KKR

Disclosure Statement
Operating Principles for Impact Management
KKR Global Impact Fund
KKR & Co. Inc.
June 20, 2020

KKR & Co. is a founding signatory to the Operating Principles for Impact Management (the "Principles"). The Principles provide a reference point against which the impact management systems of funds and institutions may be assessed. They draw on emerging best practices from a range of asset managers, asset owners, asset allocators, and development finance institutions.

This Disclosure Statement hereby affirms that the investment assets included in the KKR Global Impact Fund SCSp (the "Fund" or "Global Impact") are managed in accordance with the Principles. This Disclosure Statement applies only to the KKR Global Impact Fund. The total commitments of this Fund, managed in alignment with the Principles, is US$1.3 billion as of June 20, 2020.[1]

Robert Antablin and Ken Mehlman
Co-Heads, KKR Global Impact
June 20, 2020

[1] The sole purpose of this Disclosure Statement is to fulfill KKR's obligations pursuant to Principle 9. This document shall not constitute and should not be construed as an offer, solicitation, or invitation to buy or sell any securities, financial instruments, or services whether described herein or otherwise, or as any prospectus or investment related advice in relation thereto, nor is it intended to form the basis of a decision to participate in any investment. KKR makes no guarantee or other promise as to any outcomes, including any financial or development impact results that may be obtained from the practices disclosed in this statement. While past performance may be analyzed in this Disclosure Statement, past performance should not be considered indicative of future performance. Accordingly, KKR shall not have any liability to any of the recipients of this Disclosure Statement, nor to any other party in connection with or arising in any way from, or in relation to, the information or any opinions expressed in this Disclosure Statement, and KKR does not accept any responsibility whatsoever for any action taken, or omitted to be taken by any party on the basis of any matter contained in, or omitted from, the Disclosure Statement.

Overview of Global Impact's Impact Evaluation Framework

KKR has built a proven model to source, diligence, and create value in companies around the world. Over the last decade, KKR has been a leader in driving and protecting value throughout the Firm's private markets portfolio through thoughtful environmental, social, and governance (ESG) management, as well as measuring and reporting on performance to the public and investors. In the same time period, KKR invested $7.1 billion in companies with core business models that advance solutions to global challenges related to environmental, educational and workforce development, responsible consumption and production, worker safety, and societal issues.[2]

The Global Impact team leverages the KKR toolkit to partner with businesses where we see great innovation and commercial opportunities to address critical societal needs. We seek to partner with management teams to help our portfolio companies achieve more — greater financial success, incremental positive impact, and improved ESG performance — and leverage the full suite of global resources.

Global Impact is committed to measuring and reporting the impact of our efforts in a manner that is (a) transparent and (b) leverages existing, proven frameworks that are built into our impact evaluation and management practices.

For the purposes of Global Impact, the definition of an impact investment is as follows:

GLOBAL IMPACT CRITERIA FOR EVALUATING IMPACT

Criteria	Description
Achieves Attractive Risk-Adjusted Returns	A company that has an attractive business model and where KKR is able to identify a credible path to generating private equity-related returns through the investment
Contributes Solutions to United Nations Sustainable Development Goals	A company whose business model contributes a solution to a challenge (or challenges) identified by the SDGs and relevant in its market, either directly through the core product or service, or indirectly through the way the company differentiates its core product or service
Generates Impacts That Are Measureable	A company whose positive contributions toward the SDGs are measurable and reportable using credible third-party metrics During the lifetime of the investment, KKR will set targets related to the impact of the product or service and assess progress, which will be reported by KKR to fund investors annually
Seeks to Improve ESG Performance During KKR Ownership	A company that actively manages and seeks to improve its performance on relevant ESG-related issues — as guided by the Sustainability Accounting Standards Board (SASB) materiality analysis during KKR's ownership During its ownership period, KKR will measure, monitor, and report on ESG-related performance to fund investors annually

[2] Represents KKR's solutions-oriented investments, as identified by the Global Impact team, that were made globally by certain KKR funds and accounts from January 1, 2008 to March 31, 2020. The determination and assessment by the Global Impact team of which investments to include in this figure involve significant judgment and may differ from another party's review of KKR's investments.

