are used in order to manage cash flows.

Cash and cash equivalents comprise cash at bank and amounts held in money market funds which are readily convertible into cash and there is an insignificant risk of changes in value. Financial assets and liabilities are recognised in the balance sheet when the relevant Group entity becomes a party to the contractual provisions of the instrument. Derecognition occurs when rights to cash flows from a financial asset expire, or when a liability is extinguished.

Notes to the accounts

1 Segmental analysis

Operating segments are the components of the Group whose results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance.

The Chief Executive, who is considered to be the chief operating decision maker, managed the Group on the basis of business divisions determined with reference to market focus, geographic focus, investment funding model and the Group's management hierarchy. A description of the activities, including returns generated by these divisions and the allocation of resources, is given in the Strategic report. For the geographical segmental split, revenue information is based on the locations of the assets held. To aid the readers' understanding we have split out Action, Private Equity's largest asset, into a separate column. Action is not regarded as a reported segment as the chief operating decision maker reviews performance, makes decisions and allocates resources to the Private Equity segment, which includes Action.

The segmental information that follows is presented on the basis used by the Chief Executive to monitor the performance of the Group. The reported segments are Private Equity, Infrastructure and Scandlines.

The segmental analysis is prepared on the Investment basis. The Investment basis is an APM and we believe it provides a more understandable view of performance. For more information on the Investment basis and a reconciliation between the Investment basis and IFRS, see pages 73 to 76.

Investment basis **Year to 31 March 2023**	**Private Equity £m**	*Of which Action £m*	**Infrastructure £m**	**Scandlines £m**	**Total[4] £m**
Realised profits over value on the disposal of investments	**169**	–	**–**	**–**	**169**
Unrealised profits on the revaluation of investments	**3,746**	*3,708*	**23**	**–**	**3,769**
Portfolio income					
Dividends	**345**	*328*	**33**	**38**	**416**
Interest income from investment portfolio	**77**	–	**14**	**–**	**91**
Fees receivable	**7**	*1*	**–**	**–**	**7**
Foreign exchange on investments	**493**	*285*	**16**	**21**	**530**
Movement in the fair value of derivatives	**129**	*22*	**–**	**(7)**	**122**
Gross investment return	**4,966**	*4,344*	**86**	**52**	**5,104**
Fees receivable from external funds	**4**	–	**66**	**–**	**70**
Operating expenses	**(88)**	–	**(48)**	**(2)**	**(138)**
Interest receivable					**4**
Interest payable					**(54)**
Exchange movements					**(29)**
Other income					**(1)**
Operating profit before carried interest					**4,956**
Carried interest					
Carried interest and performance fees receivable	**4**	–	**37**	**–**	**41**
Carried interest and performance fees payable	**(392)**	–	**(26)**	**–**	**(418)**
Operating profit before tax					**4,579**
Tax charge					**(2)**
Profit for the year					**4,577**
Other comprehensive income					
Re-measurements of defined benefit plans					**8**
Total return					**4,585**
Realisations[1]	**857**	–	**–**	**–**	**857**
Cash investment[2]	**(381)**	*(30)*	**(16)**	**–**	**(397)**
Net divestment/(investment)	**476**	*(30)*	**(16)**	**–**	**460**
Balance sheet					
Opening portfolio value at 1 April 2022	**12,420**	*7,165*	**1,352**	**533**	**14,305**
Investment[3]	**496**	*30*	**16**	**–**	**512**
Value disposed	**(688)**	–	**–**	**–**	**(688)**
Unrealised value movement	**3,746**	*3,708*	**23**	**–**	**3,769**
Other movement (including foreign exchange)	**451**	*285*	**18**	**21**	**490**
Closing portfolio value at 31 March 2023	**16,425**	*11,188*	**1,409**	**554**	**18,388**

1 Realised proceeds may differ from cash proceeds due to timing of cash receipts. During the year, Private Equity received £1 million and Infrastructure received £33 million of cash proceeds which were recognised as realised proceeds in FY2022. Private Equity recognised £6 million of realised proceeds which are to be received in FY2024.
2 Cash investment per the segmental analysis is different to cash investment per the cash flow due to a £57 million syndication in Infrastructure which was recognised in FY2022 and received in FY2023 and a £10 million investment in Private Equity which was recognised in FY2023 and is to be paid in FY2024.
3 Includes capitalised interest and other non-cash investment.
4 The total is the sum of Private Equity, Infrastructure and Scandlines, "Of which Action" is part of Private Equity.

Interest received, interest paid, exchange movements, other income, tax charge and re-measurements of defined benefit plans are not managed by segment by the chief operating decision maker and therefore have not been allocated to a specific segment.

Notes to the accounts continued

1 Segmental analysis continued

Investment basis Year to 31 March 2022	Private Equity £m	*Of which Action £m*	Infrastructure £m	Scandlines £m	Total[4] £m
Realised profits over value on the disposal of investments	228	*–*	10	–	238
Unrealised profits on the revaluation of investments	3,545	*2,655*	178	101	3,824
Portfolio income					
Dividends	331	*288*	31	13	375
Interest income from investment portfolio	73	*–*	12	–	85
Fees receivable	6	*1*	(3)	–	3
Foreign exchange on investments	(11)	*(56)*	13	(4)	(2)
Movement in the fair value of derivatives	–	*–*	–	2	2
Gross investment return	4,172	*2,888*	241	112	4,525
Fees receivable from external funds	4	*–*	58	–	62
Operating expenses	(83)	*–*	(43)	(2)	(128)
Interest receivable					–
Interest payable					(53)
Exchange movements					9
Other income					2
Operating profit before carried interest					4,417
Carried interest					
Carried interest and performance fees receivable	3	*–*	51	–	54
Carried interest and performance fees payable	(416)	*–*	(38)	–	(454)
Operating profit before tax					4,017
Tax charge					(5)
Profit for the year					4,012
Other comprehensive income					
Re-measurements of defined benefit plans					2
Total return					4,014
Realisations[1]	684	*–*	104	–	788
Cash investment[2]	(457)	*–*	(85)	(1)	(543)
Net divestment/(investment)	227	*–*	19	(1)	245
Balance sheet					
Opening portfolio value at 1 April 2021	8,814	*4,566*	1,159	435	10,408
Investment[3]	568	*–*	85	1	654
Value disposed	(456)	*–*	(94)	–	(550)
Unrealised value movement	3,545	*2,655*	178	101	3,824
Other movement (including foreign exchange)	(51)	*(56)*	24	(4)	(31)
Closing portfolio value at 31 March 2022	12,420	*7,165*	1,352	533	14,305

1 Realised proceeds may differ from cash proceeds due to timing of cash receipts. During the year, Private Equity received £3 million of cash proceeds which were recognised as realised proceeds in FY2021. Infrastructure recognised £32 million of realised proceeds which are to be received in FY2023 and Private Equity recognised £1 million of realised proceeds which are to be received in FY2023.
2 Cash investment per the segmental analysis is different to cash investment per the cash flow due to a £53 million syndication in Infrastructure which was recognised in FY2022 and to be received in FY2023.
3 Includes capitalised interest and other non-cash investment.
4 The total is the sum of Private Equity, Infrastructure and Scandlines, "Of which Action" is part of Private Equity.

Interest received, interest paid, exchange movements, other income, tax charge and re-measurements of defined benefit plans are not managed by segment by the chief operating decision maker and therefore have not been allocated to a specific segment.

Notes to the accounts continued

1 Segmental analysis continued

Investment basis Year to 31 March 2023	UK £m	Northern Europe £m	North America £m	Other £m	Total £m
Realised profits over value on the disposal of investments	**1**	**168**	**–**	**–**	**169**
Unrealised profits on the revaluation of investments	**57**	**3,388**	**317**	**7**	**3,769**
Portfolio income	**63**	**435**	**16**	**–**	**514**
Foreign exchange on investments	**–**	**418**	**113**	**(1)**	**530**
Movement in fair value of derivatives	**–**	**22**	**100**	**–**	**122**
Gross investment return	**121**	**4,431**	**546**	**6**	**5,104**
Realisations	**1**	**524**	**332**	**–**	**857**
Cash investment	**(30)**	**(293)**	**(74)**	**–**	**(397)**
Net (investment)/divestment	**(29)**	**231**	**258**	**–**	**460**
Balance sheet					
Closing portfolio value at 31 March 2023	**2,050**	**14,189**	**2,122**	**27**	**18,388**

Investment basis Year to 31 March 2022	UK £m	Northern Europe £m	North America £m	Other £m	Total £m
Realised profits over value on the disposal of investments	1	48	185	4	238
Unrealised profits on the revaluation of investments	276	3,053	493	2	3,824
Portfolio income	60	390	13	–	463
Foreign exchange on investments	–	(78)	76	–	(2)
Movement in fair value of derivatives	–	2	–	–	2
Gross investment return	337	3,415	767	6	4,525
Realisations	10	328	442	8	788
Cash investment	(25)	(374)	(144)	–	(543)
Net (investment)/divestment	(15)	(46)	298	8	245
Balance sheet					
Closing portfolio value at 31 March 2022	1,948	10,388	1,947	22	14,305

2 Realised profits over value on the disposal of investments

	2023 Unquoted investments	Total £m
Realisations	**193**	**193**
Valuation of disposed investments	**(129)**	**(129)**
	64	**64**
Of which:		
– profits recognised on realisations	**64**	**64**
	64	**64**

	2022 Unquoted investments	Total £m
Realisations	323	323
Valuation of disposed investments	(234)	(234)
	89	89
Of which:		
– profits recognised on realisations	89	89
	89	89

Notes to the accounts continued

3 Unrealised profits on the revaluation of investments

	2023 Unquoted investments £m	2023 Quoted investments £m	Total £m
Movement in the fair value of investments	**1,990**	**(93)**	**1,897**
Of which:			
– unrealised profits	**2,152**	**–**	**2,152**
– unrealised losses	**(162)**	**(93)**	**(255)**
	1,990	**(93)**	**1,897**

	2022 Unquoted investments £m	2022 Quoted investments £m	Total £m
Movement in the fair value of investments	1,644	137	1,781
Of which:			
– unrealised profits	1,658	137	1,795
– unrealised losses	(14)	–	(14)
	1,644	137	1,781

4 Revenue

Accounting policy:

The following items from the Consolidated statement of comprehensive income fall within the scope of IFRS 15:

Fees receivable are earned for providing services to 3i's portfolio companies, which predominantly fall into one of two categories:

Negotiation and other transaction fees are earned for providing services relating to a specific transaction, such as when a portfolio company is bought, sold or refinanced. These fees are generally of a fixed nature and the revenue is recognised in full at the point of transaction completion.

Monitoring and other ongoing service fees are earned for providing a range of services to a portfolio company over a period of time. These fees are generally of a fixed nature and the revenue is recognised evenly over the period, in line with the services provided.

Fees receivable from external funds are earned for providing management and advisory services to a variety of fund partnerships and other entities. Fees are typically calculated as a percentage of the cost or value of the assets managed during the year and are paid quarterly, based on the assets under management at that date. The revenue is recognised evenly over the period, in line with the services provided.

Carried interest and performance fees receivable – the accounting policy for carried interest and performance fees receivable is shown in Note 14.

Items from the Consolidated statement of comprehensive income which fall within the scope of IFRS 15 are included in the table below:

Year to 31 March 2023	**Private Equity £m**	**Infrastructure £m**	**Total £m**
Total revenue by geography[1]			
UK	**6**	**95**	**101**
Northern Europe	**10**	**6**	**16**
North America	**2**	**2**	**4**
Other	**–**	**–**	**–**
Total	**18**	**103**	**121**
Revenue by type			
Fees receivable[2]	**10**	**–**	**10**
Fees receivable from external funds	**4**	**66**	**70**
Carried interest and performance fees receivable[2]	**4**	**37**	**41**
Total	**18**	**103**	**121**

1 For fees receivable from external funds and carried interest and performance fees receivable the geography is based on the domicile of the fund.
2 Fees receivable and carried interest receivable above are different to the Investment basis figures included in Note 1. This is due to the fact that Note 1 is disclosed on the Investment basis and the table above is shown on the IFRS basis. For an explanation of the Investment basis and a reconciliation between Investment basis and IFRS basis see pages 73 to 76.

4 Revenue continued

Year to 31 March 2022	Private Equity £m	Infrastructure £m	Total £m
Total revenue by geography[1]			
UK	7	105	112
Northern Europe	4	2	6
North America	5	(3)	2
Other	–	1	1
Total	16	105	121
Revenue by type			
Fees receivable[2]	9	(3)	6
Fees receivable from external funds	5	57	62
Carried interest and performance fees receivable[2]	2	51	53
Total	16	105	121

1 For fees receivable from external funds and carried interest and performance fees receivable the geography is based on the domicile of the fund.
2 Fees receivable and carried interest receivable above are different to the Investment basis figures included in Note 1. This is due to the fact that Note 1 is disclosed on the Investment basis and the table above is shown on the IFRS basis. For an explanation of the Investment basis and a reconciliation between Investment basis and IFRS basis see pages 73 to 76.

Consolidated statement of financial position

As at 31 March 2023, other current assets in the Consolidated statement of financial position include balances relating to fees receivable from portfolio and fees receivable from external funds of £4 million and £5 million respectively (31 March 2022: £4 million and £1 million respectively). Details of the carried interest and performance fees receivable included in the Consolidated statement of financial position are shown in Note 14. These are different to the balances included in the Investment basis Consolidated statement of financial position. For an explanation of the Investment basis and a reconciliation between Investment basis and IFRS basis see pages 73 to 76.

5 Operating expenses

Operating expenses of £137 million (2022: £127 million) recognised in the IFRS Consolidated statement of comprehensive income, include the following amounts:

	2023 £m	2022 £m
Depreciation of property, plant and equipment	**1**	2
Depreciation of right of use assets	**4**	4
Amortisation of intangible assets	**1**	1
Audit fees (Note 7)	**3**	3
Staff costs (Note 6)	**97**	89
Redundancy costs	**–**	2

Including expenses incurred in the entities accounted for as investment entity subsidiaries of £1 million (2022: £1 million), the Group's total operating expenses on the Investment basis for the year were £138 million (2022: £128 million).

6 Staff costs

The table below is prepared in accordance with Companies Act requirements, which is consistent with both the IFRS and the Investment basis.

	2023 £m	2022 £m
Wages and salaries	**72**	68
Social security costs	**12**	10
Share-based payment costs (Note 27)	**9**	8
Pension costs	**4**	3
Total staff costs	**97**	89

The average number of employees during the year was 241 (2022: 234), of which 152 (2022: 152) were employed in the UK.

Notes to the accounts continued

6 Staff costs continued

Wages and salaries shown above include salaries paid in the year, as well as bonuses and portfolio incentive schemes relating to the year ended 31 March 2023. These costs are included in operating expenses. The table below analyses these costs between fixed and variable elements.

	2023 £m	2022 £m
Fixed staff costs	**45**	41
Variable staff costs[1]	**52**	48
Total staff costs	**97**	89

1 Includes cash bonuses and equity and cash settled share awards.

More detail on this information is included in the Directors' remuneration report on pages 131 to 152.

7 Information regarding the Group's Auditor

During the year, the Group received the following services from its external auditor, KPMG LLP. The table below is prepared in accordance with Companies Act requirements, which is consistent with both the IFRS and the Investment basis.

		2023 £m	2022 £m
Audit services			
Statutory audit	– Company	**1.7**	1.5
	– UK subsidiaries	**0.7**	0.7
	– Overseas subsidiaries	**0.4**	0.5
Total audit services		**2.8**	2.7
Non-audit services			
Other assurance services		**0.4**	0.3
Total audit and non-audit services		**3.2**	3.0

8 Tax

Accounting policy:

Tax represents the sum of the tax currently payable, withholding taxes suffered and deferred tax. Tax is charged or credited in the Consolidated statement of comprehensive income, except where it relates to items charged or credited directly to equity, in which case the tax is also dealt with in equity.

The tax currently payable is based on the taxable profit for the year. This may differ from the profit included in the Consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

To enable the tax charge to be based on the profit for the year, deferred tax is provided where relevant on temporary timing differences, at the rates of tax expected to apply when these differences crystallise. The UK Finance Act 2021, which was enacted on 10 June 2021, increased the main corporation tax rate from 19% to 25% with effect from 1 April 2023. Therefore, the deferred tax assets and liabilities have been calculated using the corporation tax rate in the UK of 25% (2022: 25%).

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

IFRIC 23 has been applied to the recognition and measurement of uncertain tax provisions held at the year end. There were no material uncertain tax positions arising during the year or at the year end.

8 Tax continued

	2023 £m	2022 £m
Current taxes		
Current year:		
UK	**2**	1
Overseas	**1**	4
Prior year:		
UK	**(1)**	–
Overseas	**(1)**	–
Deferred taxes		
Current year	**1**	–
Total tax charge in the Consolidated statement of comprehensive income	**2**	5

Reconciliation of tax in the Consolidated statement of comprehensive income

The tax charge for the year is different to the standard rate of corporation tax in the UK, currently 19% (2022: 19%), and the differences are explained below:

	2023 £m	2022 £m
Profit before tax	**4,575**	4,018
Profit before tax multiplied by rate of corporation tax in the UK of 19% (2022: 19%)	**869**	763
Effects of:		
Non-taxable capital profits due to UK approved investment trust company status	**(793)**	(702)
Non-taxable dividend income	**(75)**	(67)
	1	(6)
Other differences between accounting and tax profits:		
Permanent differences – non-deductible items	**4**	7
Temporary differences on which deferred tax is not recognised	**1**	–
Overseas countries' taxes	**1**	4
Tax losses brought forward and utilised on which deferred tax not previously provided	**(3)**	–
Prior year tax credits	**(2)**	–
Total income tax charge in the Consolidated statement of comprehensive income	**2**	5

The affairs of the Group's parent company are directed so as to allow it to meet the requisite conditions to continue to operate as an approved investment trust company for UK tax purposes. An approved investment trust company is a UK investment company which is required to meet certain conditions set out in the UK tax rules to obtain and maintain its tax status. This approval allows certain investment profits of the Company, broadly its capital profits, to be exempt from tax in the UK.

Including a net tax charge of nil (2022: nil) in investment entity subsidiaries, the Group recognised a total tax charge of £2 million (2022: £5 million) under the Investment basis.

Deferred income taxes

	2023 £m	2022 £m
Opening deferred income tax asset/(liability)		
Tax losses	**1**	1
Income in accounts taxable in the future	**(1)**	(1)
	–	–
Recognised through Consolidated statement of comprehensive income		
Tax losses recognised	**–**	–
Income in accounts taxable in the future	**(1)**	–
	(1)	–
Closing deferred income tax asset/(liability)		
Tax losses	**1**	1
Income in accounts taxable in the future	**(2)**	(1)
	(1)	–

8 Tax continued

At 31 March 2023, the Group had carried forward tax losses of £1,379 million (31 March 2022: £1,384 million), capital losses of £87 million (31 March 2022: £87 million) and other deductible temporary differences of £59 million (31 March 2022: £50 million). With the additional restrictions on utilising brought forward losses introduced from 1 April 2017, and the uncertainty that the Group will generate sufficient or relevant taxable profits not covered by the Investment Trust exemption in the foreseeable future to utilise these amounts, no deferred tax asset has been recognised in respect of these losses. Deferred tax assets and liabilities have been calculated using the corporation tax rate in the UK of 25% (2022: 25%).

9 Per share information

The calculation of basic net assets per share is based on the net assets and the number of shares in issue at the year end. When calculating the diluted net assets per share, the number of shares in issue is adjusted for the effect of all dilutive share awards. Dilutive share awards are equity awards with performance conditions attached see Note 27 Share-based payments for further details.

	2023	2022
Net assets per share (£)		
Basic	**17.50**	13.24
Diluted	**17.45**	13.21
Net assets (£m)		
Net assets attributable to equity holders of the Company	**16,844**	12,754

	2023	2022
Number of shares in issue		
Ordinary shares	**973,312,950**	973,238,638
Own shares	**(10,660,078)**	(10,212,745)
	962,652,872	963,025,893
Effect of dilutive potential ordinary shares		
Share awards	**2,849,520**	2,705,623
Diluted shares	**965,502,392**	965,731,516

The calculation of basic earnings per share is based on the profit attributable to shareholders and the weighted average number of shares in issue. The weighted average shares in issue for the year to 31 March 2023 are 962,674,183 (2022: 966,091,793). When calculating the diluted earnings per share, the weighted average number of shares in issue is adjusted for the effect of all dilutive share awards. The diluted weighted average shares in issue for the year to 31 March 2023 are 965,273,696 (2022: 968,636,820).

