Sustainability

Future Biogas
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Sustainability

Through proactive engagement with our portfolio companies, we support them to improve their long-term resilience and strategically position themselves to leverage sustainability opportunities.

As owners of infrastructure businesses with majority or significant minority holdings, we recognise our ability to influence our portfolio companies to act responsibly.

We endeavour to create a culture within our portfolio companies where our expectation that sustainability is embedded into their strategy is well known. We support management teams to develop resilient business strategies.

We actively promote and facilitate the exchange of best practices across our portfolio, fostering connections between companies that have made significant progress with specific sustainability initiatives with those seeking to learn from their experience and expertise.

During our investment, we seek to mitigate ESG risks whilst capitalising on sustainability opportunities. This involves strengthening the corporate governance and reporting practices of our portfolio companies, as well as encouraging them to enhance their performance on key sustainability topics.

We believe that a responsible approach to investment adds value to our portfolio. The benefits of developing a strong and clearly articulated sustainability strategy can range from incremental revenue growth (for example, by offering low-carbon services) and operational cost efficiencies through increased circularity to higher employee engagement, improved financing liquidity and enhanced market valuations upon exit.

Responsible investing

The Investment Manager has been a signatory to the UN Principles for Responsible Investment since 2011.

Each potential investment is screened against 3i's Responsible Investment policy. The policy delineates the types of businesses in which the Company will not invest, as well as stipulating minimum requirements that we expect new portfolio companies to either meet immediately or commit to achieving within a reasonable timeframe. The Responsible Investment policy applies to all investments, irrespective of their country or sector.

The Company embeds an assessment of ESG risks and opportunities throughout every phase of the investment lifecycle. We identify significant ESG risks and opportunities at the outset of our investment, implementing appropriate and robust plans to either mitigate the risks or leverage the opportunities throughout the ownership period and into our eventual exit.

The Board is responsible for overseeing the manner in which the Investment Manager applies its Responsible Investment policy to the Company's activities, with day-to-day accountability resting with the Investment Manager.

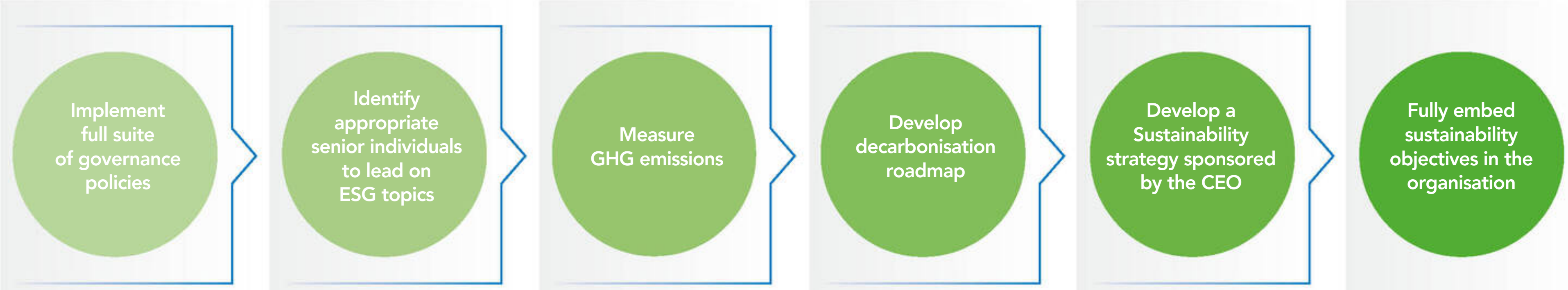
To read the Responsible Investment policy and for more information on the Investment Manager's other sustainability policies, please refer to the 3i Group website: **www.3i.com/sustainability**

Sustainability continued

Portfolio companies are enhancing their ESG maturity under the Company's ownership

During our ownership, we use our influence to encourage our portfolio companies to enhance their ESG maturity and make progress from their respective positions along our Sustainability pathway. We support portfolio companies with a bespoke approach for each, depending on the sustainability-related issues each faces. Our portfolio companies made good progress this year.

