


2014 ESG AND CITIZENSHIP REPORT

CREATING SUSTAINABLE VALUE

GLOBAL CHALLENGES. GLOBAL SOLUTIONS.

KKR



**Business can and must be part
of the solutions to the challenges
the world faces today.**

ACCIONA

Cathedral Rocks Wind Farm in
South Australia is part of
the global renewable energy
portfolio KKR is building with
ACCIONA.

About This Report

Five Years of Transparency

Much has changed since KKR published our first ESG and Citizenship Report in 2010. KKR's global presence has expanded and the range of our investment strategies has broadened. Our fund investors' interest in responsible investing has grown sharper and our commitment has grown deeper.

In this report, our founders and senior leaders discuss some of the most challenging environmental, social, and governance (ESG) trends and issues confronting society and investors, and they describe how these issues shape our investing. In addition, we summarize our efforts to create sustainable value throughout the portfolios of investments we manage.

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. 42-44) around the PRI's six principles. We apply the Global Reporting Initiative's Technical Protocol to determine our most material issues and guide our report content. To learn more, see Online Resources (p. 45).

Boundary

While we evaluate ESG issues with respect to multiple asset classes, the initiatives and the integration of ESG issues in the investment processes described in this report are limited to our private equity investment process and private equity portfolio companies unless otherwise noted. As used in this report, "portfolio company" refers to the companies held in our private equity funds.

The data contained in this report are based on those private equity assets held in our portfolio during the 2014 calendar year, along with select forward-looking initiatives for 2015. All information and data in this report are as of December 31, 2014, unless otherwise noted.

More Information

Additional information about our report and reporting process can be found in Important Information (p. 45). The KKR 2014 ESG Report microsite available at www.kkresg.com offers a PDF of this report and additional information about our ESG performance and programs. For links to accompanying resources cited throughout this report, see Online Resources (p. 45).

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From the Founders

During the past four decades, our Firm has distinguished itself through innovation, partnership, and a willingness to embrace change, all of which are essential traits in today's dynamic, challenging, and increasingly interconnected world.

Since our founding in 1976, KKR has been dedicated to unlocking value in innovative ways. Today, enhancing value requires building a stronger bottom line by improving the environmental, social, and governance (ESG) aspects of a business and thus focusing on the internal policies and external impacts of an organization. With added regulation, greater expectations for transparency, more frequent stakeholder inquiries, and increasing demands on our natural resources, both businesses and society as a whole are facing unprecedented challenges on a global scale.

At KKR, we see this as an opportunity – an opportunity to think smarter, to invest differently, and to be part of solutions to these global challenges. That is why in 2008, we embraced the integration of ESG issues

into our investment process, which is an approach we believe is consistent with our values and objectives as investors. Integrating the consideration of ESG issues into the way we invest in and manage companies is part of our belief that a focus on responsible investment is increasingly essential to long-term success. Over the years, we have worked to develop a track record of navigating complex issues with dedication and discipline, striving to evolve and adapt.

How we differentiate ourselves as investors is key to finding and unlocking value. Responsible investment is an example of such a differentiator for our Firm. It is an innovative approach that we have scaled and have embedded into the way we do business. We work to ensure that our teams think differently about how we operate, focus on building the most efficient systems, foster partnerships, demand good governance, and apply all of these practices to match our businesses' needs.

As investors, we need to challenge our way of thinking by constantly questioning our old ways of doing things, our ingrained operating procedures, and our unstated biases. We must go beyond doing no harm, working instead to add value – value to companies, to the environment, to society – as we grow each investment. Every day, we strive to create shared value and succeed in the world of tomorrow.

To move forward, we have looked back at the times when we have performed to the best of our abilities. When our performance has been exceptional, there have been three common themes.

First, **innovation**. We have seen success when we have been truly original, getting out of our comfort zone and trying things that have never been done before. For

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Our responsible investment efforts are the epitome of partnership. Collaboration between our internal teams, investment partners, portfolio companies, and NGO partners have challenged us to do more and enabled us to unlock additional value.

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**George R. Roberts and
Henry R. Kravis**
Co-Chairmen and Co-CEOs

example, our partnership with Environmental Defense Fund in 2008 was unconventional at the time. Today, that single partnership has developed into many for our Firm – and for the private equity industry in general.

Second, **continuous improvement**. We are always striving to be better, and we move forward significantly when we learn from our mistakes. For example, when an investment does poorly, we examine it. We locate the opportunities for improvement in our diligence and management processes, and change how we evaluate and monitor similar investments in the future.

Third, **partnership**. When we have maximized the power of partnership, we have gone further than we ever could have progressed alone. Our responsible investment efforts are the epitome of partnership. Collaboration between our internal teams, investment partners, portfolio companies, and NGO partners have challenged us to do more and enabled us to unlock additional value.

The world has changed and so has our Firm. The business we created almost 40 years ago looks completely different today, evolving from a Firm focused purely on

private equity to one with teams of experts overseeing six diverse asset classes. The changes in our business, the private equity industry, and the world at large are significant and require us to invest more responsibly and strategically than ever before. This new reality demands that we think creatively, have more conviction, and clearly communicate our successes and shortcomings in order to stand out. And so we will continue asking ourselves what it will take to create a better, stronger KKR in the next 40 years. One thing we know for sure: integrating ESG management into our investments will be essential, as will an increased focus on investing in companies that are providing solutions to large societal challenges.

As we seek to build the most exceptional Firm possible, we will continue to learn from each of you and to challenge the way that we think, act, and react in order to drive change and create truly sustainable value.

HENRY R. KRAVIS

Co-Founder, Co-Chairman, and Co-CEO

GEORGE R. ROBERTS

Co-Founder, Co-Chairman, and Co-CEO

KKR at a Glance

In today's complex global economy, we believe success depends on the ability to collaborate on shared opportunities and the strength to work together through challenges.

KKR is a leading global investment firm with almost 40 years of investment management experience, managing \$98.6 billion of assets across multiple strategies.

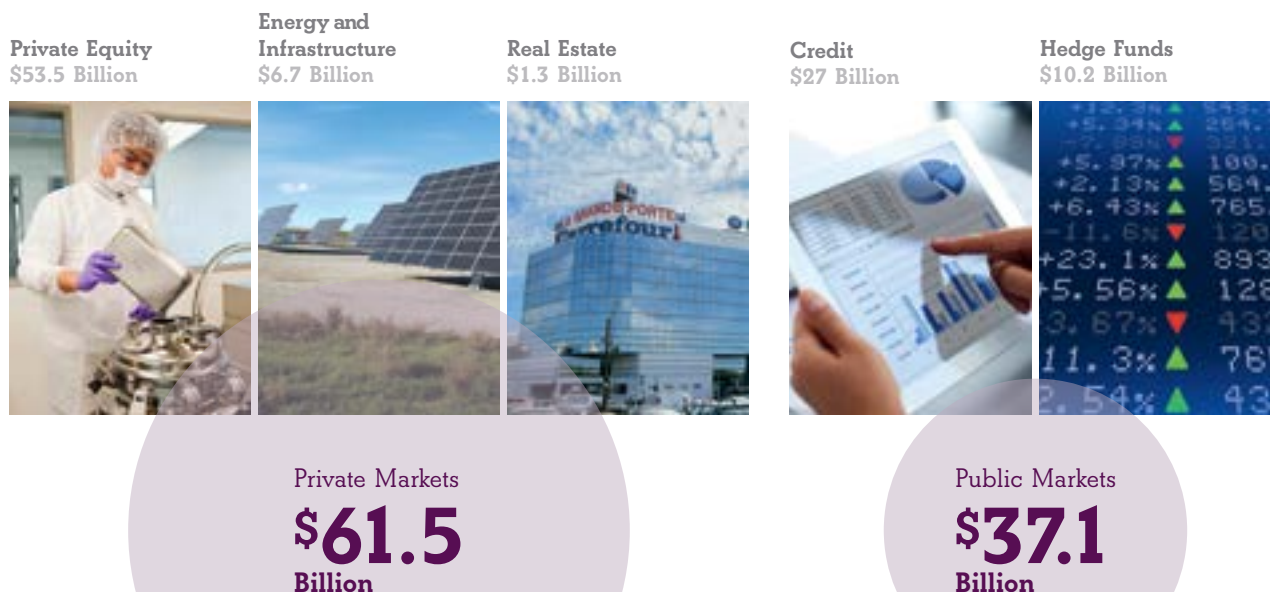
As one of the world's most successful investment companies with a strong track record of performance, KKR seeks to be a partner of choice for our fund investors. With approximately 40 million retirees and pensioners with exposure to KKR's investments, we know our returns matter. We work to make thoughtful 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, building industry and local expertise, employing world-class people, promoting operational excellence, and driving value creation at the asset level. Our culture of innovation and partnership seeks to provide solutions in a rapidly evolving investment landscape.

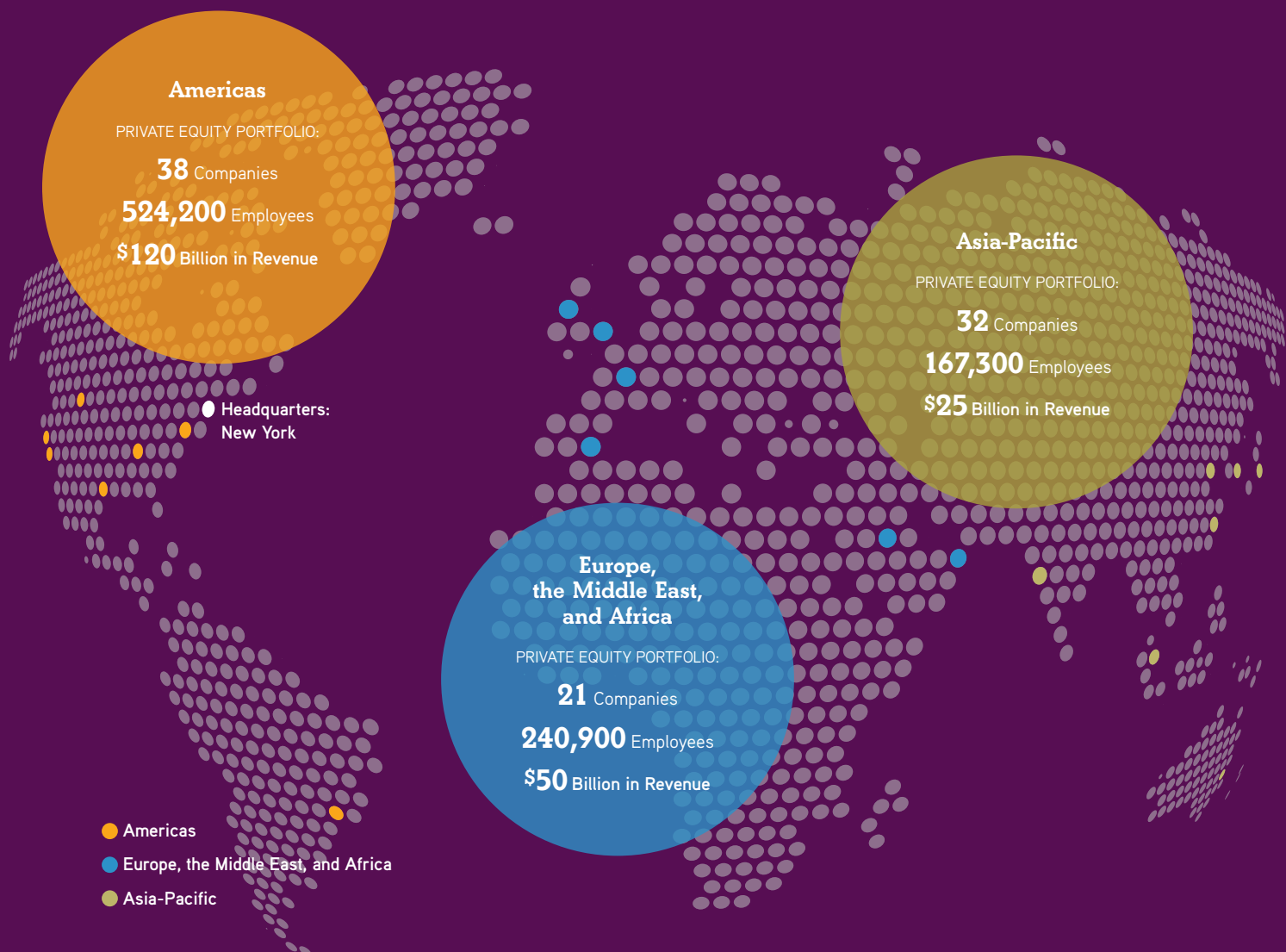
We adapt to changes and achieve impact by cultivating strong internal expertise and partnering with leading external experts who understand a range of market, geopolitical, and ESG issues.

KKR Investment Platform

Assets Under Management (AUM)¹



¹ See Important Information for how our AUM is calculated (p. 45).



Private Equity Investments by Region



KKR by the Numbers

\$10.1 Billion
Book value of the KKR balance sheet²

\$12.7 Billion
Roughly the amount KKR and our employees have invested or committed alongside our fund investors across our asset classes

40 Million
Retirees and pensioners with exposure to KKR's investments

\$200 Billion
Approximate annual revenues from portfolio companies

² Book value of \$10.1 billion may be reconciled to partners' capital of \$5.4 billion with the inclusion of noncontrolling interests held by KKR Holdings L.P. of \$4.7 billion and equity impact of KKR Management Holdings Corp. and other of \$0.1 billion.



Capital Safety

Dedicated to protecting workers against injuries from falls, Capital Safety has more patents, engineers, and industry innovations than any other fall protection manufacturer.

2014 Progress and Highlights

We integrated the management of ESG issues more fully into our investment process and realized significant environmental, social, and financial results.