	2023	2022
Earnings per share (pence)		
Basic	**475.0**	415.4
Diluted	**473.8**	414.3
Earnings (£m)		
Profit for the year attributable to equity holders of the Company	**4,573**	4,013

10 Dividends

	2023 pence per share	2023 £m	2022 pence per share	2022 £m
Declared and paid during the year				
Ordinary shares				
Second dividend	**27.25**	**262**	21.00	203
First dividend	**23.25**	**223**	19.25	186
	50.50	**485**	40.25	389
Proposed dividend	**29.75**	**285**	27.25	262

The Group introduced a simplified dividend policy in May 2018. In accordance with this policy, subject to maintaining a conservative balance sheet approach, the Group aims to maintain or grow the dividend each year. The first dividend has been set at 50% of the prior year's total dividend.

The dividend can be paid out of either the capital reserve or the revenue reserve subject to the investment trust rules, see Note 20 for details of reserves.

10 Dividends continued

The distributable reserves of the parent company are £4,940 million (31 March 2022: £ 3,968million) and the Board reviews the distributable reserves bi-annually, including consideration of any material changes since the most recent audited accounts, ahead of proposing any dividend. The Board also reviews the proposed dividends in the context of the requirements of being an approved investment trust. Shareholders are given the opportunity to approve the total dividend for the year at the Company's Annual General Meeting.
Details of the Group's continuing viability and going concern can be found in the Risk management section.

11 Investment portfolio

Accounting policy:

Investments are recognised and derecognised on the date when their purchase or sale is subject to a relevant contract and the associated risks and rewards have been transferred. The Group manages its investments with a view to profiting from the receipt of investment income and capital appreciation from changes in the fair value of investments.

All investments are initially recognised at the fair value of the consideration given and are subsequently measured at fair value, in accordance with the Group's valuation policies.

Quoted investments are accounted for at fair value through profit and loss. Fair value is measured using the closing bid price at the reporting date, where the investment is quoted on an active stock market.

Unquoted investments, including both equity and loans, are accounted for at fair value through profit and loss. Fair value is determined in line with 3i's valuation policy, which is compliant with the fair value guidelines under IFRS and the International Private Equity and Venture Capital ("IPEV") Valuation Guidelines, details of which are available in "Valuations Committee report" on pages 126 to 130.

Interest bearing loans accrue interest which is either settled in cash or capitalised on a regular basis and included as part of the principal loan balance. The capitalisation of accrued interest is treated as part of investment additions during the year. If the fair value of an investment is assessed to be below the principal value of the loan the Group recognises a fair value reduction against any interest income accrued from the date of the assessment going forward. "Capitalisation at nil value" is the term used to describe the capitalisation of accrued interest which has been fully provided for. These transactions are disclosed as additions to portfolio cost with an equal reduction made where loan notes have nil value.

In accordance with IFRS 10, the proportion of the investment portfolio held by the Group's unconsolidated subsidiaries is presented as part of the fair value of investment entity subsidiaries, along with the fair value of their other assets and liabilities.

A reconciliation of the fair value of Investments in investment entities is included in Note 12.

	Group 2023 £m	Group 2022 £m	**Company 2023 £m**	Company 2022 £m
Opening fair value	**6,642**	5,010	**6,642**	5,010
Additions	**908**	138	**908**	138
– of which loan notes with nil value	**(6)**	(4)	**(6)**	(4)
Disposals, repayments and write-offs	**(129)**	(282)	**(129)**	(282)
Fair value movement[1]	**1,897**	1,781	**1,897**	1,781
Other movements and net cash movements[2]	**206**	(1)	**206**	(1)
Closing fair value	**9,518**	6,642	**9,518**	6,642
Quoted investments	**841**	934	**841**	934
Unquoted investments	**8,677**	5,708	**8,677**	5,708
Closing fair value	**9,518**	6,642	**9,518**	6,642

1 All fair value movements relate to assets held at the end of the year.
2 Other movements includes the impact of foreign exchange.

3i's investment portfolio is made up of longer-term investments, with average holding periods greater than one year, and thus is classified as non-current.

The table below reconciles between purchase of investments in the cash flow statement and additions as disclosed in the table above.

Notes to the accounts continued

11 Investment portfolio continued

	2023 £m	2022 £m
Purchase of investments	**46**	324
Transfer of portfolio investments from/(to) investment entity subsidiaries[1]	**781**	(157)
Syndication[2]	**57**	(53)
Investment payable	**2**	–
Investment	**886**	114
Capitalised interest received by way of loan notes	**22**	24
Additions	**908**	138

1 Includes the transfer of assets of £781 million (31 March 2022: nil) from the Buyouts 10-12 partnerships which are classified as investment entity subsidiaries, relating to Action.
2 In the year to 31 March 2022 we recorded a £53 million syndication in Infrastructure which is treated as negative investment against our additions and recognised as a receivable as at 31 March 2022. In the year to 31 March 2023, we received the £57 million cash syndication.

Included within profit or loss is £29 million (2022: £30 million) of interest income. Interest income included £14 million (2022: £17 million) of accrued income capitalised during the year noted above, £12 million (2022: £3 million) of cash income and £3 million (2022: £10 million) of accrued income remaining uncapitalised at the year end.

Quoted investments are classified as Level 1 and unquoted investments are classified as Level 3 in the fair value hierarchy, see Note 13 for details.

12 Investments in investment entity subsidiaries

Accounting policy:

Investments in investment entity subsidiaries are accounted for as financial instruments at fair value through profit and loss in accordance with IFRS 9.

These entities are typically limited partnerships and other intermediate investment holding structures which hold the Group's interests in investments in portfolio companies. The fair value can increase or decrease from either amounts paid to or received from the investment entity subsidiaries or valuation movements in line with the Group's valuation policy.

Substantially all of these entities meet the definition of a Fund under the IPEV guidelines and the fair value of these entities is their net asset value.

We determine that, in the ordinary course of business, the net asset value of investment entity subsidiaries is considered to be the most appropriate to determine fair value. At each reporting period, we consider whether any additional fair value adjustments need to be made to the net asset value of the investment entity subsidiaries. These adjustments may be required to reflect market participants' considerations about fair value that may include, but are not limited to, liquidity and the portfolio effect of holding multiple investments within the investment entity subsidiary. There was no particular circumstance to indicate that a fair value adjustment was required (31 March 2022: no adjustment required) and, after due consideration, we concluded that the net asset values were the most appropriate reflection of fair value at 31 March 2023.

Level 3 fair value reconciliation – investments in investment entity subsidiaries

Non-current	Group 2023 £m	Group 2022 £m
Opening fair value	**6,791**	4,905
Amounts paid to investment entity subsidiaries	**535**	349
Amounts received from investment entity subsidiaries	**(841)**	(685)
Fair value movements on investment entity subsidiaries	**2,112**	1,974
Transfer of portfolio investments (from)/to investment entity subsidiaries	**(781)**	205
Transfer of assets to investment entity subsidiaries	**28**	43
Closing fair value	**7,844**	6,791

Transfer of portfolio investments from investment entity subsidiaries includes the transfer of investment portfolio between investment entity subsidiaries and the Company at fair value. The consideration for these transfers can either be cash or intra-group receivables. During the year the Company received a transfer of assets of £781 million (31 March 2022: nil) from the Buyouts 10-12 partnerships which are classified as investment entity subsidiaries, relating to Action.

12 Investments in investment entity subsidiaries continued

Restrictions

3i Group plc, the ultimate parent company, receives dividend income from its subsidiaries. There is £225 million (31 March 2022: nil) of restrictive cash held in investment entity subsidiaries relating to carried interest and performance fees payable.

Support

3i Group plc continues to provide, where necessary, ongoing support to its investment entity subsidiaries for the purchase of portfolio investments. The Group's current commitments are disclosed in Note 24.

13 Fair values of assets and liabilities

Accounting policy:

Financial instruments are initially classified at either amortised cost or fair value through profit or loss. Financial instruments classified at fair value through profit or loss are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in profit or loss in the Statement of comprehensive income. Financial instruments classified at amortised cost are subsequently measured at amortised cost using the effective interest method with interest income or expense and foreign exchange gains and losses recognised in profit or loss in the Statement of comprehensive income.

(A) Classification

The following tables analyse the Group's assets and liabilities in accordance with the categories of financial instruments in IFRS 9:

	Group 2023 Classified at fair value through profit and loss £m	Group 2023 Other financial instruments at amortised cost £m	Group 2023 Total £m	Group 2022 Classified at fair value through profit and loss £m	Group 2022 Other financial instruments at amortised cost £m	Group 2022 Total £m
Assets						
Quoted investments	**841**	**–**	**841**	934	–	934
Unquoted investments	**8,677**	**–**	**8,677**	5,708	–	5,708
Investments in investment entities	**7,844**	**–**	**7,844**	6,791	–	6,791
Other financial assets	**142**	**82**	**224**	54	172	226
Total	**17,504**	**82**	**17,586**	13,487	172	13,659
Liabilities						
Loans and borrowings	**–**	**775**	**775**	–	975	975
Other financial liabilities	**4**	**167**	**171**	–	185	185
Total	**4**	**942**	**946**	–	1,160	1,160

	Company 2023 Classified at fair value through profit and loss £m	Company 2023 Other financial instruments at amortised cost £m	Company 2023 Total £m	Company 2022 Classified at fair value through profit and loss £m	Company 2022 Other financial instruments at amortised cost £m	Company 2022 Total £m
Assets						
Quoted investments	**841**	**–**	**841**	934	–	934
Unquoted investments	**8,677**	**–**	**8,677**	5,708	–	5,708
Other financial assets	**131**	**113**	**244**	34	184	218
Total	**9,649**	**113**	**9,762**	6,676	184	6,860
Liabilities						
Loans and borrowings	**–**	**775**	**775**	–	975	975
Other financial liabilities	**4**	**728**	**732**	–	667	667
Total	**4**	**1,503**	**1,507**	–	1,642	1,642

Within the Company, Interests in Group entities of £7,867 million (31 March 2022: £6,801 million) includes £7,845 million (31 March 2022: £6,792 million) held at fair value and £22 million (31 March 2022: £9 million) held at cost less impairment.

13 Fair values of assets and liabilities continued

(B) Valuation

The fair values of the Group's financial assets and liabilities not held at fair value, are not materially different from their carrying values, with the exception of loans and borrowings. The fair value of the loans and borrowings is £686 million (31 March 2022: £1,069 million), determined with reference to their published market prices. The carrying value of the loans and borrowings is £775 million (31 March 2022: £975 million) and accrued interest payable (included within trade and other payables) is £12 million (31 March 2022: £13 million).

Valuation hierarchy

The Group classifies financial instruments measured at fair value according to the following hierarchy:

Level	Fair value input description	Financial instruments
Level 1	Quoted prices (unadjusted) from active markets	Quoted equity instruments
Level 2	Inputs other than quoted prices included in Level 1 that are observable either directly (ie as prices) or indirectly (ie derived from prices)	Derivative financial instruments
Level 3	Inputs that are not based on observable market data	Unquoted investments

Unquoted equity instruments and debt instruments are measured in accordance with the IPEV Guidelines with reference to the most appropriate information available at the time of measurement. Further information regarding the valuation of unquoted equity instruments can be found on page 184.

The table below shows the classification of financial instruments held at fair value into the valuation hierarchy at 31 March 2023:

	Group 2023 Level 1 £m	**Group 2023 Level 2 £m**	**Group 2023 Level 3 £m**	**Group 2023 Total £m**	Group 2022 Level 1 £m	Group 2022 Level 2 £m	Group 2022 Level 3 £m	Group 2022 Total £m
Assets								
Quoted investments	**841**	**–**	**–**	**841**	934	–	–	934
Unquoted investments	**–**	**–**	**8,677**	**8,677**	–	–	5,708	5,708
Investments in investment entity subsidiaries	**–**	**–**	**7,844**	**7,844**	–	–	6,791	6,791
Other financial assets	**–**	**121**	**21**	**142**	–	17	37	54
Liabilities								
Other financial liabilities	**–**	**(4)**	**–**	**(4)**	–	–	–	–
Total	**841**	**117**	**16,542**	**17,500**	934	17	12,536	13,487

13 Fair values of assets and liabilities continued

We determine that, in the ordinary course of business, the net asset value of an investment entity subsidiary is considered to be the most appropriate to determine fair value. The underlying portfolio is valued under the same methodology as directly held investments, with any other assets or liabilities within investment entity subsidiaries fair valued in accordance with the Group's accounting policies. Note 12 details the Directors' considerations about the fair value of the underlying investment entity subsidiaries.

Movements in the directly held investment portfolio categorised as Level 3 during the year are set out in the table below:

	Group 2023 £m	Group 2022 £m	Company 2023 £m	Company 2022 £m
Opening fair value	**5,708**	4,213	**5,708**	4,213
Additions	**908**	138	**908**	138
– of which loan notes with nil value	**(6)**	(4)	**(6)**	(4)
Disposals, repayments and write-offs	**(129)**	(282)	**(129)**	(282)
Fair value movement[1]	**1,990**	1,644	**1,990**	1,644
Other movements and net cash movements[2]	**206**	(1)	**206**	(1)
Closing fair value	**8,677**	5,708	**8,677**	5,708

1 All fair value movements relate to assets held at the end of the year.
2 Other movements include the impact of foreign exchange and accrued interest.

Unquoted investments valued using Level 3 inputs also had the following impact on profit and loss: realised profits over value on disposal of investments of £64 million (2022: £89 million), dividend income of £200 million (2022: £179 million) and foreign exchange gains of £203 million (2022: losses of £9 million).

Assets move between Level 1 and Level 3 when an unquoted equity investment lists on a quoted market exchange. There were no transfers in or out of Level 3 during the year. In the 12 months to 31 March 2023, three assets changed valuation basis within Level 3, with all assets moving to an earnings-based valuation, having previously been valued on a sum-of-the-parts basis, DCF or fair value in line with the price of recent investment. The changes in valuation methodology in the period reflect our view of the most appropriate method to determine the fair value of the three assets at 31 March 2023. Further information can be found in the Private Equity and Infrastructure sections of the Business and Financial reviews starting on page 20.

The following table summarises the various valuation methodologies used by the Group to fair value Level 3 instruments, the inputs and the sensitivities applied and the impact of those sensitivities to the unobservable inputs. The majority of our portfolio companies have responded well to, and so far largely mitigated, high inflation, increased energy prices and interest rates and weaker consumer sentiment, an important consideration in our portfolio valuation at 31 March 2023. As part of our case-by-case review of our portfolio companies the risks and opportunities from climate change are an important consideration in the overall discussion on fair value. These risks are adequately captured in the multiple sensitivity. All numbers in the table below are on an Investment basis.

Notes to the accounts continued

13 Fair values of assets and liabilities continued

Level 3 unquoted investments

Methodology	Description	Inputs	Fair value at 31 March 2023 (£m)	Sensitivity on key unobservable input	Fair value impact of sensitivities (£m) +5%/-5%
Earnings (Private Equity)	Most commonly used Private Equity valuation methodology. Used for investments which are typically profitable and for which we can determine a set of listed companies and precedent transactions, where relevant, with similar characteristics	Earnings multiples are applied to the earnings of the Company to determine the enterprise value **Earnings multiples** When selecting earnings multiples, we consider: (1) Comparable listed companies current performance and through-the-cycle averages (2) Relevant market transaction multiples (3) Company performance, organic growth and value-accretive add-ons, if any (4) Exit expectations and other company specific factors For point 1 and 2 of the above we select companies in the same industry and, where possible, with a similar business model and profile in terms of size, products, services and customers, growth rates and geographic focus The pre-discount multiple ranges from 6.4x - 20.0x (2022: 8.0x - 20.0x) Other inputs: **Earnings** Reported earnings are adjusted for non-recurring items, such as restructuring expenses, for significant corporate actions and, in exceptional cases, adjustments to arrive at maintainable earnings The most common measure is earnings before interest, tax, depreciation and amortisation ("EBITDA") Earnings are usually obtained from portfolio company management accounts to the preceding quarter end, with reference also to forecast earnings and the maintainable view of earnings Action, our largest asset, is valued using run-rate earnings	**16,109** (2022: 11,586)	For the assets valued on an earnings basis, we have applied a 5% sensitivity to the earnings multiple Action is our largest asset, and we have included a 5% sensitivity on Action's earnings multiple of 19.5x (equivalent to 18.5x net)	**928** (2022: 695) **(930)** (2022: (697)) **618** (2022: 417) **(619)** (2022: (417))
Discounted cash flow (Private Equity/ Infrastructure/ Scandlines)	Appropriate for businesses with long-term stable cash flows, typically in Infrastructure or, alternatively, businesses where DCF is more appropriate in the short term	Long-term cash flows are discounted at a rate which is benchmarked against market data, where possible, or adjusted from the rate at the initial investment based on changes in the risk profile of the investment The range of discount rates used in our DCF valuations is 10.5% to 16.9% (2022: 10.0% to 15.0%)	**1,024** (2022: 1,023)	For the assets valued on a DCF basis, we have applied a 5% sensitivity to the discount rate	**(37)** (2022: (41)) **39** (2022: 37)
NAV (Private Equity/ Infrastructure)	Used for investments in unlisted funds	Net asset value reported by the fund manager. The valuation of the underlying portfolio is consistent with IFRS	**97** (2022: 77)	A 5% increase on closing NAV	**5** (2022: 4)
Other (Private Equity/ Infrastructure)	Used where elements of a business are valued on different bases	Values of separate elements prepared on or triangulated against one of the methodologies listed above	**196** (2022: 556)	A 5% increase in the closing value	**10** (2022: 28)

14 Carried interest and performance fees receivable

Accounting policy:

The Group earns a share of profits ("carried interest receivable") from funds which it manages on behalf of third parties. These profits are earned when the funds meet certain performance conditions and are paid by the fund when these conditions have been met on a cash basis. In certain limited circumstances the carried interest received may be subject to clawback provisions if the performance of the fund deteriorates materially following carried interest being paid.

Carried interest receivable

The carried interest receivable recognised at the balance sheet date is calculated based on the valuation of the remaining portfolio assets in the fund at that date, discounted to reflect the estimated realisation dates. Following initial recognition, carried interest receivable is accounted for under the amortised cost method in accordance with IFRS 9.

This includes the requirement to calculate expected credit losses at inception. Given that carried interest is received from a small number of entities which are managed by the Group and are paid shortly following receipt of the proceeds or finalisation of the calculation which causes the payments to become due, the expected credit losses for these receivables are expected to be negligible.

Performance fees receivable

The Group earns performance fees from the investment management services it provides to 3i Infrastructure plc ("3iN") when 3iN's total return for the year exceeds a specified threshold. These fees are calculated on an annual basis and paid in three equal instalments over three years. The second and third instalments will only be recognised and received if either: (a) 3iN's performance in the year in which the instalment is paid also triggers payment of a performance fee in respect of that year, or (b) if 3iN's performance over the three years starting with the year in which the performance fee is earned exceeds a specified threshold.

The Group also earns performance fees from the investment management services it provides to 3i Managed Infrastructure Acquisitions LP ("3i MIA") and 3i European Operational Projects ("3i EOPS") when the net asset value of the fund exceeds the performance threshold. These fees are calculated on an annual basis, and are recognised and paid at the end of successive five-year performance periods. The first five-year performance period ended on 31 March 2023. In accordance with IFRS 15, revenue from performance fees is recognised when it is sufficiently certain that there will not be a significant reversal, which is usually at the end of the relevant financial year or performance period, when the calculation is finalised and agreed.

Following initial recognition, performance fees receivable are accounted for under the amortised cost method in accordance with IFRS 9. This includes the requirement to calculate expected credit losses at inception. Given that performance fees are received from a small number of entities which are managed by the Group and are paid shortly following receipt of the proceeds or finalisation of the calculation which causes the payments to become due, the expected credit losses for these receivables are expected to be negligible.