Sustainability pathway



Examples of tracked metrics, share of portfolio companies

- 100% had a Health and Safety policy (2022: 92%)
- 100% had a Whistleblowing policy (2022: 83%)
- 100% had an Anti-bribery and Corruption policy (2022: 100%)

- 92% had a resource with specific responsibility for ESG (2022: 67%)

- 100% reported Scope 1 and 2 GHG emissions (2022: 92%)
- 92% reported Scope 3 GHG emissions (2022: 50%)

- 67% had a GHG emissions reduction plan for Scopes 1 and 2 (2022: 25%)
- 17% had a validated near-term science-based target (2022: 0%)

- 75% had a Sustainability strategy (2022: 58%)
- 50% published a Sustainability report (2022: 42%)

- 83% provided incentives to executives for meeting targets related to ESG matters (2022: 25%)

Figures shown above refer to share of companies by number as at 31 December 2023, as reported by portfolio companies in 3i's annual ESG questionnaire, except for the incentives KPI which is at 31 March 2024. The comparison is on a like-for-like basis with Attero excluded from prior year figures, which refer to calendar year 2022.

Sustainability continued

We have an effective and collaborative approach to ESG

The Investment Manager's dedicated ESG team continued to work closely with the investment teams and portfolio company management teams. This collaborative approach has elevated the quality and focus of our engagement with these stakeholders, resulting in accelerated implementation of a range of initiatives across our investment team and portfolio.

The ESG team has continued to evolve portfolio management systems and processes, including significantly updating the annual portfolio ESG questionnaire and launching new data collection software. These advancements have enhanced the integrity of the data we collect whilst expanding the automation of our processes, enabling the delivery of enriched insights into the portfolio's ESG performance.

Our portfolio engagement focuses on material ESG topics

Alongside addressing material ESG matters specific to each business, the team has actively engaged with portfolio companies on a variety of portfolio-wide ESG topics. For numerous businesses within our portfolio, safety stands as a cornerstone of their social licence to operate. We support our businesses to uphold high health and safety standards, protecting employees, contractors, and customers alike.

We also advocate for our portfolio companies to become employers of choice within their respective sectors by promoting inclusive cultures and cultivating more diverse teams. Given that our portfolio predominantly operates within structurally gender-imbalanced sectors, we place a particular focus on encouraging them to deliver gender equality initiatives.

We believe that effectively identifying and mitigating climate risks, alongside establishing a credible decarbonisation strategy, is important for our portfolio companies. This approach is not only essential for navigating the risks associated with the energy transition but also for capitalising on the opportunities it presents. Aligned with our recent pledge to the Science Based Targets initiative ('SBTi'), we actively encourage our portfolio companies to advance in areas such as carbon reporting, decarbonisation and climate change governance.

We hold our businesses to high governance standards, requiring the implementation of policies that protect employees, promote safety, fairness, and appropriate working conditions. We also encourage the development of sustainability strategies along with sustainability-linked incentivisation for senior executives, which we deem to be a key enabler of ESG progress.

Spotlight on key initiatives in the year

Stakeholders

Shareholders, regulators, portfolio companies' employees, customers and suppliers

Carbon & Climate

- Worked with portfolio companies to measure and disclose their GHG emissions, including Scope 3, and collaborated with them to increase data robustness
- Provided bespoke support to companies to undertake decarbonisation aligned with the objectives of the Paris Agreement, typically through setting science-based targets
- Requested that each portfolio company undertake a climate risk assessment using scenario analysis

Health & Safety & People

- Requested that each portfolio company prioritise health and safety by making it the first Board agenda item
- Provided training to executives of the Manager with portfolio board responsibilities on health and safety board effectiveness and best practices to foster a strong health and safety culture
- Requested that portfolio companies consider setting an appropriate strategy and goals to promote gender equity within their respective businesses

Governance and Sustainability Leadership

- Asked portfolio companies to implement good governance through our required set of policies and procedures
- Requested that portfolio companies develop a sustainability strategy with appropriate KPIs
- Introduced ESG KPIs into variable remuneration and long-term incentive plans for portfolio company senior management executives, where appropriate
- Supported portfolio companies to prepare for increased ESG disclosure regulations

Sustainability continued

3i Sustainability Connections – leveraging our network to support change

We offer our portfolio companies the opportunity to harness a diverse array of knowledge and expertise from across the entire portfolio.

Webinars

Throughout the Company's year, our portfolio-wide engagement featured a series of webinars aimed at facilitating the exchange of best practices. They were tailored to address the evolving needs of our portfolio companies, covering a diverse range of topics such as climate change fundamentals, navigating upcoming European Corporate Sustainability Reporting Directive ('CSRD') regulations, cyber security, and strategies for enhancing workforce diversity. Invitations were extended to the designated individuals responsible for ESG within the portfolio companies and each webinar comprised presentations from expert speakers alongside real life success stories drawn from the portfolio.

