



KKR

2015 ESG AND CITIZENSHIP REPORT



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GLOBAL CHALLENGES AND OPPORTUNITIES



For an explanation of the boundaries and reporting frameworks used in preparing this report, see About This Report on page 34.

Businesses and society as a whole are facing unprecedented challenges on a global scale, requiring a new level of responsible and strategic investing.

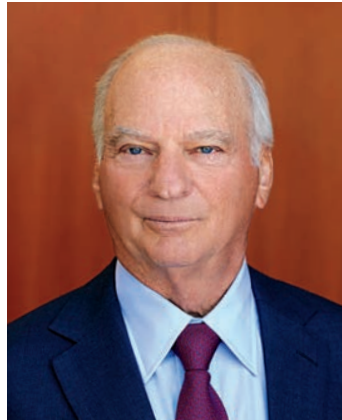
Photo: X-ELIO solar rooftop facility at Meridian Winery in Paso Robles, California, U.S.



INVESTING IN A CHANGING WORLD

George R. Roberts
Co-Chairman and Co-CEO

When Henry and I started KKR four decades ago, we had \$120,000 and three employees. Today, our team of 1,200 people manages \$120 billion across multiple asset classes with investments around the world. The core of our business is built on thoughtfully investing our own and third-party capital to build better companies, infrastructure, and other assets, something we've been doing successfully for 40 years. However, our Firm and the private equity industry look much different today than in 1976.



consideration and integration of environmental, social, and governance (ESG) issues in our private equity investments, we seek to identify new opportunities, achieve bottom-line benefits, and de-risk companies (p. 9). Adhering to best practices and realizing a strong financial return can go hand in hand. We increasingly see how management of ESG issues can be essential to achieving financial success and addressing critical societal challenges facing our world today.

EXPANDING OUR REACH

Private equity is playing an increasing role in the global economy as companies and communities face heightened pressures and challenges. The industry's ability to offer patient capital, a comprehensive global view, and strong, active management expertise provides a platform for companies to increase their value. While private equity remains the core of what we do, we are no longer solely focused on that asset class (p. 4). We have flexible capital, allowing us to invest behind any idea, anywhere in the world. This has allowed us to be the "partner of choice."

Thanks to our growth and evolution, today we can invest in any part of a company's capital structure, and we can leverage our global footprint and one-firm culture to help connect the dots and make smarter investments. We can put our \$10 billion balance sheet to use and invest alongside the limited partners in our funds and in other opportunities that align with our focus on building long-term value. And we can add strategic and operational value to these companies and assets to enhance their growth and governance. Additionally, we have a world-class capital markets business that operates globally for our portfolio companies and other clients.

DEEPENING OUR COMMITMENT TO ESG MANAGEMENT

Our Firm has kept pace with our changing world in another regard as we have deepened our commitment to responsible investment. Through the consistent and thoughtful

We also seek to be a leader in the private equity industry. We have worked to advance responsible investment as a signatory of the United Nations-backed Principles for Responsible Investment (PRI), as a member of the American Investment Council (formerly the Private Equity Growth Capital Council), and as a participant in the Standards Council of the Sustainability Accounting Standards Board (SASB).

BUILDING A SUCCESSFUL FRANCHISE

Our journey hasn't been perfect or without mistakes; however, we have learned from them and adapted along the way. Through our team's hard work and partnership with our investors, we've built a successful franchise by being nimble, innovative, and opportunistic and by constantly learning and evolving – qualities that we hope will carry into our next four decades and beyond.

We recognize the significant challenges and complexities of today's world. Our decision to structure this year's ESG and Citizenship Report around some of those challenges reflects how we are thinking through the ways that our companies are effecting and being affected by change (p. 6). As society searches for solutions in a time of volatility, we believe our role as strategic and thoughtful investors is more important than ever. With this in mind, we commit to focusing forward on the ways we can add even more value to the investments we make and the investors we serve, working together to provide solutions to these challenges.

LOOKING AHEAD TO THE NEXT 40 YEARS

Henry R. Kravis
Co-Chairman and Co-CEO

As we begin our 41st year as a firm and reflect on the evolution of KKR, the two most important contributors to our growth and success year after year have been quite simple: performance and people.

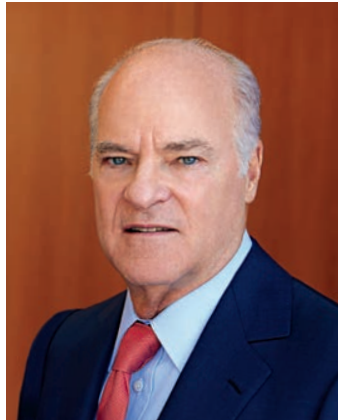
Performance has allowed us to invest on behalf of our clients since 1976 and to contribute to the important missions of public and private pension funds, endowments, charitable foundations, sovereign wealth funds, and corporations as well as individuals. Helping them meet their financial objectives is our most important achievement.

Strong performance is only possible because of our greatest asset – our people – and how we work together as one team to bring the best of what we have to offer (p. 7). In 1976, we set out to create an organization built on teamwork, where everyone prospers together, resources are shared, and true collaboration is fostered across the Firm. We have worked to encourage our employees to be innovative and to leverage each other's unique ideas, talents, and skills, bringing the full power of those skills to every single investment. Our culture and values serve as guideposts for this work, and we are more committed than ever to fostering a culture of inclusion and diversity, recruiting the best talent, and being an employer of choice.

For us, performance has become about more than just putting money to work and realizing profits. We also look for ways to engage and improve the communities where we operate and where our portfolio companies and assets are located.

ADDRESSING SOCIETAL CHALLENGES

When identifying investment themes, we often focus on ideas that address broader societal challenges. For example, seeing the growing desire and need for alternative energy, we have become one of the largest private investors in renewable energy, deploying \$1.6 billion behind solar, wind, and district heating since 2011 (p. 11). We have invested in building better agriculture systems. Our partnerships with dairy, pork, and poultry farm operations in China



have brought international best practices in food safety to a fragmented system, thereby expanding yields, improving food access, and generating strong returns for our investors. Similarly, we believe that the cutting-edge irrigation and energy technologies used at our investment in Sundrop Farms in Australia have the potential to revolutionize farming (p. 17).

In addition to making investments that provide solutions, we are enhancing performance at KKR portfolio companies through targeted and integrated consideration and management of ESG issues. We have established proactive programs for our companies that help to address common areas of ESG-related risk and opportunity.

ACHIEVING TANGIBLE BENEFITS

Initiatives such as our 2008 partnership with Environmental Defense Fund (EDF) have led to significant environmental and financial benefits for our engaged companies, including an estimated \$1.2 billion in financial impact and an avoidance of approximately 2.3 million metric tons of greenhouse gas emissions, 6.3 million tons of waste, and 27 million cubic meters of water use. We augmented this program in the fall of 2015 to not only drive eco-efficiency, but also provide support to companies' efforts on eco-innovation and eco-solutions (p. 13).

On the social front, our Wellness Works program targets KKR employees and their families as well as the employees of 10 participating companies in our portfolio. In doing so, this program aims to improve the health knowledge and management for more than 250,000 people (p. 20). Our Vets @ Work program engages 31 U.S.-based portfolio companies and has resulted in the hiring of nearly 36,600 veterans and military spouses since 2011. It also provided a platform for collaboration among our industry peers and the White House at our 2015 Veterans Initiative Summit (p. 29).

In the next 40 years, we will continue to focus on performance and people with the understanding that we will continue to adapt, evolve, and innovate to meet the challenges of a more complex global economy.

OUR FIRM. OUR IMPACT.

A growing range of investment capabilities

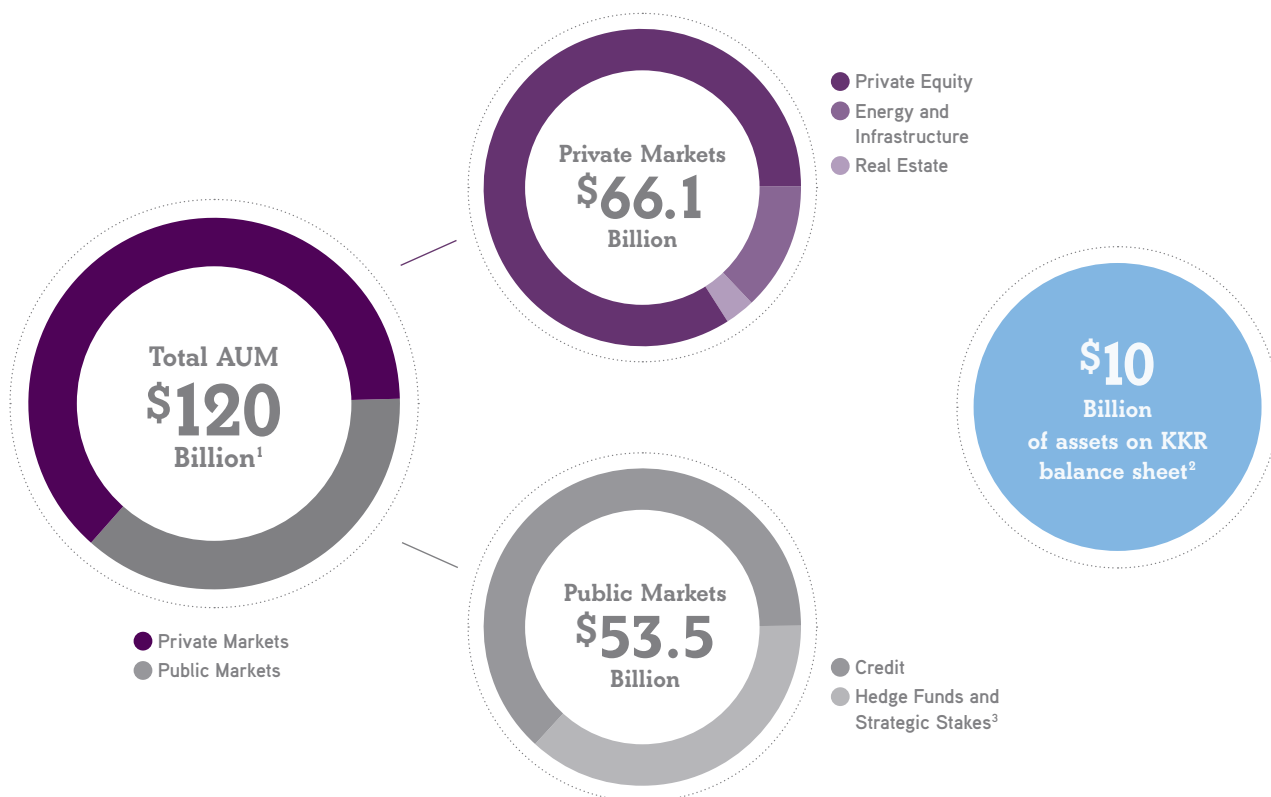
KKR is a leading global investment firm managing \$120 billion¹ of assets across multiple strategies. Since our founding 40 years ago, KKR has worked to create shared value for our fund investors, stakeholders, and the companies in which we invest. With deep roots in private equity, diversified capabilities, and a strong track record of performance, our investment activities continue to broaden, and we have a growing presence in the public and capital markets.

We work to make thoughtful investment and management decisions, keeping transparency, engagement, and

mutual learning with our partners central to our efforts. We aim to generate attractive returns by following a patient and disciplined investment approach, employing world-class people, and aligning our interests with our fund investors. We promote operational excellence and drive value creation at the asset level.

Our approach to responsible investment is no different. We adapt to changes and achieve impact by cultivating strong internal expertise and partnering with leading external experts who understand a range of market, geopolitical, and environmental, social, and governance (ESG) issues.

ASSETS UNDER MANAGEMENT (AUM) AND KKR BALANCE SHEET



¹ See Important Information on inside back cover for additional information regarding assets under management (AUM). AUM includes \$53.5 billion of assets managed by affiliates of Kohlberg Kravis Roberts & Co. L.P. in strategies that do not integrate ESG in their investment or portfolio management practices.