Private Equity Portfolio

- Rolled out a publicly available ESG policy for our global private equity portfolio.
- Achieved a milestone for the KKR Green Portfolio Program, reporting nearly **\$1.2 billion** in financial impact from 25 companies' eco-efficiency efforts since 2008. Environmentally, companies avoided **2.3 million metric tons** of greenhouse gas emissions, **6.3 million metric tons** of waste, and **27 million cubic meters** of water.
- Launched the KKR Veterans Advisory Council under the leadership of General (Ret.) David Petraeus to support our veteran hiring efforts, which to date comprise nearly **28,000 veterans** at 29 portfolio companies in the United States.
- Continued collaboration with four portfolio companies, the American Heart Association, and the University of Pennsylvania on a **multiyear research study** evaluating the effectiveness of the workplace wellness initiatives that make up the KKR Wellness Works program.

Beyond Private Equity

- Invested **more than \$1.5 billion since 2011 in renewable energy and water infrastructure** projects such as wind, solar, and cogeneration.
- Conducted **a series of lighting efficiency assessments** at eight real estate investments in the United States.

Corporate Engagement

- Provided **technical assistance to two social enterprises**, East Bali Cashews and Glovax Biotech Corp., through a partnership with Impact Investment Exchange Asia and Impact Investment Shujog, allowing the companies to scale their businesses and secure additional funding.³
- Organized **more than 20 corporate engagement activities** with 500 KKR employees participating globally.

Resources and Training

- Hosted **KKR's first North American Sustainability Summit**, bringing together more than 20 leaders from KKR portfolio companies, six members of the KKR and KKR Capstone⁴ teams, and more than 13 professionals from partner organizations, including NGOs, advisors, and consultants. The agenda focused on current challenges and trends in corporate sustainability and responsibility, with topics ranging from worker safety to energy management to sustainability reporting.
- Hired **a full-time energy expert and hosted two summer Climate Corps fellows** from Environmental Defense Fund to assist companies across our private equity, real estate, and energy and infrastructure asset classes with energy efficiency and management.

³ East Bali Cashews and Glovax Biotech Corp. are not KKR portfolio companies.

⁴ KKR Capstone is not a subsidiary or affiliate of KKR. See Important Information for additional details (p. 45).

Our Responsible Investment Strategy

Guided by our knowledge of global issues, we work as a team to create sustainable value.

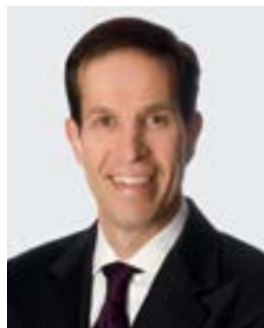
Our responsible investment strategy is influenced by many of the world's most pressing issues, which affect our companies and our investment partners in both direct and indirect ways. By cultivating internal expertise and partnering with third-party experts, we work to understand the global issues that have the greatest influence on the focus areas of our Firm, our fund investors, and the companies in which we invest. We aim to

address those areas of focus in two primary ways: by avoiding and mitigating risk wherever possible, and by discovering ways to create value. The result is a pathway for creating sustainable value – value that benefits our fund investors and the pensioners and retirees they represent, our unitholders, our Firm, our companies, and the communities in which we all live and work.



How We See Things

We are focused on finding and unlocking value in a changing world.



Ken Mehlman

KKR Member,
Global Head of Public
Affairs

At KKR, we are always trying to be better investors. One way we enhance our investment process is to look beyond what happens inside the four walls of a company. We also consider the factors that affect a company as well as the impacts that company has externally.

Among other factors, we look at the countries where the business operates, the geopolitical considerations, the way workers are employed, the environmental footprint, and the societal forces that could make a company either do better or do worse. We look for ways that we can, in fact, make better returns by making investments in companies that solve societal problems and by focusing on aspects of investments that de-risk a company's operations or add value to the bottom line.

OUR JOURNEY CONTINUES

While we have accomplished a lot thus far, we are still in the early part of our responsible investment journey.

This is an evolutionary process and although we certainly have evolved, if we are doing things right, we will continue to experience challenges, changes, and progress.

In 2007 and 2008 we began looking at ways we could create more value by working more collaboratively

with a handful of portfolio companies and their stakeholders. Today, we have engaged more than 50 companies in our five ESG programs which focus on the environment, sourcing, worker wellness, veteran hiring, and transparency. When I joined this Firm seven years ago, my job was to unlock value and the fact is, we have unlocked a lot of value.

A MANDATE THAT RESONATES

Our partnership with Environmental Defense Fund, started in 2008, has achieved nearly \$1.2 billion in financial impact at 25 companies globally. We have evaluated the management of supply chains at 26 companies. We have attracted nearly \$1 billion of additional capital to our funds and vehicles from investors for whom our responsible investment mandate resonates. Clearly, KKR is changing, and our investors are changing, too.

The reality is that we live in a world today where there are resource-related challenges, societal challenges, and a massive shifting of stakeholder expectations. Those of us who invest – if we're smart and if we're strategic – have a huge opportunity to be part of the solution.

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At KKR, we believe that thoroughly understanding and thoughtfully engaging on global challenges make us better investors and enhance returns for our investment partners.

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KEY DEFINITIONS

Responsible Investing

Responsible investing is the incorporation of environmental, social, and governance (ESG) metrics and analysis into investment decisions and management.

Solutions Investing

Solutions investing is defined by KKR as conventional investments made in companies that have an intentional focus on solving a societal challenge, include ESG management as core to the business, and seek traditional returns for the asset class.

Impact Investing

Impact investing enables businesses that put social impact on par with or ahead of financial impact. To date, KKR supports impact investments, also known as social enterprises, by providing technical assistance.

Inside: Silke Scheiber discusses how our teams are responding to investors and improving companies.

EXPERT INSIGHT

**Silke Scheiber**

KKR Member,
Private Equity, Europe

Addressing Investor Expectations

For nearly four decades, large institutional investors have partnered with KKR for our industry knowledge and investing strengths.

Increasingly, these fund investors want to ensure that value is created in a responsible manner with respect to environmental, social, and governance standards. Moreover, a number of institutional investors are building ESG performance criteria into their investment mandates as they put capital to work. This is particularly the case for many of our European investment partners.

To ensure that we are managing our investments in a responsible way and communicating our progress to our fund investors and other stakeholders, multiple teams at KKR are engaged throughout the process. The Firm has a clearly articulated global responsible investment policy, which is applied across all private equity investments, demonstrating that ESG considerations are an integral part of our investments. After the ESG issues material to an investment are identified during the due diligence process, our industry teams, in partnership with others, incorporate their oversight into the management of our portfolio companies. Our Client and Partner Group takes the lead in communicating our priorities and initiatives to investors in our funds in a variety of ways, such as ESG-focused presentations and reports, and relevant responsible investment updates at our annual fund investor meetings. Transparency, adaptability, and a willingness to learn from our investment partners and our portfolio companies are essential to our journey in today's rapidly changing world.



Afriflora

As the world's largest producer of fair trade roses, Afriflora cultivates, produces, and sells sustainably grown roses.

At its facility in Ethiopia, Afriflora employs more than 9,000 workers, more than 80 percent of whom are women, and offers free health care and schooling to its employees and their children.

Our Approach

Responsible investment is – at its core – an enhanced way of looking at needs and opportunities. Ultimately, it is a way of doing business that we believe makes us smarter, better investors.

The Challenges

Since KKR opened our doors in 1976, the world has changed dramatically. Business objectives have shifted from simply creating shareholder value to supporting shared value for multiple stakeholders, where consistent with our fiduciary duties. Much of this shift has been driven by overarching global trends such as demographic changes, a 24/7 news cycle fueled by social media and citizen journalism, heightened activism by nongovernmental organizations, resource scarcity, and increased government regulation. These factors create significant challenges for our fund investors, companies, and Firm.

Our fund investors are considering more issues than ever before and demanding a higher level of transparency than in previous decades. As they decide where to invest capital, they have more options in their investment partners and more demands on their investment decisions.

Companies in the KKR portfolio are experiencing increasingly complex supply chains, reduced natural resource availability, and intensive customer inquiries into principles and practices. In general, more is being expected of them, thereby making sustainability and social responsibility increasingly essential parts of doing business.

As a Firm, we are challenged to remain relevant and to respond to the pressures facing all of our stakeholders.

How We Respond

Just as business obstacles and objectives have evolved, so has KKR's approach to investing. Aware of the global challenges facing our companies and constituents, we aim to identify the issues most relevant to our investments and strive to incorporate ESG considerations into our decision-making and management practices.

We believe that creating sustainable value is about understanding modern-day challenges, underpinning our actions with strong values, focusing on the importance of partnership, and embedding operational excellence into businesses. In the last six years, we have demonstrated that investing responsibly helps us generate strong returns for our Firm and our fund investors, while also having a positive impact on society.

Our Guiding Values

The original values of our Founders still guide our Firm today.

KKR Core Values

Teamwork

Work proactively and collaboratively to achieve the best results from our responsible investing approach (pp. 15-16).

Integrity

Integrate and apply ESG considerations consistently and carefully throughout the private equity investment life cycle (pp. 22-24).

Relationship-Driven

Learn from our key stakeholders to continuously improve and enhance our responsible investing approach (p. 17).

Accountability

Report annually on our key performance indicators relevant to our business model and material issues (pp. 42-44).

Innovation

Encourage fresh thinking and creativity to address company challenges and societal needs as a global solutions provider (pp. 32-33, 40).

Excellence

Manage five proactive programs to advance the ESG performance of our portfolio companies (pp. 30-31).

Diversity

Cultivate an increasingly diverse workforce that brings new perspectives to our responsible investing approach (p. 36).

To learn more, see Online Resources (p. 45).

The core values of our founding partners are as relevant today as they were when the Firm began in 1976. These values are the foundation of our commitment to responsible investment and are essential to how we do business at KKR, including how we manage ESG considerations throughout our private equity investment process.

SUPPORTING INDUSTRY GUIDELINES

In addition to being guided by our Firm's values, we endorse relevant private equity industry guidelines for responsible investing. In 2009, we signed the United Nations-backed Principles for Responsible Investment (PRI). Where consistent with our fiduciary responsibilities, we commit to following the PRI's six principles for our private equity investments. To view the PRI principles, see Online Resources (p. 45).

As a member of the Private Equity Growth Capital Council (PEGCC), KKR worked with other PEGCC members to develop Guidelines for Responsible Investment in 2009. In line with these guidelines, KKR's private equity funds commit to consider labor practices and other ESG issues when making and managing investments. This commitment continues to drive our efforts to partner with our peers in advancing ESG management and reporting throughout the private equity industry. To view the PEGCC Guidelines for Responsible Investment, see Online Resources (p. 45).

OUR CODE OF BUSINESS CONDUCT AND ETHICS

Our fund investors expect KKR to act according to the highest standards of integrity, and we strive to fulfill those expectations. Each employee of our Firm is guided by our Code of Business Conduct and Ethics, which sets forth standards for all types of transactions and interactions. The code emphasizes our commitment to comply with all applicable laws, outlines basic standards of ethical and legal behavior, and provides reporting mechanisms for ethical or legal violations.

KKR employees and executives receive regular training in our Code of Business Conduct and Ethics and are expected to adhere to it in all circumstances. This comprehensive training encompasses guidance on legislation, such as the UK Bribery Act, and emphasizes adherence to regulations in foreign countries in which KKR operates. In 2014, 99 percent of employees completed training in our Code of Business Conduct and Ethics. To learn more, see Online Resources (p. 45).

ALIGNMENT OF INTERESTS

We compensate KKR professionals across all business lines based on the overall success of the Firm. We believe that our fund investors are best served when the interests of our employees align with those of our investment partners and other unitholders. Thus, management equity ownership in the businesses in which we invest has been a guiding principle throughout our Firm's history. Every employee of the Firm has an equity interest in KKR. This equity ownership practice instills a commitment to shared benefits.

Our Firm's Governance

Sound governance is essential for long-term success.

The structure of our Firm is designed to ensure accountability, facilitate prudent decision-making, and establish clear lines of authority. We believe this structure is essential for our long-term success and serves the interests of our unit-holders, fund investors, and other stakeholders.

BOARD OF DIRECTORS

To establish the basis for strong corporate governance, KKR has adopted policies that set forth the board of directors' responsibilities and duties, and the relationship of the board of directors to the management team, among other topics.

KKR's board of directors consists of Co-Chairmen and Co-CEOs Henry R. Kravis and George R. Roberts and seven nonexecutive directors: David C. Drummond, Joseph A. Grundfest, John B. Hess, Dieter Rampl, Patricia F. Russo, Thomas M. Schoewe, and Robert W. Scully. The board has four standing committees that operate pursuant to written charters. To learn more, see Online Resources (p. 45).

EXECUTIVE OFFICERS

KKR is headed by Co-Chairmen and Co-CEOs Henry R. Kravis and George R. Roberts, who are supported by three additional executive officers: Chief Administrative Officer Todd Fisher, Chief Financial Officer William Janetschek, and General Counsel and Secretary David Sorkin. Our executive officers are briefed by the Global Head of Public Affairs on the Firm's responsible investing strategy and performance.

INVESTMENT AND PORTFOLIO MANAGEMENT COMMITTEES

KKR's private equity investment processes are overseen by a network of regional Investment Committees (ICs) and Portfolio Management Committees (PMCs). These committees consist of senior professionals drawn from KKR's private equity industry teams, KKR Capstone, and KKR Senior Advisors. These committees both meet regularly.

Our ICs oversee the pre-investment phase, also known as due diligence, by reviewing and approving all investments. When an investment team determines that an investment proposal is worth consideration, the team makes a formal presentation to the applicable IC. The IC also advises on the structuring, negotiation, execution, and pricing of investments.

PMCs are responsible for working with our investment professionals and company management teams throughout the ownership period, also known as the investment phase, until we exit an investment. The PMCs are responsible for ensuring that strategic and operational objectives are accomplished and for monitoring investment performance. They work closely with our industry teams, our Global Public Affairs team, our Senior Advisors, and KKR Capstone to ensure value creation and to identify and address challenges.

Risk Management

The Risk Committee consists of senior KKR leaders from across our business segments (e.g., private equity, public markets, capital markets) and control functions (e.g., legal, finance, public affairs). The committee considers ESG factors, where relevant, during its evaluation of risk.