Sustainability Forum

In FY24 we held our first Sustainability Forum. This event brought together over 35 participants from 21 companies across 3i's portfolio, including representatives from 10 out of 12 of the 3i Infrastructure companies.

The interactive sessions delved into various topics material to our portfolio's success. These included setting a winning Sustainability strategy, readiness for CSRD compliance, insights into setting science-based emissions reduction targets, and perspectives on the 2023 UN Climate Change Conference ('COP28'). Additionally, participants took part in a workshop on value-led decarbonisation and a gamified session involving a board decision based on financial, environmental and social factors. The event was supported by third-party experts and featured numerous short presentations from portfolio companies showcasing best practices.

> The range of experience and expertise that we were able to benefit from was excellent.
>
> It was also of real benefit to meet other companies in 3i's portfolio and find out where they are along the road of sustainability.
>
> **Attendee feedback**

FY24 Engagement metrics

- 91% of the portfolio companies that responded to the survey* reported that the Investment Manager's ESG expectations had been clearly communicated to them this year
- Portfolio companies highlighted that 'adviser recommendations', 'ad hoc support' and 'webinars' were the most useful types of support that they received from the ESG team during the last 12 months
- 4.4/5 overall satisfaction score from attendees of the Sustainability Forum

* 11 out of 12 portfolio companies responded to the survey.

Overview
Our portfolio
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> 3i Group plc committed to set science-based targets in April 2023. We have been engaging with our portfolio companies to support their adoption of science-based emissions reduction targets.
>
> **Céline Maronne**
> ESG Director

Furthermore, 3i Group plc committed to set science-based targets in April 2023. Since then, we have provided support to portfolio companies in aligning their decarbonisation strategies with the goals outlined in the Paris Agreement, with the aim of establishing science-based targets, where feasible.

This year, our focus has been on increasing the assurance level of portfolio Scope 1 and 2 GHG emissions and initiating the reporting of Scope 3 GHG emissions.

In FY24, two companies, Joulz and Ionisos, set near-term science-based reduction targets, using the pathway tailored for small and medium-sized enterprises.

Both companies have pledged to deliver an absolute reduction in Scope 1 and 2 GHG emissions of 42% by 2030, from a predefined base year. Additionally, they have committed to measure and reduce their Scope 3 emissions.

Science Based Targets initiative ('SBTi')

The SBTi is a collaboration between the CDP, the United Nations Global Compact, World Resources Institute and the World Wide Fund for Nature.

The SBTi develops standards, tools and guidance to enable companies and financial institutions to set science-based targets in line with the latest climate science.

By the end of 2023, over 4,000 companies and financial institutions had emission reduction targets validated by the SBTi.

More information
www.sciencebasedtargets.org

Stepping up efforts to encourage decarbonisation across our portfolio

Mitigating the impact of climate change remains a topic of increasing urgency for governments, regulators and other stakeholders globally. We believe that effectively managing climate-related risks and embracing opportunities for decarbonisation is instrumental in safeguarding and enhancing the value of our portfolio.

Approach to TCFD reporting

- Previously, the 3i Infrastructure plc Annual Report and Accounts included voluntary TCFD disclosures. FY24 is the first year in which the Investment Manager is required to publish a TCFD Entity report and a TCFD Product report (with respect to 3i Infrastructure plc) in line with the Financial Conduct Authority ('FCA')'s rules to which it is subject.
- The TCFD Entity report will cover the Investment Manager's approach to governance, strategy, and risk management, and metrics and targets related to climate change, as well as its approach to climate-related scenario analysis. Where possible, the Entity report will rely on the 3i Group TCFD report that will be published as part of the 3i Group plc Annual Report and Accounts.
- The TCFD Product report for 3i Infrastructure plc will be published simultaneously with the aforementioned Entity report. It will describe any material deviations from the Entity report, as well as including the GHG emissions of the 3i Infrastructure portfolio at a summary level. Therefore there are no TCFD disclosures in this report.

Read more online

The Company has invested in a number of businesses dedicated to advancing the energy transition through the production of renewable and low-carbon energy.

infinis

Infinis is a leading, diversified, low-carbon generation platform with over 150 sites across the UK. ESG is at the core of Infinis' operations, with over 25,000 tonnes of methane annually captured through its landfill gas and mineral methane businesses. Infinis also continues to make significant progress on building and advancing a high-quality solar and battery pipeline of over 1GW. In FY24, Infinis' operational solar capacity increased by 102MW with the successful completion of two new sites.