² Book value of \$10 billion may be reconciled to partners' capital of \$5.5 billion with the inclusion of noncontrolling interests held by KKR Holdings L.P. of \$4.3 billion and equity impact of KKR Management Holdings Corp. and other of \$0.1 billion.

³ References to Hedge Funds and Strategic Stakes AUM represent approximately \$11 billion of assets managed by KKR Prisma and approximately \$9 billion attributable to KKR's pro rata portion of the AUM of hedge fund managers in which KKR holds a minority interest.

OUR PRIVATE EQUITY PORTFOLIO

Americas

45 Companies
400,000 Employees
\$120 Billion in Revenue



Europe, the Middle East, and Africa

23 Companies
160,000 Employees
\$20 Billion in Revenue



Asia-Pacific

40 Companies
160,000 Employees
\$55 Billion in Revenue



OUR GLOBAL IMPACT

Investing in People

40 million retirees and pensioners with exposure to KKR's investments

983,000 jobs provided by our private equity, infrastructure, and real estate portfolio companies

Nearly **36,600** veterans and military spouses have been hired by 31 KKR portfolio companies in the United States since 2011



Investing in Economies

\$12.3 billion invested or committed by KKR, our employees, and consultants alongside our fund investors⁴



\$30.2 billion cash back to fund investors in distributions since 2013

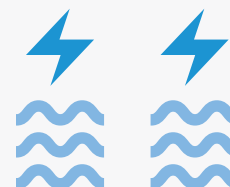
\$7.8 billion in capital expenditures and \$767 million in research and development in 2015 by our portfolio companies

Investing in Communities

39 companies, or **46** percent of our private equity portfolio, have formal philanthropic programs to support the communities where they operate

Nearly **130** ESG-related awards presented to 36 companies in our private equity portfolio and energy and infrastructure portfolio since 2012

\$2 billion invested in renewable energy and water infrastructure since 2011



⁴ Includes investments made by current and former KKR employees and KKR Capstone employees, which are retained by those individuals personally. Includes unfunded commitments made by individuals. KKR Capstone is not a subsidiary or affiliate of KKR. See Important Information on inside back cover for additional details.

RESPONSIBLE INVESTMENT AT KKR

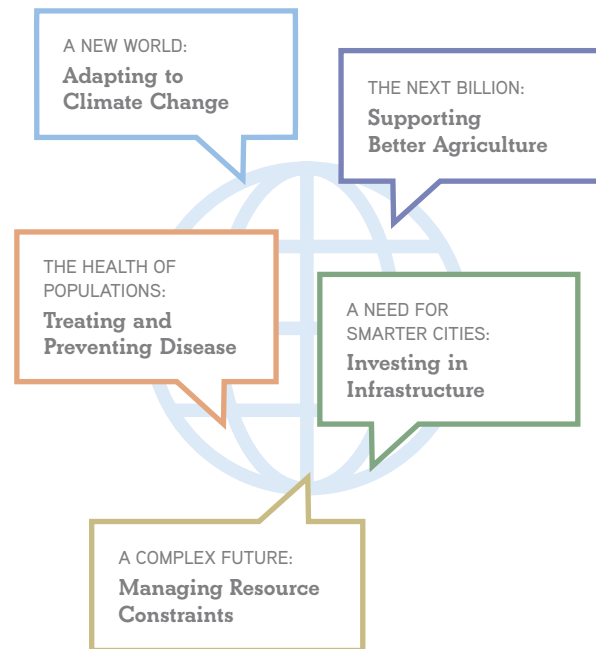
Integrating the management of ESG issues

KKR is dedicated to unlocking value in innovative ways. In today's world of ever-increasing regulation, greater expectations of transparency, more frequent stakeholder inquiries, increasing demands on our natural resources, and a changing climate, both businesses and society as a whole are facing unprecedented challenges on a global scale. Thus, today, enhancing value includes improving the environmental, social, and governance (ESG) aspects of a business through focusing on the internal policies and external effects of an organization.

GLOBAL CHANGES IMPACTING OUR INVESTMENT APPROACH

In this year's report, we identify five ESG-related societal challenges that are affecting our investments. Where possible, we have also highlighted examples of how our portfolio companies are working to address these challenges by focusing on adaptation and innovation. As a global investor with a commitment to responsible investment, we draw on our experience in the industry, our network of investors and nongovernmental organization partners, and our work with a range of portfolio companies to address a number of challenges, including the five issues presented in this report.

GLOBAL CHALLENGES AND OPPORTUNITIES



A DIFFERENTIATED APPROACH TO RESPONSIBLE INVESTMENT

With an awareness of numerous global and local challenges affecting our companies and constituents, we aim to identify relevant ESG issues and incorporate the consideration of these issues into our due diligence, decision-making, and management practices in varying ways in our Private Markets businesses. We view responsible investment through three lenses.



ESG Integrated

Most broadly, when applicable, we work to integrate ESG considerations into our pre-investment diligence and post-investment management of a company, as an understanding of the material issues helps us make the most informed decisions. This is our broadest and most basic approach to ESG management.

ESG Targeted

We identify investments where improving performance on material ESG issues helps create value or mitigate risk. We provide resources and tools to manage these issues and measure companies' progress through metrics and benchmarks. Examples include companies that participate in one of our proactive ESG programs or utilize our network and resources to begin sustainability reporting.

Solutions Focused

In these investments, a company's core product or service provides an intentional and measurable solution to an ESG-related challenge. The products and services of these companies range from renewable energy to sustainable agriculture to financial inclusion. For a map of our current solutions-focused investments, visit kkresg.com/solutions.

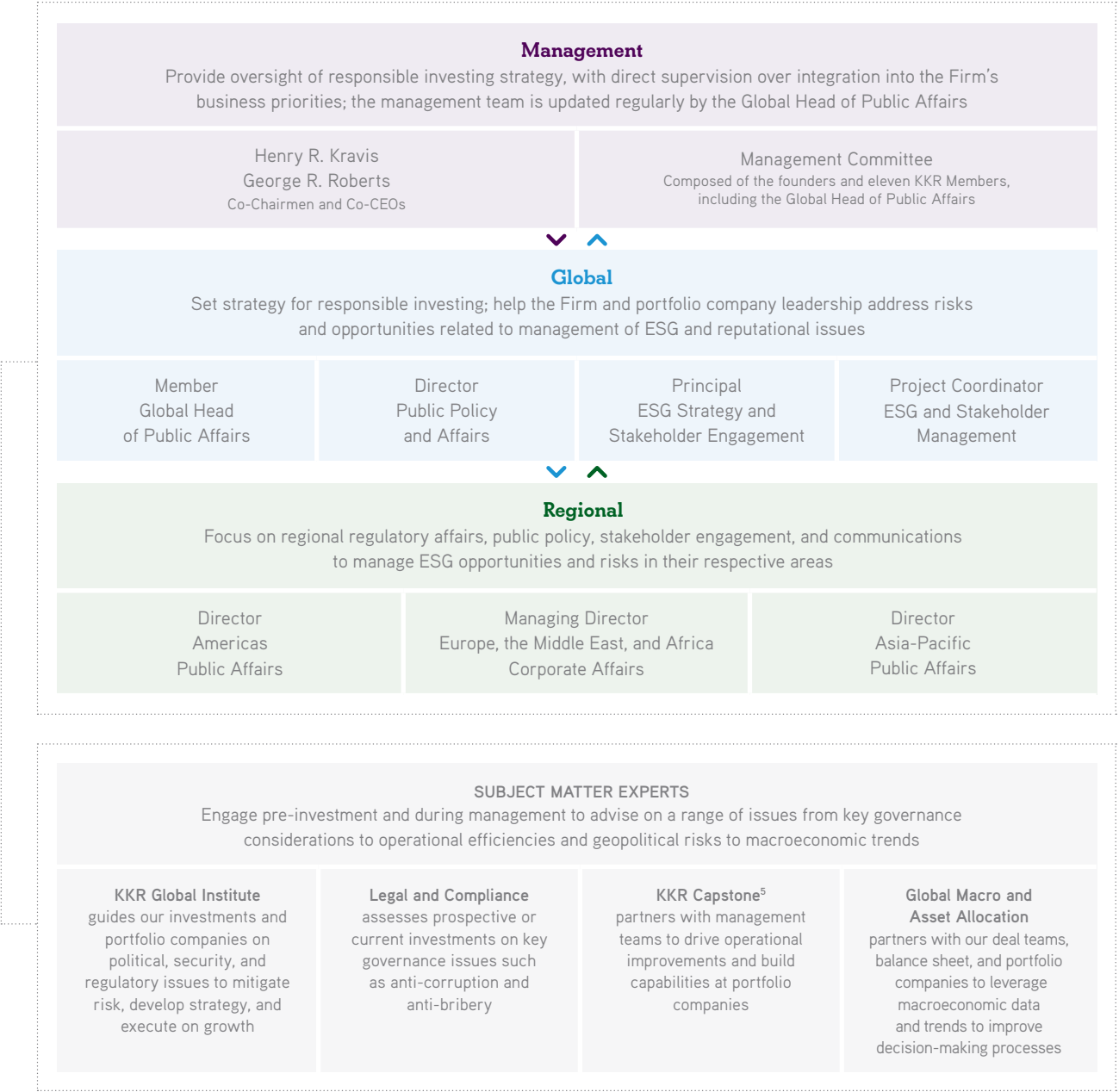
HOW WE GOVERN RESPONSIBLE INVESTMENT

Our responsible investment efforts are guided by a Private Equity ESG Policy, with a cross-functional team of professionals managing our responsible investment strategy and its implementation across all relevant asset classes. We also draw on the experience and insights of internal subject matter experts and external advisors. In addition to being guided by our policy and team, we endorse relevant private

equity industry guidelines for responsible investing. In 2009, we became a signatory to the United Nations-backed Principles for Responsible Investment (PRI) and helped to develop the guidelines for responsible investment as a member of the American Investment Council (formerly the Private Equity Growth Capital Council). We are actively involved with both organizations and continue to use these frameworks to help guide and align our efforts.

RESPONSIBLE INVESTMENT GOVERNANCE

We believe that engagement from senior leadership and accountability throughout the organization are essential to our responsible investing efforts. Together, global, regional, and subject matter experts collaborate to implement an integrated approach.



⁵ KKR Capstone is not a subsidiary or affiliate of KKR. See Important Information on inside back cover for additional details.

DRIVING VALUE THROUGH ESG MANAGEMENT

Identifying and managing material issues

While KKR engages in a broad range of investment activities, we focus our responsible investing efforts in our private equity business and, when applicable, in select non-private equity asset classes. This focus has been informed by our analysis and understanding of the issues most material to our investments – those areas in which we have influence as active managers and owners.

MATERIALITY AND RESPONSIBLE INVESTMENT AT KKR

The concept of materiality was first used when determining the asset classes in which we should focus our responsible investment efforts. In this analysis, we assessed each asset class based on the degree of influence that we can exert prior to investment and during ownership. At the time, our analysis indicated that we should focus on the life cycle of our private equity investments. Since then, as we have broadened our investment platform, we have increasingly expanded our responsible investment efforts, where relevant, in non-private equity asset classes, including real

estate, energy and infrastructure, and special situations. Not surprisingly, we have found that the approach and universe of potentially material issues can vary significantly across asset classes and the assets themselves. For more information on how we think about the concept of materiality in focusing our efforts, visit kkresg.com/materiality.

Second, we identify and manage issues in our portfolio that we consider to be most material to each investment. Our Private Equity ESG Policy defines material ESG issues as those that “KKR in its sole discretion determines have – or have the potential to have – a direct substantial impact on an organization’s ability to create, preserve, or erode economic value, as well as environmental and social value for itself and its stakeholders.” According to this policy, our Firm considers a range of environmental, social, and governance issues associated with target companies as potentially material and will focus our efforts in these areas. For a sample list of ESG and reputational issues, visit kkresg.com/esg-issues.