PRINCIPLE 1: DEFINE STRATEGIC IMPACT OBJECTIVE(S), CONSISTENT WITH THE INVESTMENT STRATEGY

The Manager shall define strategic impact objectives for the portfolio or fund to achieve positive and measurable social or environmental effects, which are aligned with the Sustainable Development Goals (SDGs), or other widely accepted goals. The impact intent does not need to be shared by the investee. The Manager shall seek to ensure that the impact objectives and investment strategy are consistent; that there is a credible basis for achieving the impact objectives through the investment strategy; and that the scale and/or intensity of the intended portfolio impact is proportionate to the size of the investment portfolio.

Areas of Alignment

- Global Impact invests in companies whose core products or services make measurable contributions to locally relevant SDGs. Commercial success is tied directly to the impact of each company's core business activities.
- The Fund's impact management system includes a three-stage screening diligence process, followed by the development of a 100-day plan in the post-investment phase. KKR implements its impact management system in partnership with Business for Social Responsibility (BSR), a global nonprofit with expertise in the development of sustainable business strategies and solutions.
- The Fund ensures that the objectives of prospective companies are aligned with its investment strategy in the first stage of its diligence process, during which the investment team completes a standardized worksheet with assessment criteria. This worksheet was developed with input from BSR and is used to preliminarily determine whether a company is likely to contribute to advancing solutions to one or more of KKR's priority SDGs and associated targets.
- During the second stage of diligence, the investment team drafts an Impact Thesis that describes the company's contribution to a solution in its market, taking into account the Impact Management Project's (IMP) five dimensions of impact, among other considerations. In addition, the team drafts a description of the Sustainability Context, with input from BSR and supported by relevant research, that summarizes how the Impact Thesis links to widely accepted global sustainability challenges and opportunities.
- The third stage of diligence establishes an inextricable link between financial success and impact outcomes for the company, and articulates Global Impact's Investor Contribution (see Principle 3).
- The Impact Thesis, Sustainability Context, Investor Contribution, and Impact Projections are included in materials evaluated by the Fund's Investment Committee.
- After investing in a company, we ensure that impact management, measurement, and reporting are part of the portfolio management process, including through regular evaluation at the Portfolio Management Committee level.

Area of Focus Since Becoming a Signatory

- As Global Impact continues to make investments, it will publish impact reports and case studies that highlight the contributions of its portfolio companies to the SDGs and, in turn, characterize the social and environmental impact at the portfolio level.

PRINCIPLE 2 – MANAGE STRATEGIC IMPACT ON A PORTFOLIO BASIS

The Manager shall have a process to manage impact achievement on a portfolio basis. The objective of the process is to establish and monitor impact performance for the whole portfolio, while recognizing that impact may vary across individual investments in the portfolio. As part of the process, the Manager shall consider aligning staff incentive systems with the achievement of impact, as well as with financial performance.

Areas of Alignment

- The impact management process begins during first stage of diligence, where a prospective company's impact objectives — including contribution to the SDGs and management of ESG considerations — serve as gating criteria for further diligence, alongside the company's potential to generate commercial returns.
- In the second stage of diligence, the investment team evaluates multiple dimensions of impact (e.g., scale, depth, and scope) by considering the expected positive impacts, potential negative effects, and impact risks associated with the company. The worksheet references industry standards, such as the IMP dimensions of impact risk and SDG targets and indicators, in appropriate instances.
- Performance against expectations is evaluated at the Portfolio Management Committee at least quarterly, with a re-evaluation of the multiple dimensions of impact for each company at an annual basis.
- Impact metrics at the company level, as well as select impact metrics at the fund level, are communicated annually to Fund investors in our Impact Fund Report, which provides data on ESG and impact performance.

Area of Focus Since Becoming a Signatory

- KKR employees, across the Firm's divisions and global offices, are subject to a standard 360-degree performance evaluation system that focuses on providing constructive feedback, while also encouraging KKR's one-firm culture. Among other performance indicators, KKR investment teams are evaluated and compensated based on the financial outcomes of their investments. In the case of Global Impact, we have aligned our impact metrics with financial outcomes. This helps to ensure that financial performance is a reliable proxy for impact performance and thus allows team members to be compensated appropriately. We are also exploring how to provide Global Impact team members with ongoing feedback and education as it relates to impact management and professional development.

PRINCIPLE 3 – ESTABLISH THE MANAGER'S CONTRIBUTION TO THE ACHIEVEMENT OF IMPACT

The Manager shall seek to establish and document a credible narrative on its contribution to the achievement of impact for each investment. Contributions can be made through one or more financial channels (e.g., improving cost of capital, specific financial structuring, offering innovative finance instruments) and/or non-financial channels (e.g., active shareholder engagement, assisting with resource mobilization, providing technical advice or capacity building, helping investees meet higher operational standards). The narrative should be stated in clear terms and supported, as much as possible, by evidence.