	Group 2023 Carried interest receivable £m	**Group 2023 Performance fees receivable £m**	**Group 2023 Total £m**	Group 2022 Carried interest receivable £m	Group 2022 Performance fees receivable £m	Group 2022 Total £m
Opening carried interest and performance fees receivable	**9**	**51**	**60**	9	8	17
Carried interest and performance fees receivable recognised in profit and loss during the year	**4**	**37**	**41**	2	51	53
Received in the year	**(7)**	**(51)**	**(58)**	(2)	(8)	(10)
Other movements[1]	**–**	**–**	**–**	–	–	–
Closing carried interest and performance fees receivable	**6**	**37**	**43**	9	51	60
Of which: receivable in greater than one year	**3**	**–**	**3**	9	–	9

1 Other movements include the impact of foreign exchange.

14 Carried interest and performance fees receivable continued

	Company 2023 Carried interest receivable £m	Company 2023 Performance fees receivable £m	Company 2023 Total £m	Company 2022 Carried interest receivable £m	Company 2022 Performance fees receivable £m	Company 2022 Total £m
Opening carried interest and performance fees receivable	**63**	**25**	**88**	38	–	38
Carried interest and performance fees receivable recognised in profit and loss during the year	**42**	**–**	**42**	29	25	54
Received in the year	**(9)**	**(25)**	**(34)**	(3)	–	(3)
Other movements[1]	**2**	**–**	**2**	(1)	–	(1)
Closing carried interest and performance fees receivable	**98**	**–**	**98**	63	25	88
Of which: receivable in greater than one year	**81**	**–**	**81**	62	–	62

1 Other movements include the impact of foreign exchange.

The closing carried interest receivable balance above is calculated using the fair value of the assets in the relevant funds at the balance sheet date. The carried interest receivable recognised in profit and loss during the year predominantly relates to changes in the fair value of the investments in the relevant funds.

As explained in the accounting policy above, no expected credit losses have been recognised for carried interest and performance fees receivable as these are deemed to be negligible.

15 Carried interest and performance fees payable

Accounting policy:

The Group offers investment executives the opportunity to participate in the returns from investments subject to certain performance conditions. "Carried interest and performance fees payable" is the term used for amounts payable to executives on these investment-related transactions.

A variety of asset pooling arrangements are in place so that participants may have an interest in one or more carried interest plans and participants include current and former investment participants. Carried interest payable is accrued if its performance conditions, measured at the balance sheet date, would be achieved if the remaining assets in that plan were realised at fair value. An accrual is made equal to the participants' share of profits in excess of the performance conditions in place in the carried interest plan, discounted to reflect the likely actual cash payment date, which may be materially later than the time of the accrual.

The Infrastructure performance fee payable is accrued based on the expected award. A significant proportion of the amount awarded is deferred over time and may be granted in 3i Group plc shares. This is recognised over the vesting period in line with the requirements of IFRS 2 or IAS 19, depending on the type of award.

Under IFRS 10, where carried interest payable reduces the fair value of an investment entity subsidiary, that movement is recorded through "Fair value movements on investment entity subsidiaries". At 31 March 2023, £1,274 million of carried interest payable was recognised in the Consolidated statement of financial position of these investment entity subsidiaries (31 March 2022: £885 million).

	Group 2023 £m	Group 2022 £m
Opening carried interest and performance fees payable	**77**	66
Carried interest and performance fees payable recognised in profit and loss during the year	**38**	46
Cash paid in the year	**(29)**	(14)
Other movements[1]	**(9)**	(21)
Closing carried interest and performance fees payable	**77**	77
Of which: payable in greater than one year	**43**	42

1 Other movements include the impact of foreign exchange and a transfer from trade and other payables.

The carry payable expense in the table above includes a £13 million (2022: £16 million) charge arising from Infrastructure share-based payment carry related schemes. The charge includes £10 million (2022: £12 million) of equity awards and nil (2022: £1 million) of cash-settled awards, see Note 27 Share-based payments for further details and £3 million (2022: £3 million) of social security cost.

A 5% increase in the valuation of all individual assets in the underlying investment portfolio held by investment entity subsidiaries would result in a £60 million increase in carried interest and performance fees payable (31 March 2022: £54 million).

15 Carried interest and performance fees payable continued

A 5% decrease in the valuation of all individual assets in the underlying investment portfolio held by investment entity subsidiaries would result in a £60 million decrease in carried interest and performance fees payable (31 March 2022: £54 million).

16 Other assets

Accounting policy:

Assets, other than those specifically accounted for under a separate policy, are stated at their cost less impairment losses. Financial assets are recognised at amortised cost in accordance with IFRS 9, which includes the requirement to calculate expected credit losses ("ECLs") on initial recognition. Any ECLs are recognised directly in profit and loss, with any subsequent reversals recognised in the same location.

	Group 2023 £m	Group 2022 £m	**Company 2023 £m**	Company 2022 £m
Prepayments	**3**	2	**–**	–
Other debtors	**51**	63	**25**	29
Proceeds/syndication receivable	**6**	84	**–**	84
Total other assets	**60**	149	**25**	113
Of which: receivable in greater than one year	**30**	45	**16**	24

At 31 March 2023 no ECLs have been recognised against other assets as they are negligible (31 March 2022: nil).

17 Loans and borrowings

Accounting policy:

All loans and borrowings are initially recognised at the fair value of the consideration received. After initial recognition, these are subsequently measured at amortised cost using the effective interest method, which is the rate that exactly discounts the estimated future cash flows through the expected life of the liabilities. Financial liabilities are derecognised when they are extinguished.

	Group 2023 £m	Group 2022 £m
Loans and borrowings are repayable as follows:		
Within one year	**–**	200
Between the second and fifth year	**–**	–
After five years	**775**	775
	775	975

Principal borrowings include:

	Rate	Maturity	**Group 2023 £m**	Group 2022 £m	**Company 2023 £m**	Company 2022 £m
Fixed rate						
£200 million notes (public issue)	6.875 %	2023	**–**	200	**–**	200
£375 million notes (public issue)	5.750 %	2032	**375**	375	**375**	375
£400 million notes (public issue)	3.750 %	2040	**400**	400	**400**	400
			775	975	**775**	975
Committed multi-currency facilities						
£400 million	SONIA+0.75%	2024	**–**	–	**–**	–
£500 million	SONIA+0.50%	2027	**–**	–	**–**	–
Total loans and borrowings			**775**	975	**775**	975

During the year the Company increased the size of its committed multi-currency facility to £900 million (31 March 2022: £500 million). The syndicated multi-currency facility of £900 million has no financial covenants.

Notes to the accounts continued

17 Loans and borrowings continued

All of the Group's borrowings are repayable in one instalment on the respective maturity dates. Post 31 March 2023, we extended the maturity of the £400 million additional tranche to July 2025. None of the Group's interest-bearing loans and borrowings are secured on the assets of the Group. The fair value of the loans and borrowings is £686 million (31 March 2022: £1,069 million), determined with reference to their published market prices. The interest payable for loans and borrowings recognised within profit and loss is £53 million (2022: £52 million) and the interest paid for loans and borrowings recognised within the Consolidated cash flow statement is £54 million (2022: £52 million).

In accordance with the FCA's Investment Funds sourcebook (FUNDS 3.2.2R and Fund 3.2.6R), 3i Investments plc, as AIFM of the Company, is required to calculate leverage and disclose this to investors. The leverage is calculated using the gross method and commitment method. Gross method calculates the overall exposure over the net asset value whereas the commitment method calculates the net exposure over the net asset value. Leverage at 31 March 2023 for the Group is 121% (31 March 2022: 127%) and the Company is 117% (31 March 2022: 123%) under both the gross method and the commitment method. The leverage for 3i Investments plc at 31 March 2023 is 100% (31 March 2022: 100%) under both the gross method and the commitment method.

Under the Securities Financing Transactions Regulation and the FCA's Investment Funds sourcebook (FUNDS 3.2.4A), 3i is required to disclose certain information relating to the use of securities financing transactions ("SFTs") and total return swaps. At 31 March 2023, 3i was not party to any transactions involving SFTs or total return swaps.

Reconciliation of liabilities arising from financing activities

The changes in the Group's liabilities arising from financing activities are classified as follows:

	Loans and borrowings 2023 £m	**Lease liability 2023 £m**	Loans and borrowings 2022 £m	Lease liability 2022 £m
Opening liability	**975**	**14**	975	17
Additions	**–**	**1**	–	1
Repayments	**(200)**	**(5)**	–	(4)
Closing liability	**775**	**10**	975	14

18 Derivatives

Accounting policy:

Derivative financial instruments are accounted for at fair value through profit and loss in accordance with IFRS 9. They are revalued at the balance sheet date based on market prices, with any change in fair value being recorded in profit and loss. Derivatives are recognised in the Consolidated statement of financial position as a financial asset when their fair value is positive and as a financial liability when their fair value is negative. The Group's derivative financial instruments are not designated as hedging instruments.

Statement of comprehensive income	**Group 2023 £m**	Group 2022 £m	**Company 2023 £m**	Company 2022 £m
Movement in the fair value of derivatives	**122**	2	**122**	2

Statement of financial position	**Group 2023 £m**	Group 2022 £m	**Company 2023 £m**	Company 2022 £m
Non-current assets				
Forward foreign exchange contracts	**73**	7	**73**	7
Current assets				
Forward foreign exchange contracts	**48**	10	**48**	10
Non-current liabilities				
Forward foreign exchange contracts	**(3)**	–	**(3)**	–
Current liabilities				
Forward foreign exchange contracts	**(1)**	–	**(1)**	–

During the year the Group implemented a medium-term foreign exchange hedging program, entering into forward foreign exchange contracts to partially reduce the effect of fluctuations arising from movements in exchange rates to euro and US dollar. As at 31 March 2023 the notional amount of these forward foreign exchange contracts held by the Company was €2.0 billion (31 March 2022: nil) and $1.2 billion (31 March 2022: nil).

18 Derivatives continued

The Company also entered into forward foreign exchange contracts to minimise the effect of fluctuations arising from movements in exchange rates in the value of the Group's investment in Scandlines. During the year the Company increased the size of this hedging program for Scandlines. As at 31 March 2023 the notional amount of these forward foreign exchange contracts held by the Company was €600 million (31 March 2022: €500 million).

19 Trade and other payables

Accounting policy:

Liabilities, other than those specifically accounted for under a separate policy, are stated based on the amounts which are considered to be payable in respect of goods or services received up to the balance sheet date. Financial liabilities are recognised at amortised cost in accordance with IFRS 9.

	Group 2023 £m	Group 2022 £m	**Company 2023 £m**	Company 2022 £m
Trade and other payables	**80**	94	**11**	15
Amounts due to subsidiaries	**–**	–	**717**	652
Total trade and other payables	**80**	94	**728**	667
Of which: payable in greater than one year	**4**	14	**–**	–

20 Issued capital and reserves

Accounting policy:

Ordinary shares issued by the Group are recognised at the proceeds or fair value received with the excess of the amount received over nominal value being credited to the share premium account. Direct issue costs net of tax are deducted from equity.

Capital reserve recognises all profits and losses that are capital in nature or have been allocated to capital, which include the accumulation of investment gains and losses as well as changes to the value of financial instruments measured at fair value through profit and loss.

Revenue reserve recognises all profits and losses that are revenue in nature or have been allocated to revenue and is the accumulation of revenue profits and losses.

Issued and fully paid	**2023 Number**	**2023 £m**	2022 Number	2022 £m
Ordinary shares of $73\frac{19}{22}$p				
Opening balance	**973,238,638**	**719**	973,166,947	719
Issued under employee share plans	**74,312**	**–**	71,691	–
Closing balance	**973,312,950**	**719**	973,238,638	719

The Company issued 74,312 ordinary shares to the Trustee of the 3i Group Share Incentive Plan for a total cash consideration of £990,277 at various prices from 1,105 pence to 1,649 pence per share (being the market prices on the issue dates which were the last trading day of each month in the year, with the exception of December 2022, when the issue date was 4 January 2023). These shares were ordinary shares with no additional rights attached to them and had a total nominal value of £54,890.

21 Own shares

Accounting policy:

Own shares are recorded by the Group when ordinary shares are acquired by the Company or by The 3i Group Employee Benefit Trust. Own shares are deducted from shareholders' equity. A transfer is made to retained earnings at their weighted average cost in line with the vesting of own shares held for the purposes of share-based payments. The number of own shares held by the Trust and the schemes are described in Note 27.

	Group 2023 £m	Group 2022 £m	**Company 2023 £m**	Company 2022 £m
Opening cost	**100**	64	**100**	64
Additions	**30**	54	**30**	54
Awards granted	**(22)**	(18)	**(22)**	(18)
Closing cost	**108**	100	**108**	100

During the year, The 3i Group Employee Benefit Trust acquired 2.4 million (2022: 4.0 million) shares at an average price of 1,271 (2022: 1,348) pence per share.

22 Capital structure

The capital structure of the Group consists of shareholders' equity and net debt or cash. The type and maturity of the Group's borrowings are analysed further in Note 17. Capital is managed with the objective of maximising long-term return to shareholders, whilst maintaining a capital base to allow the Group to operate effectively in the market and sustain the future development of the business.

	Group 2023 £m	Group 2022 £m	**Company 2023 £m**	Company 2022 £m
Cash and deposits	**162**	212	**128**	188
Borrowings and derivative financial liabilities	**(779)**	(975)	**(779)**	(975)
Net debt[1]	**(617)**	(763)	**(651)**	(787)
Total equity	**16,844**	12,754	**16,250**	12,207
Gearing (net debt/total equity)	**4 %**	6 %	**4 %**	6 %

1 The above numbers have been prepared under IFRS and differ from the Investment basis as detailed in the Strategic report.

Capital constraints

The Group is generally free to transfer capital from subsidiary undertakings to the parent company, subject to maintaining each subsidiary with sufficient reserves to meet local statutory/regulatory obligations. No significant constraints (other than those disclosed in Note 12) have been identified and the Group has been able to distribute profits as appropriate.

The Group has been subject to the FCA's MIFIDPRU sourcebook ("MIFIDPRU") since 1 January 2022. The regulatory capital requirements for the Group and 3i Investments plc, an investment firm regulated by the FCA, are calculated in accordance with MIFIDPRU 2.5, 4.3, 4.5 and 4.6. These capital requirements are reviewed regularly by the Group's Audit and Compliance Committee, and the Board of 3i Investments plc, respectively. In addition, 3i Investments plc prepares an Internal Capital and Risk Assessment ("ICARA"), which is approved by the Board of 3i Investments plc on an annual basis.

Under MIFIDPRU rules, the Group remained subject to the Individual Capital Guidance given by the FCA under the previous regime, the Capital Requirements Directive III, until 29 December 2022.

Notes to the accounts continued

23 Interests in Group entities

Accounting policy:

The Company has controlling equity interests in, and makes loans to, both consolidated and fair valued Group entities. Equity investments in, and loans to, investment entities are held at fair value in the Company's accounts, as this reflects the Group's business model to hold assets to seek returns on capital and not contractual cash flow. The net assets of these entities are deemed to represent fair value. Equity investments in other subsidiaries are held at cost less impairment and any loans to these subsidiaries are held at amortised cost in accordance with IFRS 9, which includes the requirement to calculate expected credit losses on initial recognition.

	Company 2023 Equity investments £m	Company 2023 Loans £m	Company 2023 Total £m
Opening book value	**3,912**	**2,889**	**6,801**
Additions	**20**	**453**	**473**
Share of profits from partnership entities	**–**	**1,148**	**1,148**
Disposals and repayments	**–**	**(1,475)**	**(1,475)**
Fair value movements	**1,129**	**(225)**	**904**
Exchange movements	**–**	**16**	**16**
Closing book value	**5,061**	**2,806**	**7,867**

	Company 2022 Equity investments £m	Company 2022 Loans £m	Company 2022 Total £m
Opening book value	2,387	2,534	4,921
Additions	61	505	566
Share of profits from partnership entities	–	391	391
Disposals and repayments	–	(649)	(649)
Fair value movements	1,464	99	1,563
Exchange movements	–	9	9
Closing book value	3,912	2,889	6,801

Equity investments in, and loans to investment entities, are held at fair value and equity investments in other subsidiaries are held at cost less impairment. The measurements at fair value and cost less impairment are assessed against the Company's equity and loan instruments into these subsidiaries, which are eliminated on consolidation for the Group. For this reason equity investments and loans into investments entities do not form part of the investment portfolio for the Company and instead are included within Interests in Group entities. Amounts for equity investments in, and loans to, investment entities held at fair value and other subsidiaries at amortised cost are detailed in Note 13.

Details of significant Group entities are given in Note 30. No expected credit losses have been recognised on those equity investments and loans held at amortised cost as they are not material.

24 Commitments

Accounting policy:

Commitments represent amounts the Group has contractually committed to pay third parties but do not yet represent a charge or asset. This gives an indication of committed future cash flows. Commitments are recognised in the balance sheet at the point of settlement subject to associated risks and rewards being transferred. Commitments at the year end do not impact the Group's financial results for the year.

	Group 2023 due within 1 year £m	**Group 2023 due between 2 and 5 years £m**	**Group 2023 due over 5 years £m**	**Group 2023 Total £m**	Group 2022 due within 1 year £m	Group 2022 due between 2 and 5 years £m	Group 2022 due over 5 years £m	Group 2022 Total £m
Unquoted investments	**9**	**–**	**–**	**9**	20	–	–	20

	Company 2023 due within 1 year £m	**Company 2023 due between 2 and 5 years £m**	**Company 2023 due over 5 years £m**	**Company 2023 Total £m**	Company 2022 due within 1 year £m	Company 2022 due between 2 and 5 years £m	Company 2022 due over 5 years £m	Company 2022 Total £m
Unquoted investments	**9**	**–**	**–**	**9**	20	–	–	20

The amounts shown above include £9 million of commitments made by the Group and Company, to invest into funds (31 March 2022: £5 million into two companies and £15 million into funds). The Group and Company were contractually committed to these investments as at 31 March 2023.

25 Contingent liabilities

Accounting policy:

Contingent liabilities are potential liabilities where there is even greater uncertainty, which could include a dependency on events not within the Group's control, but where there is a possible obligation. Contingent liabilities are only disclosed and not included within the Consolidated statement of financial position.

The Company has provided a guarantee to the Trustees of the 3i Group Pension Plan ("the Plan") in respect of liabilities of 3i plc to the Plan.

At 31 March 2023, there was no material litigation outstanding, nor any other matter, against the Company or any of its subsidiary undertakings, which may indicate the existence of a contingent liability.

26 Retirement benefits

Accounting policy:

Payments to defined contribution retirement benefit plans are charged to profit and loss as they fall due.

For defined benefit retirement plans, the cost of providing benefits is determined using the projected unit method with actuarial valuations being carried out at each balance sheet date. Interest on the net defined benefit asset/liability, calculated using the discount rate used to measure the defined benefit obligation, is recognised in profit and loss. Re-measurement gains or losses are recognised in full as they arise in other comprehensive income.

A retirement benefit deficit is recognised in the Consolidated statement of financial position to the extent that the present value of the defined benefit obligations exceeds the fair value of plan assets.

A retirement benefit surplus is recognised in the Consolidated statement of financial position where the fair value of plan assets exceeds the present value of the defined benefit obligations limited to the extent that the Group can benefit from that surplus. Where the retirement benefit scheme is in surplus this is recognised net being the lower of any surplus in the fund and the asset ceiling.

(i) Defined contribution plans

The Group operates a number of defined contribution retirement benefit plans for qualifying employees throughout the Group. The assets of these plans are held separately from those of the Group. The total expense recognised, in operating expenses, in profit and loss is £3 million (2022: £3 million), which represents the contributions paid to these defined contribution plans. There were no outstanding payments due to these plans at the balance sheet date.

(ii) Defined benefit plans

The Group operates a final salary defined benefit plan for qualifying employees of its subsidiaries in the UK ("the Plan"). The Plan is approved by HMRC for tax purposes, is operated separately from the Group and governed by an independent set of Trustees, whose appointment and powers are determined by the Plan's documentation.

Membership of the Plan has not been offered to new employees joining 3i since 1 April 2006. The Plan was closed to the future accrual of benefits by members with effect from 5 April 2011, although the final salary link was maintained on existing accruals until February 2023. 3i employees who are members of the Plan have been invited to join the Group's defined contribution plan with effect from 6 April 2011. The defined benefit plan is a funded scheme, the assets of which are independent of the Company's finances and administered by the Trustees. The Trustees are responsible for managing and investing the Plan's assets and for monitoring the Plan's funding position.