PROGRAMS DRIVING SUSTAINABLE VALUE

We have identified a number of common challenges facing companies or areas where operational changes may lead to significant results. In each of these areas, we have built programs designed to create cross-portfolio communities and share best practices. These programs leverage our knowledge and the experience within our portfolio companies to provide a structured approach and solutions to common challenges. At the end of 2015, KKR operated four proactive ESG programs globally and two programs addressing issues specific to our U.S.-based portfolio companies. Each program is intended to provide practical and actionable guidance to help participating companies drive real value.

	Green Solutions Platform⁶ Launched 2015	A global effort focused on eco-efficiency, eco-innovation, and eco-solution initiatives launched at 22 portfolio companies across four asset classes (p. 13).
	Responsible Sourcing Initiative Launched 2010	A global program at 26 portfolio companies that assesses existing company practices and provides resources to improve human rights and environmental management in supply chains (p. 27).
	Integrity and Engagement Launched 2012	A global approach to provide guidance on voluntary codes and frameworks of transparency that help drive anti-corruption and anti-bribery best practices.
	Wellness Works Launched 2011	A U.S.-based program focused on promoting health and well-being best practices at our portfolio companies through incentivized biometric screenings and wellness programming (p. 20).
	Worker Safety Launched 2015	A global effort built on a proprietary <i>Worker Safety Guide</i> that is made accessible through webinars and in-person trainings (p. 21).
	Vets @ Work Launched 2011	A U.S.-based program aimed at recruiting, hiring, and retaining veterans, which has hired nearly 36,600 veterans and military spouses by 31 KKR portfolio companies since 2011 (p. 29).

⁶ The Green Solutions Platform (GSP) launched in December 2015 follows KKR’s environmental initiative, the Green Portfolio Program (GPP), which was launched in 2008. While the GPP was focused on eco-efficiency projects in five key performance areas, the GSP seeks to drive business and environmental value by working with and highlighting the work of participating companies across a wider variety of focus areas. Visit green.kkr.com to learn more about the evolution of the program. To learn more about the scope and bottom-line impact of our proactive ESG programs, visit kkresg.com/esg-programs.

ESG MANAGEMENT PROCESS

The asset classes below go through a rigorous due diligence process. In most instances, this diligence includes an ESG management perspective driven by a team of cross-functional internal subject matter experts.



⁷ KKR Capstone is not a subsidiary or affiliate of KKR. See Important Information on inside back cover for additional details.

As societies cope with and mitigate the impacts of a changing climate, we see opportunity to realize economic returns while providing social value.



Photo: Wind turbines in Argyll, Scotland, whose construction was partially financed by KKR with Temporis Capital LLP and the UK Green Investment Bank.

1

A NEW WORLD: ADAPTING TO CLIMATE CHANGE

A changing climate creates many issues that can profoundly influence a business' bottom line and its ability to compete in a resource-constrained future – from changing weather patterns affecting agriculture to impending regulations that put a potential price on carbon emissions to natural disasters disrupting supply chains. As we have seen in our investments and more broadly in business, thoughtfully addressing and providing solutions to a changing climate can also be a source of opportunity.

CLIMATE CHANGE SOLUTIONS

Climate change is a global challenge and will require solutions at all levels. Whether investing in alternative energy or championing eco-efficiency, there are multiple angles for company and investor engagement.

In the last five years, we have invested in a number of companies that are creating or utilizing innovative technologies and processes to be part of the solution in a carbon-constrained economy. Whether Sundrop Farms, whose technology optimizes natural resource use in food production, or CITIC Envirotech Ltd., which mitigates water pollution, or Transphorm, whose power conversion devices and modules enhance efficiency and enable significant energy savings, we have invested in companies that are creating new technologies, job opportunities, and economic growth.

INVESTING IN RENEWABLE ENERGY

Investments in renewable energy are crucial as global energy demands and the need for clean alternatives continue to increase. In 2015 at the United Nations Framework Convention on Climate Change Conference of the Parties (COP 21) in Paris, France, nearly 200 nations signed an agreement on climate change adaptation and mitigation. As a result, renewable energy investments are at center stage as countries seek to reduce their use of fossil fuels. Businesses are essential in making these commitments a reality. Since KKR's first investment in a renewable energy company in 2011, our platform has continued to grow; we have deployed \$1.6 billion behind solar, wind, and district heating to date. As part of KKR's diversified approach to infrastructure investments, we have made these investments globally and seek additional investment opportunities.

The Continued Role of Fossil Fuels

While a leading private capital investor in renewable energy companies, the Firm continues to participate in conventional energy investments, including oil and natural gas. We believe that conventional energy sources are necessary during a long-term transition to a cleaner energy future, and in certain instances they continue to be a good investment proposition.

As an investor in this space, we seek to partner with responsible operators. For example, KKR's investment in Colonial Pipeline, the largest refined product pipeline in North America, focuses on operating safely and, as a result, the

Alternative Energy Investments

2011	
▲	Renvico Renewable Energy (formerly Sorgenia France)
●	SunTap Energy I
●	T-Solar Global Operating Assets
2012	
■	Coriance
2013	
●	SSM Solar
●	SunTap Energy II
2014	
● ▲	ACCIONA Energía Internacional
▲	Temporis Capital
2015	
●	X-ELIO (formerly Gestamp Solar)

- Solar Energy
- ▲ Wind Energy
- District Heating (an energy-efficient system for distributing heat generated in a centralized location for residential and commercial heating)

VIEWPOINT

Gwen Ruta

Senior Vice President, Climate and Energy, Environmental Defense Fund (EDF)



Q. What are the roles of investors and companies in addressing climate change today?

A. Climate is a business issue as much as it is an environmental issue, and that has really started to change how businesses operate. One of EDF's great strengths is our exposure to companies across a wide range of industries, including financial services. There is a clear trend that leading companies are committing to act on climate change by setting science-based goals, reducing emissions across their operations and supply chains, and engaging responsibly on climate and energy policy. A real opportunity exists for companies and investors to work together to continue to raise the level of ambition for leadership, increase transparency, and accelerate the pace of investment in new energy infrastructure. If we don't act now on what climate change can mean to our future, the implications are huge for our environment and the economy across the board.

Related Content



Green Solutions Platform
green.kkr.com



Fact Sheet: Green Solutions Platform
kkresg.com/gsp-fact-sheet



Blog: "Building on the past, focusing on the future: Green Solutions Platform,"
by Elizabeth Seeger
kkkr.com/gsp-blog

U.S. Occupational Safety and Health Administration Recordable Incidence Rate for Colonial Pipeline is substantially lower than the industry average. We work with our companies to support safe work practices and procedures focusing on the continuous improvement of operational practices that could affect the environment, employees, or community.

CASE STUDY X-ELIO



Increasing Access to Renewable Energy⁸

Global energy consumption is predicted by the U.S. Energy Information Administration to increase by 56 percent between 2010 and 2040. This results in a need and opportunity for societies to increasingly harness alternative energy sources.

KKR infrastructure portfolio company X-ELIO, formerly Gestamp Solar, specializes in the development, construction, operation, and maintenance of solar plants in 18 countries, including Spain, Italy, South Africa, Japan, Mexico, the United States, and various nations across the Middle East and South America. To date, the company has participated in the development of more than 700 MW of photovoltaic projects and currently has 270 MW of photovoltaic projects in operation or in consideration. With its wide platform, X-ELIO is a market leader that has the ability to achieve scale, the capital resources to invest in long-term projects, and the technological focus to drive innovation. As a sustainable, renewable energy provider, X-ELIO has a mission and a mandate that are aligned with reducing greenhouse gases and increasing access to clean energy in developed and emerging markets.

⁸ The above is for illustrative purposes only and is not representative of all investments made by KKR Funds or accounts, nor should it be assumed that any investment in the company identified was or will be profitable.

ASSESSING CLIMATE IMPACT

KKR has traditionally looked at our companies' effects on the environment, but we are increasingly thoughtful about what impacts the environment can have on business. In 2015, we began to analyze how our private equity portfolio companies could be affected by climate legislation and regulations, international accords, investor sentiment, and the physical impacts of climate change. We plan to complete our portfolio-level assessment in 2016 and then will determine the best course of action based on opportunities for value creation or risk mitigation.

REDUCING ENERGY USE AND SUPPORTING INNOVATION

Across asset classes, we support our companies' efforts to reduce energy use and associated costs. From private equity portfolio companies to infrastructure investments, there are both universal and differentiated ways that we work with companies to improve energy efficiency, including participation in

KKR's Green Solutions Platform, customized support from our internal ESG experts, or partnerships with organizations that make up the larger KKR network. For example, in 2015, KKR Capstone's⁹ full-time energy efficiency expert worked with seven investments in our North America real estate and private equity portfolios, leading to projects estimated to reduce energy costs by approximately \$2.3 million over time.

Green Solutions Platform



After nearly eight years of meaningful environmental and financial impact from our flagship environmental program, the Green Portfolio Program, we recognized that there were opportunities to broaden the scope of our work. In 2015, we relaunched the Green Portfolio Program as the Green Solutions Platform (GSP). This expands the program's focus from eco-efficiency efforts at our private equity portfolio companies to also include eco-innovation and eco-solutions across four asset classes. The GSP provides a broader and more flexible model, aligning with the changing needs and nature of our portfolio of investments.

Energy Efficiency Through Eco-Innovation¹⁰

A participant in KKR's Green Solutions Platform, Gardner Denver Nash ("Nash"), a subsidiary of Gardner Denver, is a leading provider of global service and technical support for industrial vacuum and compressed gas machinery across a variety of industries. Three of Nash's product lines feature technological advancements that we consider eco-innovations for their improved use of natural resources or energy. The Hoffman & Lamson 900 Series, Nash Hybrid Systems, and Eco-Flo Technology products enable Nash customers to achieve greater efficiency performance while also allowing for a longer product life. The optimized design of these centrifugal blowers, steam jets, liquid ring vacuum pumps, and condensers leads to reductions in total energy consumption and water savings, which in turn decrease greenhouse gas emissions. For example, Nash Hybrid Systems offer up to a 15 percent reduction in steam consumption and associated energy use and costs, and the Hoffman & Lamson 900 Series has a bearing life of 10 years or longer, which is an efficient use of resources. Through research and development, Nash aims to continue manufacturing resource-efficient products for its customers.

¹⁰ The above is for illustrative purposes only and is not representative of all investments made by KKR Funds or accounts, nor should it be assumed that any investment in the company identified was or will be profitable.

Sustainability Innovation Summit

To leverage the knowledge and experiences of our portfolio companies, nonprofit partners, and other leading external organizations, KKR brought together nearly 50 attendees to share sustainability best practices and bolster engagement. The two-day summit held in late 2015 aimed to help accelerate the adoption of best practices, including those of energy efficiency, at portfolio companies.

EDF Fellowship: Analyzing Energy Efficiency Opportunities

KKR hosted a summer Climate Corps fellow from Environmental Defense Fund (EDF) to help to identify, evaluate, and implement energy and resource efficiency improvements at private equity and real estate portfolio companies. Four assessment and analysis tools were developed to aid in measuring and benchmarking portfolio companies' energy performance and potential outcomes from efficiency and solar projects.

⁹ KKR Capstone is not a subsidiary or affiliate of KKR. See Important Information on inside back cover for additional details regarding KKR Capstone and the impact of its initiatives.



Investing in Power Conversion Technology¹¹

KKR recognizes the business value of investing in companies positioned to provide solutions to environmental challenges. In 2015, KKR led an investment round that committed \$70 million in Transphorm, Inc., an early stage semiconductor company focused on increasing energy efficiency and reducing energy losses. Transphorm is a leading producer of gallium nitride-based solutions for high-voltage power conversion applications, which deliver higher efficiency and increased power density and savings. Power devices created using this material can eliminate more than 40 percent of all electric conversion losses. The relationship between Transphorm and KKR advances efforts to address the global challenge of wasted energy in power conversion.

¹¹ The above is for illustrative purposes only and is not representative of all investments made by KKR Funds or accounts, nor should it be assumed that any investment in the company identified was or will be profitable.