Governance of Responsible Investing

A dedicated policy and experienced team steer our approach to ESG management.

Implementing Our ESG Policy

Beyond the Firm's core values, our responsible investing approach is also guided by our Private Equity ESG Policy. Published in 2014, this policy codifies our processes and procedures related to responsible investment. It applies to KKR's private equity investments going forward, and sets forth the various roles and responsibilities of KKR executives. Additionally, the policy refers to existing responsible investment frameworks for guidance.

During 2014, we worked to educate KKR executives globally and began implementing the policy. To infuse awareness of and support for this policy throughout the Firm, all new employees receive training that acquaints them with KKR's commitment and how it relates to their role. In addition, information sessions were held in different regions to ensure familiarity with the policy and our goals. We view this policy as dynamic and will make enhancements to it, when necessary, as our Firm refines our approach to keep pace with evolving practices. To view a copy of the policy, see Online Resources (p. 45).

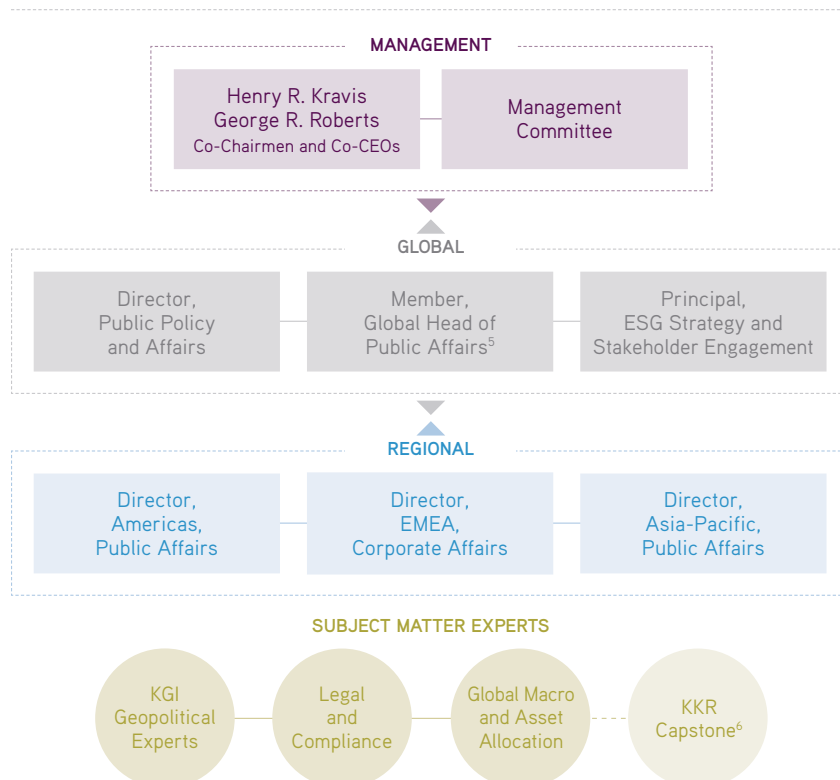
Responsible investing at KKR is integrated across our relevant investment and governance practices. It is guided by a policy that sets forth our approach and a cross-functional team of professionals who are responsible for establishing our strategy and overseeing its implementation.

SETTING STRATEGY

KKR's Global Head of Public Affairs sets the strategic direction for our responsible investing approach in conversation with the founders and the Management Committee, which comprises the founders and 13 Members⁵ at the Firm responsible for KKR's global operations. He also leads the integration of responsible investing into the Firm's business and provides regular updates directly to KKR's senior management. We believe that clear accountability and direct access to the highest levels in the Firm help ensure that our responsible investing efforts yield the greatest results.

Two members of the Global Public Affairs team are dedicated full time to the implementation of the responsible investment strategy globally. They work closely with regional leaders who are responsible for management of ESG opportunities and risks in their respective areas. These professionals communicate directly with investment partners and portfolio company management teams.

Responsible Investment Governance



⁵ For reference, the Global Head of Public Affairs sits on the Management Committee.

⁶ KKR Capstone is not a subsidiary or affiliate of KKR. See Important Information for additional details (p. 45).

IMPLEMENTING OUR APPROACH

In recent years, KKR has established a team of experts to assist our Firm in navigating the external factors impacting investments, including geopolitical, macroeconomic, societal, and public policy considerations. KKR's responsible investing approach is advanced by the Global Public Affairs team, which along with the Global Macro and Asset Allocation team and a team of geopolitical experts, make up the KKR Global Institute (KGI). KGI was launched in 2013 to encourage collaboration and coordinate valuable insights as part of our investing approach, helping enable smarter decisions through a better understanding of the world. Together, these teams provide insights on the investment implications of public policy, macroeconomic, regulatory, and technology trends globally.

Their shared thought-leadership platform focuses on geopolitical and macroeconomic trends, as well as environmental, social, and governance issues. These teams operate as an integral part of the KKR investment process, working in partnership with KKR Capstone and KKR industry teams, portfolio companies, and limited partners.

Both our Firm and our portfolio companies benefit from an analysis of geopolitical considerations and societal needs, and enhanced diligence.

Operational Expertise

KKR Capstone⁷ works in partnership with the Global Public Affairs team and portfolio company leaders on operational issues that affect the bottom line, including various ESG issues. For example, six KKR Capstone executives across North America, Asia, and Europe work with Global Public Affairs as part of the Green Portfolio Program leadership team. In addition, KKR Capstone, with input from KKR industry teams, strives to identify new markets and growth strategies, to improve efficiencies, and to deliver opportunities to create value for our portfolio companies.

⁷ KKR Capstone is not a subsidiary or affiliate of KKR. See Important Information for additional details (p. 45).

Our Thought Leaders

The Global Public Affairs team, headed by Ken Mehlman, uses its expertise in regulatory affairs, public policy, stakeholder engagement, and communications to help the Firm assess and improve the companies in which it invests. The team's capabilities enable the Firm and portfolio company leadership to better understand and manage environmental, social, governance, and reputational risks.

KKR Capstone⁷ operational experts are dedicated to creating value by driving improvements at KKR portfolio companies. They help implement our ESG programs, partnering with the Global Public Affairs team to lead the Green Portfolio Program, KKR Wellness Works, Vets @ Work, and the Responsible Sourcing Initiative.



Geopolitical and Global Trends experts form the core of the KKR Global Institute, led by Chairman General (Ret.) David Petraeus and Executive Director Vance Serchuk. This team understands geopolitical issues that can shape our investment approach and growth strategies for our portfolio companies. They work on issues ranging from negotiations over multilateral trade deals and changes in regulatory policy to the emergence of new "breakout nations" and the potential economic impact posed by the threat of conflict around the world.

The Global Macro and Asset Allocation team, led by Henry McVey, provides exceptional thought leadership through its deep understanding of macroeconomic trends at the global, regional, and national levels. This team works with industry teams throughout the diligence process and supports KKR portfolio companies as they seek to expand their operations globally and navigate challenging markets or industries.

Creating Value Through Partnerships

Working together, our global teams and external partners implement our responsible investment strategy.

Our progress in reaching our ESG-related goals is due to our strong network of internal experts and external partners. From our internal teams to the companies in which we invest to our investment partners to nonprofit advisors, each partner brings different expertise and helps to ensure that we remain at the leading edge of emerging issues and expectations.

These partnerships begin within our own Firm. KKR operates in six continents but is managed as one Firm. Positioned in key markets around the world, our professionals are supported by an organization that prioritizes communication and collaboration. Our one-firm approach guides all that we do and ensures that members of various teams are engaged throughout our responsible investment efforts.

In particular, our investment professionals, our Client and Partner Group, and our Legal and Compliance team play critical roles in executing our ESG programs and working with the management of our portfolio companies throughout the entire investment life cycle.

- **Investment professionals** identify potential investments and consider relevant ESG issues during the pre-investment and investment phases.
- **Client and Partner Group** professionals listen and respond to questions or suggestions from our fund investors and limited partners. They collaborate with Global Public Affairs to share and discuss ESG-related best practices with these investors.
- **Legal and Compliance** professionals participate in our due diligence process by assessing prospective investments on key governance issues, such as anti-corruption and anti-money laundering. They continue to advise our portfolio companies on these issues during ownership.

Bayonne Water and Wastewater Concession: A Public-Private Partnership⁸



There has been a great deal of focus on public-private partnerships as a part of the solution to infrastructure challenges in the U.S. Our investment in the municipal water system of Bayonne is a prime example of a public-private partnership that is working well. Using a new model to address water infrastructure needs, KKR launched a joint venture with United Water in 2012 to form a 40-year concession with the water and wastewater operations run by the Bayonne Municipal Utilities Authority (BMUA) in Bayonne, New Jersey.

As part of this concession, the BMUA maintains ownership of the water and wastewater system and provides oversight of the partnership and its adherence to high quality standards and customer service performance. The BMUA shares our Firm's commitment to stakeholders and responsible investing.

In addition, the BMUA maintains control of rates charged to users. United Water, which manages about 100 municipal and industrial water and wastewater systems, operates the Bayonne system.

OUR GLOBAL NETWORK OF PARTNERS

We believe that nongovernmental organizations, public interest groups, and industry associations can represent powerful allies in helping us realize social and environmental benefits while achieving our business goals. As we work together toward shared objectives, we can create business and social value.

We have forged ongoing relationships with leading nonprofit organizations on issues that are critical to our business and to our portfolio companies. We sought out these organizations for the expertise they can bring to our responsible investing efforts. The following partners have helped our Firm and portfolio companies navigate a wide range of ESG risks and opportunities:

American Heart Association	Support a culture of health and wellness at our portfolio companies.
Business for Social Responsibility	Improve management of human rights and environmental issues in the global supply chains of our portfolio companies.
Ceres' Investor Network on Climate Risk (INCR)	Connect investors, companies, and public interest groups focused on sustainability and climate change risk.
Environmental Defense Fund	Develop the Green Portfolio Program and provide counsel about environmental matters.
Gephardt Group	Advise on critical relationships between our portfolio company management teams, employees, and unions.
Transparency International	Inform our investment and portfolio company stewardship processes, specifically related to business integrity.
U.S. Chamber of Commerce	Promote employment of U.S. military veterans at our U.S.-based portfolio companies through its Hiring Our Heroes initiative.

Engaging With Stakeholders

Interaction with key stakeholders helps ensure that our approach to investing is well informed and that we are setting shared priorities. We diligently promote thoughtful discussion of important issues with our internal and external partners, while acting in a way that is consistent with our fiduciary duties. Through this dialogue, we learn what issues are important to our stakeholders and can consider these concerns as we prioritize our ESG efforts. We believe that protecting and enhancing these relationships is critical to smart investing and can help create long-term, sustainable value.

For more information about the groups we consider to be among our key stakeholders and the ways we engage with them, see Online Resources (p. 45).

| CASE STUDY

As of 2014, the venture has already led to improved service reliability and water quality through efficiency upgrades that help reduce water loss from leaks and through pipe replacements. The BMUA has estimated that the city will save approximately \$35 million by working with United Water rather than continuing to manage its own water system. Moreover, new fall safety equipment has been installed, and employees have received thousands of hours of on-the-job safety training. This investment has provided a unique blend of private capital from KKR, operational expertise from United Water, and innovation from the BMUA.

With investment capital from KKR, Bayonne Municipal Utilities Authority has made numerous system upgrades such as replacing deteriorated equipment in the North Arlington gatehouse (on left) with modern water mains (on right) that handle 8.5 million gallons of water daily.

⁸ The above highlights a company that KKR believes most represents public-private partnership and is for illustrative purposes only. This is not representative of all investments made by KKR Funds, and it should not be assumed that any investment in the company identified was or will be profitable.



The private equity model provides a strong platform for responsible investment.

The Value of Private Equity

Pursuing business results can create opportunities for innovation, growth, and social benefits.

Private equity can play a significant role in creating a healthy global economy because of the direct and indirect benefits this model brings to our fund investment partners, our portfolio companies, and our shared communities.

Given the myriad challenges facing companies today, many businesses often need capital, a long-term investment horizon, and management expertise. We choose to invest in companies that are poised for growth, are undervalued, or are underperforming, and work with them to increase their value. We believe that our private equity model provides a good platform on which to work with these companies to improve their performance. In particular, the private equity model offers three distinct advantages for responsible investment:

- Because private equity measures **progress over years**, not quarters, we can focus on longer-term improvements.
- By **aligning our interests** in our investments with company management teams, we are able to focus on mutually agreed upon objectives and to seek greater success.
- As **active investors** in our portfolio companies, we provide strategic advice, a global network of partners, industry expertise, and the resources that help achieve desired outcomes.

How We Contribute to a Healthy Global Economy

Investing in People



960,000+ Jobs

provided by our portfolio companies

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

Nearly 28,000 veterans hired by 29 portfolio companies in the U.S. to date

\$3 Billion

invested in energy and infrastructure, including more than **\$1.5 billion** in renewable energy and water infrastructure

More than \$500,000 in donations matched through the KKR Employee Matching Gift Program

35 companies, or **44 percent of our private equity portfolio**, have formal philanthropic programs to support the communities where they operate

Investing in Communities



Investing in Economies



\$29 Billion

cash back to fund investors in distributions since 2012

\$9.2 billion in capital expenditures and **\$1 billion in research and development** in 2014 by our portfolio companies

\$200 billion in annual portfolio company **revenues**

ADVANCING RESPONSIBLE INVESTING IN THE PRIVATE EQUITY INDUSTRY

We strive to advance consistent and thoughtful ESG integration and reporting in the private equity industry as interest in responsible investment continues to grow. During 2014, we participated in a variety of industry events and groups:

- Hosted ESG-focused events for fund investors in North America and Europe
- Provided feedback to the United Nations-backed Principles for Responsible Investment's reporting and assessment process
- Convened a working group of our U.S.-based private equity peers to discuss responsible investment practices and policies
- Served on the Private Equity Growth Capital Council Board of Directors, with KKR Global Head of Public Affairs Ken Mehlman as chair
- Contributed to the development of ESG disclosure guidelines through our involvement on the Standards Council of the Sustainability Accounting Standards Board (SASB)
- Sponsored and spoke at events in Asia including the IIX Impact Forum 2014, the Responsible Business Forum on Sustainable Development, and the 2014 Private Equity and Venture Forum in Hong Kong sponsored by the *Asian Venture Capital Journal*
- Participated in surveys and industry reports on trends and best practices

KKR Launches Family Investment Fund

In 2014, KKR created a new fund to respond to investor interest. The fund, known as the Global Family Investment Partnership L.P. (GFIP), builds on KKR's long history of investing in family-owned or entrepreneur-led businesses. Since 2005, the Firm has invested in 45 such businesses, deploying \$12.3 billion in equity.