The valuation of the Plan was updated on an IAS 19 basis by an independent qualified actuary as at 31 March 2023. The Plan's assets do not include any of the Group's own equity instruments nor any property in use by the Group.

In May 2020, the Plan's Trustees completed a £650 million buy-in transaction with Legal & General, an insurance policy that is designed to provide cash flows that exactly match the value and timing of the benefits payable to the members it covers. This insurance policy, alongside previous buy-in policies entered into with Pension Insurance Corporation and Legal & General in March 2017 and February 2019 respectively, means that the Plan benefits of all members are now insured and 3i, as sponsor, is no longer exposed to longevity, interest or inflation risk and therefore funding requirements. On an IAS 19 basis, the fair value of three buy-in policies will match the present value of the liabilities insured.

During the year the Trustees have taken steps to commence a buy-out and wind up of the Plan, completion of which could take up to 18 months. This would involve converting the buy-in policies held within the Plan into individual annuity policies in the names of Plan members. As part of this process, the Group gave notice to terminate the Plan.

Qualifying employees in Germany are entitled to a pension based on their length of service. The future liability calculated by German actuaries is £20 million (31 March 2022: £26 million). There is a £1 million expense (2022: nil) recognised in operating expenses, in profit and loss for the year and an £8 million gain (2022: £3 million) in other comprehensive income for this scheme. Changes in the present value of the obligation, assumptions and sensitivities of this scheme have not been disclosed as they are not material.

The amount recognised in the Consolidated statement of financial position in respect of the Group's defined benefit plans is as follows:

	2023 £m	2022 £m
Present value of funded obligations	**450**	641
Fair value of the Plan assets	**(532)**	(723)
Asset restriction	**29**	29
Retirement benefit surplus in respect of the Plan	**(53)**	(53)
Retirement benefit deficit in respect of other defined benefit schemes	**20**	26

A retirement benefit surplus under IAS 19 is recognised in respect of the Plan on the basis that the Group is entitled to a refund of any remaining surplus once all benefits have been settled in the expected course. The asset restriction relates to tax that would be deducted at source in respect of a refund of the Plan surplus.

26 Retirement benefits continued

The amounts recognised in the Consolidated statement of comprehensive income in respect of the Plan are as follows:

	2023 £m	2022 £m
Included in interest payable		
Interest income on net defined benefit asset	**2**	1
Included in other comprehensive income		
Re-measurement loss	**–**	(3)
Asset restriction	**1**	2
Total re-measurement gain/(loss) and asset restriction	**1**	(1)
Total	**3**	–

The total re-measurement gain recognised in other comprehensive income was £8 million (2022: £2 million). There was a £8 million gain on our overseas schemes (2022: £3 million), as noted above.

Changes in the present value of the defined benefit obligation were as follows:

	2023 £m	2022 £m
Opening defined benefit obligation	**641**	710
Interest on Plan liabilities	**17**	13
Re-measurement gain/loss:		
– gain from change in demographic assumptions	**–**	(1)
– gain from change in financial assumptions	**(188)**	(53)
– experience loss	**4**	2
Benefits paid	**(25)**	(30)
Curtailments and settlements	**1**	–
Closing defined benefit obligation	**450**	641

Changes in the fair value of the Plan assets were as follows:

	2023 £m	2022 £m
Opening fair value of the Plan assets	**723**	795
Interest on Plan assets	**20**	15
Actual return on Plan assets less interest on Plan assets	**(184)**	(55)
Expenses	**(2)**	(2)
Benefits paid	**(25)**	(30)
Closing fair value of the Plan assets	**532**	723

The fair value of the Plan's assets at the balance sheet date is as follows:

	2023 £m	2022 £m
Annuity contracts	**451**	643
Cash and cash equivalents	**81**	80
	532	723

26 Retirement benefits continued

Changes in the asset restriction were as follows:

	2023 £m	2022 £m
Opening asset restriction	**29**	30
Interest on asset restriction	**1**	1
Re-measurements	**(1)**	(2)
Closing asset restriction	**29**	29

The principal assumptions made by the actuaries and used for the purpose of the year end valuation of the Plan were as follows:

	2023	2022
Discount rate	**4.8 %**	2.7 %
Expected rate of pension increases	**0% to 3.6%**	0% to 3.9%
Retail Price Index ("RPI") inflation	**3.5 %**	3.8 %
Consumer Price Index ("CPI") inflation	**2.9 %**	3.0 %

In addition, it is assumed that members exchange 25% of their pension for a lump sum at retirement on the conversion terms in place at 31 March 2023 with an allowance for the terms to increase in future. The duration of the Plan's defined benefit obligation at the accounting date was around 14 years.

The post-retirement mortality assumption used to value the benefit obligation at 31 March 2023 is 90% of the S3NA very light mortality tables, allowing for improvements in line with the CMI 2021 core projections with a long-term annual rate of improvement of 1.75% (unchanged from 31 March 2022). The life expectancy of a male member reaching age 60 in 2043 (31 March 2022: 2042) is projected to be 32.7 (31 March 2022: 32.6) years compared to 30.9 (31 March 2022: 30.6) years for someone reaching 60 in 2023.

As the Plan was closed to future accrual of benefits by members with effect from 5 April 2011, the Group ceased to make regular contributions to the Plan in the year to 31 March 2012. The latest triennial valuation for the Plan was completed in September 2020, based on the position as at 30 June 2019. The outcome was an actuarial surplus of £89 million. This valuation is produced for funding purposes and is calculated on a different basis to the IAS 19 valuation net asset of £53 million which is shown in the Note above. In light of the results of the triennial valuation, the third buy-in policy secured with Legal & General, which took place after the triennial valuation date and the Plan's resulting strong financial position, it was agreed it was not necessary for the Group to make any contributions to the Plan.

For the year to 31 March 2023 the defined benefit surplus is not impacted by changes in assumptions and sensitivity assumptions are nil (2022: nil); this is because the defined benefit obligation is matched by annuity contracts following the third and final buy-in policy secured with Legal & General.

Notes to the accounts continued

27 Share-based payments

Accounting policy:

The Group has equity-settled and cash-settled share-based payment transactions with certain employees. Equity-settled schemes are measured at fair value at the date of grant, which is then recognised in profit or loss over the period that employees provide services, generally the period between the start of the performance period and the vesting date of the shares. The number of share awards expected to vest takes into account the likelihood that performance and service conditions included in the terms of the award will be met.

Fair value is measured by use of an appropriate model which takes into account the current share price, the risk-free interest rate, the expected volatility of the share price over the life of the award and any other relevant factors. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of 3i Group plc. The charge is adjusted at each balance sheet date to reflect the actual number of forfeitures, cancellations and leavers during the year. The movement in cumulative charges since the previous balance sheet is recognised in profit and loss, with a corresponding entry in equity.

Liabilities arising from cash-settled share-based payment transactions are recognised in profit or loss over the vesting period. They are fair valued at each reporting date. The cost of cash settled share-based payment transactions is adjusted for the forfeitures of the participants' rights that no longer meet the plan requirements as well as for early vesting.

The cost of the share-based payments is allocated either to operating expenses or carried interest depending on the original driver of the award. Executive Director Long-term Incentive Plans are allocated to operating expenses.

To ensure that employees' interests are aligned with shareholders, a significant amount of variable compensation paid to higher earning employees is deferred into shares that vest over a number of years. For legal, regulatory or practical reasons certain participants may be granted cash settled awards under these schemes, which are intended to replicate the financial effects of a share award without entitling the participant to acquire shares. The weighted average fair value grant price for cash settled awards granted during the year was 1,102p (31 March 2022: 1,252p) and the reporting price for these awards at 31 March 2023 was 1,685 pence (31 March 2022: 1,389 pence). The carrying amount of liabilities arising from cash settled awards at 31 March 2023 is £17 million (31 March 2022: £13 million). The total equity settled share-based payment reserve at 31 March 2023 is £31 million (31 March 2022: £33 million).

The cost of the share-based payments is allocated either to operating expenses or carried interest depending on the original driver of the award. Executive Director Performance Share Awards are allocated to operating expenses.

The total cost recognised in the Consolidated statement of comprehensive income is shown below:

	2023 £m	2022 £m
Share awards included as operating expenses[1]	**9**	8
Share awards included as carried interest[1]	**10**	12
Cash-settled share awards[2]	**8**	5
	27	25

1 Credited to equity.
2 For the year ended 31 March 2023, £8 million (2022: £4 million) is recognised in operating expenses and nil (2022: £1 million) is recognised in carried interest.

Movements in share awards

The number of equity and cash settled share-based awards outstanding as at 31 March is as follows:

	2023 Number	2022 Number
Outstanding at the start of the year	**9,360,595**	10,081,598
Granted	**3,181,041**	2,482,423
Exercised	**(2,818,276)**	(2,943,603)
Forfeited	**(1,181,767)**	(86,684)
Lapsed	**(1,198)**	(173,139)
Outstanding at the end of year	**8,540,395**	9,360,595
Weighted average remaining contractual life of awards outstanding in years	**1.9**	2.5
Weighted average fair value of awards granted (pence)	**872**	1,021
Weighted average market price at date of exercise (pence)	**1,228**	1,245
Exercisable at the end of the year	**–**	15,381

27 Share-based payments continued

Details of the different types of awards are as follows:

Performance Share Awards

Performance Share Awards are granted to employees and Executive Directors under the 3i Group Discretionary Share Plan 2020 (and predecessor rules).

Employees

Performance Share Awards granted to employees (other than Executive Directors) after the financial year end are subject to performance conditions based on absolute and relative Total Shareholder Return over three financial years. Awards performance vest, to the extent they satisfy the performance conditions, following the three-year performance period and are then released in the third year from the date of grant together with a payment equal to the dividends which would have been paid on the released shares during the period from grant to release. The method of settlement can either be equity or cash depending on the type of award. The equity awards are measured using the Monte Carlo model. The model simulates the Total Shareholder Return which has been incorporated into the fair value at grant date by applying a discount to the valuation obtained.

Executive Directors

Performance Share Awards granted to Executive Directors after the financial year end are subject to performance conditions based on absolute and relative Total Shareholder Return over three financial years. Awards performance vest, to the extent they satisfy the performance conditions, following the three-year performance period. Outstanding Executive Director awards granted up to and including 2019 are released, to the extent they have performance vested, together with a payment equal to the value of the dividends which would have been paid on the released shares during the period from grant to release as to 50% in year three and 25% in each of years four and five. Executive Director Performance Share Awards granted from 2020 onwards are released, to the extent they have performance vested, in the fifth year from the date of grant together with a payment equal to the value of the dividends that would have been paid on the released shares during the period from grant to release. The method of settlement is equity. These awards are measured using the Monte Carlo model. The model simulates the Total Shareholder Return which has been incorporated into the fair value at the grant date by applying a discount to the valuation obtained. The features of the Group's share schemes for Executive Directors are described in the Directors' remuneration report on pages 131 to 152.

Restricted Share Awards

Restricted Share Awards are granted under the 3i Group Deferred Bonus Plan 2020 (and predecessor rules) and are granted to employees and Executive Directors after the financial year end and are subject to continued service conditions. The shares subject to the awards are transferred to the participants on grant subject to forfeiture if the service condition is not fulfilled and cease to be subject to forfeiture in equal proportions over the three years following grant or over four years in the case of certain such awards granted to members of the Executive Committee. Cash dividends are received by participants on the shares during the period in which they remain subject to forfeiture. The method of settlement can either be equity or cash depending on the type of award. The equity awards are measured using the Black Scholes model.

Infrastructure Performance Fee Share Awards

Infrastructure Performance Fee Share Awards are granted to employees in the Infrastructure team under the 3i Special Share Award Plan. Awards are granted to employees after the financial year end and are subject to performance conditions based on receipt by 3i plc of certain instalments of performance fees payable by 3i Infrastructure plc under the terms of its Investment Management Agreement with 3i. The shares vest and are released, subject to satisfying the performance conditions, in equal instalments in the first and second years after grant together with payments equal to the value of the dividends which would have been paid on the released shares during the period from grant to release. If the performance condition is not met in year one, the award does not lapse but is retested in year two when some or all of the shares may vest. The method of settlement can either be equity or cash depending on the type of award. The equity awards are measured using the Black Scholes model.

27 Share-based payments continued

Measurement of fair values

The fair values of the plans have been measured using either the Monte Carlo model or Black Scholes model for equity share awards. The inputs used in the measurement of the grants are based on the following assumptions:

	Monte Carlo model		Black Scholes	
	2023	2022	**2023**	2022
Share price at grant date (pence)[1]	**1,171**	1,220	**1,102**	1,282
Fair value at grant date (pence)[1]	**449**	499	**971**	1,177
Exercise price (pence)	**–**	–	**–**	–
Expected volatility (weighted average)	**32.6%**	28.2%	**31.0%**	30.8%
Expected life (weighted average)	**4 years**	4 years	**3 years**	3 years
Dividend yield	**–**	–	**4.2 %**	3.0 %
Risk free interest rate	**1.70%**	0.16%	**1.72%**	0.22%

1 Where share awards are granted on multiple dates the average price is disclosed.

Expected volatility was determined by reviewing share price volatility for the expected life of each award up to the date of grant.

Holdings of 3i Group plc shares

The Group has established an employee benefit trust and the total number of 3i Group plc shares held in this trust at 31 March 2023 was 11 million (31 March 2022: 10 million). Dividend rights have been waived on these shares. During the year, the trust acquired 2 million (2022: 4 million) shares at an average price of 1,271 (2022: 1,348) pence per share. The total market value of the shares held in trust based on the year end share price of 1,685 pence (31 March 2022: 1,389 pence) was £180 million (31 March 2022: £142 million).

28 Financial risk management

Introduction

A review of the Group's objectives, policies and processes for managing and monitoring risk is set out in the Risk management section on pages 78 to 91. This Note provides further detail on financial risk management, cross-referring to the Risk management section where applicable, and includes quantitative data on specific financial risks.

The Group is a highly selective investor and each investment is subject to an individual risk assessment through an investment approval process. The Group's Investment Committee is part of the overall risk management framework set out in the Risk section. The risk management processes of the Company are aligned with those of the Group and both the Group and the Company share the same financial risks.

Financial risks

Concentration risk

3i seeks to diversify risk through significant dispersion of investments by geography, economic sector, asset class and size as well as through the maturity profile of its investment portfolio. Although 3i does not set maximum limits for asset allocation, it does have a maximum exposure limit for the cost of new investments. This is detailed in the Investment policy on page 153 in the Governance section. Quantitative data regarding the concentration risk of the portfolio across geographies can be found in the Segmental analysis in Note 1 and in the 20 large investments table on pages 227 and 226.

Action is the largest asset in the Group's investment portfolio. A 5% increase or decrease in value would result in a £559 million (31 March 2022: £358 million) or £(559) million (31 March 2022: £(358) million) impact on the overall value.

Credit risk

The Group is subject to credit risk on its unquoted investments, derivatives, cash and deposits. The maximum exposure is the balance sheet amount. The Group's cash is held with a variety of counterparties with a minimum rating above A- with 78% of the Group's unrestricted surplus cash held on demand in AAA rated money market funds (31 March 2022: 88%).

The credit quality of unquoted investments, which are held at fair value and include debt and equity elements, is based on the financial performance of the individual portfolio companies. The credit risk relating to these assets is based on their enterprise value and is reflected through fair value movements. Further detail can be found in the Price risk – market fluctuations disclosure in this Note and the sensitivity disclosure to changes in the valuation assumptions is provided in the valuation section of Note 13.

28 Financial risk management continued

Liquidity risk

The liquidity outlook is monitored at least monthly by management and regularly by the Board in the context of periodic strategic reviews of the balance sheet. The new investment pipeline and forecast realisations are closely monitored and assessed against our vintage control policy, as described on page 78 of the Risk management section. The table below analyses the maturity of the Group's gross contractual liabilities.

Financial liabilities

As at 31 March 2023	Due within 1 year £m	Due between 1 and 2 years £m	Due between 2 and 5 years £m	Due more than 5 years £m	£m Total £m
Gross commitments:					
Fixed loan notes	**36**	**36**	**110**	**1,070**	**1,252**
Committed multi-currency facility	**2**	**1**	**2**	**–**	**5**
Carried interest and performance fees payable within one year	**34**	**–**	**–**	**–**	**34**
Trade and other payables	**76**	**–**	**–**	**4**	**80**
Lease liabilities	**5**	**4**	**1**	**–**	**10**
Derivative financial instruments	**1**	**2**	**1**	**–**	**4**
Total	**154**	**43**	**114**	**1,074**	**1,385**

Gross commitments include principal amounts and interest and fees where relevant. Carried interest and performance fees payable within non-current liabilities of £43 million (31 March 2022: £42 million) has no stated maturity as it results from investment related transactions and it is not possible to identify with certainty the timing of when the investments will be sold. Carried interest and performance fees payable within non-current liabilities is shown after discounting, which has an impact of £2 million (31 March 2022: £2 million).

As at 31 March 2022	Due within 1 year £m	Due between 1 and 2 years £m	Due between 2 and 5 years £m	Due more than 5 years £m	£m Total £m
Gross commitments:					
Fixed loan notes	250	36	110	1,106	1,502
Committed multi-currency facility	1	1	3	–	5
Carried interest and performance fees payable within one year	35	–	–	–	35
Trade and other payables	80	–	–	14	94
Lease liabilities	4	5	5	–	14
Derivative financial instruments	–	–	–	–	–
Total	370	42	118	1,120	1,650

The Company disclosures are the same as those for the Group with the following exceptions: carried interest and performance fees payable due within one year is nil (31 March 2022: nil), trade and other payables due within one year is £728 million (31 March 2022: £667 million), trade and other payables due more than five years nil (31 March 2022: nil) and lease liabilities due within one year nil (31 March 2022: nil), lease liabilities due between one and two years nil (31 March 2022: nil) and lease liabilities due between two and five years nil (31 March 2022: nil).

Market risk

The valuation of the Group's investment portfolio is largely dependent on the underlying trading performance of the companies within the portfolio but the valuation and other items in the financial statements can also be affected by interest rate, currency and quoted market fluctuations. The Group's sensitivity to these items is set out below.

(i) Interest rate risk

On the liability side, the direct impact of a movement in interest rates is limited to any drawings under the committed multi-currency facility as the Group's outstanding debt is fixed rate. The sensitivities below arise principally from changes in interest receivable on cash and deposits.

An increase of 100 basis points, based on the closing balance sheet position over a 12-month period, would lead to an approximate increase in total comprehensive income of £2 million (2022: £2 million) for the Group and £1 million (2022: £2 million) for the Company. In addition, the Group and Company have indirect exposure to interest rates through changes to the financial performance and the valuation of portfolio companies caused by interest rate fluctuations.

(ii) Currency risk

The Group's net assets in sterling, euro, US dollar, Danish krone and all other currencies combined are shown in the table on the next page. This sensitivity analysis is performed based on the sensitivity of the Group's net assets to movements in foreign currency exchange rates assuming a 10% movement in exchange rates against sterling. The sensitivity of the Company to foreign exchange risk is not materially different from the Group.

Notes to the accounts continued

28 Financial risk management continued

The Group considers currency risk on specific investment and realisation transactions. Further information on how currency risk is managed is provided on page 89.

As at 31 March 2023	Sterling £m	Euro £m	US dollar £m	Danish krone £m	Other £m	Total £m
Net assets[1]	**4,797**	**10,641**	**1,154**	**222**	**30**	**16,844**
Sensitivity analysis						
Assuming a 10% movement in exchange rates against sterling:						
Impact on net assets	**n/a**	**1,064**	**115**	**22**	**3**	**1,204**

1 Net assets include impact of foreign exchange hedging.

As at 31 March 2022	Sterling £m	Euro £m	US dollar £m	Danish krone £m	Other £m	Total £m
Net assets[1]	1,562	8,953	2,033	184	22	12,754
Sensitivity analysis						
Assuming a 10% movement in exchange rates against sterling:						
Impact on net assets	n/a	895	203	18	2	1,118

1 Net assets include impact of foreign exchange hedging.

(iii) Price risk – market fluctuations

The Group's management of price risk, which arises primarily from quoted and unquoted equity instruments, is through the careful consideration of the investment, asset management and divestment decisions at the Investment Committee. The Investment Committee's role in risk management is detailed on page 83 in the Risk management section. A 5% change in the fair value of those investments would have the following direct impact in profit or loss:

Group	Quoted investment £m	Unquoted investment £m	Investment in Investment entity subsidiaries £m	Total £m
At 31 March 2023	**42**	**434**	**392**	**868**
At 31 March 2022	47	285	340	672

Company	Quoted investment £m	Unquoted investment £m	Total £m
At 31 March 2023	**42**	**434**	**476**
At 31 March 2022	47	285	332

29 Related parties and interests in other entities

The Group has various related parties stemming from relationships with limited partnerships managed by the Group, its investment portfolio (including unconsolidated subsidiaries), its advisory arrangements and its key management personnel. In addition, the Company has related parties in respect of its subsidiaries. Some of these subsidiaries are held at fair value (unconsolidated subsidiaries) due to the treatment prescribed in IFRS 10.