LOOKING AHEAD

By anticipating and planning for the new world that is to come, companies will be better positioned to compete and more able to adapt in a changing environment. Climate change poses challenges, but when companies and investors engage thoughtfully, they can be part of the solution by driving opportunity through the launch of new processes, technologies, and jobs.

Amid a surging global population, changing weather patterns, and diminishing natural resources, responsible investment can support better agricultural practices.



Photo: Sundrop Farms in Port Augusta, South Australia.

2

THE NEXT BILLION: SUPPORTING BETTER AGRICULTURE

In the last 50 years, agricultural practices have changed dramatically due in part to the effects of population growth, technological advancements, and globalization. The impacts on farming and food production worldwide have been both positive and negative. For example, although modern agricultural machinery enables higher food yields using less labor, the availability of arable land and usable water is decreasing.

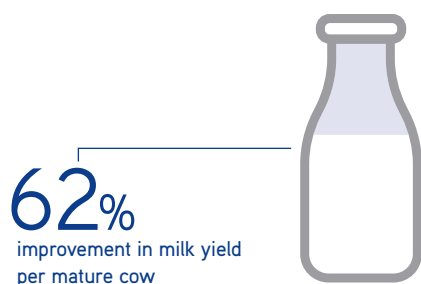
In 2015, 795 million people were estimated to be chronically undernourished. World population is expected to grow from its current level of 7.3 billion to nearly 8.5 billion by 2030. Feeding an additional billion people will place demands on the agricultural industry, accelerating the need for additional investment in food safety, sustainable farming practices, and product innovation.

FOOD SAFETY

Demographic changes such as a rising middle class in emerging markets have fueled demand for higher-quality food items, including milk, meat, and seafood. However, these products often face inconsistent quality and varying food safety standards when produced within an underdeveloped food system. Developing markets have historically offered significant opportunities for operational improvements as agricultural businesses evolve from independent, disconnected operations to scaled, vertically integrated companies.

In the last eight years, KKR has made multiple investments in Chinese agricultural companies that focus on food safety. KKR first invested in Modern Dairy in 2008 to help develop a business solution to address the demand for safer and healthier dairy products in the region. This need was highlighted when certain dairy products and infant formula were contaminated with melamine, an industrial compound used in fertilizers and plastics. KKR helped Modern Dairy establish an outside advisory board, implement stricter procedures for disease prevention, and learn enhanced farm design from global dairy experts. During our partnership, among other improvements, Modern Dairy reduced raw milk bacteria count to the point of compliance with current European and Japanese standards.

Improving Yield Through Nutrition and Breeding



When the initial investment in Modern Dairy was exited in May 2013, KKR's initiatives had helped to improve milk yield by 62 percent per mature cow and also to reduce the disease rate.



CASE STUDY YUEHAI FEED GROUP

Investing In Aquatic Feed and Nutrition Solutions¹²

In 2015, KKR invested in Chinese company Yuehai Feed Group Co. Ltd. ("Yuehai"), which provides aquatic feed and nutrition solutions for shrimp and fish farming. The company is China's largest manufacturer of high-end, special aquatic feed products by market share. The company is shifting from raw frozen fish and traditional pellet feed to floating puffed feed, which helps avoid over- or underfeeding and in turn minimizes feed waste and enhances water quality. Yuehai has full oversight of the feed production process, which helps safeguard the shrimp and fish from disease and ultimately contributes to meeting Chinese consumer demand for safe, healthy animal protein options.

¹² The above is for illustrative purposes only and is not representative of all investments made by KKR Funds or accounts, nor should it be assumed that any investment in the company identified was or will be profitable.

VIEWPOINT

Julian Wolhardt
KKR Member,
Asia-Pacific



Q. Why is now the right time to invest in the agricultural industry in China?

A. As the Chinese government works to ensure that the country's food safety practices keep pace with an economic expansion that has lifted hundreds of millions of people out of poverty, KKR invests behind government policy by partnering with businesses which are meeting the demand for everything from poultry to milk to beef. While progress is being made, gaps in operations and quality control have led to a number of large, food-related incidents that have shaken consumers' confidence in the safety of their food. In the aftermath of such events, companies are looking for a partner who can add value and help them implement global best practices to emerge even stronger and safer than before. We believe that the Chinese agricultural industry has significant growth potential, and it is best for growth to occur alongside operational improvements.

Related Content



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US Foods Case Study:
Improving Facility and Fleet Efficiency
green.kkr.com/results/us-foods



Video: Sundrop Farms Facilities
and Sustainable Opportunities
kk.com/sundrop-video

KKR's ability to add value to Modern Dairy, hand in hand with the Firm's growing focus on food safety, has enabled subsequent investments in Asia Dairy, a greenfield dairy farm; COFCO Meat, an integrated pork company; Fujian Sunner Development, a vertically integrated poultry producer; and Yuehai Feed Group, an aquatic feed company. As strong proponents of food safety, these companies welcomed the opportunity to enhance their processes and protocols by partnering on best practices.

KKR and our portfolio approach align with the Chinese government's increasing focus on food safety, underscored by the passage of China's Food Safety Law in October 2015. The new law imposes stricter requirements concerning the circulation of food products, harsher penalties for food safety-related violations, and new safety rules regarding raw materials and food additives.

BEYOND PRODUCTION: FOOD DISTRIBUTION

Food producers are not the only ones that need to optimize their business for safer and more sustainable practices. Food distributors such as our portfolio company US Foods face similar challenges and opportunities.

CASE STUDY US FOODS



Focusing on Food Quality and Safety¹³

US Foods, in which KKR invested in 2007, is the second largest broadline food-service distributor in the United States, providing food and food-related products to independent restaurants, health care and hospitality customers, educational institutions, and prominent multiunit restaurant companies. Food quality and safety are foundational tenets of US Foods, and the company strives to practice the highest quality of stewardship in individual food categories such as seafood.

The company joined the National Fisheries Institute's Better Seafood Board to help fight fraud in the seafood supply chain. In addition to industry collaboration, the company is appointing employees as seafood specialists and increasing seafood safety training for all employees. As a testament to this focus, in 2015, US Foods became the first nationwide foodservice distributor in the United States to earn Marine Stewardship Council certification for its distribution centers' chain of custody. US Foods is also committed to other ESG-related initiatives and participates in KKR's Green Solutions Platform, through which it tracks and reports progress in maximizing energy efficiency in its facilities and delivery fleet.

¹³ The above is for illustrative purposes only and is not representative of all investments made by KKR Funds or accounts, nor should it be assumed that any investment in the company identified was or will be profitable.

AGRICULTURAL INNOVATION

To meet increasing food demands while using fewer natural resources, food producers must determine how to maintain or, in many cases, increase their yields while using less land and less water amid unpredictable climatic conditions. Although many of our investments in agricultural companies use innovative technologies, we believe Sundrop Farms is the epitome of innovation through its core business.

CASE STUDY SUNDROP FARMS



Expanding Suitable Farming Locations¹⁴

Sundrop Farms is a specialized developer and operator of protected cropping installations designed for regions where land is not suitable for traditional farming or crops, fresh water may be in short supply, and domestic food production is a concern. The company grows high-value crops, such as tomatoes, at its glasshouse facilities. Based in South Australia, it is the world's first commercially and environmentally sustainable arid-climate agricultural business. Sundrop Farms uses solar energy to cool, heat, and power its high-tech farm and to desalinate seawater for irrigation. Sundrop Farms plans to use its proprietary technology and knowledge to significantly expand its operations and international presence.

¹⁴ The above is for illustrative purposes only and is not representative of all investments made by KKR Funds or accounts, nor should it be assumed that any investment in the company identified was or will be profitable.

CONTRIBUTING TO ECONOMIC DEVELOPMENT THROUGH AGRICULTURE

In developing and developed markets alike, companies in the agriculture industry face notable labor challenges, risks, and opportunities. From the types of employees hired to the benefits provided, responsible labor practices can help create a more dependable and healthier workforce.

Two of our portfolio companies, Santanol and Afriflora (see case study, top right), have focused on implementing responsible labor practices and offer value-add programs for employees. In turn, these companies are positively affecting the communities in which they operate and can be looked to for best practices on a range of worker-related issues.

Santanol's sustainable sandalwood plantation in Western Australia recently launched its first recruitment effort targeting the local Aboriginal community with an emphasis on creating a positive integration experience, putting significant resources toward developing and retaining these individuals.



CASE STUDY AFRIFLORA

Supporting Workers¹⁵

Located in Ziway, Ethiopia, Afriflora cultivates and produces Fair Trade Certified, sustainably grown roses. It is one of the largest employers in the country with more than 12,000 workers in its direct operations. Afriflora values its employees and the local community. The company provides wages that are substantially higher than peer agricultural companies, follows a gender equity plan designed to fairly distribute development opportunities, and promotes skill development. Afriflora has launched community development initiatives focused on health and education for workers and their families. Afriflora's actions promote a mutually beneficial relationship that results in tangible impacts on the business and community more broadly.

¹⁵ The above is for illustrative purposes only and is not representative of all investments made by KKR Funds or accounts, nor should it be assumed that any investment in the company identified was or will be profitable.

LOOKING AHEAD

Significant challenges face agricultural production in regions around the world, but opportunities for solutions also abound. By focusing on food safety and security, land use, labor practices, or food distribution, companies and investors who promote innovation and efficiency will play a critical role in meeting future challenges and creating a better agricultural system.

Strategic and thoughtful investing
can help improve population
health while generating returns
for investors.



Photo: Capsugel capsule production facility in Colmar, France.

3

THE HEALTH OF POPULATIONS: TREATING AND PREVENTING DISEASE

We are in a period of tremendous medical innovation. We are also in a period of great medical need. People in industrialized countries are faced with unprecedented levels of chronic diseases and conditions such as diabetes, heart disease, obesity, and depression. People in developing countries and emerging markets face a different set of health issues, including infectious diseases, chronic malnutrition, and environmental hazards such as poor air quality and contaminated water. There are compelling economic and humanitarian opportunities for investors to be a part of the solution to these challenges by investing behind product commercialization, medical innovation, and health care delivery systems.

MOVING THE NEEDLE GLOBALLY FOR HEALTH CARE SOLUTIONS

Across the health care spectrum, KKR portfolio companies are moving the needle by creating innovative health care solutions and systems, advancing diagnostic capabilities, and researching cures. Our portfolio companies are creating meaningful products and making discoveries that have the potential to minimize or eradicate a variety of diseases or chronic conditions for future generations. Our Firm's deep knowledge in the health care industry, a long history of successfully investing in this field, and a wide network of relevant relationships position us to facilitate growth and operational enhancements in these companies around the world.

Invested
\$1bn
in health care-related
companies in the
Americas in 2015

ADVANCING INVESTMENTS IN KEY MARKETS

Coherus BioSciences: Biosimilar Drugs¹⁶

Headquartered in Redwood City, California, U.S., Coherus BioSciences is a leader in developing and commercializing biosimilar drugs of the highest quality and value. Regulators in the United States, Europe, and Asia support this new pharmaceutical category, which develops almost identical replicas of biologic drugs. As the cost of drugs is rising, the development of biosimilars is beneficial because the drugs are offered at a lower cost and therefore potentially lead to broader access. Coherus BioSciences has a rich pipeline of biosimilar therapeutics that will have a major impact on patient access when the products hit the market.

Panasonic Healthcare: Solutions for Personalized Health Care¹⁶

Panasonic Healthcare is a leading provider of diabetes monitoring systems and specialized laboratory equipment worldwide, as well as clinical health care IT systems in Japan. The company centers its business on three key themes:

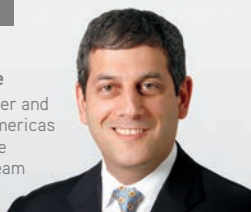
- linking diagnosis and treatment
- utilizing medical information
- supporting drug development and life science research

The company provides localized solutions from its global platform across areas such as biomedical product development and medical information systems integration. With its acquisition of Bayer AG's global Diabetes Care business, now called Ascensia Diabetes Care, Panasonic Healthcare will provide high-quality solutions and precision tools to people with diabetes in more than 125 countries. Panasonic Healthcare is focused not only on providing solutions for personalized health care to people around the world but also on improving the energy efficiency of its facilities and has been tracking the results of these efforts as part of KKR's Green Solutions Platform.