This customized private equity co-investment vehicle highlights the Firm's desire to provide solutions to investors seeking specific exposure to family-owned or entrepreneur-led businesses. It also represents committed capital for KKR to continue to be a solutions provider for these types of companies.

Gardner Denver: Protecting Businesses from Natural Disasters⁹

| CASE STUDY

Businesses and residents in the town of Quincy, Illinois, U.S., have an added measure of security from the floodwaters of the Mississippi River, thanks to a flood protection wall constructed by KKR portfolio company Gardner Denver.

Areas of downtown Quincy, including Gardner Denver's manufacturing facility, have been hit by several major floods, including the Great Flood of 1993. This flood extensively damaged businesses and industries when the river crested at a record 32 feet. In 2008, another significant flood submerged much of Quincy's riverfront. Fighting the more severe floods has cost millions of dollars in damage, lost production, and rising insurance rates.

With the support of KKR and KKR Capstone, Gardner Denver recently completed an extension of a floodwall designed to protect both its manufacturing facility as well as areas of downtown Quincy. KKR Capstone identified the flood risk during diligence and, with the industry team's support, approached the company about making a capital expenditure investment. KKR Capstone partnered with the Gardner Denver team to determine that the \$1.65 million investment could be paid back quickly through lowered insurance premiums and reduced costs associated with damage control. Together, the teams worked to get the project approved and completed on time and on budget.

Throughout the planning and construction, Gardner Denver collaborated with KKR, KKR Capstone, local government officials, and nonprofit organizations to complete the much-needed project.

⁹ The above highlights a company that KKR believes most represents providing value to its community and is for illustrative purposes only. This is not representative of all investments made by KKR Funds, and it should not be assumed that any investment in the company identified was or will be profitable.



2

ESG CHALLENGES AND OPPORTUNITIES

Environmental

Biodiversity
Carbon and Greenhouse Gas Emissions
Land Use
Natural Resource Scarcity
Priority Chemicals
Water Scarcity

Social

Consumer Protection
Data Privacy
Employee Engagement and Labor Relations
Health and Safety
Human Rights

Governance

Anti-fraud and Anti-corruption
Board Composition and Independence
Ethics and Integrity
Regulation and Public Policy
Stakeholder Expectations
Transparency

Additional Business Risks

Country Risk
Management Risk
Market Issues
Reputational Risk
Security Risk

Inside: Joseph Bae discusses KKR's work to improve food security and safety in Asia.

EXPERT INSIGHT



Joseph Bae

KKR Member,
Managing Partner
of KKR Asia

Improving Food Security and Safety

When we started our business in Asia 10 years ago, we saw that some of the most exciting investment themes in this region revolve around domestic consumption trends, and we knew that to succeed we would have to localize dramatically. We also observed that entrepreneurs saw business opportunities in providing solutions to societal challenges. One of our first investments in this regard was in China Modern Dairy, which was founded to provide safe and healthy milk in China. Since then we have made investments in support of sustainable fruits and vegetables at Sundrop Farms; safe meat at COFCO Meat and Fujian Sunner Development; and responsible forestry practices at Santanol.

Today, partnering with businesses that are providing solutions in the food and agriculture sectors is one of our major investment themes. Approximately 60 percent of the global population lives in Asia. Many countries in this region are experiencing a growing middle class with rising disposable incomes, increased desire for convenience, and greater demands for healthier foods. As a result, the processes and preferences regarding food consumption are changing. Food safety and security – whether in densely populated China or arid Australia – are not just nice-to-haves, but necessities. Spanning dairy, meat, fruits, and vegetables, our investments help to solve societal demands, focusing on: improving food safety by elevating production standards; providing infrastructure to grow food where natural resources are otherwise constrained; and supporting food production that conforms to changing consumer preferences.

Our core business is about providing capital and global best practices to management teams at leading companies, thus helping them think long term, improve their business, solve challenges, and create value.



Sundrop Farms

Sundrop Farms grows high-value crops at its glasshouse facilities in areas where land is too arid for traditional farming, fresh water is in short supply, and domestic food security is a concern. Based in South Australia, it is the world's first commercially and environmentally sustainable arid-climate agriculture business, using renewable energy to heat, power, and water its operations.

KKR's investment aims to significantly expand Sundrop Farms' operations and its international presence.

Investing Responsibly

We seek to reduce risk and find value by managing ESG issues across the entire investment life cycle.

The Challenges

While it is becoming more commonly accepted that investing responsibly helps yield sustainable value and de-risk companies, questions still exist. For example, where does responsibility for ESG management live?

What is the best way to evaluate disparate opportunities when ESG issues can vary widely by industry, geography, and stakeholder group?

Can we successfully integrate market conditions, governmental regulations, and the overarching ESG issues facing an investment into our decision-making?

Recognizing that reputational risks can threaten a company's image and social license to operate, how can these risks best be identified and managed?

How We Respond

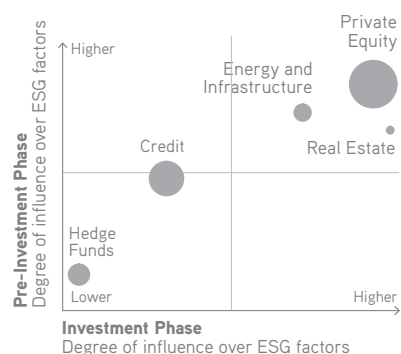
We seek to reduce risk and find value by managing ESG issues across the entire investment life cycle, knowing that responsible investment is not a destination, but instead an area of continuous improvement for our Firm. At KKR, we have put in place people and processes intended to answer these fundamental challenges.

ESG-related due diligence starts when an investment opportunity is identified. Around the globe, our teams consider industry- and region-specific issues, the unique experience of each company, and reputational risks when evaluating these opportunities. After an investment has been made, the teams monitor and manage a broad range of ESG issues at the company and cross-portfolio levels.

During the past six years, KKR has integrated the consideration of ESG issues, geopolitical trends, and reputational factors into our investment management process. Among other actions, we train KKR employees on key components of our responsible investment efforts; we work to align our internal processes to ensure documentation and tracking; and we aim to engage the boards of directors and management teams of portfolio companies to produce more effective and efficient operations.

When we manage our non-private equity investments such as energy and infrastructure, much of this process also holds true. We evaluate deals for ESG factors during diligence, and, after an investment is made, we engage our internal expertise and external partners to address material ESG issues that are identified.

Relative Influence Over ESG Issues Across KKR Asset Classes¹⁰



¹⁰ Chart is for illustrative purposes only and does not contain all of KKR's investment strategies. In addition, the assessment generalizes the extent of influence during the pre-investment and investment phases and is not intended to convey what occurs or what is expected to occur in every case. Ability to influence is significantly affected by additional factors beyond KKR's control.

Our Reporting Focus

Historically, we have prioritized our ESG-related efforts in our private equity business because of the private equity ownership model, which includes a long-term investment horizon, alignment of interests, and active management. As such, the majority of this report refers specifically to our approach to investing responsibly in the pre-investment and ownership phases of our private equity platform, unless otherwise noted. In this section we also describe our activities in applying ESG considerations to non-private equity asset classes (pp. 25-27).

Responsible Investing Across Asset Classes

Our approach is relevant to private equity investments as well as other asset classes such as energy and infrastructure, and real estate.

While KKR engages in a broad range of investment activities, we focus our responsible investing efforts in two areas: our private equity business and select non-private equity asset classes.

A MATERIALITY-DRIVEN APPROACH

Our focus is based on a materiality analysis conducted early in our ESG management efforts. In this analysis, we assessed each asset class based on the degree of influence that we exert prior to investment and during ownership. Our analysis clearly indicated the areas in which we can employ the greatest impact and continues to guide our ESG management approach. We aim to integrate ESG considerations and management into:

- The full life cycle of our private equity investments, starting with the identification of opportunities during due diligence and throughout ownership
- Our expanding investments in non-private equity asset classes including real estate, energy and infrastructure, and credit

This scope corresponds with the widening range of the Firm's investment activities. Since KKR's inception in 1976, we have extended our investment capabilities beyond our core private equity expertise and developed into a global investment firm with capabilities in energy and infrastructure, real estate, and a range of debt and public equity investing.

CONSIDERING ESG ISSUES PRIOR TO PRIVATE EQUITY INVESTMENT

All potential investments at KKR go through a rigorous due diligence process. An integral part of this due diligence is an evaluation of potential deals from an ESG management perspective.

ESG Diligence

During this phase, a team of cross-functional internal subject matter experts assesses prospective investments to identify key ESG factors and gathers the appropriate information about the company under review. Our ESG diligence team also reviews relevant considerations based on a company's geography and industry. Extensive evaluation of ESG risks and opportunities, coupled with on-site due diligence visits and the support of external advisors where necessary, enables us to target areas of engagement and determine priority initiatives.

During the diligence process, we reference a series of guides for an in-depth review of key ESG questions based on sectors and subsectors. Intended for internal use, these guides were developed by our ESG diligence team with the input and expertise of a global network of third-party consultants and advisors. The team uses the guides and aims to continually refine them over time as new lessons are learned.

In 2014, our ESG diligence team held more than 30 meetings, during which an average of approximately four companies were reviewed per meeting for the first time or as a follow-up on ESG-related diligence.

MANAGING ESG ISSUES DURING PRIVATE EQUITY OWNERSHIP

To the extent they are material to our investment, ESG-related activities during the ownership phase fall broadly into three areas: implementation of the 100-day plan, ongoing management, and monitoring progress. As in the pre-investment phase, engagement on ESG issues with our private equity portfolio companies is overseen by our industry and country teams with support from KKR Senior Advisors, internal experts, and external advisors, as necessary.

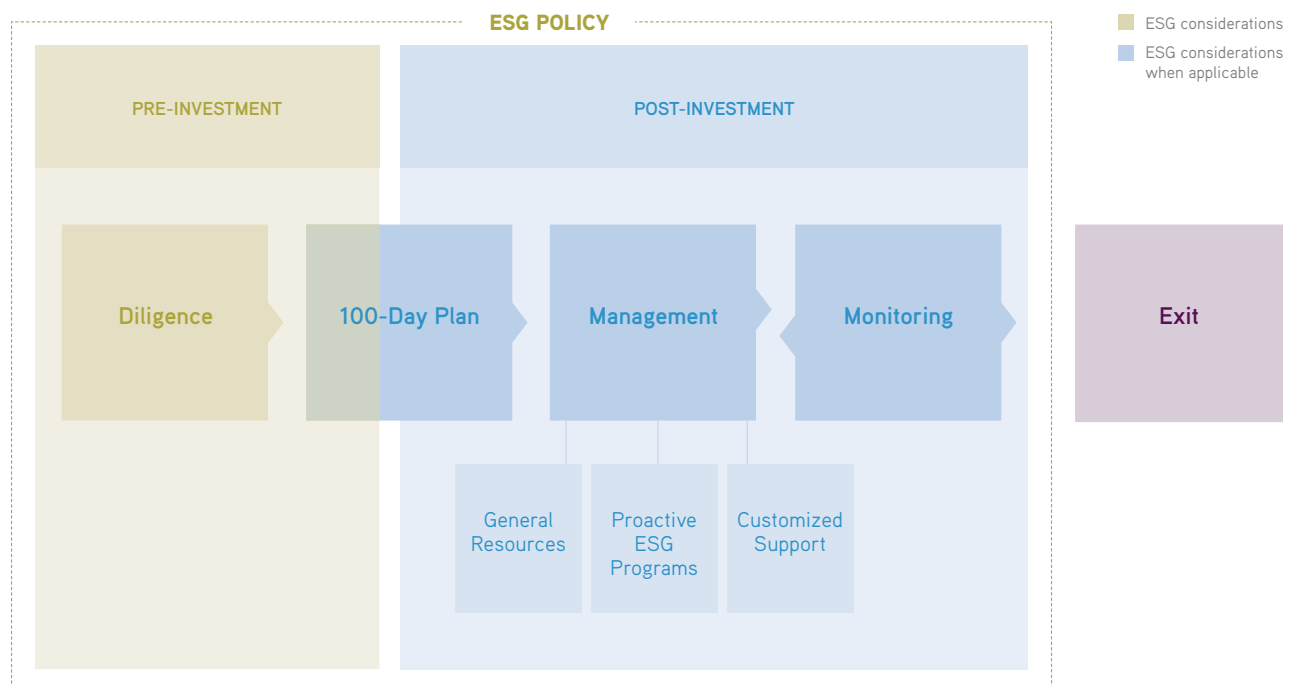
Each region has a Portfolio Management Committee (PMC) consisting of a chairperson and KKR executives. The PMC may also include KKR Senior Advisors and KKR Capstone professionals. Throughout the management process, the applicable PMC monitors each company's progress and provides input on strategies for realizing additional value (p. 13).

From investment to the point of realizing value and exiting a deal, companies are part of our private equity portfolio for a historical average of five to seven years. This longer-term horizon allows a company's progress to be measured by years, not quarters, and as such, provides us an opportunity to more thoroughly address ESG issues and opportunities.

The Decision to Invest

ESG considerations discovered in the diligence phase can affect our investment decisions; however, a decision to invest or not is rarely due exclusively to ESG issues. ESG-related concerns are often intertwined with other business issues that make the business more, or less, attractive for investment. In some cases, we may decide that an ESG issue poses a risk to our investment, while in other instances, we may determine that a company has significant opportunities because of the way it addresses ESG issues. Understanding the ESG challenges and opportunities of individual investments helps us to determine our best strategy for working with a company in the future.