Related parties

Limited partnerships

The Group manages a number of external funds which invest through limited partnerships. Group companies act as the general partners of these limited partnerships and exert significant influence over them. The following amounts have been included in respect of these limited partnerships:

Statement of comprehensive income	Group 2023 £m	Group 2022 £m	Company 2023 £m	Company 2022 £m
Carried interest receivable	**6**	28	**42**	54
Fees receivable from external funds	**20**	17	**–**	–

29 Related parties and interests in other entities continued

Statement of financial position	Group 2023 £m	Group 2022 £m	Company 2023 £m	Company 2022 £m
Carried interest receivable	**8**	34	**99**	88

Investments

The Group makes investments in the equity of unquoted and quoted investments where it does not have control but may be able to participate in the financial and operating policies of that company. IFRS presumes that it is possible to exert significant influence when the equity holding is greater than 20%. The Group has taken the investment entity exception as permitted by IFRS 10 and has not equity accounted for these investments, in accordance with IAS 28, but they are related parties. The total amounts included for investments where the Group has significant influence but not control are as follows:

Statement of comprehensive income	Group 2023 £m	Group 2022 £m	Company 2023 £m	Company 2022 £m
Unrealised profits on the revaluation of investments	**89**	98	**89**	98
Portfolio income	**18**	20	**17**	20

Statement of financial position	Group 2023 £m	Group 2022 £m	Company 2023 £m	Company 2022 £m
Unquoted investments	**775**	674	**775**	674

Advisory and management arrangements

The Group acted as Investment Manager to 3i Infrastructure plc ("3iN"), which is listed on the London Stock Exchange, for the year to 31 March 2023. The following amounts have been recognised in respect of the management relationship:

Statement of comprehensive income	Group 2023 £m	Group 2022 £m	Company 2023 £m	Company 2022 £m
Unrealised (losses)/profits on the revaluation of investments	**(93)**	137	**(93)**	137
Fees receivable from external funds	**49**	44	**–**	–
Performance fees receivable	**35**	26	**–**	–
Dividends	**29**	27	**29**	27

Statement of financial position	Group 2023 £m	Group 2022 £m	Company 2023 £m	Company 2022 £m
Quoted equity investments	**841**	934	**841**	934
Performance fees receivable	**35**	26	**–**	–

Subsidiaries

Transactions between the Company and its fully consolidated subsidiaries, which are related parties of the Company, are eliminated on consolidation. Details of related party transactions between the Company and its subsidiaries are detailed below.

Management, administrative and secretarial arrangements

The Company has appointed 3i Investments plc, a wholly-owned subsidiary of the Company incorporated in England and Wales, as its investment manager. 3i Investments plc received a fee of £8 million (2022: £8 million) from 3i plc, a fellow subsidiary, for this service.

The Company has appointed 3i plc, a wholly-owned subsidiary of the Company incorporated in England and Wales, to provide the Company with a range of administrative and secretarial services. 3i plc received a fee of £108 million (2022: £148 million) for this service.

Notes to the accounts continued

29 Related parties and interests in other entities continued

Key management personnel

The Group's key management personnel comprise the members of the Executive Committee and the Board's non-executive Directors. The following amounts have been included in respect of these individuals:

Statement of comprehensive income	Group 2023 £m	Group 2022 £m
Salaries, fees, supplements and benefits in kind	**6**	4
Cash bonuses	**2**	2
Carried interest and performance fees payable	**34**	35
Share-based payments	**13**	10
Termination payments	**–**	–

Statement of financial position	Group 2023 £m	Group 2022 £m
Bonuses and share-based payments	**14**	14
Carried interest and performance fees payable within one year	**22**	4
Carried interest and performance fees payable after one year	**64**	69

No carried interest was paid or accrued for the Executive or non-executive Directors as they do not participate in these schemes (2022: nil). Carried interest paid in the year to other key management personnel was £7 million (2022: £7 million).

Unconsolidated structured entities

The application of IFRS 12 requires additional disclosure on the Group's exposure to unconsolidated structured entities.

The Group has exposure to a number of unconsolidated structured entities as a result of its investment activities across its Private Equity and Infrastructure business lines. The nature, purpose and activities of these entities are detailed below along with the nature of risks associated with these entities and the maximum exposure to loss.

Closed-end limited partnerships

The Group manages a number of closed-end limited partnerships, which are either Private Equity or Infrastructure focused, in return for a management fee. The purpose of these partnerships is to invest in Private Equity or Infrastructure investments for capital appreciation. Limited Partners, which in some cases may include the Group, finance these entities by committing capital to them and cash is drawn down or distributed for financing investment activity.

The Group's attributable stakes in these entities are held at fair value, fees receivable are recognised on an accruals basis and carried interest is accrued when relevant performance hurdles are met.

The risk and maximum exposure to loss arising from the Group's involvement with these entities are summarised below:

	Carrying amount			
Balance sheet line item of asset or liability	Assets £m	Liabilities £m	Net £m	Maximum loss exposure £m
Unquoted investments	**98**	**–**	**98**	**98**
Carried interest receivable	**8**	**–**	**8**	**8**
Total	**106**	**–**	**106**	**106**

At 31 March 2022, the carrying amount of assets and maximum loss exposure of unquoted investments and carried interest receivable was £77 million and £34 million respectively. The carrying amount of liabilities was nil.

At 31 March 2023, the total assets under management relating to these entities was £9.0 billion (31 March 2022: £6.0 billion). The Group earned fee income of £20 million (2022: £17 million) and a carried interest receivable of £6 million (2022: £28 million) in the year.

Regulatory information relating to fees

3i Investments plc acts as the AIFM of 3i Group plc. In performing the activities and functions of the AIFM, the AIFM or another 3i company may pay or receive fees, commissions or non-monetary benefits to or from third parties of the following nature:

Transaction fees

3i companies receive monitoring and directors' fees from portfolio companies. The amount is agreed with the portfolio company at the time of the investment but may be renegotiated. Where applicable, 3i may also receive fees on the completion of transactions such as acquisitions, refinancings or syndications either from the portfolio company or a co-investor. Transaction fees paid to 3i are included in portfolio income.

29 Related parties and interests in other entities continued

Payments for third-party services

3i companies may retain the services of third-party consultants; for example, for an independent director or other investment management specialist expertise. The amount paid varies in accordance with the nature of the service and the length of the service period and is usually, but not always, paid/reimbursed by the portfolio companies. The payment may involve a flat fee, retainer or success fee. Such payments, where borne by 3i companies, are usually included in portfolio income.

Payments for services from 3i companies

One 3i company may provide investment advisory services to another 3i company and receive payment for such services.

30 Subsidiaries and related undertakings

IFRS 10 deems control, as opposed to equity ownership, as the key factor when determining what meets the definition of a subsidiary. If a group is exposed to, or has rights to, variable returns from its involvement with the investee, then under IFRS 10 it has control. This is inconsistent with the UK's Companies Act 2006, where voting rights being greater than 50% is the key factor when identifying subsidiaries.

Under IFRS 10, 33 of the Group's portfolio company investments are considered to be accounting subsidiaries. As the Group applies the investment entity exception available under IFRS 10, these investee companies are classified as investment entity subsidiaries.

The Companies Act 2006 requires disclosure of certain information about the Group's related undertakings. Related undertakings are subsidiaries, joint ventures, associates and other significant holdings. In this context, significant means either a shareholding greater than or equal to 20% of the nominal value of any class of shares or a book value greater than 20% of the Group's assets.

The Company's related undertakings at 31 March 2023 are listed below:

Description	Holding/share class	Footnote
Subsidiaries		
3i Holdings plc	100% ordinary shares	1
3i Investments plc	100% ordinary shares	1
3i plc	100% ordinary shares	1
3i International Holdings	100% ordinary shares	1
Investors in Industry plc	100% ordinary shares/cumulative preference shares	1
3i Assets LLP	100% partnership interest	1
3i Corporation	100% ordinary shares	2
3i Deutschland Gesellschaft für Industriebeteiligungen mbH	100% ordinary shares	4
Gardens Nominees Limited	100% ordinary shares	1
Gardens Pension Trustees Limited	100% ordinary shares	1
3i Europe plc	100% ordinary shares	1
3i Nominees Limited	100% ordinary shares	1
3i Osprey GP Limited	100% ordinary shares	1
3i Nordic plc	100% ordinary shares	1
3i GP 2004 Limited	100% ordinary shares	3
3i Ademas LP	100% partnership interest	3
The 3i Group Employee Trust	n/a	6
3i International Services plc	100% ordinary shares	1
3i EFV Nominees A Limited	100% ordinary shares	1
3i EFV Nominees B Limited	100% ordinary shares	1
3i India Private Limited	100% ordinary shares	7
3i Sports Media (Mauritius) Limited	100% ordinary shares	8
3i EFV GP Limited	100% ordinary shares	1
3i Research (Mauritius) Limited	100% ordinary shares	8
IIF SLP GP Limited	100% ordinary shares	3
3i Buyouts 2010 A LP	85% partnership interest	1
3i Buyouts 2010 B LP	79% partnership interest	1
3i Buyouts 2010 C LP	60% partnership interest	1

Notes to the accounts continued

30 Subsidiaries and related undertakings continued

Description	Holding/share class	Footnote
GP CCC 2010 Limited	100% ordinary shares	3
3i GC GP Limited	100% ordinary shares	1
3i GP 2010 Limited	100% ordinary shares	1
3i Growth Capital A LP	100% partnership interest	1
3i Growth Capital G LP	100% partnership interest	1
3i Growth 2010 LP	85% partnership interest	1
Strategic Investments FM (Mauritius) Alpha Limited	70% ordinary shares	8
3i GC Nominees A Limited	100% ordinary shares	1
3i GC Nominees B Limited	100% ordinary shares	1
3i India Infrastructure Fund B LP	99% partnership interest	1
3i 2004 GmbH & Co. KG	100% partnership interest	4
3i General Partner 2004 GmbH	100% ordinary shares	4
Pan European Growth Co-invest 2006-08 LP	100% partnership interest	1
Pan European Growth (Dutch)A Co-invest 2006-08 LP	100% partnership interest	1
Asia Growth Co-invest 2006-08 LP	100% partnership interest	1
Pan European Growth (Nordic) Co-invest 2006-08 LP	100% partnership interest	1
3i PE 2013-16A LP	100% partnership interest	1
3i PE 2013-16C LP	100% partnership interest	1
3i GP 2013 Ltd	100% ordinary shares	1
GP 2013 Ltd	100% ordinary shares	3
3i BIFM Investments Limited	100% ordinary shares	1
BIIF GP Limited	100% ordinary shares	1
BAM General Partner Limited	100% ordinary shares	1
BEIF Management Limited	100% ordinary shares	1
3i BIIF GP LLP	100% partnership interest	1
3i PE 2016-19 A LP	100% partnership interest	1
3i Managed Infrastructure Acquisitions GP (2017) LLP	100% partnership interest	1
3i Managed Infrastructure Acquisitions GP Limited	100% ordinary shares	1
3i 2016 Gmbh & Co. KG	100% partnership interest	4
3i European Operational Projects GmbH & Co. KG	100% partnership interest	4
GP 2016 Limited	100% ordinary shares	3
3i GP 2016 Limited	100% ordinary shares	1
3i European Operational Projects GP s.a.r.l	100% ordinary shares	10
3i SCI Holdings Limited	100% ordinary shares	1
3i North American Infrastructure Partners, LLC	80% ordinary shares	26

Notes to the accounts continued

30 Subsidiaries and related undertakings continued

Description	Holding/share class	Footnote
3i Abaco ApS	100% ordinary shares	23
3i Investments (Luxembourg) S.A.	100% ordinary shares	10
3i 2019-22 DLP SCSp	100% partnership interest	10
3i PE 2019-22 A LP	100% partnership interest	1
3i PE 2019-22 B LP	100% partnership interest	1
3i PE 2019-22 Warehouse LP	100% partnership interest	3
3i 2020 Co-investment LP	100% partnership interest	3
3i GP 2019 Limited	100% ordinary shares	1
3i GP 2020 Limited	100% ordinary shares	3
3i GP 2019 s.a.r.l	100% ordinary shares	10
3i GP 2019 (Scots) Limited	100% ordinary shares	3
3i 2020 Co-investment GP s.a.r.l	100% ordinary shares	10
3i France SAS	100% ordinary shares	16
3i IP Acquisitions Limited	100% ordinary shares	1
3i IP Acquisitions GP LLP	100% partnership interest	1
2020 Co-Investment 1 LP	100% partnership interest	1
2020 Co-Investment 2 LP	94% partnership interest	1
3i IIF GP 2020 Limited	100% ordinary shares	1
3i IIF GP LLP	100% partnership interest	1
Coral LP	50% carried interest units	3
3i Benelux B.V.	100% ordinary shares	12
3i Mountain LP	99% partnership interest	3
3i NAI Holdings GP Limited	100% ordinary shares	3
3i PE 2022-25 A LP	100% partnership interest	1
3i PE 2022-25 B LP	100% partnership interest	1
3i GP 2022 Limited	100% ordinary shares	1
3i GP 2022 (Scots) Limited	100% ordinary shares	3
3i PE 2022-25 A (Lux) SCSp	100% partnership interest	10
3i PE 2022-25 B (Lux) SCSp	100% partnership interest	10
3i GP 2022 s.a.r.l.	100% ordinary shares	10
3i North American Infrastructure Fund A LP	100% equity units	26
3i NAI Holdings LP	100% partnership interest	3
3i North American Infrastructure GP, LLC	100% equity units	26
3i ECW Coinvest GP, LLC	100% equity units	26
3i RR Coinvest GP, LLC	100% equity units	26
3i Aura GP (2022) Limited	100% ordinary shares	1
3i Zephyr GP (2022) Limited	100% ordinary shares	1
3i Infra GP 2022 (Scots) Limited	100% ordinary shares	3
3i Infra 2022 Warehouse LP	100% partnership interest	3

Notes to the accounts continued

30 Subsidiaries and related undertakings continued

Description	Holding/share class	Footnote
Associates		
3i Growth Carry A LP	25% partnership interest	3
3i Growth Carry B LP	25% partnership interest	3
Pan Euro Buyouts (Dutch)A Co-invest 2006-08 LP	39% partnership interest	1
Pan European Buyouts (Nordic) Co-invest 2006-08 LP	26% partnership interest	1
Global Growth Co-invest 2006-08 LP	30% partnership interest	39
Strategic Investments FM (Mauritius) B Limited	36% ordinary shares	8
3i Growth Capital B LP	36% partnership interest	1
Moon Topco GmbH	49% ordinary shares	13
Layout Holdco A/S	49% ordinary shares	14
Boketto Holdco Limited	47% ordinary shares	15
Klara HoldCo S.A.	43% ordinary shares	10
Shield Holdco LLC	49% ordinary shares	32
Q Holdco Limited	42% ordinary shares	18
3i Infrastructure plc	29% ordinary shares	17
Peer Holding I B.V.	49% ordinary shares	19
AES Engineering Limited	43% ordinary shares	20
Chrysanthes 1 s.a.r.l	49% ordinary shares	10
Carter Thermal Industries Limited	32% ordinary shares	21
Harper Topco Limited	42% ordinary shares	22
Orange County Fundo de Investmento EM Particpacoes	40% equity units	25
Tato Holdings Limited	27% ordinary shares	28
Nimbus Communications Ltd	30% ordinary shares	30
Aurela TopCo Gmbh	49% ordinary shares	5
nexeye holding B.V.	49% ordinary shares	27
C Medical Holdco, LLC	49% ordinary shares	2
Crown Holdco BV	49% ordinary shares	12
3i India Infrastructure Holdings Ltd	21% ordinary shares	8
Racing Topco GmbH	49% ordinary shares	24
Panda Holdco LLC	49% ordinary shares	2
Scandlines Infrastructure ApS	35% ordinary shares	31
Alinghi 1 S.A.S	49% ordinary shares	11
SaniSure Holdings GP LLC	49% ordinary shares	2
New Amsterdam Software GP LLC	49% ordinary shares	32
Garden & House International GmbH	36% ordinary shares	33
T&J Holdco Limited	49% ordinary shares	9
WHCG GP LLC	49% ordinary shares	32
Hydra Holdco BV	49% ordinary shares	41
European Bakery Group BV	49% ordinary shares	42
Himalaya Topco BV	49% ordinary shares	40
MAIT Group GmbH	49% ordinary shares	34
Ten23 Health GP LLC	49% ordinary shares	32
George Topco Limited	49% ordinary shares	35
Solaia TopCo Gmbh	49% ordinary shares	36
Balearia Topco B.V.	49% ordinary shares	37
Kite Topco ApS	49% ordinary shares	38

There are no joint ventures or other significant holdings. The 20 large portfolio companies by fair value are detailed on pages 227 and 228. The combination of the table above and that on pages 227 and 228 is deemed by the Directors to fulfil the requirements under IFRS 12 on the disclosure of material subsidiaries.

Notes to the accounts continued

30 Subsidiaries and related undertakings continued

Footnote	Address
1	16 Palace Street, London, SW1E 5JD, UK
2	1 Grand Central Place, East 42nd Street, Suite 4100, New York, NY 10165, USA
3	50 Lothian Road, Festival Square, Edinburgh, EH3 9WJ, UK
4	OpernTurm, Bockenheimer Landstresse 2-4, 60306 Frankfurt am Main, Germany
5	Seelbüde 13, 36110 Schlitz, Germany
6	13 Castle Street, St Helier, JE1 1ES, Jersey
7	Level 7, The Capital B-Wing, Bandra Kurla Complex, Bandra East, Mumbai, 400051, India
8	5th Floor, Ebene Esplanade, 24 Bank Street, Cybercity, Ebene, Mauritius
9	Floor 2, Trident 3, Trident Business Park, Styal Road, Manchester, M22 5XB, UK
10	9 Rue Sainte Zithe, L-2763 Luxembourg, Grand Duchy of Luxembourg
11	16 place de l'Iris, 92 400 Courbevoie, France
12	Cornelis Schuytstraat 72, 1071JL Amsterdam, Netherlands
13	Einsteinring 10, 85609 Aschheim, Germany
14	Mørupvej 16 Mørup, 7400 Herning, Denmark
15	New Mill, New Mill Lane, Witney, Oxfordshire, OX29 9SX, UK
16	29-31, rue de Berri, 75008 Paris, France
17	11-15 Seaton Place, St. Helier, JE4 0QH, Jersey
18	1 Bartholomew Lane, London, EC2N 2AX, UK
19	Perenmarkt 15, Zwaagdijk East, 1681PG, Netherlands
20	Bradmarsh Business Park, Mill Close, Rotherham, South Yorkshire, S60 1BZ, UK
21	90 Lea Ford Road, Birmingham, B33 9TX, UK
22	1st James Court, Whitefriars, Norwich, Norfolk, NR3 1RU, UK
23	Nybrogade 12, 1203 København K, Denmark
24	Schanzenstr. 6-20, Gebäude 2.08, 51063 Cologne, Germany
25	Avenida Brigadeiro Faria Lima, 2055, 19 andar, 01452-001 – Sao Paulo, SP, Brazil
26	Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle, Delaware, 19801, USA
27	Papland 21, 4206CK Gorinchem, Netherlands
28	Thor Specialities (Uk) Ltd, Wincham Avenue, Wincham, Northwich, England, CW9 6GB, UK
29	Park a Eco Vendee Sud Loire, 85600, Bouffere, France
30	44 Oberoi Complex, Andheri (West), Mumbai, India
31	Havneholmen 25, 8. Kobenhavn V, 1561, Denmark
32	251 Little Falls Drive, Wilmington, DE 19808, New Castle, USA
33	Bahrenfelder Chaussee 49, 22761, Hamburg, Germany
34	Berner Feld 10, 78628 Rottweil, Germany
35	Milton Gate, 60 Chiswell Street, London, EC1Y 4AG, UK
36	c/o Latham & Watkins LLP, Reuterweg 20, Frankfurt am Main, 60323, Germany
37	Herengracht 262, 1016 BV Amsterdam, Netherlands
38	c/o Bruun & Hjejle, Nørregade 21, Copenhagen, 1165, Denmark
39	2nd Floor, Gaspé House, 66-72 Esplanade, St Helier, JE1 1GH, Jersey
40	Aalsvoort 101, 7241 MB Lochem, Netherlands
41	Weidehek 46, 4824 AS Breda, Netherlands
42	Kronosstraat 2, 5048 CE Tilburg, Netherlands

KPMG LLP's independent auditor's report

1. Our opinion is unmodified

In our opinion:

- the financial statements of 3i Group plc give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2023, and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006; and
- the Group and Parent Company financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

What our opinion covers

We have audited the Group and Parent Company financial statements of 3i Group plc ("the Group") for the year ended 31 March 2023 (FY2023) included in the Annual Report and Accounts, which comprise:

Group (3i Group plc and its subsidiaries)	Parent Company (3i Group plc)
Consolidated statement of comprehensive income	Company statement of financial position
Consolidated statement of financial position	Company statement of changes in equity
Consolidated statement of changes in equity	Company cash flow statement
Consolidated cash flow statement	Notes to the Parent Company Financial Statements, including the summary of significant accounting policies
Notes to the Consolidated Financial Statements, including the summary of significant accounting policies	

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion and matters included in this report are consistent with those discussed and included in our reporting to the Audit and Compliance Committee ("ACC").