Areas of Alignment

- During the third stage of diligence, the investment team drafts a description of its Investor Contribution, which outlines how KKR and KKR Capstone[3] — a team dedicated to support KKR investment teams and portfolio companies — plan to contribute to the company's creation of impact.
- Examples of activities described in the Investor Contribution narrative can include directly commercial channels (e.g., linkage between growing investee market share and growing investee impact) and operational channels (e.g., plans for improved management of ESG considerations over time).

Area of Focus Since Becoming a Signatory

- Global Impact intends to share its Investor Contribution with Fund investors through its reporting, thereby providing specific examples of its financial and non-financial contributions to the achievement of impact for its investments.

[3] Participation of KKR Private Equity, KKR Capital Markets, and KKR Capstone personnel in the public markets investment process is subject to applicable law and inside information barrier policies and procedures, which may limit the involvement of such personnel in certain circumstances and KKR Credit's ability to leverage such integration with KKR & Co; discussions with Senior Advisors and employees of the Firm's managed portfolio companies are also subject to the inside information barrier policies and procedures, which may restrict or limit discussions and/or collaborations with KKR Credit.

PRINCIPLE 4 – ASSESS THE EXPECTED IMPACT OF EACH INVESTMENT, BASED ON A SYSTEMATIC APPROACH

For each investment the Manager shall assess, in advance and, where possible, quantify the concrete, positive impact potential deriving from the investment. The assessment should use a suitable results measurement framework that aims to answer these fundamental questions: (1) What is the intended impact? (2) Who experiences the intended impact? (3) How significant is the intended impact? The Manager shall also seek to assess the likelihood of achieving the investment's expected impact. In assessing the likelihood, the Manager shall identify the significant risk factors that could result in the impact varying from ex-ante expectations. In assessing the impact potential, the Manager shall seek evidence to assess the relative size of the challenge addressed within the targeted geographical context. The Manager shall also consider opportunities to increase the impact of the investment. Where possible and relevant for the Manager's strategic intent, the Manager may also consider indirect and systemic impacts. Indicators shall, to the extent possible, be aligned with industry standards and follow best practice.

Areas of Alignment

- The second stage of diligence ensures a systematic approach to the assessment of expected impact, with a results measurement framework that includes the nature of expected impact (e.g., scale, depth, and scope), parameters for the measurement of expected impact, potential for negative effects and the mitigation thereof, and the identification of risks to delivering impact (aligned, where possible, with the IMP's nine impact risks). The investment Sustainability Context and Impact Thesis also address who experiences the impact and the nature of the challenge being addressed.
- Relevant key performance indicators are identified during the second stage of diligence in which the investment team leverages existing reporting frameworks (e.g., those referenced by the SDG Compass or IRIS+) to identify appropriate metrics. These frameworks will be noted and referenced in annual Fund Impact Reports to Fund investors.
- In the second phase of diligence, the investment team prepares initial impact projections that outline a company's expected impact over time and presents this to the Investment Committee.
- In the third stage of diligence, the investment team completes an assessment that includes an articulation of KKR's intended contribution to increase the impact of the investment.
- Impact and ESG data are collected from portfolio companies and will be reported annually to Fund investors through a Fund Impact Report.

Areas of Focus Since Becoming a Signatory

- To further align its impact management efforts with Principle 4, Global Impact developed more standard guidelines for its impact projection methodology, as well as templates for impact and ESG data collection and reporting to the Portfolio Management Committee.
- In addition, while it was implicit in the process to date, KKR added specific reference to geographical relevance to the impact evaluation process in the first stage of our diligence process.

PRINCIPLE 5 – ASSESS, ADDRESS, MONITOR, AND MANAGE POTENTIAL NEGATIVE IMPACTS OF EACH INVESTMENT

For each investment the Manager shall seek, as part of a systematic and documented process, to identify and avoid, and if avoidance is not possible, mitigate and manage Environmental, Social and Governance (ESG) risks. Where appropriate, the Manager shall engage with the investee to seek its commitment to take action to address potential gaps in current investee systems, processes, and standards, using an approach aligned with good international industry practice. As part of portfolio management, the Manager shall monitor investees' ESG risk and performance, and where appropriate, engage with the investee to address gaps and unexpected events.