ESG Management in the Private Equity Investment Process



Management of Material ESG Issues

We engage with portfolio companies in a variety of ways when they are part of the KKR portfolio.

General resources – KKR professionals are available to consult with portfolio company management teams and advise as needed. In addition, we provide resources such as best practices guides, webinars, and training on many of the key issues facing our portfolio companies.

Proactive ESG programs – We partner with certain companies through our proactive ESG programs (pp. 30-31). These programs leverage our knowledge and the experience within our portfolio companies to provide a structured approach and tested solutions to common challenges.

Customized support – For some portfolio companies, we respond to specific ESG-related needs or challenges as part of an individually tailored plan. By ensuring that our approach to managing ESG-related issues is highly customized and collaborative, we are more likely to achieve success.

Throughout our investment period, KKR offers our portfolio companies expertise and resources to achieve mutually agreed upon, ESG-related performance goals. KKR Capstone, a team of operational experts who work exclusively with KKR and KKR portfolio companies, partners with the Global Public Affairs team and company leaders on ESG-related operational issues that affect the bottom line.

In 2012, we began formally reviewing priority ESG issues for North American companies on a regular basis. In 2013, we expanded this process to our European and Asian portfolio companies. In 2014, we integrated the management of these issues formally into the regional PMC process. Any identified issues or opportunities are shared with the relevant industry team and KKR Capstone, with the top issues being integrated into ongoing PMC discussions.

100-Day Plan

In the early stages of ownership, we focus on executing a detailed 100-day plan that outlines a company's most essential goals and steps to reach these goals. When critical ESG issues are identified in the diligence process, they are often included in these plans. When companies do not have material ESG issues to address immediately, we may not engage with them in the first months of ownership and instead may choose to engage with them after the initial transition period.

Active Management

KKR considers engagement on material ESG issues to be an integral element of our active management of the companies in our portfolio. The particular ESG-related challenges and opportunities faced by our private equity portfolio companies vary greatly over time and are based on a company's individual characteristics, including its industry, geography, and stakeholders. Thus, during the ownership phase, we provide general ESG resources, proactive ESG programs, and customized support to assist or enhance portfolio companies' efforts.

Performance Monitoring

In an effort to promote progress across the portfolio, we monitor the ESG-related performance of companies, where relevant. This performance could be relative to their engagement in one of our proactive ESG programs or to other predetermined metrics relevant to their business. In certain cases, we aim to share program successes across the KKR portfolio of investments to promote engagement and accelerate the adoption of best practices within our portfolio companies.

Beyond Private Equity

Asset classes outside of our private equity business require a customized approach to ESG management.

KKR's growing footprint beyond private equity demands an expanded and flexible approach to investing and ESG management. Our strong track record in private equity and our partnerships with experts and stakeholders provide us a platform to expand our responsible investment efforts to other asset classes, including energy and infrastructure, real estate, and credit.

ENERGY AND INFRASTRUCTURE

Increased levels of urbanization and demographic changes continue to require technological advances; reliable and clean sources of energy; and secure infrastructure to support trade, economic development, and public health. KKR continues to follow these trends and has built on our years of investing experience to drive value in the energy and infrastructure space.

As we increase our investments in energy and infrastructure, we remain focused on ESG management and continue to support management teams as they engage with the communities, employees, regulators, and other stakeholders that are directly affected by their operations.

Natural Gas Investments

The growing supply of shale gas in the United States has led to what many experts have called an American "energy renaissance." Natural gas is not only abundant, but also significantly cleaner than some energy sources such as coal. Communities looking to meet the growing demand for reliable, affordable, and cleaner energy have increasingly turned to natural gas. We continue to believe that technological innovation will allow producers to more efficiently and effectively produce this resource. We also believe that it is important for producers to take into account environmental impacts of natural gas production.

KKR has worked to ensure that our operating partners' methods of natural gas exploration and production are as safe as possible. With a deep understanding of potential risks, KKR engages independent consultants to work with our operating partners to review their safety procedures, environmental track record, and any past issues or outstanding litigation at the time of our investment in the operator and throughout the investment. Where risks are identified, we work to understand the steps that are being taken to address any concerns and improve operating conditions.

Renewable Energy and Water Investments

Infrastructure is integral to connecting people, goods, and resources, but numerous recent studies have reported on the growing infrastructure gap in the United States. Meanwhile, growth in emerging economies is adding to the demand for infrastructure globally. In the last five years, KKR has invested in numerous infrastructure projects that have the potential to create shared value for both investors and communities.

Renewable energy investments are essential as global energy needs and demands for clean alternatives increase. Renewable energy sources, such as wind and solar, produce little to no traditional pollutants and emit no direct

climate change-inducing greenhouse gases, in turn causing less environmental impact. Since 2011, KKR has invested more than \$1.2 billion into renewable energy projects and businesses. We believe that renewable energy is a critical part of a diverse approach to energy and infrastructure, and we will continue to look for opportunities to grow our renewable energy footprint.

Water infrastructure is an area to which KKR has brought our unique skill set to provide solutions to societal challenges. Many municipalities have encountered difficulties in maintaining their water and wastewater systems. With these difficulties can come supply problems and health risks as well as frequent operational disruptions. KKR has made investments in three major water systems. In 2012, we invested in the city of Bayonne's water utility in New Jersey, U.S. (see case study on pp. 16-17). In 2013, we made a water infrastructure investment in South Staffordshire, UK, which led to the installation of new meters throughout the water utility's territory, leading to a more reliable system for citizens. And our 2014 investment in Middletown, Pennsylvania, U.S., is designed to fund improvements in the water and wastewater system while keeping rates stable and under the control of our municipal partner, the Middletown Borough Authority. The infrastructure challenges are simultaneously local and global, and therefore, so are the solutions we aim to bring.

The Address: Sustainable Housing in Mumbai¹¹

| CASE STUDY

KKR's real estate platform is making diverse investments around the world. In 2013, KKR provided financing to a residential development project in Mumbai, India, known as The Address. The Address is being built with a focus on sustainability and societal need. In India, where natural resources are scarce, and the need for additional safe, quality housing is significant, The Address is leading the way by incorporating enhanced environmental initiatives that target these issues. High efficiency lighting, graywater treatment, double glazed windows, efficient ventilation systems, and rainwater harvesting are examples of the eco-efficient and eco-innovative features included in the development. To improve not only the quality of the environment, but also the quality of life for the tenants, The Address incorporates a car-free platform area that allows residents to enjoy the outdoors free from pollution and noise.

Before construction, the building management team studied the existing conditions and investigated the impact that the new buildings would have on the site. After this analysis, they carefully developed mitigation strategies for the land use, water, air, noise, biodiversity, and socio-economic attributes of the project. During construction and operation, a comprehensive Environmental Management and Environmental Monitoring Plan will continue to drive the inclusion of the identified considerations.

¹¹ The above highlights a company that KKR believes most represents environmental building design considerations and is for illustrative purposes only. This is not representative of all investments made by KKR Funds, and it should not be assumed that any investment in the company identified was or will be profitable.



REAL ESTATE

Through our real estate business, we target a variety of opportunities, including property-level equity, debt and special situations transactions, and businesses with significant real estate holdings that can benefit from KKR's operational expertise.

We partner with real estate owners, lenders, operators, and developers to provide flexible capital, which in turn enables them to respond to transaction-specific needs or the funding of future development or acquisition opportunities.

In 2014, a number of the properties in which we invested focused on ESG initiatives in their operations or development (see case study on opposite page). We also began to engage in a number of energy management initiatives such as lighting retrofits, steam-to-gas conversions, and heating efficiency upgrades with select real estate investments under the guidance of our internal energy expert.

CREDIT

KKR Credit has a number of active investment strategies across leveraged credit, private credit, and special situations that represent a range of risk/return and liquidity profiles. KKR Credit utilizes a fundamental investment approach and leverages proprietary resources to seek out long-term capital appreciation and attractive risk-adjusted returns. With our global presence, depth of analysis, and differentiated sourcing model, we can offer clients a diverse range of investment solutions and deliver strong investment performance.

The ability to integrate ESG considerations can be challenging due to our limited influence in credit investments. However, we are committed to continuing to look for meaningful ways to create sustainable value as this business grows and evolves.

Special Situations

KKR's Special Situations team invests across the capital structure in both privately negotiated transactions and in the secondary markets, seeking to earn strong risk-adjusted returns from market dislocations, complex situations, and distressed assets. KKR employs a partnership approach when working with companies and seeks opportunities to offer solutions to these companies and their stakeholders. The special situations strategy is dynamic and able to deploy capital in multiple ways to capture opportunities arising from market dislocation.

Across the globe, we have identified a number of opportunities to invest in good companies in need of a partner with long-term capital to help them grow or restructure. In each case, our goal is to be a constructive partner of choice while also delivering strong returns for our fund investors. We are working to apply our private equity due diligence process to our special situations investments and, where applicable, we are working with companies after investments have been made.

Since 2011, we have built a high-quality team of more than 30 dedicated real estate investment professionals.

3

RESPONSIBLE INVESTMENT
HIGHLIGHTS

90

awards presented to 36 companies in our private equity portfolio and energy and infrastructure portfolio since 2012, in areas ranging from corporate governance and supplier excellence to diversity and environmental sustainability

56

portfolio companies have participated in at least one of our ESG programs since 2009

28%

of portfolio companies publicly disclose their ESG or citizenship performance

11

guides make up our *Green Portfolio Program Handbook* for portfolio companies

27,700

veterans hired by KKR portfolio companies in the United States since 2011

Inside: Alexander Navab discusses advancing eco-innovation.

EXPERT INSIGHT



Alexander Navab

KKR Member,
Head of Americas
Private Equity

Advancing Eco-Innovation

I believe that KKR's ESG programs are differentiating and have seen firsthand the impact that they can have on our companies. They provide our portfolio companies with resources, support, and clear road maps to help them address current or future challenges and seize opportunities.

Our original effort, the Green Portfolio Program (GPP), started at just three companies in North America and now, six years later, it has involved 27 companies around the world and has achieved significant financial and environmental benefits. Achieving nearly \$1.2 billion in added revenue and avoided costs is real money to us, our companies, and our fund investors. This program has proven we can do good while doing well. Thinking about the use of natural resources and the efficiency of our operations is becoming part of the DNA of how we do business at KKR.

Looking ahead, we want to push ourselves and our companies further. We want to engage companies with efforts that focus not only on eco-efficiency – the core of the GPP – but also on encouraging eco-innovation or providing eco-solutions. By evolving our efforts, we intend to stay relevant and ensure that our work and that of our portfolio companies continues to be most impactful. The new program we are designing will likely take some trial and error to perfect, but I think if done correctly, it should help create a new round of interest from portfolio companies, breathing new life into the program internally and externally.



South Staffordshire Plc

Following our acquisition of UK-based regulated water supplier South Staffordshire Plc, KKR has committed to invest approximately \$715 million during the next five years. In that time, the investment will be used to maintain infrastructure and improve customer service while also aiming to reduce water costs for customers.

Solutions at Work

Through proactive ESG programs and a focus on investing in solutions, we aim to address critical environmental, social, and governance issues.

The Challenges

The world is never going to be less complex. Companies today – regardless of their industry and geography – are experiencing a business landscape with unprecedented pressures they must address to achieve optimal performance.

On the environmental front, certain companies are already experiencing an increasingly limited supply of critical natural resources, including water, minerals, and agricultural products.

Managing human capital and social issues is no easier. Businesses compete for skilled labor, manage rising employee health care costs, navigate complex labor issues, and protect worker safety.

As supply chains grow longer, more distant, and more complex, business operations become more vulnerable to disruption and supplier behavior is more difficult to monitor.

Regions, companies, and industries can also be negatively affected by corruption and lack of good governance because of geopolitical factors.

How We Respond

We work to integrate our responsible investment approach throughout our portfolio of private equity investments. We collaborate with our portfolio companies to improve their business performance in the face of the challenges they experience. Our five proprietary ESG management programs strive to be comprehensive and offer solutions to issues that are common in our private equity portfolio. Overseeing a portfolio of approximately 91 companies in more than 16 industries provides us the ability to identify these shared challenges – and opportunities. Our proactive ESG programs capitalize on these commonalities, share industry best practices, and offer a library of resources. They also introduce consistency by encouraging the use of industry standards, guidelines, and benchmarks and, in many cases, include data collection and reporting requirements. With this support, our portfolio companies are better equipped to thrive in a complex world.

In addition, KKR uses our differentiated worldview and ESG capabilities to invest in solutions around the world. By focusing capital in companies where an environmental, social, or governance benefit is a core part of the business value proposition, we are able to have a positive impact on pressing societal challenges.

Proactive ESG Programs

Designed to be practical and effective, our ESG programs help participating portfolio companies achieve meaningful results and long-term benefits.

At the end of 2014, KKR operated three global ESG-related programs and two additional programs addressing issues specific to our U.S.-based portfolio companies. Each of these programs is intended to provide practical and actionable guidance to participating companies to help them drive real value.



Green Portfolio Program

Stewarding Resources

Portfolio companies in our Green Portfolio Program (GPP) use an “environmental lens” to assess their critical business activities and find opportunities to reduce their waste, energy, and water consumption and minimize their use of natural resources and priority chemicals. The focus areas and initiatives are selected not only for their environmental impact, but also for their ability to reduce costs and improve overall business performance.

KKR launched the GPP in partnership with Environmental Defense Fund in 2008. In 2014, 11 professionals made up the GPP leadership team, including executives from the Global Public Affairs team and KKR Capstone executives across North America, Asia, and Europe. This leadership team helps set strategies for our engagement with portfolio companies, assists with on-site implementation of certain projects, and tracks related progress and results over time. To visit the GPP website, see Online Resources (p. 45).



Responsible Sourcing Initiative

Improving Supply Chain Practices

Poor supply chain management can result in human rights violations, environmental consequences, and supply chain disruption, among other risks. Our Responsible Sourcing Initiative (RSI) seeks to avoid these risks by conducting an assessment of existing company practices and

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Our programs have adapted to meet the changing needs of our companies and demonstrated a variety of positive results. Now we’re working to expand their reach with updated offerings.