¹⁶ The above are for illustrative purposes only and are not representative of all investments made by KKR Funds or accounts, nor should it be assumed that any investment in the companies identified was or will be profitable.

VIEWPOINT

James Montazee
KKR Member and
Head of Americas
Health Care
Industry Team



Q. As someone who has seen the evolution of health care during the past 20 years, what are some of the most exciting things happening now that will have the biggest impact on individuals and health systems?

A. There is great science going on today, but there is also a great need to control health care expenditures. Major innovations are taking place in treating certain chronic diseases due to better understanding of their genetic underpinnings. Simultaneously, there is constant pressure to reduce expenses while maintaining or improving quality given the strain health care costs place on state and federal governments, employers, and patients. We have been a student of this industry for a long time, and right now is an ideal time to use what we have learned to create meaningful opportunities for our investors and for individual health care consumers.

Related Content



HCA Holdings, Inc. Case Study:
Making Wellness a Priority
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Blog: "I cannot and I will not give up my family time,"
by Suzanne O. Donohoe
kkkr.com/family-time-blog

ADVANCING INVESTMENTS IN KEY MARKETS

LGC: Science for a Safer World¹⁷

Headquartered in London, UK, LGC is a life sciences measurement and testing company with a global presence in the reference materials, proficiency testing, genomics, and laboratory services markets. With a vision of "Science for a Safer World," the company has services and products that seek to support public safety, health, and security. LGC has experienced significant growth during the past five years, and KKR has continued to invest behind its growth potential since acquiring the company in late 2015. KKR Capstone¹⁸ is aiding in the commercial development of the genomics business, which develops and manufactures products critical to helping plant breeders develop crops to feed the world's growing population and molecular diagnostics companies understand the genetics of illnesses such as cancer and infectious diseases. In addition to this, LGC's reference materials and lab services are used around the world to ensure the safety of many daily and essential products, including pharmaceuticals and food supplements.

¹⁷ The above is for illustrative purposes only and is not representative of all investments made by KKR Funds or accounts, nor should it be assumed that any investment in the company identified was or will be profitable.

¹⁸ KKR Capstone is not a subsidiary or affiliate of KKR. See Important Information on inside back cover for additional details.

PROMOTING HEALTH AND WELL-BEING IN OUR PRIVATE EQUITY PORTFOLIO

In addition to the focus and activity of our health care-related portfolio companies, KKR engages in health and wellness in another way. Each of our Firm's employees and portfolio companies' employees are consumers of health resources. Their well-being can be directly linked to important metrics of success for any company, including productivity, retention, and engagement. By focusing on wellness and safety at the Firm and portfolio levels, we believe we are able to offer more value to employees while also creating more value for our fund investors.

Impacting Employee Health: Wellness Works



Nearly half of the roughly 980,000 individuals employed by our portfolio companies reside in the United States, where cancer, heart disease, and stroke-related health issues cause illness, shorten productive lives, and consume a large portion of employer and employee medical costs. In many cases, these diseases and their related health challenges can be avoided or reduced through healthier living and early diagnosis. One of our proactive ESG programs, Wellness Works, is an incentivized, workplace-based, wellness initiative designed to engage employees on their biometric health scores and provide resources to help them address risk factors for cancer and cardiovascular health, including smoking, obesity, hypertension, and diabetes. It is based on the premise that employees who know their key health indicators are able to make better decisions for their health and ultimately improve their well-being. This program also supports a community of best practice sharing between engaged portfolio companies. Wellness Works was launched in 2011 with the guidance of the American Heart Association (AHA). To date, the program has engaged more than 250,000 employees at 10 companies.

Targeting Our Focus on Medical Costs



50%

of private equity portfolio company employees reside in the United States

Cardiovascular Health at Work



While many employers offer workplace health programs, few have the data they need to know what works best and the know-how to implement best practices. Our experience working on wellness and our partnership with the American Heart Association led our Co-CEO Henry R. Kravis to co-chair the AHA CEO Roundtable beginning in 2013. Since its founding in 2013, more than 20 CEOs from some of America's largest companies have joined forces to share evidence-based approaches to workplace health.

Guided by the scientific expertise of the AHA, the CEOs' actions are collectively affecting nearly 8 million employees and family members, along with countless other community members, and transforming the culture of health in America's workplaces and beyond.

By testing, evaluating, and sharing information about what works in workplace health, the AHA CEO Roundtable is helping to scale evidence-based standards and best practices to support the AHA's goal of improving the cardiovascular health of all Americans by 20 percent by 2020.

To date, three CEOs from KKR portfolio companies have participated in the roundtable. KKR has learned an immense amount as part of this collective and brings the information into the actions of our Firm and the recommendations to our portfolio.

Developing a Platform for Global Worker Safety



A company's health and safety performance can often signify the overall effectiveness of the organization's governance and management. Discipline that leaders show in managing health and safety issues strongly correlates to how these leaders approach financial, production, quality, or talent management challenges.¹⁹

The global, diverse nature of our Firm's portfolio means that our companies have a wide range of needs and opportunities in health and safety management. With this in mind, in 2015, we launched a global effort built on a *Worker Safety Guide* that we developed and distributed in partnership with Environmental Resources Management, a global provider of environmental, health, safety, risk, and social consulting services. The handbook illustrates the foundational elements of an effective management system and is designed to highlight opportunities for continuous improvement in health and safety performance. The handbook has been leveraged in workshops and webinars. We expect to continue this effort in the years to come.

PROMOTING WELLNESS WITHIN OUR FIRM

As part of the Wellness Works initiative and our commitment to align with the recommendations that we make to our portfolio companies, KKR has facilitated biometric screenings for our U.S.-based employees for four years. All employees received wellness coaching and health management resources if their results indicated a health risk. We continue to offer our flu shot program, health risk assessment, and cancer screening annually. We also continue to provide CPR training, healthy food options, and support for physical activities, including gym memberships, walking programs, and running events. For more information about Firm support for our employees, see pages 28-29.

¹⁹ *Journey to Safety Excellence: The Business Case for Investment in Safety* (Itasca, Illinois, U.S.: National Safety Council, 2013).

SPOTLIGHT



Our Focus on Parental Support Policies

KKR's commitment to promoting health and wellness for our employees extends beyond our traditional health care benefits to encompass a growing range of parental leave and support policies and practices. During 2015, we extended several policies that we believe will help drive our Firm's strategy of attracting, developing, and retaining the best possible talent. For more information, see pages 28-29.

LOOKING AHEAD

The nature of health and health care is extremely dynamic. The conversations we can have today differ greatly from where we were focused just five years ago – or where we will be looking five years in the future. Global health care will continue to expand and evolve, presenting our Firm with both economic and humanitarian opportunities. By studying markets, science, and consumer behavior, we feel poised to capitalize on the changes afoot. We aspire to help deliver important solutions for efficiency, efficacy, and access while generating meaningful returns for our fund investors.

Infrastructure is absent or failing in many parts of the world, thereby creating an opportunity for strategic investments and innovative partnerships.



Photo: CITIC Envirotech Ltd. industrial wastewater treatment plant in Changyi Liu Tuan, Shandong Province, China.

4

A NEED FOR SMARTER CITIES: INVESTING IN INFRASTRUCTURE

Infrastructure is vital to economic and social systems because it connects people, goods, and resources. Maintaining, developing, and fortifying infrastructure, from highways to water systems to housing, are integral parts of continued progress and growth. However, due to rapid urbanization and years of insufficient funding, the infrastructure in many cities is in desperate need of repair, expansion, or both. Our Firm believes private capital can create solutions-oriented opportunities and play an important role in addressing the infrastructure gap.

INVESTING IN INFRASTRUCTURE

Infrastructure is a multifaceted challenge facing cities globally. In developed countries, infrastructure is abundant yet often has deteriorated or become outdated due to prolonged underinvestment. In less-developed countries, infrastructure is generally inadequate and under-performing as the large scale of needs across different sectors outpaces governments' ability to invest. Inadequate urban infrastructure presents both short-term and long-term threats to urban communities. In some cities, immediate threats might include structural collapse, electrical grid overload, or water main breaks. Over the long term, threats may come from intensifying natural disasters or population growth outpacing urban infrastructure capacity and development.

In recent years, a surge of private capital has begun to provide funding for critical projects. Since 2011, KKR has invested \$3.5 billion in numerous infrastructure projects that we believe have the potential to create shared value for both investors and communities. In addition to providing flexible, accessible capital, KKR brings subject matter expertise and efficient management teams to each of these investments. Recent investments have also brought us the opportunity to form meaningful public-private partnerships.

Strengthening Water Systems

Water – or lack thereof – is one of today's most pressing issues. Because many of our most important industries, spanning energy production, agriculture, sanitation, and manufacturing rely on water, it plays a critical role in the functioning of our societies and economies.

Many municipalities have struggled to provide sufficient funding for maintaining their water and wastewater systems, resulting in weak physical infrastructure as well as potential service disruptions and health risks. Even in an industrialized country such as the United States, significant water challenges abound. Recent estimates have shown that nearly 2,000 U.S. cities lack access to clean water and reliable water systems. Recognizing an opportunity for private capital and expertise, KKR has made four water-related investments since 2011. The first investment was in CITIC Envirotech Ltd., which uses advanced membrane technology to treat wastewater in China (p. 24). In 2012, we invested in the city of Bayonne's water system in New Jersey, U.S. (see kkresg.com/bayonne-water).

Invested more than
\$400_{mn}
in water infrastructure
projects since 2011

VIEWPOINT

Raj Agrawal
KKR Member
and Global
Co-Head of
Infrastructure



Q. Why are there opportunities to invest in infrastructure globally?

A. We are committed to investing in infrastructure because modern, efficient, and reliable infrastructure is critical in sustaining economic and social systems, and we see a strong investment proposition in supporting these systems. A number of factors have led to the need for private capital in infrastructure development, including governmental underinvestment, increasing urbanization, heightened energy and environmental concerns, developments in technology, and growth in emerging markets. Traditional funding sources have been unable to keep pace with investment needs around the world. Public-private partnerships can help provide dependable and modern infrastructure that in turn can help create jobs and economic opportunity. As we face greater climate and economic volatility, resilient infrastructure systems will be increasingly essential to communities' safety and prosperity.

Related Content



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Protecting Businesses from Natural Disasters

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Fact Sheet: KKR Citizenship

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In 2013, we invested in the infrastructure of the South Staffordshire, UK, water utility by funding the installation of new meters, resulting in a more reliable system for customers. Finally, in 2014, we funded water and wastewater system improvements in the borough of Middletown, Pennsylvania, U.S.

Our investment in the water systems in Bayonne and Middletown allowed us to structure differentiated and transparent public-private partnerships that provide public accountability and are designed to deliver operational and environmental improvements. This is an area of continued interest and opportunity for smart investments, which, when executed correctly, should create shared value for investors, governments, and the general public.

2
public-private
partnerships
structured
since 2012

Investing in Innovative Wastewater Treatment²⁰

Water challenges such as shortages and inadequate resources in cities are plentiful. CITIC Envirotech Ltd. ("CEL"), a leading water treatment and recycling solution provider in China, uses its technology to play a critical role in addressing the region's water needs. CEL provides engineering, procurement, and construction services to municipal and industrial wastewater treatment projects.

CEL has built more than 100 membrane bio-reactor wastewater treatment plants, including the largest wastewater treatment plant with membrane technology in China. This technology combines membrane separation with biological wastewater treatment, which in turn reduces water use. CEL's innovative process increases water quality, reduces the waste produced, and requires less land than conventional technology. Our global network and local Chinese operational and industry experts assisted CEL's management team on the development of a multiyear company roadmap. This strategic plan helped the company build out and acquire quality wastewater treatment plants as well as complete large-scale engineering projects.