Areas of Alignment

- For the companies in our impact portfolio, commitment to ESG management is one of the key factors we evaluate. As such, one of our written considerations is "Does the company demonstrate strong ESG practices and/or a commitment to address material ESG issues and improve them during the Fund's investment?"
- To identify, avoid, monitor, and/or manage ESG risks, we screen companies in the first stage of diligence for demonstrated strength in their ESG practices or, as appropriate, a commitment to improve management of ESG considerations in future.
- Subsequently, during the second stage of diligence, the investment team works with BSR to conduct an initial ESG materiality review to identify potential material, industry-specific ESG risks faced by a company, drawing on the Sustainability Accounting Standards Board's (SASB) Materiality Map.
- The impact assessment also includes the consideration of potential negative effects and impact delivery risk, drawing on the IMP's nine types of impact risks.
- In the post-investment phase, Global Impact, BSR, and the portfolio company collaboratively develop an ESG management plan to set long-term ESG-related targets and create a plan to achieve those targets.
- The annual Fund Impact Reports will also communicate areas for potential development on impact and ESG performance for the coming year to Fund investors.

Area of Focus Since Becoming a Signatory

- KKR has made additional refinements to the information provided to the Portfolio Management Committee to further enhance its monitoring of ESG risks and performance over time.

PRINCIPLE 6 – MONITOR THE PROGRESS OF EACH INVESTMENT IN ACHIEVING IMPACT EXPECTATIONS AND RESPOND APPROPRIATELY

The Manager shall use the results framework (referenced in Principle 4) to monitor progress toward the achievement of positive impacts in comparison to the expected impact for each investment. Progress shall be monitored using a predefined process for sharing performance data with the investee. To the best extent possible, this shall outline how often data will be collected; the method for data collection; data sources; responsibilities for data collection; and how, and to whom, data will be reported. When monitoring indicates that the investment is no longer expected to achieve its intended impacts, the Manager shall seek to pursue appropriate action. The Manager shall also seek to use the results framework to capture investment outcomes (i.e., short-term and medium-term effects of an investment's outputs, which are the products, capital goods, and services).

Areas of Alignment

- Global Impact's portfolio monitoring and management system is the same approach that is used across all of KKR's private equity funds. As such, the system includes oversight by a Portfolio Management Committee that meets regularly to assess company and portfolio performance.
- Global Impact's process for monitoring the impact performance of each investee includes the refinement of impact projections in the post-investment phase. This includes impact metrics and ESG targets as well as processes for measuring and reporting progress to KKR on a quarterly or semiannual basis, depending on data availability.
- The Portfolio Management Committee process includes an annual re-evaluation of impact risks and, in the case of underperformance, commentary on impact risk mitigation.
- In addition, the Fund Impact Report is expected to communicate to Fund investors year-over-year and year-over-baseline data for select impact and ESG metrics.

Area of Focus Since Becoming a Signatory

- As part of its strategy building efforts and to further align its approach with Principle 6, Global Impact has developed standardized guidance on how to capture and report on quarterly or semiannual data from portfolio companies to the Portfolio Management Committee, as well as standardized documentation and formalized protocols outlining its impact projection methodology (see Principle 4).

PRINCIPLE 7 – CONDUCT EXITS CONSIDERING THE EFFECT ON SUSTAINED IMPACT

When conducting an exit, the Manager shall, in good faith and consistent with its fiduciary concerns, consider the effect which the timing, structure, and process of its exit will have on the sustainability of the impact.

Area of Alignment

- Global Impact's strategy prioritizes investment in companies for which impact is intrinsic to financial success, helping to ensure that impact is sustained at exit.

Area of Focus Since Becoming a Signatory

- To further align its approach with Principle 7, Global Impact intends to develop a formalized statement that considers the effect of exits on its portfolio companies, taking into account fiduciary responsibilities, to better ensure the sustained impact by each company.

PRINCIPLE 8 – REVIEW, DOCUMENT, AND IMPROVE DECISIONS AND PROCESSES BASED ON THE ACHIEVEMENT OF IMPACT AND LESSONS LEARNED

The Manager shall review and document the impact performance of each investment, compare the expected and actual impact, and other positive and negative impacts, and use these findings to improve operational and strategic investment decisions, as well as management processes.

Areas of Alignment

- A baseline for review is established during the second stage of diligence, when preliminary impact projections and an ESG materiality review evaluate and anticipate impact and ESG performance. Select impact and ESG metrics are then tracked to capture performance over time and relative to expectations.
- The Fund Impact Report, meanwhile, will communicate impact performance and ESG management to Fund investors on an annual basis.