”

Elizabeth Seeger
Director,
Public Policy and Affairs

providing guidance and resources to improve management of human rights and environmental issues in the global supply chains of our portfolio companies. RSI was launched in 2010 in partnership with Business for Social Responsibility (BSR).



Integrity and Engagement

Supporting Transparency and Good Governance

Demands for meaningful transparency and corporate accountability are mounting as companies expand their operations and as information about performance and practices becomes more easily available. Transparency and integrity are not only expected by stakeholders, but also parts of regulations such as the UK Bribery Act and the U.S. Foreign Corrupt Practices Act.

KKR promotes business integrity by completing a thorough review of prospective companies during the diligence process and by providing individual support when issues arise during our management of a portfolio company. In addition, we provide companies with access to the best thought leadership in the area of anti-corruption and anti-bribery. We have partnered with Transparency International since 2012 to understand the key trends and best practices on this topic.



KKR Wellness Works

Promoting Health and Well-Being

Nearly half of the roughly 960,000 individuals employed by our portfolio companies reside in the United States, where heart disease and stroke-related health issues 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. KKR 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 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. KKR Wellness Works was started in 2011 with the guidance of the American Heart Association (AHA). In 2013, we launched a multiyear research partnership with

AHA, the University of Pennsylvania, and four portfolio companies to determine the effectiveness of the program and wellness-related incentives.



Vets @ Work

Hiring Veterans and Strengthening Communities

Vets @ Work, launched in 2011, is an initiative aimed at recruiting, hiring, and retaining veterans across our U.S.-based private equity portfolio companies. Veterans possess specialized skills, extensive training, leadership experience, and strong character from their years of military service, making them welcome additions to our diverse companies across the United States. Hiring these veteran men and women helps build stronger companies and stronger communities. We collaborate with a number of organizations on individual projects. In 2014, we launched the KKR Veterans Advisory Council (VAC) led by General (Ret.) David Petraeus. The VAC is made up of thought leaders from within KKR, our portfolio companies, and key external organizations focused on veterans affairs.

Moving Forward

Our programs' focus areas will continue to evolve and expand with the changing environment in which our businesses operate.

In the last year we identified and began exploring three possible areas for additional ESG programs: data privacy, worker safety, and diversity. As we move forward in 2015, we aim to provide more guidance and resources to our portfolio companies in each of these areas through the sharing of best practices and engagement of outside experts.

In 2015, we also plan to refresh our Green

Portfolio Program. While this flagship effort has achieved significant impact for the Firm, we recognize that it is time to refocus our efforts and create a more flexible, innovative, and relevant model. In 2015, we seek to launch a new platform that allows us to work with companies in a more meaningful way. We will work across the areas of eco-efficiency, eco-innovation, and eco-solutions and engage companies in the areas most relevant to their operations. We plan to announce more details throughout the year and aim to begin communicating participants and results in late 2015.

Scope and Bottom-Line Impact of ESG Programs

	PROGRAM SCOPE/OUR ACTIONS	SUSTAINABLE VALUE CREATED
Green Portfolio Program¹³ Program Partner: 	<p>27 portfolio companies from across North America, Europe, and Asia have enrolled in the Green Portfolio Program since 2008.</p> <p>25 portfolio companies have reported results on one or more of the program's five key environmental performance areas: energy use, water use, waste reduction, priority chemical use, and natural resource use.</p>	<p>Avoided 2.3 million metric tons of greenhouse gas emissions, 6.3 million tons of waste, and 27 million cubic meters of water use, resulting in nearly \$1.2 billion in financial impact (estimated cumulative costs avoided and additional revenue at 25 companies) since 2008</p> <p>Diminishes dependency on and consumption of natural resources</p>
Responsible Sourcing Initiative Program Partner: 	<p>26 portfolio companies have been assessed for sourcing policies and practices as part of the RSI.</p> <p>50 percent of KKR portfolio companies have received training in responsible sourcing best practices to date.</p> <p>One Supply Chain Sustainability Guide was developed in partnership with BSR.</p> <p>6 webinars were hosted since 2010 on related topics including conflict minerals, manufacturing supply chains, and human rights in emerging markets.</p>	<p>Improves oversight and management of human rights issues in supply chains</p> <p>Reduces risks to reputation</p> <p>Enhances supply chain relationships</p> <p>Reduces possibility of supply chain disruptions</p>
Integrity and Engagement Program Partner: 	<p>100 percent of KKR portfolio companies are encouraged to engage in ethical business practices.</p> <p>30+ general counsels from KKR portfolio companies have learned about anti-corruption and anti-bribery best practices from Transparency International.</p> <p>28 percent of our portfolio companies publicly report their performance on sustainability-related issues¹⁴</p>	<p>Reduces corruption and associated business risk</p> <p>Improves understanding of all local stakeholders affected by investments and business activities</p> <p>Increases protection of investments from reputational and business perspectives</p> <p>Heightens focus on compliance with the Foreign Corrupt Practices Act and UK Bribery Act</p>
KKR Wellness Works Program Partner: 	<p>9 portfolio companies participate in the program.</p> <p>190,000+ employees have enrolled in the program.</p> <p>4 portfolio companies and KKR are participating in a multiyear research study with the American Heart Association and the University of Pennsylvania with the goal of determining effective wellness incentives.</p>	<p>Increased portfolio company employee participation in biometric screenings to approximately 72 percent in 2013, compared to 46 percent prior to portfolio company participation in KKR Wellness Works¹⁵</p> <p>Improves employee productivity</p> <p>Reduces sick days</p> <p>Controls health care costs over time</p>
Vets @ Work	<p>29 portfolio companies have participated in the Vets @ Work program since 2011.</p> <p>8 individuals make up the KKR Veterans Advisory Council to oversee the program's evolving focus on veteran retention, development, and skills training.</p> <p>Participated in 9 veteran-focused conferences and events with organizations including Veterans on Wall Street and Hiring Our Heroes.</p>	<p>Created jobs for nearly 28,000 U.S. military veterans to date</p> <p>Increases access to skilled talent pool</p> <p>Promotes stronger employee engagement and customer loyalty levels</p>



Gardner Denver

A worker monitors wastewater quality at the award-winning Big Flat Creek Water Reclamation Facility in Loganville, Georgia, U.S. The facility features high-efficiency, low-noise equipment manufactured by Gardner Denver. A leading global manufacturer of highly engineered industrial machinery, Gardener Denver has engaged with all of KKR's proactive ESG programs as the company seeks to improve both its ESG performance and financial results.¹⁶

¹⁶ Subsidiary Gardner Denver Nash enrolled in the Green Portfolio Program in 2014 and expects to report results in 2015.

ESG Programs: Addressing Issues Around the World

We measure ESG program outcomes by the societal, environmental, and business benefits achieved and work toward realizing shared value for KKR, our portfolio companies, and our stakeholders.

Panasonic Healthcare: Improving Facility Efficiency¹⁷

GREEN PORTFOLIO PROGRAM | CASE STUDY

Company: Leading provider of diabetes monitoring systems, specialized laboratory equipment, and clinical healthcare IT systems in Japan and worldwide

Key Initiatives: Panasonic Healthcare measured and managed energy consumption in its local facilities and utilized a carbon dioxide (CO₂) reduction committee to share best practices companywide. The company improved energy and lighting efficiency, respectively, by replacing an old compressor at its Gunma facility and by using LED technology at workstations at its Wakimachi factory. To increase savings, the company is considering additional enhancements, such as replacing aging equipment with high-efficiency equipment and installing inverter and timer-controlled air conditioners in one factory.

Results since 2012:

- **Avoided \$296,000** in energy costs
- **Avoided 840 metric tons** of greenhouse gas (GHG) emissions
- **Improved GHG efficiency by 5 percent**



Pets at Home: Reducing and Recycling Waste¹⁷

GREEN PORTFOLIO PROGRAM | CASE STUDY



Company: A leading U.K.-based specialty retailer of pet food and accessories and provider of pet-related services

Key Initiatives: Pets at Home enhanced recycling practices at its stores and distribution centers through the introduction of dry mixed recycling to recycle plastic bottles, cans, cardboard, paper, and other dry waste produced at these sites. It also worked with its service provider to participate in waste diversion programs, such as Refuse Derived Fuel, in which waste is shredded and bulk burned as an alternative to using fossil fuels. Moving forward, Pets at Home plans to send all waste from its support office to treatment centers to further reduce waste going to landfill.

Results since 2008:

- **Avoided 11,300 tons** of waste
- **Recycled 31,000 metric tons** of waste
- **Diverted 964 tons of waste** to various treatment facilities
- **Improved waste efficiency by 20 percent**
- **Achieved \$1.8 million¹²** in financial impact from waste reduction efforts

¹² Pets at Home began tracking the revenue from recycled waste in 2011.

¹³ Data for GPP are cumulative for all companies that were in KKR's PE portfolio and participated in GPP at any point from 2005-2014. All GPP data are as of October 1, 2014. See Important Information regarding the Green Portfolio Program and its methodologies (p. 45).

¹⁴ For purposes of this number, a company was considered "reporting" if it independently disclosed performance metrics on its ESG or citizenship programs.

¹⁵ For all portfolio companies participating in KKR Wellness Works.

First Data Corporation: Hiring Veterans¹⁷

VETS @ WORK | CASE STUDY

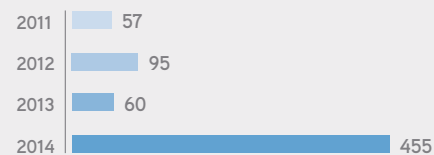
Company: Global leader of payment technology and services solutions for merchants, financial institutions, and card issuers

Key Initiatives: First Data Corporation has been a participant in Vets @ Work since 2011. With 23,000 owner-associates and operations in 34 countries, the company provides secure and innovative payment technology and services to more than 6 million merchants and financial institutions around the world. In 2014, First Data more than doubled its hiring of veterans, reaching 455 veteran job placements. This totaled more than 10 percent of its U.S. new hires, and exceeded the U.S. Equal Opportunity veteran hiring benchmark of 7.2 percent. First Data has set a goal that 20 percent of its U.S. hires in 2015 will be veterans and military spouses.

First Data's progress in hiring veterans is due to the establishment of First Data Salutes, a metric-driven military engagement strategy implemented across the enterprise by First Data's Military and Veteran Affairs team. First Data Salutes is divided into three pillars: employment, education, and entrepreneurship. Each pillar includes programs focused on providing veterans and military families with access to career opportunities, best-in-class educational resources, and premier business solutions for veteran-owned businesses. As the principal leader for the Coalition for Veteran Owned Business, First Data is committed to supporting veteran-owned businesses.



Veterans Hired at First Data Corporation



HCA: Making Wellness a Priority From Top to Bottom¹⁷

WELLNESS WORKS | CASE STUDY



Company: Leading provider of health care services, with hospitals and freestanding surgery centers in 20 U.S. states and the United Kingdom.

Key Initiatives: Since 2008, HCA has focused increasingly on the health and wellness of its affiliated employees. Based on employee feedback, HCA adjusted its wellness programs to provide greater flexibility and encourage employee initiative. HCA has made it easier for HCA-affiliated employees to participate in its wellness programs, encouraging the use of in-network personal physicians for employees to get a free office-based preventative care screening. Employees who sign a Nicotine-Free Affidavit are eligible for a discount on medical plan costs. HCA provides a wealth of resources to help participants in their wellness journey, including a partnership with the American Heart Association and coaching for smoking cessation.

HCA's culture of health extends through its employee population up to the company's CEO. In 2013, HCA Chairman and CEO Milton Johnson joined the American Heart Association's CEO Roundtable, of which KKR Co-Chairman and Co-CEO Henry R. Kravis is a co-chair. The CEO Roundtable is a coalition of leading CEOs committed to addressing employee health and wellness. CEO Roundtable companies commit to reduce chronic health conditions and increase employee engagement, while the CEOs commit to providing a personal example of healthy living.

¹⁷ The case studies for the Green Portfolio Program highlight companies that KKR believes best represent our focus on managing environmental impacts. The Vets @ Work case study highlights a company that KKR believes most represents our focus on veteran hiring and retention. The Wellness Works case study highlights a company KKR believes best illustrates our focus on wellness. They are not representative of all investments made by KKR Funds, and it should not be assumed that any investment in the companies identified was or will be profitable.

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Whether it's our fund investors, our company partners, or our Firm employees, we want to be known as innovative and solutions-focused. These opportunities allow investors in our funds to put their capital to work by addressing big challenges through investments in companies that help make the world a better place.

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Alisa A. Wood
Member,
Client and Partner Group

Solutions Investing

We direct capital to companies that address societal issues while seeking to earn a competitive return.

KKR is proud to invest in businesses that are working to address pressing societal issues. Today we not only apply the concept of responsible investment across our portfolio where applicable, but also demonstrate examples where responsibility and sustainability are core parts of an investment thesis. At KKR, solutions investing is defined as conventional investments made in companies that have an intentional focus on solving a societal challenge as core to the business. KKR's capital, operational capabilities, and long-term ownership model position the Firm well for investing in strategies that have positive societal impact.

To date, KKR's solutions-related investments have been in companies that have positive impacts on human capital, natural capital, food security, and health and well-being. We have invested in more than 25 businesses that are addressing these important societal issues. We will continue to develop and refine our approach and look for opportunities where our investments can generate returns while also helping communities to overcome challenges.

INVESTMENT HIGHLIGHTS

- **3.3 million** reusable **Goodpack** intermediate bulk shipping containers in use across 70 countries provide an alternative to single-use shipping options.
- **700,000 individuals**, including small-business owners and entrepreneurs in rural and semirural India, have access to capital through **Magma Fincorp**.
- **900,000 sq. ft. K Twin Towers** in Seoul, South Korea, provides environmentally responsible, 2nd level G-SEED rated commercial office space.
- Approximately **40,000 people** are supported through direct and indirect employment and the community development efforts of **Afriflora**, an Ethiopia-based grower of fair trade, sustainable roses.