We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities.

2. Overview of our audit

Factors driving our view of risks

The year ended 31 March 2023 is our third year as the Group's auditor. Following our FY2022 audit, and considering developments affecting the Group since then, we have updated our risk assessment.

In early 2022, the conflict between Russia and Ukraine intensified geopolitical tensions which continued during 2023. In addition, during 2022, energy costs increased significantly, impacting all sectors of the economy globally, and this was one of the main drivers for the high inflation not seen in major economies for decades. This required central banks to adopt a series of monetary policy measures, primarily through increases in interest rates, to seek to contain inflation. Late in 2022, food supply chains also faced disruption which contributed to the high levels of cost inflation. All these factors contributed to an ongoing 'cost of living' crisis for many people, squeezing people's disposable income, which in turn impacted many sectors the Group invest in, such as retail, travel and leisure.

In late 2022 and early 2023, China ended its zero-COVID policy. While it caused short term supply chain issues due to the sudden increases in COVID cases, in the long run, it is a positive move for the global supply chain, with the caveat that the tension between US and China continues.

Based on the predictions formed by OECD in March 2023, major economies will see recovery in 2023 and 2024, with the exception of the UK which are expected to see the economy contracting in both years.

Close to 3i's financial year end, the global banking sector saw turmoil with a small number of mainstream banks in the US and Switzerland having either collapsed or required rescue. These events have further added market uncertainties.

These geopolitical and macroeconomic factors have had a significant impact on the performance of a number of portfolio companies invested in by 3i. This means the level of judgement required to be exercised by the Group and Parent Company in valuations of unquoted investments, in particular as a result of volatility in earnings (including earnings adjustments) and comparable company multiples, continued to be a focus area.

Carried Interest payable in investment entity subsidiaries has been similarly impacted, as its calculation is primarily driven by the valuation of the investment portfolio as at the year end.

As part of our risk assessment, we have maintained our focus on the valuation of the unquoted investment portfolio held directly and by investment entity subsidiaries and on completeness and accuracy of carried interest payable included in the valuation of investment entities. We have designed our audit procedures accordingly. This has included specific focus on key assumptions adopted by management. We have further considered the impact of the geopolitical uncertainty and macroeconomic downturn on the portfolio companies. We have also designed additional procedures over the largest asset in the portfolio, Action.

Key Audit Matters (Group and Parent Company)		Items
Valuation of Unquoted Investments	↔	4.1
Valuation of investment entity subsidiaries after deducting carried interest payable in investment entities as a liability	↔	4.2

⊕ Newly identified risk

↔ Similar risk to FY2022

↑ Increased risk since FY2022

↓ Decreased risk since FY2022

Audit and compliance committee ("ACC") interaction	During the year, the ACC met 6 times. KPMG are invited to attend all ACC meetings and are provided with an opportunity to meet with the ACC in private sessions without the Executive Directors being present. For each Key Audit Matter, we have set out communications with the ACC in section 4, including matters that required particular judgement for each. The matters included in the Audit and Compliance Committee Chair's report on page 114 are materially consistent with our observations of those meetings.

Our independence

We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements, including the FRC Ethical Standard as applied to listed public interest entities.

Apart from the matter noted below, we have not performed any non-audit services during FY2023 the year ended 31 March 2023 or subsequently which are prohibited by the FRC Ethical Standard.

During 2023, we identified that certain KPMG member firms had provided preparation of local GAAP financial statement services over the periods ending 31 March 2018 to 31 March 2023 to some subsidiaries of controlled portfolio companies of the group. The services, which have been terminated, were administrative in nature and did not involve any management decision-making or bookkeeping. The work in each case had no direct or indirect effect on 3i Group plc's consolidated financial statements.

In our professional judgement, we confirm that based on our assessment of the breach, our integrity and objectivity as auditor has not been compromised and we believe that an objective, reasonable and informed third party would conclude that the provision of this service would not impair our integrity or objectivity for any of the impacted financial years. The Audit and Compliance Committee have concurred with this view.

We were first appointed as auditor by the shareholders for the year ended 31 March 2021. The period of total uninterrupted engagement is for the three financial years ended 31 March 2023.

The Group engagement partner is required to rotate every five years. As these are the third set of the Group's financial statements signed by Jonathan Mills, he will be required to rotate off after the FY2025 audit.

Total audit fee	£2.8m (FY2022: £2.7m)
Audit related fees (including interim review)	£0.3m (FY2022: £0.26m)
Non-audit fee as a % of audit fee %	10% (FY2022: 11.1%)
Date first appointed	25 June 2020
Uninterrupted audit tenure	3 years
Next financial period which requires a tender	31 March 2031
Tenure of Group signing partner	3 years

KPMG LLP's independent auditor's report continued

Materiality (item 6 below)

The scope of our work is influenced by our view of materiality and our assessed risk of material misstatement.

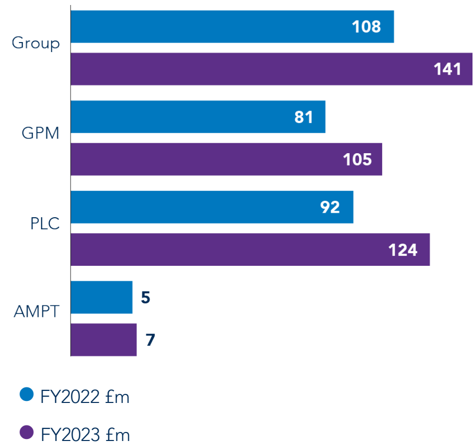
We have determined overall materiality for the Group financial statements as a whole at £141m (FY2022: £108m) and for the Parent Company financial statements as a whole at £124m (FY2022: £92m).

A key judgement in determining materiality was the most relevant metric to select as the benchmark, by considering which metrics have the greatest bearing on shareholder decisions.

Consistent with FY2022, we determined that Total Assets remains the benchmark for the Group as the valuation of the investment portfolio remains the key financial measure. As such, we based our Group materiality on Total Assets, of which it represents 0.79% (FY2022: 0.77%).

Materiality for the Parent Company financial statements was determined with reference to a benchmark of Parent Company Total Assets of which it represents 0.70% (FY2022: 0.66%).

Materiality levels used in our audit



Group	Group Materiality
GPM	Group Performance Materiality
PLC	Parent Company Materiality
AMPT	Reporting Differences Threshold

KPMG LLP's independent auditor's report continued

Group scope (item 7 below)

We have performed risk assessment and planning procedures to determine which of the Group's components are likely to include risks of material misstatement to the Group financial statements, the type of procedures to be performed and the extent of involvement required. The Parent Company is the only component in scope for full scope audit of financial information for consolidation purposes. This is consistent with the prior year.

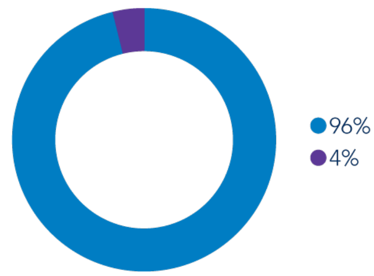
The component within the scope of our work accounted for the percentages illustrated opposite.

We have performed audit procedures centrally across the Group, as set out in more detail in item 7 In addition, we have performed Group level analysis on the remaining components to determine whether further risks of material misstatement exist in those components.

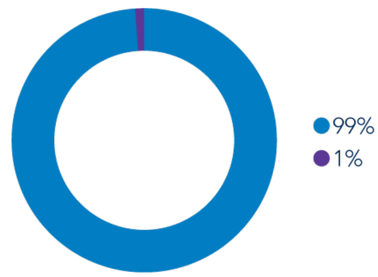
We consider the scope of our audit, as communicated to the Audit and Compliance Committee, to be an appropriate basis for our audit opinion.

Coverage of Group financial statements

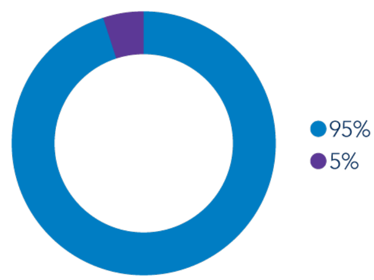
Total Profits and losses that made up group before tax



Total assets



Revenue



- Full scope audits
- Remaining components

The impact of climate change on our audit

In planning our audit, we have considered the potential impacts of climate change on the Group's business and its financial statements.

Climate change impacts the Group in a variety of ways including the impact of climate risk on investment valuations, potential reputational risk associated with the Group's delivery of its climate related initiatives, and greater emphasis on climate related narrative and disclosure in the annual report.

The Group's exposure to climate change is primarily through the portfolio companies, as the key valuation assumptions and estimates may be impacted by climate change risks.

As a part of our audit, we have made enquiries of management to understand the extent of the potential impact of climate change risk on the Group's financial statements and the Group's preparedness for this. We have performed a risk assessment of how the impact of climate change may affect the financial statements and our audit, in particular over the valuation of portfolio companies. We held discussions with our own climate change professionals to challenge our risk assessment. For the biggest asset in the portfolio, Action, we read its sustainability report to understand the climate change risks and considered the impact on its valuations.

On the basis of the risk assessment procedures performed above, we concluded that, while climate change posed a risk to the determination of the valuation of portfolio companies due to the potential impact on the maintainability of valuation earnings or free cash flow forecast, the risk was not significant when we considered the portfolio of investments. As a result, there was no material impact from this on our key audit matters.

We have also read the disclosure of climate related information in the front half of the annual report as set out on pages 60 to 66 and considered consistency with the financial statements and our audit knowledge. We have not been engaged to provide assurance over the accuracy of these disclosures.

3. Going concern, viability and principal risks and uncertainties

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Parent Company or to cease their operations, and as they have concluded that the Group's and the Parent Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Going concern

We used our knowledge of the Group and Parent Company, their industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group's and Parent Company's financial resources or ability to continue operations over the going concern period. The risks that management considered most likely to adversely affect the Group's and Parent Company's available financial resources over this period are:

- Continued geopolitical tension and macroeconomic downturn, including persistent inflation, cost of living crisis and market uncertainties, impacting the performance of portfolio companies, including their liquidity (which may require 3i to provide further liquidity support to portfolio companies);
- A material downturn in performance of the Group's largest portfolio company, Action; and
- A combination of the two scenarios.

We critically assessed the assumptions in the Directors' downside scenarios relevant to liquidity metrics, in particular, in relation to the continued impact of macroeconomic downturn and geopolitical uncertainties on the severely impacted portfolio companies, the expected recovery for these companies, and the potential liquidity support required. We assessed whether the scenarios applied take into account all reasonably possible downsides.

Our procedures also included an assessment of whether the going concern disclosure in Accounting Policy A to the financial statements gives a complete and accurate description of the Directors' assessment of going concern.

Accordingly, based on those procedures, we found the Directors' use of the going concern basis of accounting without any material uncertainty for the Group and Parent Company to be acceptable. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Parent Company will continue in operation.

Our conclusions

- We consider that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- We have not identified, and concur with the Directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Parent Company's ability to continue as a going concern for the going concern period;
- The Parent Company is in a net current liabilities position. The current liabilities primarily consist of amounts due to subsidiaries, and the Parent Company holds quoted investments within non-current assets with the value in excess of the current liabilities;
- We have nothing material to add or draw attention to in relation to the Directors' statement in Accounting Policy A to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Parent Company's use of that basis for the going concern period, and we found the going concern disclosure in Accounting Policy A to be acceptable; and
- The related statement under the Listing Rules set out on page 124-125 is materially consistent with the financial statements and our audit knowledge.

Disclosures of emerging and principal risks and longer-term viability

Our responsibility

We are required to perform procedures to identify whether there is a material inconsistency between the Directors' disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge.

Based on those procedures, we have nothing material to add or draw attention to in relation to:

- the Directors' confirmation within the Principal risks and mitigations statement that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal risks and mitigations disclosures describing these risks and how emerging risks are identified and explaining how they are being managed and mitigated; and
- the Directors' explanation in the Viability Statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to review the Viability statement set out on page 124-125 under the Listing Rules.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Parent Company's longer-term viability.

Our reporting

We have nothing material to add or draw attention to in relation to these disclosures.

We have concluded that these disclosures are materially consistent with the financial statements and our audit knowledge.

4. Key audit matters

What we mean

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on:

- the overall audit strategy;
- the allocation of resources in the audit; and
- directing the efforts of the engagement team.

We include below the Key Audit Matters (unchanged from FY2022) in decreasing order of audit significance together with our key audit procedures to address those matters and our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, for the purpose of our audit of the financial statements as a whole. We do not provide a separate opinion on these matters.

4.1 Valuation of unquoted investments (Group and Parent Company)

Financial Statement Elements	FY2023	FY2022	Our assessment of risk vs FY2022	Our results
Unquoted investments – Group (Note 11, 13)	**£8,677m**	£5,708m	⟷ Our assessment is the risk is similar to FY2022.	**FY2023: Acceptable** FY2022: Acceptable
Unquoted investments – Parent Company (Note 11, 13)	**£8,677m**	£5,708m		

Description of the Key Audit Matter	Our response to the risk
Subjective valuation The proprietary investment portfolio comprises a number of unquoted investments. These are held by the Group and the Parent Company, both directly and indirectly within unconsolidated investment entity subsidiaries whose fair value consists primarily of the valuation of the unquoted investments it holds (Refer to section 4.2 for valuation of investment entity subsidiaries). As these investments are unquoted and illiquid, the fair value is determined through the application of valuation techniques. The application of valuation techniques involves the exercise of significant judgement by the Group and Parent Company in relation to the assumptions and inputs into the respective models (e.g., maintainable earnings, earnings multiple, and discount rate). During the year, a number of portfolio companies faced challenging trading conditions primarily driven by geopolitical tensions and macroeconomic downturn. The impact of these events on individual portfolio companies vary. Accordingly, the level of judgement required to be exercised by the Group and the Parent Company to determine maintainable earnings and earnings multiple remain high in FY2023. We have considered the impact of the geopolitical uncertainty and macroeconomic downturn (including supply chain issues and the cost of living crisis (inflationary)) in our risk assessment and have designed our audit procedures accordingly. The effect of these matters is that, as part of our risk assessment, we determined that the subjective estimates in fair value measurement of unquoted investments, as detailed above, have a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount.	**Our procedures to address the risk included:** **Control design:** We obtained an understanding of any key changes to the processes and controls to determine the fair value of unquoted investments. We documented and assessed the design and implementation of the investment valuation processes and controls. We performed the tests below rather than seeking to rely on any of these controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. **Control observation:** We attended quarterly Valuations Committee meetings with the Directors and management to assess their discussion and review of the investment valuations. **Benchmarking assumptions:** We challenged the Group and Parent Company on key judgements affecting investee portfolio company valuations, such as the maintainability of the earnings used in valuations, the determination of earnings multiples (with reference to a selection of comparable companies' earnings multiples), projected cash flows, discount factors and terminal value for discounted cash flow valuations. We challenged the assumptions around maintainability of earnings based on the plans of investee portfolio companies and whether these are achievable. Our work considered the current macro-economic conditions, including the cost of living crisis. and geopolitical uncertainties. **Our valuation expertise:** For a sample of investments, selected based on audit materiality and risk profile of each investment, we used our own valuations specialists to assist us in assessing the principles and appropriateness of the valuation methodology, critically reviewing the key assumptions, and independently providing a reasonable range for earnings multiples. **Understanding of the business:** For the largest asset in the portfolio, Action, we visited Action's Head Office in the Netherlands, an Action store in Amsterdam, and a distribution centre in the Netherlands, to observe its operations to enhance our business understanding. We also held discussions with Action management and the external audit team for Action to understand the business strategy, how accounting estimates are made and any key audit findings. **Historical comparisons:** We assessed investment realisations in the period and compared actual investment sales proceeds to prior valuations to understand the reasons for significant variances and determine whether they are indicative of bias and error in the Group's approach to valuations. **Assessing transparency:** We considered the appropriateness, in accordance with relevant accounting standards, of the disclosures in respect of unquoted investments and the effect of changing one or more inputs to reasonably possible alternative valuation assumptions.

Communications with the 3i Group plc Audit and Compliance Committee and Valuations committee

Our discussions with and reporting to the Audit and Compliance Committee and the Valuations Committee included:

- Our approach to the audit of the fair value of the unquoted investment portfolio including details of our planned substantive procedures and the extent of our control reliance.
- Our conclusions on the appropriateness of 3i's fair value methodology and policy.
- Our conclusions on the appropriateness of the valuation outcome for individual portfolio companies and, for the sample of investments subject to valuation specialists' review, an indication of where the Group's valuations multiple (where applicable) lays within our reasonable range.
- The adequacy of the sensitivity disclosures, particularly as they relate to valuation inputs.

Areas of particular auditor judgement

Auditor judgement is required to assess whether the directors' estimate of the following key assumptions fall within an acceptable range:

- For assets valued using an earnings multiple approach:
  - Determination of valuation multiples
  - Determination of maintainable earnings (including any earnings adjustments)
- For assets valued using a discounted cash flow approach:
  - Discount rate
  - Projected cash flows
  - Terminal value exit multiple
  - Terminal value earnings

Our results

Based on the risk identified and our procedures performed, we consider the valuation of the unquoted investments to be acceptable (FY2022: acceptable).

Further information in the Annual Report and Accounts: See the Audit and Compliance Committee Report on page 114-118 and the Valuation Committee report on page 126-130 for details on how the committees considered Valuation as an area of significant attention, and page 182 for the accounting policy for unquoted investments.

KPMG LLP's independent auditor's report continued

4.2 Valuation of investment entity subsidiaries after deducting carried interest payable in investment entity subsidiaries as a liability (Group and Parent Company)

Financial Statement Elements	FY2023	FY2022	Our assessment of risk vs FY2022	Our results
Investments in investment entity subsidiaries – Group (Note 12,13)	**£7,844**	£6,791	Our assessment is the risk is similar to FY2022.	**FY2023: Acceptable** FY2022: Acceptable
Interest in Group entities – Parent Company (Note 23)	**£7,867**	£6,801		
Carried interest payable recognised in investment entity subsidiaries (Note 15)	**£1,274m**	£885m		

Description of the Key Audit Matter

The valuation of investment entity subsidiaries is primarily driven by the valuation of unquoted investments held in investment entity subsidiaries and the carried interest liabilities of the investment entity subsidiaries. The risks attributable to the unquoted investments held in investment entity subsidiaries are consistent with those risks in section 4.1 above in respect of unlisted investments.

