

Our business model

An active investor

Unique offering for shareholders

The Company remains unique, providing public market investors with access to private infrastructure businesses across a variety of megatrends, sectors and geographies.

Origination approach

We remain a disciplined investor and, where possible, seek opportunities to transact off-market, only participating in competitive processes where we believe we have a distinct advantage.

We have a large and focused investment team, with a broad network and access across the geographies in which we invest. Our reputation, local presence and the relationships we develop with management teams provide us with competitive advantages. This allowed us to be successful in signing our new investment this year in Future Biogas on attractive terms.

Asset management

We maintain a significant focus on active asset management and investment stewardship. We identify high calibre management teams and look to implement a clear business strategy. We help identify accretive growth opportunities to the portfolio companies, and actively help them to convert those, including executing add-on M&A opportunities and putting in place adequate capital structures and capex facilities to fund the associated investments.

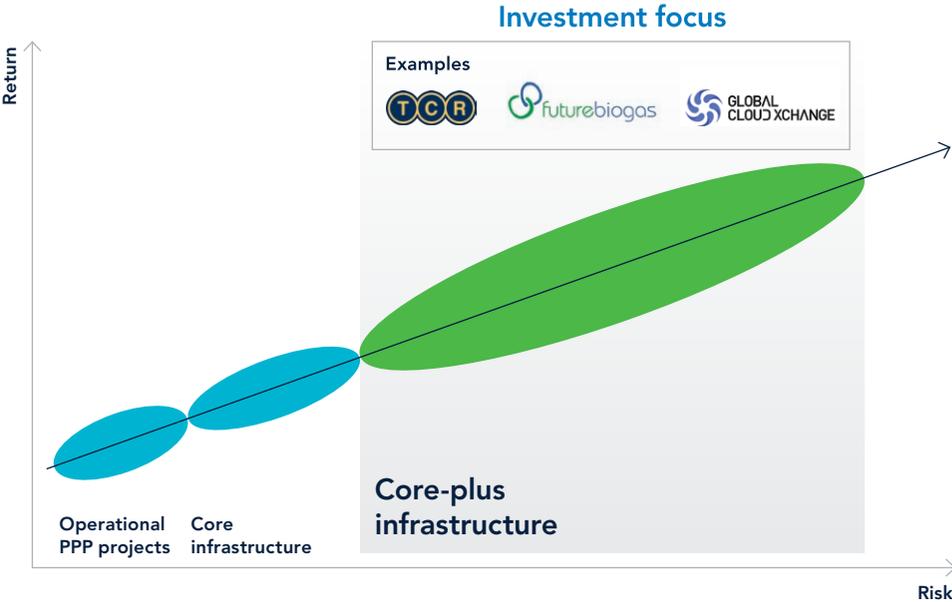
We actively look to enhance the infrastructure characteristics of the businesses we acquire, ensuring that, where possible, capex is focused on immediate contracted revenue generating assets, improving the infrastructure characteristics of the business to attract competitive financing, adding elements of service that create customer stickiness, and often implementing operational efficiency programmes to optimise EBITDA margins. All of this helps us position our businesses into the core infrastructure space, thus maximising the potential exit value.

We execute all of the above through ownership control, effective board presence and governance and by being involved directly in the companies' key workstreams.

Competition for new investment primarily comes from private infrastructure funds. Most other UK listed infrastructure funds typically target smaller investments in finite life contracted assets like operational and greenfield Public Private Partnership ('PPP') projects or operational renewable portfolios, which are outside our investment focus.

Our primary investment focus remains mid-market core-plus with controlling majority or significant minority positions and strong governance rights, whilst adhering to a set of core investment characteristics and risk factors. More information on our business model can be found on page 10.

Market segmentation and investment focus



Our business model continued

We invest responsibly in infrastructure to create long-term value for stakeholders.

Enablers	Investment characteristics
Investment Manager's team	Asset-intensive business
3i Group network	Asset bases that are hard to replicate
Engaged asset management	Provide essential services
Reputation and brand	Established market position
High ESG standards	Good visibility of future cash flows
Robust policies and procedures	An acceptable element of demand or market risk
Efficient balance sheet	Opportunities for further growth
	Sustainability

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Value created

Financial	Non-financial
<p>14.7%</p> <p>Total return on time-weighted opening net asset value</p>	<p>2</p> <p>Further investments in portfolio companies to fund growth</p>
<p>11.15p</p> <p>Ordinary dividend per share</p>	<p>+9%</p> <p>Increase in installed renewable energy capacity</p>
<p>19%</p> <p>Asset IRR (since inception)</p>	<p>12</p> <p>Portfolio companies reporting on greenhouse gas emissions</p>

Overview

Characteristics we look for in new investments

We look to build and maintain a diversified portfolio of assets, across a range of geographies and sectors, whilst adhering to a set of core investment characteristics and risk factors.