In 2015, plants managed by CEL treated more than 500 million tons of wastewater. CEL provides efficient, effective wastewater treatment, a vital component of modern, well-designed cities.

²⁰ The above is for illustrative purposes only and is not representative of all investments made by KKR Funds or accounts, nor should it be assumed that any investment in the company identified was or will be profitable.

Promoting Real Estate Development and Improvements

Urbanization is accelerating as more people migrate to cities to pursue jobs and engage in associated lifestyle benefits. With this growth comes the need for housing, and many experts agree that construction today should be designed or retrofit with efficiency and environmental considerations wherever possible to maximize value over the long term.

KKR has been an investor in commercial and residential buildings for the past six years, including a number of investments that meet societal and environmental needs in their communities around the world.

In 2015, a number of the properties in which we invested focused on energy management initiatives under the guidance of KKR Capstone's energy expert.²¹ In late 2015, KKR provided credit solutions for property developers via a joint venture with the Ireland Strategic Investment Fund, which has the capacity to fund more than 11,000 new homes to be built to the highest standard of energy efficiency according to the Sustainable Energy Authority of Ireland's rating system.

²¹ KKR Capstone is not a subsidiary or affiliate of KKR. See Important Information on inside back cover for additional details.

CASE STUDY IRELAND STRATEGIC INVESTMENT FUND AND KKR CREDIT JOINT VENTURE



Providing Long-Term Capital for Housing in Ireland²²

The demand for housing is significant in Ireland. In 2015, KKR Credit and the Ireland Strategic Investment Fund established the Activate Capital lending platform, a new approximately \$550 million joint venture to provide long-term capital for Irish housing development. The fund facilitates home builders that are developing medium- or large-scale housing schemes, leading to a material increase in the housing supply. Given Ireland's population growth and workforce expansion, this project is supporting that country's robust economic recovery. In addition, an average of 1,900 new full-time jobs are expected to be created annually through the construction of these homes. For its strong commercial results and significant economic impact – specifically by providing essential infrastructure – the platform meets Ireland Strategic Investment Fund's "double bottom-line" criterion.

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ADDITIONAL SUPPORT FOR URBAN INFRASTRUCTURE

Some of KKR's portfolio companies are finding innovative ways to support urban infrastructure and provide social benefits to their communities. By reducing the stress on urban infrastructure, these companies are helping to create better functioning cities.

Gardner Denver:

Flood Protection

Gardner Denver, a global manufacturer of highly engineered industrial flow control machinery, is taking proactive measures to safeguard local infrastructure. The company, along with KKR, KKR Capstone,²³ and other local businesses and organizations, built a flood wall system designed to protect both its manufacturing facility as well as the larger community in Quincy, Illinois, U.S., from recurring flooding of the Mississippi River.

Sonos: Commuting

Sonos, a leading provider of wireless audio and home theater products headquartered in Santa Barbara, California, U.S., is monetarily incentivizing employees to bike to work by offering \$600 to buy a new bike and gear. This program reduces traffic volume, greenhouse gas emissions, and commuting costs and helps to improve employee morale and health.

Trainline: Public Transport

Trainline, a leading digital distribution platform for train tickets in Europe, facilitates train travel by making train ticket purchasing more convenient. This supports the use of train travel and, in turn, reduces traffic congestion as well as environmental impact.

²³ KKR Capstone is not a subsidiary or affiliate of KKR. See Important Information on inside back cover for additional details.

CASE STUDY BANYAN NATION



Supporting Recycling in Indian Cities²⁴

KKR's third pro bono impact investing assistance project supported a social enterprise working to root out inefficiencies in India's recycling value chain. Banyan Nation ("Banyan") works to change the way India recycles and thinks about plastics, waste management, and sustainability. The business also provides its employees, largely women from nearby slums, with economic opportunity, health care, and retirement benefits.

KKR executives teamed up with Impact Investment Exchange (IIX) and Impact Investment Shujog (Shujog) to provide pro bono consulting services for Banyan's efforts to scale its operations and quantify its social impact to attract third-party financing.

With our joint assistance, Banyan secured \$800,000 in funding. Moving forward, Banyan aims to double its factory workforce, from 10 to 20, and expand its facilities to save 2,760 tons of virgin plastic in 2016, up from 360 tons in 2015.

²⁴ Banyan Nation is not a KKR portfolio company.

LOOKING AHEAD

Barriers to the development, advancement, and fortification of infrastructure are all too common in cities around the world. This challenge provides vast opportunities for improvements and private capital to fund those improvements. KKR aims to continue to bring solutions that not only address these issues but also incorporate responsible management practices.

With a disciplined and innovative approach, KKR portfolio companies are working to manage important resources for long-term success.



Photo: Santanol's sustainable sandalwood plantation in the Kimberley region of Western Australia.

5

A COMPLEX FUTURE: MANAGING RESOURCE CONSTRAINTS

As the world continues to experience population growth and demographic shifts, the demand for countless natural resources – including food, water, oil, metals, and timber – is expected to rise. However, it is not just natural resources that are constrained; many companies face employee shortages and talent gaps. To succeed in this environment, businesses will need to do more with less, create extremely efficient supply chains and manufacturing operations, and focus on hiring talent who can spur innovation and productivity.

IMPROVING SUPPLY CHAIN PRACTICES: RESPONSIBLE SOURCING INITIATIVE



Poor supply chain management can result in human rights violations, environmental consequences, and supply chain disruptions. With this knowledge, since 2010, we have focused on evaluating risks and opportunities in the management of the global supply chains of our relevant private equity portfolio companies.

The Responsible Sourcing Initiative (RSI), one of our proactive ESG programs, was launched in partnership with Business for Social Responsibility as a way to address these risks by assessing company practices and providing guidance to improve management of these issues in global supply chains.

RSI Resources

To date, KKR has engaged with nearly 30 companies via sourcing program assessments. The program has provided an even greater number of portfolio companies access to applicable tools, training on trends and best practices, and customized guidance and support. In addition, responsible sourcing is featured in the annual chief procurement officer conferences convened by KKR Capstone.²⁵

SOLUTIONS FOR A RESOURCE-CONSTRAINED FUTURE

Recently, we have begun investing in companies that are rethinking the way they do business in light of a resource-constrained future.

Goodpack: Smarter Products²⁶

Goodpack operates the world's largest fleet of steel intermediate bulk containers, a multimodal, reusable metal box system that provides packaging, transporting, and storage. Using responsible design concepts, Goodpack replaces common, single-use materials with reusable, more sustainable materials, such as durable steel. The company also promotes efficient logistics with its patented collapsible bin design, coupled with global collection points that eliminate the need to return boxes. These practices reduce environmental impact, generate fewer carbon emissions, and save nearly 20,000 acres of trees annually – the equivalent of 4 million trees.

Santanol: Renewable Resources²⁶

Santanol is a sustainably managed sandalwood plantation covering 2,200 hectares in Western Australia. Sandalwood is used for furniture making and carving while its oil is used in products such as fragrances, flavors, and skin care. High demand has led to deforestation, the emergence of a black market, and the overexploitation of natural supplies. Due to Santanol's forest management systems and integrated model, its sandalwood oil and timber products are traceable from propagation to distillation. In addition to replanting harvested trees to ensure a long-term sustainable supply, the company conserves natural resources by recycling water from the distillation process and using ground covers and other nitrogen-fixing crops to reduce the use of fertilizers.

Tarkett: The Circular Economy²⁶

Tarkett designs, manufactures, and sells vinyl, carpet, wood, laminate, sports, and other specialty flooring products for various residential and commercial markets across the globe. Tarkett's sustainable development strategy has transformed its business to a purposeful and collaborative circular economy model. As part of this strategy, Tarkett seeks to eco-design its products to optimize the use of resources at each stage of their life cycle in accordance with Cradle to Cradle principles and to make a positive contribution to the environment and human well-being.

²⁵ KKR Capstone is not a subsidiary or affiliate of KKR. See Important Information on inside back cover for additional details.

²⁶ The above are for illustrative purposes only and are not representative of all investments made by KKR Funds or accounts, nor should it be assumed that any investment in the companies identified was or will be profitable.

VIEWPOINT

Michael Michelson
KKR Member,
Private Equity and
Chair, Inclusion &
Diversity Council



Q. What is KKR's approach to becoming a more diverse and inclusive organization?

A. KKR has a strong commitment to enhancing diversity and inclusion. This begins with the leadership of our founders and Management Committee and extends to employees across all levels of our operations. Recently, we have begun changing the way we hire, develop, and engage employees. We are doing so because we believe that diversity drives success and improves our competitive advantage. This shift in focus is helping us attract, develop, and retain the best possible talent, ensuring we remain an entrepreneurial, innovative, and vibrant organization. We want to be known for valuing teamwork and leveraging differences across genders, ethnicities, nationalities, sexual orientations, and other life experiences. We have made great strides, but our journey is just beginning.

Related Content



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Blog: "A Diverse Approach to Diversity Recruiting,"
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kkr.com/hiring-veterans-blog

PEOPLE: THE ULTIMATE RESOURCE

At KKR, we have always believed that engaged, smart people are a company's greatest asset. However, the best talent is becoming harder to find. An aging – and thus retiring – workforce in much of the United States, Europe, and parts of Asia, coupled with deficiencies in the experience, education, and technology-based skills of current job seekers, has created a talent shortage for companies. Additionally, with lower unemployment rates in developed countries and higher education and demographic shifts in developing countries, workers have more options than they did five to 10 years ago, creating an increasingly competitive landscape for recruiting and retaining diverse, talented employees.

Recognizing the need to be employers of choice so that we remain innovative and competitive, the Firm and many of our portfolio companies are evaluating and improving our talent management strategies.

IMPROVING TALENT MANAGEMENT WITHIN KKR

At KKR, we are deeply committed to ensuring that we are a firm that attracts, develops, and retains the best possible talent through a focus on increasing diversity and inclusion, offering leading benefits and resources, and investing in training and development of our employees.

A Commitment to Diversity and Inclusion

Becoming more diverse and inclusive is a strategic imperative for our internal operations. We recognize that having team members with varied backgrounds and perspectives is essential to maximize our performance and produce better results. In 2014, we created the Inclusion & Diversity Council, which has global leadership composed of seven KKR Members and an Advisory Group of 19 diverse KKR executives. During 2015, our Firm offered global training in this high priority area to senior executives and managers. Across the Firm, we are increasing our accountability for building diverse candidate slates in our new hire process and for the hiring of diverse candidates. We are also focused on leveraging our expanded external partnerships and working to engage and develop our diverse talent.

Enhancing Employee Benefits and Resources

Our approach to employee benefits and resources is strategically aligned with our priorities as an organization and aims to integrate health care, wellness, and work-life flexibility considerations. To drive further growth in these program areas and foster a culture of health and wellness, KKR hired a global head of benefits in 2014 and began implementing new programs such as emergency backup child/elder care, enhanced near-site primary care access, and infertility management support. Our benefits platform now provides greater access to programs and tools to ensure informed health care decisions and increased wellness offerings. In particular, the Firm enhanced parental leave and support policies by extending paid leave for primary and nonprimary caregivers, adding a firm-paid Childcare Travel Program for primary caregivers returning to work, and providing improved on-site and off-site lactation support and resources for new mothers.

16+ weeks
paid parental leave
for primary
caregivers

Recognizing that families come in many forms, in 2015 we expanded our adoption policies to cover U.S. employees (with global expansion underway in 2016) and were subsequently named an industry leader in adoption-friendly practices by the Dave Thomas Foundation for Adoption. We are also a proud founding member of The Working Parents Support Coalition in partnership with the Clinton Global Initiative. Moving forward, we are committed to ensuring that these programs evolve to provide the most comprehensive and forward-thinking options to our employees as we continue to build out the program to reinforce KKR as a diverse, family-supportive employer of choice.