Carried interest payable is a liability for the investment entity subsidiaries which reduces the Net Asset Value ('NAV') for investment entity subsidiaries. Carried interest payable is calculated as a function of the investment returns that would be achieved if the investments within each fund or scheme were realised at reported fair value at the year-end date, subject to the relevant hurdle rates or performance conditions (as set out in relevant limited partnership agreements) being met.

Calculation error

Due to the number of bespoke, complex agreements and the manual nature of the calculation and recognition process, there is an increased risk of error in relation to carried interest payable.

The financial statements (Note 15) disclose the sensitivity estimated by the Group and the Parent Company.

Our response to the risk

Our procedures to address the risk included:

Subjective valuation

Our audit procedures for the valuation of unquoted investments held in investment entity subsidiaries are consistent with those outlined in section 4.1.

Calculation error

Control design: We obtained an understanding of the Group and Parent Company's processes to determine the carried interest payable. We documented and assessed the design and implementation of the processes and controls. We performed the tests below rather than seeking to rely on any of the Group's and Parent Company's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.

Methodology implementation: We agreed the methodology used in management's calculations to the relevant limited partnership agreements.

Reperformance: We vouched key inputs, including estimated valuations, relevant hurdles, and performance obligations, to supporting documentation. We independently reperformed calculations and compared our reperformance to management's calculations.

Completeness: To assess the completeness of carry expense/payable recorded, we reperformed calculations of the funds' investment returns and compared them to the relevant hurdle rates or performance conditions.

Communications with the 3i Group plc Audit and Compliance Committee

Our discussions with and reporting to the Audit and Compliance Committee included:

- Our approach to the audit of the fair value of the unquoted investment portfolio including details of our planned substantive procedures and the extent of our control reliance.
- Our conclusions on the appropriateness of 3i's fair value methodology and policy.
- Our conclusions on the appropriateness of the valuation outcome for individual portfolio companies and, for the sample of investments subject to valuation specialists' review, an indication of where the Group's valuations multiple (where applicable) lays within our reasonable range.
- The adequacy of the sensitivity disclosures, particularly as they relate to valuation inputs.
- Our assessment of whether an overstatement identified through these procedures was material.
- Our approach to the audit of carried interest payable.
- The results of our work over the carried interest payable balance held within investment entities.

Areas of particular auditor judgement

Auditor judgement is required to assess whether the directors' estimate of the following key assumptions fall within an acceptable range:

- For assets valued using an earnings multiple approach:
  - Determination of valuation multiples
  - Determination of maintainable earnings (including any earnings adjustments)
- For assets valued using a discounted cash flow approach:
  - Discount rate
  - Projected cash flows
  - Terminal value exit multiple
  - Terminal value earnings

Our results

Based on the risk identified and our procedures performed, we consider the valuation of investment entity subsidiaries after deducting carried interest payable in investment entity subsidiaries to be acceptable (FY2022: acceptable).

Further information in the Annual Report and Accounts: See the Audit and Compliance Committee Report on page 114-118 for details on how the Audit and Compliance Committee considered carried interest as an area of significant attention, and page 186-187 for the accounting policy and sensitivity disclosure on carried interest payable, and page 180 for accounting policy on investments in subsidiaries.

5. Our ability to detect irregularities, and our response

Fraud – identifying and responding to risks of material misstatement due to fraud	
Fraud risk assessment	To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. In this risk assessment we considered the following: • Our meetings throughout the year with the Group General Counsel and Head of Compliance including obtaining and reviewing supporting documentation such as; – Board and Audit and Compliance Committee minutes; – Internal audit reports; – Internal risk registers; and – Breaches registers. • Enquiries of directors, finance team, the Group General Counsel, the Head of Compliance, internal audit, and the Audit and Compliance Committee as to whether they have knowledge of any actual, suspected, or alleged fraud. • Consideration of the Group's remuneration policies, key drivers for remuneration and bonus levels; and • Discussions among the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. The engagement team includes audit partners and staff who have extensive experience of working with companies in the same sectors as 3i operates, and this experience was relevant to the discussion about where fraud risks may arise.
Risk communications	We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.
Fraud risks	As required by auditing standards, and taking into account possible pressures to meet performance targets, we performed procedures to address the risk of management override of controls, in particular the risk that Group management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as the valuation of the unquoted investment portfolio. On this audit we assessed there to be no fraud risk related to revenue recognition because the Group has a relatively simple revenue model with no material estimation or judgement; the simple nature and low volume of individual revenue transactions means there is a remote risk of material misstatement from fraudulent manipulation; and opportunities for a material misstatement due to fraudulent revenue recognition are limited due to the nature of the portfolio income received. We identified additional fraud risks relating to the valuation of unquoted investments held on balance sheet and within investment entity subsidiaries. As these investments are unquoted and illiquid, they are valued using valuation techniques. Such techniques are subjective and involve the exercise of judgement by the Group and Parent Company over areas such as the maintainability of the earnings used in valuations, the determination of earnings multiples, projected cash flows, discount factors and terminal value for discounted cash flow valuations. In addition, the valuation of unquoted investments drives the share price of the Group, which in turn drives remuneration of the Executive Directors, and is a key indicator for their performance. Due to the highly judgemental nature of these valuations, the reliance on unobservable inputs, and the linkage to Executive Directors' remuneration, we consider there to be increased risk of fraud in relation to the valuation of unquoted investment portfolio. We have further identified that the group CEO is also the chair of the group's largest investment, Action. The CEO can influence decisions made from an operational point of view and could affect the investment held in Action. We consider this to be increased risk of fraud in relation to the valuation of Action.
Link to KAMs	We have challenged key judgements and assumptions used in the valuation of unquoted investments. Further detail in respect to procedures performed over the valuation of unquoted investments is contained within the key audit matter disclosures in section 4.1 of this report.
Procedures to address fraud risks	We performed substantive audit procedures including: • Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included, post close journals, those journals containing unusual pairings or those containing unusual journal descriptions; and • Assessing significant accounting estimates, including valuation of unquoted investments and investment entity subsidiaries after deducting carried interest payable in investment entities as a liability, for any indicators of management bias.

Laws and regulations - identifying and responding to risks of material misstatement relating to compliance with laws and regulations	
Laws and regulations risk assessment	Identifying and responding to risks of material misstatement related to compliance with laws and regulations. We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience ,and through discussion with the Directors and other management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence and discussed with the Directors and other management the policies and procedures regarding compliance with laws and regulations. As the Group operates in a highly regulated environment, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements. Our assessment included inspection of key frameworks, policies, and standards in place, understanding and evaluating the role of the compliance function in establishing these and monitoring compliance and testing of related controls around whistleblowing and complaints.
Risk communications	We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.
Direct laws context and link to audit	The potential effect of these laws and regulations on the financial statements varies considerably. Firstly, the Group is subject to laws and regulations that directly affect the financial statements including: • financial reporting legislation (including related companies legislation) • distributable profits legislation • taxation legislation We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.
Most significant indirect law/ regulation areas	Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Group's license to operate in countries where the non-adherence to laws could prevent trading in such countries. We identified the following areas as those most likely to have such an effect: • Anti-bribery and corruption; • Competition legislation; • Pensions legislation; • Regulatory capital and liquidity • Health and safety legislations; • Market abuse regulations; and • Certain aspects of company legislation recognising the financial and regulated nature of two of the Group's subsidiaries and their legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.
Context of the ability of the audit to detect fraud or breaches of law or regulation	Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of fraud, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

6. Our determination of materiality

The scope of our audit was influenced by our application of materiality. We set quantitative thresholds and overlay qualitative considerations to help us determine the scope of our audit and the nature, timing and extent of our procedures, and in evaluating the effect of misstatements, both individually and in the aggregate, on the financial statements as a whole.

£141m
(FY2022: £108m)
Materiality for the financial statements as a whole

What we mean

A quantitative reference for the purpose of planning and performing our audit.

Basis for determining materiality and judgements applied

Materiality for the Group financial statements as a whole was set at £141m (FY2022: £108m). Consistent with FY2022, we determined that Total Assets remains the main benchmark for the Group as the valuation of the investment portfolio remains the key financial measure.

Our Group materiality of £141m was determined by applying a percentage to the Total Assets. When using an asset related measure to determine overall materiality, KPMG's approach for listed public interest entities considers a guideline range 0.5% - 1% of the measure. In setting overall Group materiality, we applied a percentage of 0.79% (FY2022:0.77%) to the benchmark.

Materiality for the Parent Company financial statements as a whole was set at £124m (FY2022: £92m), determined with reference to a benchmark of Parent Company total assets, of which it represents 0.70% (FY2022: 0.66%).

£105m
(FY2022: £81m)
Performance materiality

What we mean

Our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

Basis for determining performance materiality and judgements applied

We have considered performance materiality at a level of 75% (FY2022: 75%) of materiality for 3i Group financial statements as a whole to be appropriate.

The Parent Company performance materiality was set at £93m (FY2022: £69m), which equates to 75% (FY2022: 75%) of materiality for the Parent Company financial statements as a whole.

We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

£7m
(FY2022: £5m)
Audit misstatement posting threshold

What we mean

This is the amount below which identified misstatements are considered to be clearly trivial from a quantitative point of view. We may become aware of misstatements below this threshold which could alter the nature, timing and scope of our audit procedures, for example if we identify smaller misstatements which are indicators of fraud.

This is also the amount above which all misstatements identified are communicated to 3i Group plc's Audit and Compliance Committee.

Basis for determining the audit misstatement posting threshold and judgements applied

We set our audit misstatement posting threshold at 5% (FY2022: 5%) of our materiality for the Group financial statements. We also report to the Audit and Compliance Committee any other identified misstatements that warrant reporting on qualitative grounds.

The overall materiality for the Group financial statements of £141m (FY2022: £108m) compares as follows to the main financial statement caption amounts:

	Total Gross investment income		Group profit for the year		Total Group Net Assets	
	FY2023	FY2022	**FY2023**	FY2022	**FY2023**	FY2022
Financial Statement Caption	**£4,666m**	£ 4,079m	**£4,573m**	£ 4,013m	**£16,844m**	£12,754m
Group Materiality as % of caption	**3.0%**	2.6%	**3.1%**	2.7%	**0.8%**	0.8%

7. The scope of our audit

Group scope

What we mean

How the Group audit team determined the procedures to be performed across the Group.

We have performed risk assessment and planning procedures to determine which of the Group's components are likely to include risks of material misstatement to the Group financial statements, the type of procedures to be performed and the extent of involvement required. We have scoped one component for the audit of financial information for consolidation purposes.

Scope	Number of components	Range of materiality applied
Full scope audit	1 (FY2022:1)	£124m (FY2022:£92m)
Audit of one or more account balances	0 (FY2022: 0)	n/a (FY2022: n/a)
Specified audit procedures	0 (FY2022: 0)	n/a (FY2022: n/a)

The scope of the audit work performed was fully substantive as we did not rely upon the Group's internal control over financial reporting.

We have performed audit procedures centrally across the Group in the following areas:

- Journal entry analysis, to identify journals with higher risk such as those posted by Group management and those containing unusual pairings;
- Share based payments; and
- Defined Benefit Pension.

In addition, we have performed Group level analysis on the remaining components to determine whether further risks of material misstatement exist in those components.

Group audit team oversight

What we mean

The extent of the Group audit team's involvement in component audits.

Only the Parent Company was scoped in for full scope audit. As this audit is performed by the Group engagement team, no additional audit team oversight was required.

8. Other information in the annual report

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

All other information

Our responsibility	Our reporting
Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge.	Based solely on that work we have not identified material misstatements or inconsistencies in the other information.

Strategic report and Directors' report

Our responsibility and reporting

Based solely on our work on the other information described above we report to you as follows:

- we have not identified material misstatements in the strategic report and the Directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report

Our responsibility	Our reporting
We are required to form an opinion as to whether the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.	In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance disclosures

Our responsibility	Our reporting
We are required to perform procedures to identify whether there is a material inconsistency between the financial statements and our audit knowledge, and: • the Directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy; • the section of the annual report describing the work of the Audit and Compliance Committee, including the significant issues that the Audit and Compliance Committee considered in relation to the financial statements, and how these issues were addressed; and • the section of the annual report that describes the review of the effectiveness of the Group's risk management and internal control systems.	Based on those procedures, we have concluded that each of these disclosures is materially consistent with the financial statements and our audit knowledge.
We are also required to review the part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.	We have nothing to report in this respect.

Other matters on which we are required to report by exception

Our responsibility	Our reporting
Under the Companies Act 2006, we are required to report to you if, in our opinion: • adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or • the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or • certain disclosures of directors' remuneration specified by law are not made; or • we have not received all the information and explanations we require for our audit.	We have nothing to report in these respects.

9. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 158, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The Company is required to include these financial statements in an annual financial report prepared using the single electronic reporting format specified in the TD ESEF Regulation. This auditor's report provides no assurance over whether the annual financial report has been prepared in accordance with that format.

10. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Jonathan Mills (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square
Canary Wharf
London
E14 5GL
10 May 2023

Portfolio and other information

What's in this section

20 large investments	227
Portfolio valuation – an explanation	229
Information for shareholders	230
Glossary	232

20 large investments

The 20 investments listed below account for 94% of the portfolio at 31 March 2023 (31 March 2022: 93%). All investments have been assessed to establish whether they classify as accounting subsidiaries under IFRS and/or subsidiaries under the UK Companies Act. This assessment forms the basis of our disclosure of accounting subsidiaries in the financial statements.

The UK Companies Act defines a subsidiary based on voting rights, with a greater than 50% majority of voting rights resulting in an entity being classified as a subsidiary. IFRS 10 applies a wider test and, if a Group is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect these returns through its power over the investee then it has control, and hence the investee is deemed an accounting subsidiary. Controlled subsidiaries under IFRS are noted below. None of these investments are UK Companies Act subsidiaries.

In accordance with Part 5 of The Alternative Investment Fund Managers Regulations 2013 ("the Regulations"), 3i Investments plc, as AIFM, requires all controlled portfolio companies to make available to employees an annual report which meets the disclosure requirements of the Regulations. These are available either on the portfolio company's website or through filing with the relevant local authorities.

Investment Description of business	Business line Geography First invested in Valuation basis	**Residual cost[1] March 2023 £m**	Residual cost[1] March 2022 £m	**Valuation March 2023 £m**	Valuation March 2022 £m	Relevant transactions in the year
Action* General merchandise discount retailer	Private Equity Netherlands 2011/2020 Earnings	**653**	623	**11,188**	7,165	£325 million cash dividend received £30 million further as part of the 2020 Co-investment Programme
3i Infrastructure plc* Quoted investment company, investing in Infrastructure	Infrastructure UK 2007 Quoted	**305**	305	**841**	934	£29 million dividend received
Scandlines Ferry operator between Denmark and Germany	Scandlines Denmark/Germany 2018 DCF	**530**	530	**554**	533	£38 million dividend received
Cirtec Medical* Outsourced medical device manufacturing	Private Equity US 2017 Earnings	**172**	172	**552**	513	Acquisition of Precision Components from Q Holding in January 2023
Tato Manufacturer and seller of specialty chemicals	Private Equity UK 1989 Earnings	**2**	2	**411**	407	£12 million dividend recorded
nexeye* Value-for-money optical retailer	Private Equity Netherlands 2017 Earnings	**269**	269	**393**	345	
SaniSure* Manufacturer, distributor and integrator of single-use bioprocessing systems and components	Private Equity US 2019 Earnings	**76**	76	**389**	277	Acquisition of Twinsburg from Q Holding in December 2022
Royal Sanders* Private label and contract manufacturing producer of personal care products	Private Equity Netherlands 2018 Earnings	**136**	136	**369**	297	
AES Engineering Manufacturer of mechanical seals and support systems	Private Equity UK 1996 Earnings	**30**	30	**351**	269	£5 million dividend recorded

20 large investments continued

Investment Description of business	Business line Geography First invested in Valuation basis	**Residual cost[1] March 2023 £m**	Residual cost[1] March 2022 £m	**Valuation March 2023 £m**	Valuation March 2022 £m	Relevant transactions in the year
Evernex* Provider of third-party maintenance services for data centre infrastructure	Private Equity France 2019 Earnings	**299**	285	**305**	291	Acquisitions of XS International and Integra in September 2022
Smarte Carte* Provider of self-serve vended luggage carts, electronic lockers and concession carts	Infrastructure US 2017 DCF	**189**	187	**300**	207	£10 million distribution received
WP* Global manufacturer of innovative plastic packaging solutions	Private Equity Netherlands 2015 Earnings	**257**	239	**274**	234	
Luqom* Online lighting specialist retailer	Private Equity Germany 2017 Earnings	**245**	196	**271**	448	£34 million further investment in June 2022 to provide funding for the acquisition of Brumberg
WilsonHCG* Global provider of recruitment process outsourcing and other talent solutions	Private Equity US 2021 Earnings	**83**	77	**196**	115	£6 million further investment in January 2023 to provide funding for the acquisition of Personify
MPM* An international branded, premium and natural pet food company	Private Equity UK 2020 Earnings	**153**	139	**181**	162	
Audley Travel* Provider of experiential tailor-made travel	Private Equity UK 2015 Earnings	**271**	243	**162**	117	
BoConcept* Urban living designer	Private Equity Denmark 2016 Earnings	**110**	99	**160**	184	
Dynatect* Manufacturer of engineered, mission critical protective equipment	Private Equity US 2014 Earnings	**65**	65	**128**	102	
Basic-Fit Discount gyms operator	Private Equity Netherlands 2013 Quoted	**11**	11	**121**	129	
Q Holding* Manufacturer of catheter products serving the medical device market	Private Equity US 2014 Earnings	**162**	162	**117**	398	Received proceeds of £332 million following the disposals of QSR, Precision Components and Twinsburg in the year
		4,018	3,846	**17,263**	13,127	

*Controlled in accordance with IFRS.
1 Residual cost includes cash investment and interest net of cost disposed.

Portfolio valuation – an explanation

Policy

The valuation policy is the responsibility of the Board, with additional oversight and annual review from the Valuations Committee. The policy is reviewed at least annually, with the last update in January 2023. Our policy is to value 3i's investment portfolio at fair value and we achieve this by valuing investments on an appropriate basis, applying a consistent approach across the portfolio. The policy ensures that the portfolio valuation is compliant with the fair value guidelines under IFRS and, in so doing, is also compliant with the IPEV guidelines. The policy covers the Group's Private Equity, Infrastructure and Scandlines investment valuations. Valuations of the investment portfolio of the Group and its subsidiaries are performed at each quarter end.

Fair value is the underlying principle and is defined as "the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date" (IPEV guidelines, December 2022). Fair value is an estimate and, as such, determining fair value requires the use of judgement.

The quoted assets in our portfolio are valued at their closing bid price at the balance sheet date. The majority of the portfolio, however, is represented by unquoted investments.

Private Equity unquoted valuation

To arrive at the fair value of the Group's unquoted Private Equity investments, we first estimate the entire value of the company we have invested in – the enterprise value. We then apportion that enterprise value between 3i, other shareholders and lenders.

Determining enterprise value

The enterprise value is determined using one of a selection of methodologies depending on the nature, facts and circumstances of the investment.

Where possible, we use methodologies which draw heavily on observable market prices, whether listed equity markets or reported merger and acquisition transactions, and trading updates from our portfolio.

As unquoted investments are not traded on an active market, the Group adjusts the estimated enterprise value by a liquidity discount. The liquidity discount is applied to the total enterprise value and we apply a higher discount rate for investments where there are material restrictions on our ability to sell at a time of our choosing.

Note 13 Fair values of assets and liabilities outlines in more detail the range of valuation methodologies available to us, as well as the inputs and adjustments necessary for each. Through effective margin management, operational efficiencies and organic and acquisitive growth, the portfolio, on the whole, has navigated well through the macroeconomic conditions. We have considered the fair value of our investments on a case-by-case basis considering historical, current and forward looking data. Where forward-looking data forms the base of a valuation, the accuracy, reliability and maintainability of these forecasts has been considered.

Apportioning the enterprise value between 3i, other shareholders and lenders

Once we have estimated the enterprise value, the following steps are taken:

(1) We subtract the value of any claims, net of free cash balances that are more senior to the most senior of our investments.