SBB/Telemach Group: Transparency Through Telecommunications¹⁸

| CASE STUDY

KKR's solutions investments span a range of geographies and address a variety of challenges, including our first direct Southeast European investment in SBB/Telemach. A leading cable, pay-TV, and broadband Internet operator serving nearly 2 million customers in the former Yugoslavia, SBB/Telemach is the largest U.S. private equity investment in the region.

KKR invested in SBB/Telemach with the goal of creating a well-capitalized private company that offers European-quality services in fixed and mobile communication, TV, and broadband Internet. Such an investment offers direct and significant benefits for citizens in terms of job creation and economic development. KKR's investment also encourages other foreign investors who are considering investments in the region.

We are proud that the European Bank for Reconstruction and Development is a co-investor with KKR in our investment in SBB/Telemach. This investment is providing access to information and supporting news operations that are following international standards on editorial quality and independence.

¹⁸ The SBB/Telemach case study highlights what KKR believes is the strongest example of our focus on encouraging openness and transparency through our media and telecommunications investment. It is not representative of all investments made by KKR Funds, and it should not be assumed that any investment in the company identified was or will be profitable.



Investments Providing Environmental Solutions¹⁹



1 ACCIONA Energia Internacional
Renewable energy

2 Afriflora
Sustainable, fair trade agriculture

3 Bayonne Water & Wastewater Concession
Water infrastructure

4 Coriance
Renewable energy

5 Goodpack
Sustainable shipping containers

6 K Twin Towers
Green building

7 Middletown Borough Authority
Water infrastructure

8 SSM Solar
Renewable energy

9 Santanol
Sustainable forestry

10 Sorgenia France
Renewable energy

11 South Staffordshire Plc
Water infrastructure

12 Sundrop Farms Holdings
Sustainable agriculture

13 SunTap Energy RE LLC
Renewable energy

14 T-Solar Global Operating Assets
Renewable energy

15 Temporis Capital
Renewable energy

16 The Address
Sustainable housing

17 United Envirotech Ltd.
Water treatment and recycling

¹⁹ The above investments are considered environmental solutions investments as identified by KKR's Global Public Affairs team. Such determination and assessment involves significant judgment and may differ from another party's review of the criteria used. Another party's assessment may include comparable companies not represented above. The specific portfolio companies identified are not representative of all of the securities recommended for advisory clients, and it should not be assumed that the investments in the companies identified were or will be profitable.

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FOCUSING INTERNALLY AND MOVING FORWARD

To become stronger investors and create additional value in the future, we believe that we must invest in our people and communities more than ever before. Our Firm's well-established values are helping to drive internal decisions and future goals. In the coming year, we aspire to:

Become a more **diverse and inclusive** organization under the leadership of our Inclusion & Diversity Council, and increase senior leader accountability

Increase Firm employee involvement in **environmentally focused** initiatives to improve the impacts of our operations

Broaden and deepen our **corporate engagement** platform through expansion of the Firm's citizenship efforts

Extend our technical assistance efforts to further **support purposeful companies, social enterprises, and nonprofits** around the world

Inside: Todd Fisher explains why KKR is putting resources toward technical assistance projects.

EXPERT INSIGHT



Todd Fisher

KKR Member,
Chief Administrative
Officer

Engaging Employees, Creating Impact

We constantly think about how to responsibly create and add value as a Firm. While we have chosen to focus primarily on the impacts of our investment decisions, we also have a duty to support local communities in tangible, direct ways whenever possible.

By giving our time, talent, and resources, all of us at the Firm can support positive changes where we live and work. One of the best ways we can do that is by combining our teams' skills with our communities' needs. In 2013, we launched the first KKR technical assistance project: a partnership at East Bali Cashews centered on job creation in Indonesia. In 2014, we completed a second project with a company in the Philippines known as Glovax, whose mission is to scale access to much-needed vaccines in Asia.

Through these projects, we match a team of KKR employees with an organization in need of advice, support, and financial expertise. The team works with the business over the course of several months to address challenges, raise capital, and restructure or expand operations. We believe KKR's participation is an advantage for the companies, which obtain valuable services at no charge, and is also beneficial for our Firm. This effort is resonating with our employees, who are eager to get involved in the projects.

In my 22 years at KKR, I have personally observed how our partnerships are critical to successful outcomes. The technical assistance projects are a perfect example of our ability to think better and more creatively when we work together. By tapping into the business acumen of our employees, we are helping mission-driven businesses thrive and strengthen their services. There is great potential for everyone involved.



East Bali Cashews²⁰

East Bali Cashews (EBC), a social enterprise, is Bali's first large-scale, environmentally conscious cashew processing facility. KKR partnered with Impact Investment Exchange Asia and Impact Investment Shujog to provide strategic advice and technical assistance to EBC, thereby helping the company to obtain funding needed to expand its operations and hire more local villagers, predominantly women who have never held formal salaried employment.

²⁰ East Bali Cashews is not a KKR portfolio company.

Building Stronger Communities

**By investing in our people and in our communities,
we are able to achieve our full potential as a business.**

The Challenges

How do you define community? As KKR's footprint grows larger and globalization creates stronger connections among geographically distant groups, our understanding of community has evolved. For us, community is defined as the people we employ, the neighborhoods in which we work and live, and the many regions in which we invest. These communities are interconnected and as such can experience a number of common challenges, which in turn can affect our businesses' ability to maximize their potential.

Within the workplace, a new generation of employees brings expectations that differ sharply from their predecessors. In some markets, a limited pool of qualified job candidates drives competition for talent. And many businesses are learning to embrace a workforce that is increasingly diverse.

Beyond the workplace, businesses depend on the vitality of the communities in which they operate, but communities are confronting myriad pressures and limited resources. As societal needs mount, government, religious institutions, and nonprofits are often unable to meet the demand for the support and services they have traditionally provided.

How We Respond

In this world of changing values and rising expectations, we place a high value on our people, as they provide our most important asset: intellectual capital. We are committed to embracing a diverse array of employees and to helping our employees thrive by investing in their professional advancement and promoting their physical well-being.

We believe that if a company does not take care of its own community, it will not reach the pinnacle of what it can achieve. Thus, we seek to instill the practice of giving back by encouraging our employees to get involved in their local causes and communities. We support their involvement at the individual, office, and Firm levels through a range of activities and partnerships. And, we are finding innovative ways of investing our expertise and our capital to grow businesses that are designed to directly meet societal needs while generating a financial return.

Our Employees

The most important differentiator of KKR is our people – they ensure that we remain a leader in our industry.

Executive Compensation

We incentivize employees in ways designed to attract, motivate, and retain them, while aligning their interests with those of our unit-holders and fund investors, and also reinforcing our culture and values.

We cultivate a culture of meritocracy and fairness, holding people accountable for results and their individual contributions to the Firm. This philosophy means compensation is based on multiple factors, including performance of the Firm as a whole and of one's business unit, as well as one's individual accomplishments. We gather 360° feedback along our three core performance dimensions: driving commercial results, leading and managing people, and living the Firm's values. We believe our rigorous evaluation process reaffirms our culture, while also increasing objectivity and thoughtful, merit-driven decision-making.

INVESTING IN TRAINING AND DEVELOPMENT

As a part of our commitment to our employees and to help drive their engagement, we strive to invest continuously in their training and professional development.

We provide training, mentoring, and executive coaching to supplement employees' on-the-job experiences 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, and coach other team members to maximize performance.

In 2015, we will continue our focus on accelerating employee development to support the Firm's strategy and to establish an even stronger foundation for the future.

DEVELOPING A DIVERSE CULTURE

The Firm's overarching goal has always been to deliver outstanding investment performance for the investors in our funds. To achieve and sustain this goal, and to ensure we bring truly varied thinking and breadth of perspective to our clients and our problem-solving, we need to become more diverse and inclusive than we are today. In 2014, we advanced this goal by establishing our Inclusion & Diversity Council (IDC). This council, led by seven of our most senior executives, is mandated to ensure we remain an entrepreneurial, innovative, and vibrant organization – one that values teamwork, and welcomes and leverages differences among genders, ethnicities, nationalities, sexual orientations, and other life experiences. Overall, the IDC is accountable for helping the Firm:

- Attract, develop, and retain the best possible talent
- Become more diverse and inclusive, with increased representation among women, underrepresented demographic groups, and people with varied experiences and perspectives
- Employ talent that reflects the clients we serve, the companies with which we partner, and the communities in which we live and conduct business
- Improve mentoring, and identify and implement other best practices to develop and retain diverse talent
- Partner closely with outside organizations to foster stronger ties with the community, and in particular with underrepresented groups
- Encourage a keen sense of responsibility in everyone at the Firm for contributing to our success
- Drive business leader accountability for ultimate progress and results

GREENING OUR OPERATIONS

Although the majority of our environmental impact arises from our work with portfolio companies, our commitment extends to enhancing KKR's direct environmental footprint. We accomplish this through strategic operational changes and employee engagement.

During 2014, KKR hosted two Environmental Defense Fund (EDF) Climate Corps fellows. One of the fellows helped assess the Firm's environmental practices and policies in the New York office. The assessment showed that while our performance is high when it comes to investing in areas such as energy efficient office equipment and infrastructure, we have a gap in our supporting communications and employee engagement. In 2015, we aim to better communicate policies and practices to employees to further engage them in environmentally focused initiatives such as waste management.

As the Firm continues to expand globally and open new offices, we are identifying opportunities to integrate environmentally focused initiatives. For example, employees in our new London office were provided with reusable water bottles, new filtration systems, and environmentally conscious paper products and office supplies. Similar efforts in the New York office have achieved nearly \$100,000 in financial impact since 2011.

Moving forward, we will continue to provide opportunities for KKR employees to participate in awareness campaigns and service events, such as our global support of Earth Hour and our New York-based Earth Day volunteer event (see case study). These efforts not only reinforce the Firm's commitment to sustainability, but also support procedures and products that are healthiest for our employees and our environment.

Focusing on Wellness

As part of the KKR 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 the third year. 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 selected physical activities including gym memberships, walking programs, and running events.

Fostering a culture of health and wellness remains a priority for KKR. In 2014, we hired a head of global benefits, charged with developing a more integrated health and wellness strategy for the Firm. In 2015, our focus areas will include providing a more diversified offering of benefits and on-site wellness programming for our U.S.-based employees.

Greening Communities in the South Bronx

| CASE STUDY

In celebration of Earth Day, KKR hosted our second annual Earth Day service event with Sustainable South Bronx (SSBx), an organization that addresses environmental issues in the South Bronx through green job training and community greening programs.

More than 50 KKR employees, friends, and family members teamed up with employees from Ipreo, a former KKR portfolio company, to help transform the Bryant Hill Community Garden in the South Bronx neighborhood of New York City. Their efforts included:

- Repairing and replanting 11 garden beds
- Painting over more than 300 square feet of graffiti and rust
- Removing more than 10 garbage bags of debris and trash
- Filling more than four compost bins with green material and garden scraps
- Completing beautification projects including painting garden signs and plant identification signs, assembling four planters, and creating mosaic garden tiles
- Clearing debris from more than 500 square feet of garden paths



Our Impact on Communities

KKR employees, partners, and founders donate time and resources to help build vibrant, healthy communities.

KKR Gives Back

We organized multiple opportunities for employees to give back during Firm-sponsored days of service.

Firm Day Of Service: During the 2014 Firm meeting held in California, KKR employees gave back to the communities and people of Los Angeles County through the nonprofit Big Sunday. KKR's efforts impacted more than 3,000 people through donated goods and services valued at approximately \$200,000.

Flagship Partnerships: For years, KKR has partnered with organizations whose goals and values reflect our own. In 2014, we strengthened flagship partnerships with:

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

CORPORATE ENGAGEMENT

The Firm's founders, partners, and employees share a deep commitment to philanthropic giving and volunteer service.

In 2014, we broadened and deepened our corporate engagement platform. We built on initiatives, such as the KKR Employee Matching Gift Program and board service opportunities, launched in 2012 and 2013, while also strengthening the Firm's citizenship efforts, such as global days of service.

KKR Cares Speaker Series: We continued to introduce our executives to various causes and nonprofits and to share opportunities for community involvement through our KKR Cares Speaker Series. Featured organizations included Women for Women International; Youth, I.N.C.; and Upwardly Global in New York City.

Nonprofit Board Service Opportunities: We continued connecting our executives with nonprofit board service opportunities and successfully placed 13 executives on nonprofit boards and in mentoring programs. These placements provide opportunities to interact in a meaningful way with nonprofits and the people they serve through ongoing strategic advice and partnership.

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. Since its launch in 2013, the program has provided more than \$500,000 in matching gifts to nonprofit organizations across the globe. We believe this program further incentivizes employee giving and involvement.

TEAK Fellowship: Mentoring for Academic Success

| CASE STUDY

An example of how we engage with a flagship partner is evident in our interactions with the TEAK Fellowship program. The TEAK Fellowship provides talented New York City students from low-income families with academic support, leadership training, exposure to the arts and outdoors, mentoring, career experience, and assistance with the high school and college application processes.

This year, more than 25 KKR employees in the New York office volunteered at the Food Bank for New York City alongside more than 25 TEAK students. Together the volunteers packed nearly 11,000 pounds of food, providing approximately 9,000 meals to New York families in need.

KKR is dedicated to helping TEAK students succeed. In addition to service events, we host TEAK students at our New York office so that they can experience KKR's culture, meet executives, and learn about business issues.



VOLUNTEERISM AND CHARITABLE GIVING

KKR employees around the world directly give back to their communities and come together to support impactful and dynamic local organizations.

New York

Employees donated coats and infant bunting to the New York City Cares Coat Drive and **fulfilled 71 letters** to Santa from low-income children through the “Be an Elf” Christmas holiday program.

For Junior Achievement of New York, employees **raised \$33,000**, which KKR matched.

California

Sixty KKR employees participated in the American Heart Association’s Heart Walk and **raised more than \$60,000**.