The Investment Manager has a rigorous process for identifying, screening and selecting investments to pursue. We look for businesses that combine a base of strong cash flow resilience (eg. contracted revenues) with high through-cycle underlying market growth fundamentals and operational improvements and M&A opportunities, which allows us to deliver above target returns. Although investments may be made into a range of sectors, the Investment Manager typically focuses on identifying investments that meet most or all of the following criteria and are aligned with identified megatrends:

- 
Asset-intensive business
 Owning or having exclusive access under long-term contracts to assets that are essential to deliver the service
- 
Good visibility of future cash flows
 Long-term contracts or sustainable demand that allow us to forecast future performance with a reasonable degree of confidence
- 
Asset bases that are hard to replicate
 Assets that require time and significant capital or technical expertise to develop, with low risk of technological disruption
- 
An acceptable element of demand or market risk
 Businesses that have downside protection, but the opportunity for outperformance
- 
Provide essential services
 Services that are an integral part of a customer's business or operating requirements, or are essential to everyday life
- 
Opportunities for further growth
 Opportunities to grow or to develop the business into new markets, either organically or through targeted M&A
- 
Established market position
 Businesses that have a long-standing position, reputation and relationship with their customers – leading to high renewal and retention rates
- 
Sustainability
 Businesses that meet our Responsible Investing criteria, with opportunities to improve sustainability and ESG standards

How we create value

We have a rigorous approach to identify the best investment opportunities and then actively manage our portfolio companies to drive sustainable growth and value creation.

Buy well	Strong governance	Optimise strategy
<ul style="list-style-type: none"> Effective use of 3i's network Comprehensive due diligence Consistent with return/yield targets Fits risk appetite 	<ul style="list-style-type: none"> Make immediate improvements Appropriate board representation and composition Incentivise and align management teams 	<ul style="list-style-type: none"> Agree strategic direction Develop action plan Right capital structure to fund growth plan
Execute plan	Realisation	<p>What we do is framed by our strategic priorities</p> <p>Read more Page 20</p>
<ul style="list-style-type: none"> Ongoing support Monitor performance Review further investment opportunities Facilitate and execute M&A 	<ul style="list-style-type: none"> (Re)position business and enhance infrastructure characteristics to maximise exit value Long-term view but will sell to maximise shareholder value 	

What enables us to create value

Investment Manager's team

The Company is managed by an experienced and well-resourced team. The European infrastructure team was established by 3i Group plc ('3i Group') in 2005 and now comprises over 50 people, including over 30 investment professionals.

This is one of the largest and most experienced groups of infrastructure investment professionals in Europe, supported by dedicated finance, tax, legal, operations, sustainability and strategy teams.



3i Group's network



3i Group has a network of offices, advisers and business relationships across Europe. The investment management team leverages this network to identify, access and assess opportunities to invest in businesses, on a bilateral basis where possible, and to position the Company favourably in auction processes.

Engaged asset management

We create value from our investments through the Investment Manager's engaged asset management approach. Through this approach, the Investment Manager partners with our portfolio companies' management teams to develop and execute a strategy to create long-term value in a sustainable way. Examples of this partnership include developing strategies that support investment in the portfolio company's asset base over the long term; continued improvements in operational performance; and establishing governance models that promote an alignment of interests between management and stakeholders.

We develop and supplement management teams, often bringing in a non-executive chair early in our ownership.

Examples of this engaged asset management approach can be found on our website, www.3i-infrastructure.com.

Strengthen
portfolio company
management
teams

Invest in and
develop companies
to support
a sustainable
future

Grow
our platform
businesses
through further
investments

What enables us to create value continued

Reputation and brand

The Investment Manager and the Company have built a strong reputation and track record as investors by investing responsibly, managing their business and portfolio sustainably, and by carrying out activities according to high standards of conduct and behaviour. This has been achieved through upholding the highest standards of governance, at the Investment Manager, the Company and in investee companies. This in turn has earned the trust of shareholders, other investors and investee companies, and has enabled the Investment Manager to recruit and develop employees who share those values and ambitions for the future.

The Board seeks to maintain this strong reputation through a transparent approach to corporate reporting, including on our progress on driving sustainability through our operations and portfolio. We are committed to communicating in a clear, open and comprehensive manner and to maintaining an open dialogue with stakeholders.

Dedicated ESG team

In FY23, the Investment Manager created a new team to lead ESG and sustainability initiatives across the portfolio. This will enable an acceleration of the delivery of the Company's ambitions around sustainability.

The new team's role is to ensure the Company's approach is right for the portfolio and to drive genuine ambition and progress at portfolio company level. Dedicated ESG resource enables us to identify, monitor and realise the value creation opportunities linked to sustainability for each portfolio company more effectively.

The team supports each portfolio company on its respective sustainability journey and consideration of the Company's objectives at portfolio company level. The team also leads ESG reporting for the Company and delivers the annual ESG review of the portfolio.

By interfacing with the Company's strategy, the team supports the Board to set the Sustainability strategy and objectives for the Company, and aligns with key stakeholders such as 3i Group, particularly on climate-related risks and opportunities.

Sustainability and ESG standards are discussed throughout this report. Please refer to Our approach on pages 14 to 17, the Sustainability report on pages 46 to 56 and the Risk report on pages 68 to 80.



There is a strong link between companies that have high ESG standards and those that are able to achieve long-term sustainable business growth."

Anna Dellis
Partner, 3i Investments plc



Robust policies and procedures

Established investment and asset management processes are supported by the Investment Manager's comprehensive set of best practice policies, including governance, conduct, cyber security and anti-bribery.

Efficient balance sheet

The Company's flexible funding model seeks to maintain an efficient balance sheet with sufficient liquidity to make new investments. In order to capitalise on discretionary growth opportunities in the portfolio, during the year we raised new equity of £100 million.

Since FY15 the Company has raised equity three times and returned capital to shareholders twice following successful realisations.