(2) The resulting attributable enterprise value is apportioned to the Group's investment, and equal ranking investments by other parties, according to contractual terms and conditions, to arrive at a fair value of the entirety of the investment. The value is then distributed amongst the different loan, equity and other financial instruments accordingly.

(3) If the value attributed to a specific shareholder loan investment in a company is less than its carrying value, a shortfall is implied, which is recognised in our valuation. In exceptional cases, we may judge that the shortfall is temporary; to recognise the shortfall in such a scenario would lead to unrepresentative volatility and hence we may choose not to recognise the shortfall.

Other factors

In applying this framework, there are additional considerations that are factored into the valuation of some assets.

Impacts from structuring

Structural rights are instruments convertible into equity or cash at specific points in time or linked to specific events. For example, where a majority shareholder chooses to sell, and we have a minority interest, we may have the right to a minimum return on our investment.

Debt instruments, in particular, may have structural rights. In the valuation, it is assumed third parties, such as lenders or holders of convertible instruments, fully exercise any structural rights they might have if they are "in the money", and that the value to the Group may therefore be reduced by such rights held by third parties. The Group's own structural rights are valued on the basis they are exercisable on the reporting date.

Assets classified as "terminal"

If we believe an investment has more than a 50% probability of failing in the 12 months following the valuation date, we value the investment on the basis of its expected recoverable amount in the event of failure. It is important to distinguish between our investment failing and the business failing; the failure of our investment does not always mean that the business has failed, just that our recoverable value has dropped significantly. This would generally result in the equity and loan components of our investment being valued at nil. Value movements in the period relating to investments classified as terminal are classified as provisions in our value movement analysis.

Infrastructure unquoted valuation

The primary valuation methodology used for unquoted Infrastructure investments is the discounted cash flow method ("DCF"). Fair value is estimated by deriving the present value of the investment using reasonable assumptions of expected future cash flows and the terminal value and date, and the appropriate risk-adjusted discount rate that quantifies the risk inherent to the investment. The discount rate is estimated with reference to the market risk-free rate, a risk-adjusted premium and information specific to the investment or market sector.

Scandlines unquoted valuation

Scandlines is valued on a DCF basis. This is consistent with the Infrastructure methodology.

Information for shareholders

Financial calendar

Ex-dividend date	Thursday 22 June 2023
Record date	Friday 23 June 2023
Annual General Meeting	Thursday 29 June 2023
Second FY2023 dividend to be paid	Friday 28 July 2023
Half-year results (available online only)	November 2023
First FY2024 dividend expected to be paid	January 2024

Information on ordinary shares

Shareholder profile: Location of investors at 31 March 2023

UK	60 %
North America	23 %
Continental Europe	14 %
Other international	3 %

Share price

Share price at 31 March 2023	1,685
High during the year 31 March 2023	1,685
Low during the year 17 June 2022	1,059

Dividends paid in the year to 31 March 2023

Second FY2022 dividend, paid 22 July 2022	27.25p
First FY2023 dividend, paid 11 January 2023	23.25p

Balance analysis summary

	Number of holdings			Balance as at 31 March 2023			
Range	Individuals	Corporate bodies	Number of shares	% shares	Total holdings	Individual shares	Corporate shares
1–1,000	9,788	170	4,219,145	0.43	9,958	4,160,430	58,715
1,001–10,000	4,135	380	10,510,652	1.08	4,515	8,958,830	1,551,822
10,001–100,000	108	505	22,460,317	2.31	613	2,377,186	20,083,131
100,001–1,000,000	6	375	133,175,909	13.68	381	1,314,758	131,861,151
1,000,001–10,000,000	–	147	384,543,340	39.51	147	–	384,543,340
10,000,001–highest	–	16	418,403,587	42.99	16	–	418,403,587
Total	**14,037**	**1,593**	**973,312,950**	**100.00**	**15,630**	**16,811,204**	**956,501,746**

The table above provides details of the number of shareholdings within each of the bands stated in the register of members at 31 March 2023.

It should be noted that because many individuals and institutions hold shares through nominees (such as brokers, investment managers or investment platforms) the actual number of beneficial owners of shares will be greater than the numbers of holdings in the above table.

The Common Reporting Standard

Tax legislation under the Organisation for Economic Co-operation and Development ("OECD") Common Reporting Standard for Automatic Exchange of Financial Account Information requires investment trust companies to provide personal information about certain investors who hold shares in investment trusts to HMRC. As an investment company, 3i Group plc is therefore required to provide information annually to HMRC on certain certificated shareholders and corporate entities. This information includes country of tax residency as well as details of shares held and dividends received. HMRC may in turn exchange the information with the tax authorities of another country or countries in which the shareholder may be tax resident, where those countries (or tax authorities in those countries) have entered into agreements to exchange financial account information. Certain shareholders have been and will in future be sent a certification form for the purposes of collecting required information.

Boiler room and other scams

Shareholders should be wary of any unsolicited investment advice, offers to buy shares at a discounted price or offers to buy 3i shareholdings. These fraudsters use persuasive and high-pressure tactics to lure shareholders into scams. We have become aware of what appears to be an increase in calls to current and former 3i shareholders.

The Financial Conduct Authority ("FCA") has found that victims of share fraud are often seasoned investors with victims losing an average of £20,000.

Please keep in mind that firms authorised by the FCA are unlikely to contact you unexpectedly with an offer to buy or sell shares. You should consider getting independent financial or professional advice before you hand over any money or even share any information with them.

If you receive any unsolicited approaches or investment advice, you should proceed with caution. Steps that you might wish to take could include the following:

- always ensure the firm is on the FCA Register and is allowed to give financial advice before handing over your money. You can check at www.fca.org.uk/register;
- double-check the caller is from the firm they say they are – ask for their name and telephone number and say you will call them back. Check their identity by calling the firm using the contact number listed on the FCA Register. This is important as there have been instances where an authorised firm's website has been cloned but with a few subtle changes, such as a different phone number or false email address;
- check the FCA's list of known unauthorised overseas firms. However, these firms change their name regularly, so even if a firm is not listed it does not mean they are legitimate. Always check that they are listed on the FCA Register; and
- if you have any doubts, call the FCA Consumer Helpline on 0800 111 6768. If you deal with an unauthorised firm, you will not be eligible to receive payment under the Financial Services Compensation Scheme.

Annual reports and Half-yearly reports online

If you would prefer to receive shareholder communications electronically in future, including annual reports and notices of meetings, please visit our Registrars' website at **www.shareview.co.uk/clients/3isignup** and follow the instructions there to register.

The 2023 Half-yearly report will be available online only. Please register to ensure you are notified when it becomes available at **www.3i.com/investor-relations/financial-news**.

More general information on electronic communications is available on our website at **https://www.3i.com/investor-relations/shareholder-centre/**.

Investor relations enquiries

For all investor relations enquiries about 3i Group plc, including requests for further copies of the Annual report and accounts, please contact:

Investor relations
3i Group plc
16 Palace Street
London, SW1E 5JD

Telephone +44 (0)20 7975 3131

email **IRTeam@3i.com**

or visit the Investor relations section of our website at **www.3i.com/investor-relations**, for full up-to-date investor relations information, including the latest share price, results presentations and financial news.

Registrars

For shareholder administration enquiries, including changes of address please contact:

Equiniti
Aspect House
Spencer Road
Lancing
West Sussex, BN99 6DA

Telephone 0371 384 2031

Lines are open from 8.30am to 5.30pm, Monday to Friday (international callers +44 121 415 7183).

Glossary

3i 2013-2016 vintage includes Aspen Pumps, Audley Travel, Basic-Fit, Dynatect, Kinolt, ATESTEO, JMJ, Q Holding, WP, Scandlines further (completed in December 2013), Christ, Geka, Óticas Carol and Blue Interactive.

3i 2016-2019 vintage includes BoConcept, Cirtec Medical, Formel D, nexeye, arrivia, Luqom, Havea, Royal Sanders, Magnitude Software and Schlemmer.

3i 2019-2022 vintage includes Evernex, SaniSure, YDEON, MPM, WilsonHCG, Dutch Bakery, ten23 health, insightsoftware, MAIT, Mepal and Yanga.

3i 2022-2025 vintage includes xSuite, Digital Barriers, Konges Sløjd and VakantieDiscounter.

3i Buyouts 2010-2012 vintage includes Action, Amor, Element, Etanco, Hilite, OneMed and Trescal.

3i Growth 2010-2012 vintage includes Element, Hilite, BVG, Go Outdoors, Loxam, Touchtunes and WFCI.

Alternative Investment Funds ("AIFs") At 31 March 2023, 3i Investments plc as AIFM, managed seven AIFs. These were 3i Group plc, 3i Growth Capital B LP, 3i Growth Capital C LP, 3i Europartners Va LP, 3i Europartners Vb LP, 3i Managed Infrastructure Acquisitions LP and 3i Infrastructure plc. 3i Investments (Luxembourg) SA as AIFM, managed one AIF, 3i European Operational Projects SCSp.

Alternative Investment Fund Manager ("AIFM") is the regulated manager of AIFs. Within 3i, these are 3i Investments plc and 3i Investments (Luxembourg) SA.

APAC The Asia Pacific region.

Approved Investment Trust Company This is a particular UK tax status maintained by 3i Group plc, the parent company of 3i Group. An approved Investment Trust company is a UK company which meets certain conditions set out in the UK tax rules which include a requirement for the company to undertake portfolio investment activity that aims to spread investment risk and for the company's shares to be listed on an approved exchange. The "approved" status for an investment trust must be agreed by the UK tax authorities and its benefit is that certain profits of the company, principally its capital profits, are not taxable in the UK.

Assets under management ("AUM") A measure of the total assets that 3i has to invest or manages on behalf of shareholders and third-party investors for which it receives a fee. AUM is measured at fair value. In the absence of a third-party fund in Private Equity, it is not a measure of fee generating capability.

B2B Business-to-business.

Board The Board of Directors of the Company.

CAGR is the compound annual growth rate.

Capital redemption reserve is established in respect of the redemption of the Company's ordinary shares.

Capital reserve recognises all profits and losses that are capital in nature or have been allocated to capital. Following changes to the Companies Act, the Company amended its Articles of Association at the 2012 Annual General Meeting to allow these profits to be distributable by way of a dividend.

Carried interest payable is accrued on the realised and unrealised profits generated taking relevant performance hurdles into consideration, assuming all investments were realised at the prevailing book value. Carried interest is only actually paid when the relevant performance hurdles are met and the accrual is discounted to reflect expected payment periods.

Carried interest receivable The Group earns a share of profits from funds which it manages on behalf of third parties. These profits are earned when the funds meet certain performance conditions and are paid by the fund once these conditions have been met on a cash basis. The carried interest receivable may be subject to clawback provisions if the performance of the fund deteriorates following carried interest being paid.

Company 3i Group plc.

DACH The region covering Austria, Germany and Switzerland.

Discounting The reduction in present value at a given date of a future cash transaction at an assumed rate, using a discount factor reflecting the time value of money.

EBITDA is defined as earnings before interest, taxation, depreciation and amortisation and is used as the typical measure of portfolio company performance.

EBITDA multiple Calculated as the enterprise value over EBITDA, it is used to determine the value of a company.

EMEA The region covering Europe, the Middle East and Africa.

Executive Committee The Executive Committee is responsible for the day-to-day running of the Group (see page 98).

Fair value movements on investment entity subsidiaries The movement in the carrying value of Group subsidiaries, classified as investment entities under IFRS 10, between the start and end of the accounting period converted into sterling using the exchange rates at the date of the movement.

Glossary continued

Fair value through profit or loss ("FVTPL") is an IFRS measurement basis permitted for assets and liabilities which meet certain criteria. Gains and losses on assets and liabilities measured as FVTPL are recognised directly in the Statement of comprehensive income.

Fee income (or Fees receivable) is earned for providing services to 3i's portfolio companies and predominantly falls into one of two categories. Negotiation and other transaction fees are earned for providing transaction related services. Monitoring and other ongoing service fees are earned for providing a range of services over a period of time.

Fees receivable from external funds are earned for providing management and advisory services to a variety of fund partnerships and other entities. Fees are typically calculated as a percentage of the cost or value of the assets managed during the year and are paid quarterly, based on the assets under management to date.

Foreign exchange on investments arises on investments made in currencies that are different from the functional currency of the Company. Investments are translated at the exchange rate ruling at the date of the transaction. At each subsequent reporting date investments are translated to sterling at the exchange rate ruling at that date.

Gross investment return ("GIR") includes profit and loss on realisations, increases and decreases in the value of the investments we hold at the end of a period, any income received from the investments such as interest, dividends and fee income, movements in the fair value of derivatives and foreign exchange movements. GIR is measured as a percentage of the opening portfolio value.

Interest income from investment portfolio is recognised as it accrues. When the fair value of an investment is assessed to be below the principal value of a loan, the Group recognises a provision against any interest accrued from the date of the assessment going forward until the investment is assessed to have recovered in value.

International Financial Reporting Standards ("IFRS") are accounting standards issued by the International Accounting Standards Board ("IASB"). The Group's consolidated financial statements are prepared in accordance with UK adopted international accounting standards.

Investment basis Accounts prepared assuming that IFRS 10 had not been introduced. Under this basis, we fair value portfolio companies at the level we believe provides useful comprehensive financial information. The commentary in the Strategic report refers to this basis as we believe it provides a more understandable view of our performance.

IRR Internal Rate of Return.

Key Performance Indicator ("KPI") is a measure by reference to which the development, performance or position of the Group can be measured effectively.

Like-for-like compare financial results in one period with those for the previous period.

Liquidity includes cash and cash equivalents (as per the Investment basis Consolidated cash flow statement) and undrawn RCF.

Money multiple is calculated as the cumulative distributions plus any residual value divided by paid-in capital.

Net asset value ("NAV") is a measure of the fair value of our proprietary investments and the net costs of operating the business.

Operating cash profit is the difference between our cash income (consisting of portfolio interest received, portfolio dividends received, portfolio fees received and fees received from external funds as per the Investment basis Consolidated cash flow statement) and our operating expenses and lease payments (as per the Investment basis Consolidated cash flow statement).

Operating profit includes gross investment return, management fee income generated from managing external funds, the costs of running our business, net interest payable, exchange movements, other income, carried interest and tax.

Organic growth is the growth a company achieves by increasing output and enhancing sales internally.

Glossary continued

Performance fee receivable The Group earns a performance fee from the investment management services it provides to 3i Infrastructure plc ("3iN") when 3iN's total return for the year exceeds a specified threshold. This fee is calculated on an annual basis and paid in cash early in the next financial year.

Portfolio effect is the level of risk based on the diversity of the investment portfolio.

Portfolio income is that which is directly related to the return from individual investments. It is comprised of dividend income, income from loans and receivables and fee income.

Proprietary Capital is shareholders' capital which is available to invest to generate profits.

Public Private Partnership ("PPP") is a government service or private business venture which is funded and operated through a partnership of government and one or more private sector companies.

Realised profits or losses over value on the disposal of investments is the difference between the fair value of the consideration received, less any directly attributable costs, on the sale of equity and the repayment of loans and receivables and its carrying value at the start of the accounting period, converted into sterling using the exchange rates at the date of disposal.

Revenue reserve recognises all profits and losses that are revenue in nature or have been allocated to revenue.

Revolving credit facility ("RCF") The Group has access to a credit line which allows us to access funds when required to improve our liquidity.

Segmental reporting Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Executive who is considered to be the Group's chief operating decision maker. All transactions between business segments are conducted on an arm's length basis, with intrasegment revenue and costs being eliminated on consolidation. Income and expenses directly associated with each segment are included in determining business segment performance.

Share-based payment reserve is a reserve to recognise those amounts in retained earnings in respect of share-based payments.

SORP means the Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts.

Syndication is the sale of part of our investment in a portfolio company to a third party, usually within 12 months of our initial investment and for the purposes of facilitating investment by a co-investor or portfolio company management in line with our original investment plan. A syndication is treated as a negative investment rather than a realisation.

Total return comprises operating profit less tax charge less movement in actuarial valuation of the historic defined benefit pension scheme.

Total shareholder return ("TSR") is the measure of the overall return to shareholders and includes the movement in the share price and any dividends paid, assuming that all dividends are reinvested on their ex-dividend date.

Translation reserve comprises all exchange differences arising from the translation of the financial statements of international operations.

Unrealised profits or losses on the revaluation of investments is the movement in the carrying value of investments between the start and end of the accounting period converted into sterling using the exchange rates at the date of the movement.

3i Group plc

Registered office: 16 Palace Street, London, SW1E 5JD, UK

Registered in England No. 1142830
An investment company as defined by section 833 of the Companies Act 2006

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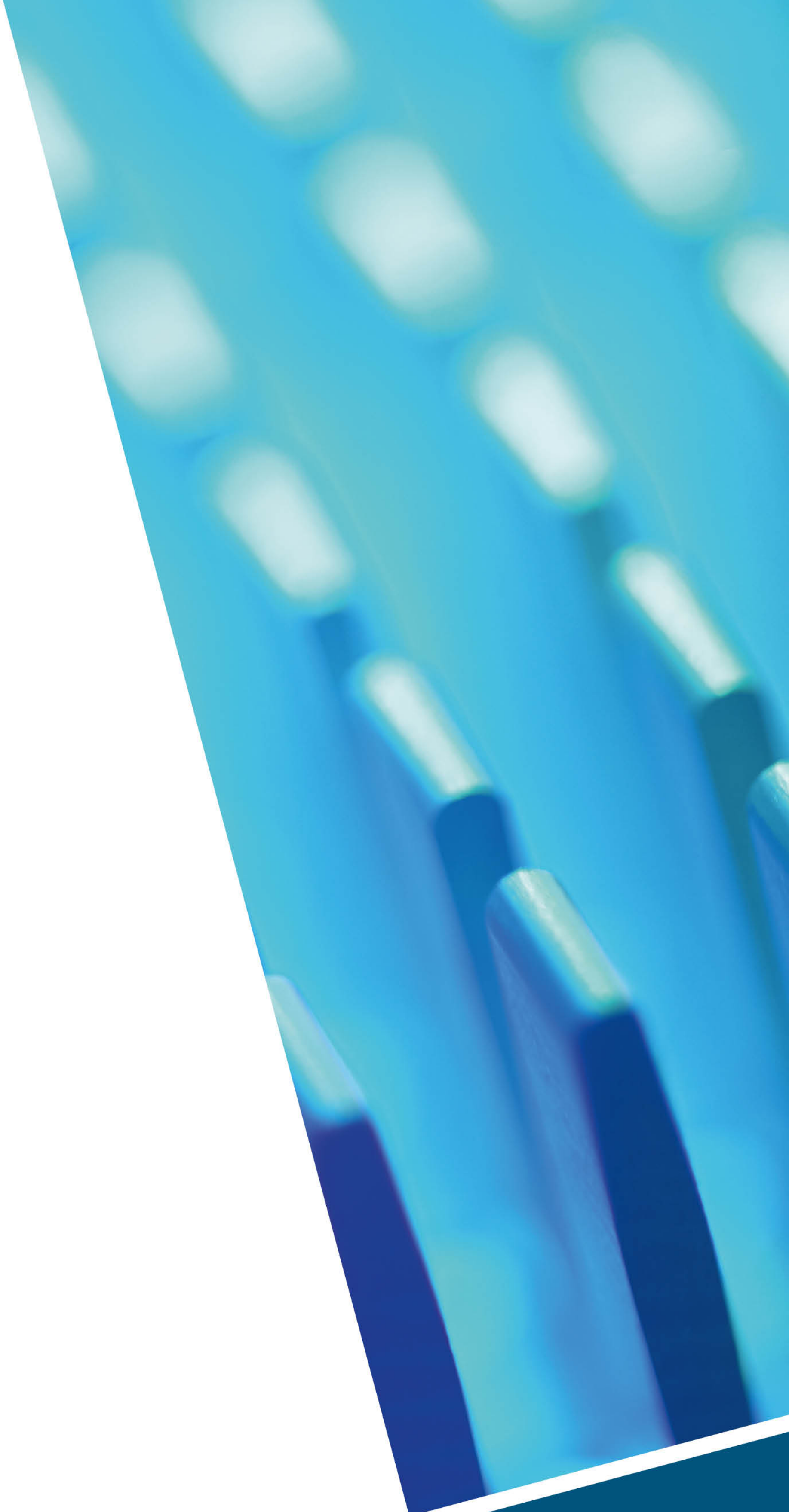

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