Employee Training and Development

To further cultivate the most important differentiator of KKR – our people – we are committed to continuously investing in employee training and professional development. We offer training, mentoring, and executive coaching to supplement employees' on-the-job experience and performance feedback. Our human resources professionals are dedicated to providing new employees with a seamless transition into our culture, targeting development opportunities at key career transitions, and providing skills-based development workshops to maximize performance at every level across the organization. To date, these workshops have focused on how to communicate with impact, build lasting partnerships, manage and lead teams, optimize productivity, drive innovation, and coach other team members to achieve their fullest potential. In 2016, we will continue to focus on accelerating employee development to support the Firm's strategy and to establish an even stronger foundation for the future.

PROMOTING VETERANS AND DIVERSITY IN OUR PORTFOLIO

Within our private equity portfolio, we have two major initiatives designed to expand access to workforce talent: our proactive ESG program Vets @ Work and efforts to accelerate diversity within management teams and workforces.

Hiring Heroes: Vets @ Work



Launched in 2011, Vets @ Work is an initiative aimed at recruiting, hiring, and retaining veterans across our U.S.-based portfolio companies. Veterans possess specialized skills, extensive training, leadership experience, and strong character from their years of military experience, making them welcome additions to diverse companies across the United States. More than 30 of our portfolio companies have taken part in this initiative during the past five years, focusing on all aspects of military-affiliated hiring practices, and have collectively hired nearly 36,600 veterans and military spouses.

Accelerating Diversity at Portfolio Companies

We seek to provide guidance and resources to our portfolio companies as they advance their efforts to drive diversity within their management teams and workforces. Research studies and think tanks have shown that a focus on diversity at the management and board of director levels can improve a company's quality of decision-making, productivity and innovation, and profitability. In 2015, we convened discussions with diversity experts, included panels at our portfolio company conferences, and assessed our public companies' boards of directors for gender diversity. In 2016, we plan to continue to evolve our views on diversity and work to better connect our companies to best practices and thought leaders on this timely topic.

SPOTLIGHT



Veterans Initiative Summit

In 2015, KKR co-hosted the inaugural Veterans Initiative Summit in Washington, D.C. The event, which was a collaboration between KKR and three additional private equity firms, emphasized how our collective portfolio companies can attract, retain, and promote veterans. The event also featured breakout sessions across four thematic areas: hiring, sourcing, integration, and career development/retention. Experts on veterans issues and government officials participated in the summit, including First Lady Michelle Obama, who both addressed the audience and led a working roundtable discussion with KKR executives.

LOOKING AHEAD

Although the demands on the world are continually increasing, the natural resources required to support this growth are often finite and the human resources required are becoming less well-matched and more selective. Adapting to this landscape through comprehensive talent management, increased product innovation, and strategic resource management plans can help drive solutions by and for business.

KKR CITIZENSHIP

Our impact on communities

Being a strong corporate citizen is important to KKR. We work to understand and consider our impact on our employees and on the communities in which we live and work. Thus, philanthropic giving and volunteer service play significant roles in the lives of the Firm's founders, partners, and employees.

CORPORATE ENGAGEMENT

During 2015, we deepened our commitment by providing internal and external impact opportunities for employees and our shared communities.

KKR Speaker Series: We continued our KKR Speaker Series, introducing our executives to new organizations and thought leaders and connecting them with opportunities

for community involvement. Featured organizations included Midori & Friends and Student Sponsor Partners in New York City in 2015.

Nonprofit Board Service Opportunities: We are committed to connecting KKR executives with nonprofit board service opportunities. To date, we have successfully placed 22 executives on nonprofit boards as well as additional employees in mentorship programs. Through ongoing engagement and partnership, employees in these roles interact in a meaningful way with key nonprofits and the populations they serve.

Matching Gift Program: The KKR Employee Matching Gift Program matches employee donations to eligible nonprofit organizations dollar for dollar up to \$4,000 per employee

SPOTLIGHT



National Vision: Providing Eye Care Locally and Globally²⁷

To strengthen our efforts, KKR supports and learns from the citizenship efforts of our portfolio companies. For example, National Vision, one of the largest optical retailers in the United States, supports its local communities and provides eye care assistance outside of the United States. Based in the United States, National Vision has partnerships with Prevent Blindness as well as the Boys & Girls Clubs of America for which it provides free vision screenings, access to free comprehensive eye exams, and glasses to the organization's members. Outside of the United States, National Vision provides clinical eye care expertise to various communities in emerging and developing countries.

²⁷ The above is for illustrative purposes only and is not representative of all investments made by KKR. Funds or accounts, nor should it be assumed that any investment in the company identified was or will be profitable.

PRO BONO CONSULTING SERVICES FOR IMPACT INVESTMENTS

As a way to engage with impact investing, KKR has provided pro bono consulting to social enterprises – businesses that put social impact on par with or ahead of financial impact. These efforts launched in Asia in 2013. Since then, teams of employees from KKR and KKR Capstone²⁸ have provided financial, operational, and analytical expertise to East Bali Cashews, Glovax Biotech Corporation, and Banyan Nation (p. 25).²⁹ KKR will expand this platform in 2016 to engage more KKR employees and further harness the power of social enterprises around the world.

²⁸ KKR Capstone is not a subsidiary or affiliate of KKR. See Important Information on inside back cover for additional details.

²⁹ East Bali Cashews, Glovax Biotech Corporation, and Banyan Nation are not KKR portfolio companies.

annually to incentivize employee giving and community involvement. Since its launch in 2013, the program has provided nearly \$1.1 million to nonprofit organizations across the globe.

Flagship Partnerships: We have continued our work with organizations whose goals and values reflect our own. In 2015, we strengthened our partnerships with:

- Sponsors for Educational Opportunity, the TEAK Fellowship, Junior Achievement of New York, and the Robin Hood Foundation in New York City
- Impetus – The Private Equity Foundation (PEF) and the Great Ormond Street Hospital for Children in London
- Norte Joven in Madrid
- Impact Investment Exchange Asia and Impact Investment Shujog in Singapore

VOLUNTEERISM AND CHARITABLE GIVING

Our employees and offices around the world volunteer their time and talents to help local and international organizations. Below are a few highlights that demonstrate the breadth and depth of our team's commitments during 2015. Globally, KKR has donated \$10.3 million to

charitable organizations through the KKR Charitable Gift Fund since 2005.

Volunteerism is championed by our founders Henry R. Kravis and George R. Roberts, both of whom are actively engaged in leading nonprofits. They give back to their respective communities through The Henry R. Kravis Prize in Leadership, which recognizes excellence in the nonprofit sector through an annual grant, and through REDF, an organization founded by George R. Roberts to provide equity-like grants and business assistance to nonprofits in California.

LOOKING AHEAD

Moving forward, we are going to work to strategically align our citizenship platform with our Firm's objectives to achieve the most meaningful impact. In 2016, we will develop a more integrated platform involving a variety of teams across the Firm. We have experienced 40 years of growth, learning, and partnership since our founding and aim to continue supporting the people and communities that have given us so much.

GIVING BACK TO OUR COMMUNITIES

Americas

More than 70 California-based KKR employees participated in the **2015 American Heart Association Heart Walk**, raising \$96,000 to help fight cardiovascular disease.

More than 30 KKR employees, friends, and family members partnered with **Sustainable South Bronx** to clean and beautify a neighborhood park in the Bronx, New York for Earth Day 2015.



Twenty-five KKR employees, friends, and family members in our New York office volunteered with 21 TEAK Fellowship students and staff at the **Food Bank for New York City**. The group sorted and packaged nearly 18,000 pounds of food, which created nearly 15,000 meals.

KKR employees donated more than 4,000 coats to individuals in need through the **New York Cares Coat Drive**.

Europe, the Middle East, and Africa

Teams of KKR employees from the London office competed in the **Impetus – PEF Private Equity Triathlon**, benefiting disadvantaged youth across the UK.

Employees from the KKR London office mentored at-risk students through **ThinkForward** for the second year, providing mock interview guidance and confidence building exercises.

Asia-Pacific

Twenty KKR employees from the Hong Kong office mentored teenage students at the Kwai Chung Methodist College and provided leadership training through interactive games and activities during a Day of Service.

Members of the KKR Seoul office partnered with KKR portfolio company Ticket Monster at the **3rd Annual American Chamber of Commerce Korea Service Day** to raise money for a scholarship fund for underprivileged students and for solar lanterns for non-electrified villages in Asia.

Members of the KKR Singapore office partnered with the Nature Society of Singapore, portfolio companies CITIC Envirotech Ltd. and Goodpack, and KKR public relations partner Hill+Knowlton Strategies to conduct a forest cleanup on the island of Pulau Ubin.

MEASURING PROGRESS

Tracking our ESG management performance and goals

THE CHALLENGES

As our Firm and our investments have become increasingly global and diverse, it can be challenging to ensure that our ESG management approach is both broad and nimble enough to be thoughtfully applied in every case. Given the fluidity of the holdings in our portfolio and various levels of influence and interaction across our asset classes, it is difficult to apply many traditional ESG performance metrics. Measuring our performance is an evolving task, but one in which we will always seek continuous improvement and efficiency.

OUR APPROACH

The framework for tracking our ESG management performance is aligned with the United Nations-backed Principles for Responsible Investment (PRI). It is largely qualitative in nature as it focuses on the integration of ESG principles throughout the investment process.

While defining relevant key performance indicators (KPIs), we also identified several KPIs that, while potentially relevant, we believed would not accurately communicate our progress. For more on our approach to KPIs, visit kkresg.com/kpi. We welcome feedback from our partners and stakeholders as we continue to refine our KPIs.

KEY PERFORMANCE INDICATORS

This table seeks to show the various ways in which we have made progress against our goals. For more on how we will work to build on our efforts in the years to come, visit kkresg.com/kpi.

	OUR COMMITMENT	PROGRESS SINCE 2010
Identification of ESG risks and opportunities pre-investment (PRI I)	<p>Involve the ESG diligence team in the assessment of all potential private equity investments as part of the Investment Committee process</p> <p>Provide guidance to our investment professionals for identifying and assessing opportunities</p> <p>Develop resources and guidance to support the diligence process</p> <p>Integrate ESG considerations when assessing potential investment targets for relevant non-private equity asset classes</p>	<p>Created guides for the Investment Committees and investment teams to support integration of ESG considerations prior to investment</p> <p>Developed a global Private Equity ESG Policy and integrated it into the investment process</p> <p>Developed more than 20 industry-specific ESG issue guides for sectors or companies under consideration with input from external subject matter experts</p> <p>Enhanced our global network of diligence providers to support our ESG efforts across regions</p> <p>Developed and expanded our ESG diligence team and enhanced our internal monitoring system to include more detail on findings and next steps for each investment</p> <p>In 2015, assessed more than 120 companies through the ESG diligence team, which met more than 30 times during 2015</p> <p>Began expanding and customizing the approach to special situations, real estate, infrastructure, and other asset classes</p>
Management of ESG issues during portfolio management (PRI II)	<p>Partner closely with our private equity portfolio companies to ensure key ESG issues are being assessed and managed appropriately</p> <p>Integrate ESG considerations in management across relevant non-private equity asset classes</p>	<p>Implemented regular internal meetings to review the private equity portfolio for material ESG issues or opportunities</p> <p>Developed a tool that identifies key ESG-related policies based on industry group</p> <p>Interviewed stakeholders and benchmarked peers to establish ESG-related policies or approaches for all relevant asset classes</p> <p>Began regular assessments of company-specific issues and ongoing monitoring for asset classes beyond private equity, where applicable</p>