Areas of Focus Since Becoming a Signatory

- Global Impact integrates lessons learned into its decision-making processes and communicate these lessons to its Fund investors, where relevant.
- KKR hired an external assurance provider to perform an Assurance Readiness Exercise for its data collection and analysis processes with the intent of using the gap analysis to improve future efforts.

PRINCIPLE 9 – PUBLICLY DISCLOSE ALIGNMENT WITH THE PRINCIPLES AND PROVIDE REGULAR INDEPENDENT VERIFICATION OF THE ALIGNMENT

The Manager shall publicly disclose, on an annual basis, the alignment of its impact management systems with the Principles and, at regular intervals, arrange for independent verification of this alignment. The conclusions of this verification report shall also be publicly disclosed. These disclosures are subject to fiduciary and regulatory concerns.

Areas of Alignment

- This Disclosure Statement will be updated and published annually, in compliance with the Principles. We completed our first verification at the end of 2019 and expect to complete and publish a third-party verification of our activity and accomplishments every 12-24 months (subject to change), with the next verification likely occurring in the first half of 2021.
- KKR is committed to a high level of transparency and to the role of independent verification. Global Impact intends to have its impact management system reviewed against the Principles regularly, with any areas of improvement disclosed publicly as a part of this Disclosure Statement.

Area of Focus Since Becoming a Signatory

- As other signatories of the Principles publish their Disclosure Statements, Global Impact will take note of peer approaches and consider adjustments to future Disclosure Statements, ensuring that our published materials are best in class.

VERIFIER STATEMENT

Independent Impact Management Verification

Prepared for KKR Global Impact: March 13, 2019

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BACKGROUND

As a signatory of the Operating Principles for Impact Management (the Principles), KKR Global Impact is committed to disclosing the degree of alignment of its impact management (IM) system with the Principles.[1] KKR Global Impact engaged Tideline to undertake the assessment.

ASSESSMENT METHODOLOGY

Tideline reviewed KKR Global Impact's set of IM tools and processes for the purpose of assessing its degree of alignment with the Principles.[2] To do so, Tideline used a proprietary rubric informed by:

1. The text of each Principle and associated implementation guidance;
2. Tideline's proprietary process assessment criteria, which are mapped to each Principle; and
3. Tideline's retained knowledge of the state of IM practices

SUMMARY ASSESSMENT

Tideline conducted an assessment to verify the KKR Global Impact IM system's degree of alignment with the Principles. As of March 2019, total assets under management in alignment with the Principles were confidential since the Fund had not yet reached its final close. Key takeaways from the assessment are:

- **Areas of strength**: KKR Global Impact has well-articulated impact objectives (Principle 1) and a thoughtful approach to establishing its contribution to impact and managing impact and ESG risks (Principles 3, 5). The system builds on best industry practices, including the Sustainability Accounting Standards Board (SASB) Materiality Map, the Impact Management Project (IMP), the United Nations Sustainable Development Goals (SDGs), and the Operating Principles for Impact Management.
- **Areas for improvement**: Tideline identified opportunities for building additional considerations into the assessment of expected impact for each investment (Principle 4), as well as opportunities for further consideration of impact at exit (Principles 7, 8).

ABOUT TIDELINE

Tideline Advisors, LLC is a certified women-owned advisory firm in impact investing. Since its founding in 2014, Tideline has become a recognized leader in impact measurement and management, focused on the design and verification of IM systems with leading asset owners and managers. In 2020, Tideline established a subsidiary with a separate, dedicated team focused on impact management verification.

Tideline has offices in New York, NY and San Francisco, CA and is headquartered at 915 Battery St, San Francisco, CA 94111, USA.

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[1] Principle 9 states that signatories shall "publicly disclose alignment with the Principles and provide regular independent verification of the alignment: The Manager shall publicly disclose, on an annual basis, the alignment of its impact management systems with the Principles and, at regular intervals, arrange for independent verification of this alignment. The conclusions of this verification report shall also be publicly disclosed. These disclosures are subject to fiduciary and regulatory concerns."

[2] Tideline's full assessment for KKR Global Impact states each of the Principles, describes the KKR Global Impact IM processes covered by the Principles, and identifies areas where further alignment is appropriate and feasible. The scope of Tideline's assessment procedures does not include the verification of the resulting impacts achieved. Tideline's assessment is based on its analyses of publicly available information and information in reports and other material provided by KKR Global Impact. Tideline has relied on the accuracy and completeness of any such information provided by KKR Global Impact. The assessment results represent Tideline's professional judgment based on the procedures performed and information obtained.

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