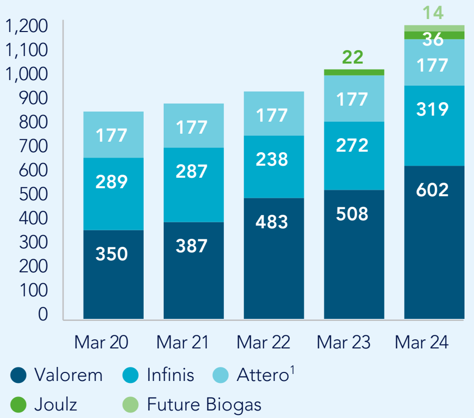
VALOREM
opérateur en énergies vertes

Valorem has grown its gross installed capacity from 157MW at acquisition in 2016 to 602MW with a further 311MW under construction. This includes onshore wind, solar and hydro-electric generation in France, Finland and Greece. The business is also making investments into green hydrogen, battery storage and floating offshore wind, and has recently diversified internationally into Poland and Sweden.

Renewable energy generation from the portfolio

The chart below shows the growth in our portfolio companies' renewable energy generating capacity over the past five financial years. Across the assets, this installed capacity includes onshore wind, solar (including both ground-mounted and rooftop) and hydro-electric generation, as well as electricity generation from waste and captured landfill methane. More recently, this also included biogas from Future Biogas. Taking into account Attero at the time of its realisation, the total renewable energy installed capacity across these businesses was 1,148MW.

Renewable energy installed capacity
(at 31 March 2024, MW)



1 Please note that Attero was sold in the year.

Our portfolio encompasses investments that are pioneering innovative solutions to decarbonisation challenges and providing essential low and zero-emission infrastructure assets.

futurebiogas

Future Biogas agreed a partnership with AstraZeneca to establish the UK's first unsubsidised industrial-scale supply of biomethane gas. Energy from the biomethane facility will supply AstraZeneca's sites in Macclesfield, Cambridge, Luton and Speke with 100 gigawatt hours ('GWh') per year, equivalent to the heat demands of over 8,000 homes. Once operational in early 2025, the partnership will reduce emissions by an estimated 20,000 tonnes of CO_2 equivalent ('tCO_2e'), adding renewable energy capacity to the national gas grid.

TCR

TCR's significant growth is supported, amongst other drivers, by the ambition of most European airports to decarbonise their operations on the apron. TCR is helping its customers implement electric replacement plans where airport charging infrastructure allows, and working on a diesel-to-electric GSE conversion strategy where replacement is not feasible. In 2023, the business grew its electric fleet by 22%. The business is also working on the development of innovative end-to-end sustainability solutions to support its customers' decarbonisation journey, such as 'charging-as-a service' solutions.

Joulz

In 2023, Joulz installed solar capacity of 14MWp, taking cumulative owned capacity to 36MWp by the end of the year. The business is also investing in battery storage systems and EV charging infrastructure. These offerings, combined with traditional energy infrastructure (such as transformers and meters), have enabled Joulz to become a leader in providing integrated solutions to businesses in the Netherlands.

Our businesses with material exposure to the oil & gas industry are continuing to contribute to security of our energy supplies whilst also taking steps to transition towards more resilient and future-proof business models, by actively increasing the share of their revenues supported by sustainability-related activities.

ESVAGT

ESVAGT now has over 60% of its contracted EBITDA serving the Wind sector, up from 25% at the time of acquisition. ESVAGT's US joint venture, CREST, co-owned with Crowley, won its first contract in the US offshore wind market in early 2023 for Siemens Gamesa. In FY24, ESVAGT won two additional SOV contracts with Ørsted and Vestas in the North Sea. ESVAGT also signed a memorandum of understanding with KMC Line, a Korean shipping company, to establish a joint venture in South Korea and enter the South Korean wind market.

tampnet

Tampnet is leveraging its infrastructure and expertise in connectivity and digitalisation to support various growing sectors offshore. This year Tampnet entered the carbon sequestration market by supporting a number of North Sea projects in their design phase, enabling them to connect to Tampnet's network as soon as they go live. Additionally, Tampnet acquired dasNetz, a leading provider of offshore wind connectivity in the German part of the North Sea, as part of a strategy to continue to expand its North Sea coverage and footprint in offshore wind and renewables.

Oystercatcher

Advario Singapore has recently invested in its facilities to enable sustainable aviation fuel storage and blending in its first SAF storage customer, Neste. This has provided the business with a first mover advantage in the SAF storage market in the region. The company is looking to support those customers transitioning into sustainable fuels.