	OUR COMMITMENT	PROGRESS SINCE 2010
Green Solutions Platform (GSP) expansion (PRI II)	Enhance environmental management in the portfolio companies where it is material to the business	<p>Launched the Green Solutions Platform at the end of 2015, with 22 participating companies globally across four asset classes</p> <p>Announced program results annually, including the final Green Portfolio Program eco-efficiency results since 2008 of achieving \$1.2 billion in financial impact, and avoiding 2.3 million metric tons of greenhouse gas emissions, 6.3 million tons of waste, and 27 million cubic meters of water use</p> <p>Launched our <i>Green Portfolio Program Handbook</i> and held six related webinars</p> <p>Engaged a Professional Engineer hired by KKR Capstone³⁰ who is also a Certified Energy Manager, Certified Building Commissioning Professional, and LEED Accredited Professional</p>
Employee engagement program expansion (PRI II)	Enhance productivity and health of employees in private equity portfolio companies through Wellness Works	<p>Collected three years of biometric data from participating companies</p> <p>Launched a multiyear research study on the effectiveness of our workplace wellness program with the American Heart Association (AHA) and the University of Pennsylvania</p> <p>Engaged KKR and three of our portfolio companies in the AHA CEO Roundtable</p>
Responsible Sourcing Initiative (RSI) expansion (PRI II)	Enhance private equity portfolio companies' policies and procedures for opportunities associated with supply chain responsibility	<p>Analyzed policies and procedures for approximately 30 high-priority portfolio companies and developed action plans where we identified a need for improvement</p> <p>Improved processes associated with supply chain responsibility at six portfolio companies with the support of KKR and KKR Capstone³⁰</p> <p>Conducted nine webinars on key topics in responsible sourcing</p>
Transparency and stakeholder engagement (PRI III)	Encourage private equity portfolio companies' efforts to communicate on their sustainability and ESG efforts to key stakeholders	<p>Developed web-based learning events and continued to provide guidance as appropriate, including through the KKR Sustainability Innovation Summit</p> <p>Approximately 29 percent of our global private equity portfolio companies report, or are beginning to report, publicly on sustainability-related issues³¹</p>
Promotion of responsible investment (PRI IV)	<p>Work with individuals throughout the private equity value chain to share best practices</p> <p>Promote the PRI and other guidelines for responsible investment through involvement in sector initiatives</p>	<p>Convened approximately 14 ESG roundtable and stakeholder engagement events in Europe and North America since 2010</p> <p>Held seven cross-portfolio conferences including the KKR Sustainability Innovation Summit in 2014 and 2015</p> <p>Contributed case studies to industry publications</p>
Collaboration with partners (PRI V)	Work with others in the financial services industry to develop a common framework for ESG reporting	<p>Participated in the development of guidelines and performance indicators for the private equity sector by contributing to the PRI self-assessment survey</p> <p>Continued to contribute to the development of sector disclosure guidelines by the Sustainability Accounting Standards Board</p>
Transparency and reporting (PRI VI)	<p>Integrate discussion of ESG issues into investment partner communications</p> <p>Provide data and KPIs that clearly link ESG goals to business performance</p> <p>Engage stakeholders to obtain feedback on our ESG reporting</p>	<p>Integrated ESG management into discussions at three global investment partner conferences annually and distributed periodic ESG-related updates when appropriate</p> <p>Measured and reported the financial benefit of the Green Portfolio Program, now the Green Solutions Platform</p> <p>Developed key performance indicators for other programs such as Wellness Works</p> <p>Solicited the input of approximately 40 diverse stakeholders since 2009 to help define our approach to ESG reporting</p> <p>Conducted professional analyses of our report to identify opportunities for improvement</p>

³⁰ KKR Capstone is not a subsidiary or affiliate of KKR. See Important Information on inside back cover for additional details.

³¹ For purposes of this number, a company was considered reporting if it independently disclosed performance metrics on its ESG or citizenship programs.

ABOUT THIS REPORT

The publication of KKR's sixth ESG and Citizenship Report coincides with the 40th anniversary of the founding of our Firm. As the size and scope of our Firm's investment activities have expanded during that period, the content of our report has also broadened and deepened. This year's report builds on the well-received foundation of previous reports, which focused on describing our ESG values, process, performance indicators, and progress. This report both identifies some of the key global challenges facing KKR, our portfolio companies, and our investors and presents our ESG investment approach in the context of those societal issues. However, while we have built on prior years' work, we have also moved a larger portion of our content to our microsite. For more detail, visit kkresg.com.

Guiding Frameworks

We seek to align our reporting efforts with leading frameworks and methodologies. As a signatory of the voluntary framework of the United Nations-backed Principles for Responsible Investment (PRI), we organize our key performance indicators (pp. 32-33) around the PRI's six principles. When writing this report, we considered the Global Reporting Initiative principles for defining report content (completeness, materiality, stakeholder inclusiveness, and sustainability content) and for defining report quality (accuracy, balance, clarity, comparability, timeliness, and reliability).

Boundary

We evaluate ESG issues with respect to several asset classes; thus, this report describes the initiatives and the integration of ESG issues in the investment processes for both our private equity investment process and private equity portfolio companies as well as for select non-private equity asset classes such as energy real assets, real estate, infrastructure, and special situations, unless otherwise noted. As used in this report, "portfolio company" refers to the companies held in our private equity funds, unless otherwise noted.

The data contained in this report are based on those assets/investments held in our portfolio during the 2015 calendar year along with select forward-looking initiatives for 2016. All information and data in this report are as of December 31, 2015, unless otherwise noted.

Stakeholder Input

KKR places a high value on our partnerships and thus strives to address issues that are of most interest to our stakeholders and partners. In 2015, we surveyed approximately 20 internal and external stakeholders, including limited partners of our funds and nongovernmental organizations, to obtain their input on the report content and structure. The feedback confirmed that our previous ESG reports were well-received and contained substantial content of value to our stakeholders and partners. Respondents also provided numerous suggestions for expanding and enhancing content. To that end, we have made several changes in this report, including organizing the report according to the global issues of most relevance to our Firm and investors, streamlining overall length, showcasing viewpoints of internal and external experts, and providing resources for related content.

About KKR

KKR is a leading global investment firm that manages investments across multiple asset classes, including private equity, energy, infrastructure, real estate, credit, and hedge funds. KKR aims to generate attractive investment returns by following a patient and disciplined investment approach, employing world-class people, and driving growth and value creation at the asset level. KKR invests its own capital alongside its partners' capital and brings opportunities to others through its capital markets business. References to KKR's investments may include the activities of its sponsored funds. For additional information about KKR & Co. L.P. (NYSE:KKR), visit KKR's website at kk.com and follow us on Twitter: [@akkr_co](https://twitter.com/akkr_co).

To Learn More

To learn more about KKR's responsible investment approach, visit the 2015 ESG and Citizenship Report microsite at kkresg.com. This report is also available as a PDF download and in digital formats for viewing on desktop, tablet, and mobile devices from that microsite. Additional details are available through a series of supplemental fact sheets, which are an integral element of KKR's comprehensive ESG reporting approach.

Contact

We value feedback on our ESG-related efforts and citizenship program. We welcome your questions and comments on both our report and our performance. Contact us via email at sustainability@kk.com or by using the feedback form on our report microsite: kkresg.com/contact.

IMPORTANT INFORMATION

This report is being made available regarding Kohlberg Kravis Roberts & Co. L.P. (together with its affiliates, “KKR”) and its efforts on environmental, social, and governance performance. This report does not constitute an offer to sell or a solicitation of an offer to purchase any security of any fund or any other investment vehicle or product sponsored or managed by KKR. No part of this report constitutes investment, legal, tax, regulatory, accounting, or other advice of any kind. By acceptance of these materials, each recipient agrees not to reproduce or redistribute this report to any person without the prior written consent of KKR.

Unless specified, any views, including any general discussions regarding the market or market conditions, reflected herein are those solely of KKR, dated as of December 31, 2015, and are subject to change without notice. Neither KKR nor any of its affiliates are under any obligation to update or keep current the information contained herein. Additionally, this report contains forward-looking statements. All statements other than statements of historical facts, including those regarding our expectations, beliefs, projections, future plans and strategies, anticipated events or trends, and similar expressions are forward-looking statements. Actual events or results may differ materially from those reflected or contemplated in such forward-looking statements.

The reported impact of initiatives of the Green Solutions Platform is based on internal analysis of KKR and/or KKR Capstone and information provided by the applicable portfolio company. Impacts of such initiatives are estimates that have not been verified by a third party and are not necessarily reported according to established voluntary standards or protocols. KKR does not guarantee the accuracy, adequacy, or completeness of such information. They may also reflect the influence of external factors such as macroeconomic or industry trends. There is no guarantee that results shown will be replicated in the future and actual results may be better or worse in future years. For more information on the methodology and terms used in the Green Solutions Platform, see green.kkr.com.

Past performance is not indicative of future results. Any information provided in this report about past investments is provided solely to exemplify various aspects of the Green Solutions Platform and to illustrate the investment process and strategies previously used by KKR. No representation is being made that any investment or transaction will or is likely to achieve profits or losses similar to those achieved in the past or that significant losses will be avoided. Investment professionals and portfolio managers may use some or all of the techniques and/or processes described herein. The specific securities and portfolio companies identified and described in this report do not represent all of the securities or portfolio companies purchased, sold or recommended by KKR. The reader should not assume that investments in the securities and portfolio companies identified and discussed were or will be profitable.

Some of the information in this document has been prepared and compiled by the applicable portfolio company and has not been reviewed or independently verified by KKR and its affiliates. KKR and its affiliates do not accept any responsibility for its contents and do not guarantee the accuracy, adequacy, or completeness of such information provided by the applicable portfolio company. The information herein is not intended to address the circumstances of any particular individual or entity and is being shared with you solely for informational purposes.

References to “KKR Capstone” or “Capstone” are to all or any of KKR Capstone Americas LLC, KKR Capstone EMEA LLP, KKR Capstone EMEA (International) LLP, KKR Capstone Asia Limited, and their affiliates, which are owned and controlled by their senior management. KKR Capstone is not a subsidiary or affiliate of KKR. KKR Capstone operates under several consulting agreements with KKR and uses the “KKR” name under license from KKR. References to operating executives, operating experts, or operating consultants are to employees of KKR Capstone and not to employees of KKR. In this report, the impact of initiatives in which KKR Capstone has been involved is based on KKR Capstone’s internal analysis and information provided by the applicable portfolio company. Impacts of such initiatives are estimates that have not been verified by a third party and are not based on any established standards or protocols. They may also reflect the influence of external factors, such as macroeconomic or industry trends, that are unrelated to the initiative presented.

References to “assets under management” or “AUM” represent the assets managed by KKR or its strategic partners as to which KKR is entitled to receive a fee or carried interest (either currently or upon deployment of capital) and general partner capital. KKR calculates the amount of AUM as of any date as the sum of: (i) the fair value of the investments of KKR’s investment funds; (ii) uncalled capital commitments from these funds, including uncalled capital commitments from which KKR is currently not earning management fees or carried interest; (iii) the fair value of investments in KKR’s co-investment vehicles; (iv) the par value of outstanding CLOs (excluding CLOs wholly owned by KKR); (v) KKR’s pro rata portion of the AUM managed by strategic partnerships in which KKR holds a minority ownership interest; and (vi) the fair value of other assets managed by KKR. The pro rata portion of the AUM managed by strategic partnerships is calculated based on KKR’s percentage ownership interest in such entities multiplied by such entity’s respective AUM. KKR’s calculation of AUM may differ from the calculations of other asset managers and, as a result, KKR’s measurements of its AUM may not be comparable to similar measures presented by other asset managers. KKR’s definition of AUM is not based on the definitions of AUM that may be set forth in agreements governing the investment funds, vehicles or accounts that it manages and is not calculated pursuant to any regulatory definitions.

References to Hedge Funds and Strategic Stakes “assets under management” or “AUM” represent both (i) assets managed by KKR Prisma, and (ii) assets attributable to KKR’s pro rata portion of the AUM of hedge fund managers in which KKR holds a minority interest. Neither KKR nor KKR Prisma is responsible for the management of the assets of these managers. The pro rata portion of AUM managed by other hedge fund managers was excluded from AUM for periods prior to December 31, 2015. This calculation of AUM may differ from the calculations of other asset managers and, as a result, KKR Prisma’s and KKR’s measurements of AUM may not be comparable to similar measures presented by other asset managers. This definition of AUM is not calculated pursuant to definitions used for purposes of regulatory reporting. KKR is an affiliate of KKR Prisma and is an investment adviser registered with the U.S. Securities and Exchange Commission.

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