Employees volunteered with the San Francisco-Marin Food Bank to **sort food** and with Rebuilding Together San Francisco to **rebuild a home** for an individual in need.



London

Dozens of employee volunteers **participated in a “bake-off”** on behalf of the Great Ormond Street Hospital for Children.

Employees **mentor and tutor** Impetus clients, and host them at special events in the KKR London office.

Singapore

KKR and three of our portfolio companies (Cognita Schools, Capital Safety, and United Envirotech Ltd.) participated in AmCham Singapore Corporate Community Day.



KKR Donations

KKR **donated more than \$1.3 million** to 49 charitable organizations through the KKR Charitable Gift Fund.

OUR FOUNDERS’ PHILANTHROPY

Our founders, Henry R. Kravis and George R. Roberts, share their commitment to, and inspire the Firm’s involvement in, charitable and volunteer work as both are actively engaged in leading nonprofits in their respective communities.



Kravis Prize: Helen Keller International

The Henry R. Kravis Prize in Leadership recognizes excellence in the nonprofit sector through an annual grant awarded for extraordinary leadership. Helen Keller International, among the oldest international nonprofits devoted to preventing blindness and reducing malnutrition, was awarded the prize in 2014 for its real and measurable impact on the most vulnerable populations.



REDF: Social Enterprises Putting People to Work

KKR continues to support REDF, an organization founded by George R. Roberts to provide equity-like grants and business assistance to nonprofits in California. For 18 years, REDF has invested millions of dollars in more than 60 social enterprises that have employed 9,500 Californians, many of whom face the greatest barriers to employment including homelessness, mental health disabilities, drug and alcohol addictions, and imprisonment.

We plan to expand our technical assistance efforts to additional regions, thereby engaging more KKR employees and further harnessing the power of social enterprises around the world.

Promoting the Power of Impact Investing

By providing technical assistance, KKR extends the reach of social enterprises.

KKR has been increasingly interested in the power of impact investing, which we believe can play an important role for investors and communities. As part of this interest, our Firm has created a meaningful partnership with Impact Investment Exchange Asia (IIX) and Impact Investment Shujog (Shujog) to offer technical assistance to social enterprises in need. Together, we define social enterprises as businesses that put social impact on par with, or ahead of, financial impact.

IIX identifies social enterprises in need of expertise and resources, and KKR chooses relevant employees to form small project teams. The KKR teams then work with the companies for a period of time to achieve desired business outcomes.

In 2013, KKR executives teamed up with IIX and Shujog to support East Bali Cashews (EBC), Bali's first large-scale cashew processing facility. In 2014, KKR, IIX, and Shujog worked together to select Glovax (see case study) for an in-depth assistance project focused on improving the company's reach and operational efficiencies. Our work with EBC and Glovax resulted in real value for not only the companies but also for KKR employees involved in the projects.

These efforts are only the beginning of our technical assistance engagements. We seek to continue guiding businesses that are developing solutions to societal challenges through capacity building, job creation, access to education, energy solutions, sustainable development, water infrastructure needs, and public health opportunities.

KKR and Glovax: Expanding Vaccine Access²¹

| CASE STUDY

In 2015, KKR completed our second technical assistance project in Asia, helping Manila-based health care company Glovax Biotech Corporation prepare to expand its business to offer more lifesaving vaccines to low-to-middle-income Filipinos.

Glovax imports, distributes, and sells vaccines at affordable rates, offering a critical service to many citizens who cannot afford vaccines at standard health clinics. Since its 2003 launch, Glovax has distributed more than 4 million doses of vaccines, providing protection to 1.7 million people.

CEO Giovanni Alingog founded Glovax after witnessing his wife, a medical doctor, tend to patients with preventable diseases. Alingog realized that by increasing vaccine access for low-to-middle-income Filipinos, Glovax could help reduce the incidence of these illnesses.

KKR, IIX, and Shujog partnered to provide financial, operational, and analytical expertise to better position Glovax for third-party funding commitments. Members of KKR and KKR Capstone conducted site visits and helped Glovax develop a business plan, financial model, and impact assessment.

Following a year of KKR's technical assistance, Glovax obtained a \$1.1 million credit line to strategically increase inventory and expand distribution. In 2015, Glovax intends to raise equity to build new clinics and increase its social impact. By 2018, Glovax aims to provide an additional 3.5 million doses of vaccines.

²¹ Glovax is not a KKR portfolio company.



5

Measuring Progress

While we have reached and surpassed many of our goals, some call for continuous improvement and others have been challenging to achieve.

The Challenges

As KKR and our investments become increasingly global and diverse, it can be challenging to ensure that our approach to responsible investment is both broad and nimble enough to be thoughtfully applied in every case. It is difficult to apply many traditional performance metrics to the portfolio as a whole because companies enter and exit our portfolio from year to year, thereby creating volatility that leads to an inconsistent baseline.

How We Respond

We organize our key performance indicators (KPIs) according to relevant United Nations-backed Principles for Responsible Investment. Our approach is largely qualitative in nature as we focus on the integration of ESG principles throughout the investment process. While our efforts have expanded significantly in the past five years of reporting, the areas against which we track our progress have, for the most part, remained the same. That is because the same KPIs that we and our stakeholders defined in 2010 remain relevant to our business model and material issues today. Measuring our performance is an evolving task, but one where we will always seek continuous improvement and efficiency.

Key Performance Indicators

We continue to make progress integrating ESG considerations into our investment processes and remain committed to building on our efforts in the years to come. The following table contains the KPIs that we identified in 2010 and against which we have evaluated our performance to date. This table seeks to show the various ways in which we have made progress against our goals and is organized according to relevant Principles for Responsible Investment (PRI).

Goals for ESG Management

	OUR COMMITMENT	WHAT WE HAVE DONE SINCE 2010	WHAT WE AIM TO DO IN 2015
Identification of ESG risks and opportunities pre-investment (PRI I)	Provide guidance to our investment professionals for identifying and assessing opportunities	Created guides for the Investment Committees and investment teams to support integration of how to assess potential investments from an ESG perspective Developed a global Private Equity ESG Policy, conducted training, and began integrating it into the investment process	Continuous improvement, including enhancements to our ESG approach in special situations, real estate, energy and infrastructure, and other asset classes
	Develop resources and guidance to support the diligence process	Developed more than 20 industry-specific ESG issue guides for sectors or companies under consideration, with input from external subject matter experts Enhanced our global network of diligence providers to support our ESG efforts across regions	Continuous improvement, including integrating findings from across the Firm
	Involve the ESG diligence team in the assessment of all potential private equity investments as part of the Investment Committee process	Developed and expanded our ESG diligence team Enhanced our internal monitoring to include more detail on findings and next steps for investments Assessed approximately 140 companies through the ESG diligence team, which met more than 30 times during 2014	Continuous improvement, including enhancements to our ESG approach in special situations, real estate, energy and infrastructure, and other asset classes
	Integrate ESG considerations when assessing investment targets for relevant non-private equity asset classes	Interviewed stakeholders and benchmarked peers to establish ESG-related draft policies for all relevant asset classes Enhanced our diligence process, including documentation, for energy-related investments	Continue developing and implementing policies, particularly for special situations, real estate, and infrastructure
Management of ESG issues during portfolio management (PRI II)	Partner closely with our private equity portfolio companies to ensure that key ESG issues are being assessed and managed appropriately	Implemented regular internal meetings to review the private equity portfolio for material ESG issues or opportunities Provided guidance to portfolio company executives through conferences on topics such as procurement, human resources, and technology, and convened the 2014 Sustainability Summit Developed resources to identify key ESG-related policies for industry sectors	Partner with portfolio companies to enhance their existing ESG-related policies, where needed Develop new proactive programs in critical areas such as worker safety
	Integrate ESG considerations in management across relevant non-private equity asset classes	Interviewed stakeholders and benchmarked peers to establish ESG-related draft policies or approaches for relevant asset classes	Continue developing and implementing resources, particularly for special situations, real estate, and infrastructure
Green Portfolio Program (GPP) expansion (PRI II)	Enhance environmental management in the portfolio companies where eco-efficiency is material to the business	Announced program results annually, including 2014 results of achieving nearly \$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 since 2008 Launched our <i>GPP Handbook</i> and six related webinars Hired a full-time environmental efficiency expert	Launch KKR's Green Solutions Platform

ABOUT OUR KEY PERFORMANCE INDICATORS

At the start of our ESG reporting effort in 2010, we defined relevant KPIs for measuring and reporting performance. In doing so, we also identified several KPIs that, while potentially relevant, we believed would not accurately communicate our progress. For example, the “number of companies in which we identified ESG issues as part of the pre-investment phase” is more a reflection of how many companies we evaluated rather than the success of our evaluation process. Another example includes the “total greenhouse gas emissions of

our portfolio companies,” which we believe is not a meaningful metric for the performance of the total portfolio as companies enter and exit the portfolio year to year, thereby creating volatility that leads to an inconsistent baseline. Instead of these types of performance metrics, we seek to communicate the results of our efforts to integrate ESG considerations into our investment processes, much of which is qualitative in nature. We welcome feedback from our partners and stakeholders as we continue to refine our KPIs.

	OUR COMMITMENT	WHAT WE HAVE DONE SINCE 2010	WHAT WE AIM TO DO IN 2015
Employee engagement program expansion (PRI II)	Enhance productivity and health of employees in private equity portfolio companies through KKR Wellness Works	Collected three years of biometric data for participating companies Launched a multiyear research study on the effectiveness of our workplace wellness program with the American Heart Association (AHA) and the University of Pennsylvania Engaged KKR and three of our portfolio companies in the AHA CEO Roundtable	Continue to participate in the AHA CEO Roundtable and other wellness-related, thought-leadership activities; advance the KKR Wellness Works research study; provide additional resources and tools to participating companies
Responsible Sourcing Initiative (RSI) expansion (PRI II)	Enhance private equity portfolio companies’ policies and procedures for opportunities associated with supply chain responsibility	Analyzed policies and procedures for 26 high-priority portfolio companies and developed action plans where we saw areas that could be improved Improved three portfolio companies’ performance with respect to responsible sourcing issues Conducted six webinars on key topics in responsible sourcing	Continue working with our portfolio companies to enhance their programs
Transparency and stakeholder engagement (PRI III)	Encourage private equity portfolio companies’ efforts to report on their sustainability and ESG efforts to key stakeholders	Developed web-based learning events and continued to provide guidance as appropriate, including through ESG round tables Approximately 28 percent of our global portfolio companies report, or are beginning to report, publicly on their ESG or citizenship programs ²²	Create additional web-based learning events and support further round table discussions
Promotion of responsible investment (PRI IV)	Work with individuals throughout the private equity value chain to share best practices	Convened approximately 14 ESG round table and stakeholder engagement events in Europe and North America since 2010 Led six ESG workshops and presentations with North American fund investors Held five cross-portfolio conferences on relevant topics – including KKR’s first Sustainability Summit	Organize two events in 2015 for fund investors and portfolio companies
	Promote the PRI and other guidelines for responsible investment through involvement in sector initiatives	Participated in industrywide events that target mainstream investors on ESG issues, including the keynote at Private Equity International Responsible Investment Forum in 2010 and 2011 and a keynote at the PRI conference in 2014 Contributed case studies to industry publications	Continue participation in industrywide events that target mainstream investors on ESG issues as well as active engagement with the PRI
Collaboration with partners (PRI V)	Work with others in the financial services industry to develop a common framework for ESG reporting	Participated in the development of guidelines and performance indicators for the private equity sector by contributing to the PRI self-assessment survey Continued to contribute to the development of sector reporting guidelines by the Sustainability Accounting Standards Board	Continue to advocate for, and participate in, efforts to improve the thoughtful management and disclosure of ESG issues, in conjunction with partners

²² For purposes of this number, a company was considered “reporting” if it independently disclosed performance metrics on its ESG or citizenship programs.

Goals for ESG Management (continued)

	OUR COMMITMENT	WHAT WE HAVE DONE SINCE 2010	WHAT WE AIM TO DO IN 2015
Transparency and reporting (PRI VI)	Integrate discussion of ESG issues into investment partner communications	Integrated ESG management into discussions at three annual global investment partner conferences and distributed quarterly ESG-related updates, when appropriate	Continue to facilitate conversations with limited partners about our approach to responsible investment
	Provide data and KPIs that clearly link ESG goals to business performance	Measured and reported the financial benefit of the Green Portfolio Program Developed KPIs for other programs, such as KKR Wellness Works	Continuous improvement on KPIs that relate business success with ESG performance Work with industry to advance a framework for capturing and communicating business value
	Engage stakeholders to obtain feedback on our ESG reporting	Interviewed approximately 20 diverse stakeholders to help define our approach to ESG reporting Conducted professional analyses of our ESG report to identify additional opportunities for improvement	Continue to gather feedback on our ESG reporting efforts and monitor best-in-class reporting trends

The following table captures select KPIs associated with our goals for managing KKR for long-term growth. This effort continues to be a work in progress and we aim to further develop and improve our performance on these KPIs over time.

Goals for KKR's Long-Term Growth

	OUR COMMITMENT	WHAT WE HAVE DONE SINCE 2010	WHAT WE AIM TO DO IN 2015
Environmental Footprint	Assess our environmental impact and identify opportunities for improvement	Formed the KKR Green Team, a committee in our New York office, which has reduced packaging waste and costs in our New York operations by nearly \$100,000 since 2011 Supported Earth Hour and Earth Day since 2012 through employee engagement events Hosted an EDF Climate Corps fellow who assessed KKR's environmental practices Expanded greening initiatives at our London office	Continue to support environmentally friendly practices and products at our headquarters Expand Green Team efforts to one additional KKR office location
Workplace Diversity	Achieve greater inclusion and diversity across the Firm	Formed the Inclusion & Diversity Council (seven senior Firm leaders) and Inclusion & Diversity Advisory Group (16 executives globally) Enhanced recruiting practices to access and identify broader and more diverse candidate pools Undertook a rigorous assessment of essential development and retention drivers, and prioritized initiatives for improvements	Drive greater business leader accountability for successful outcomes Enhance benefits and programs to help retain diverse talent Design and deliver programs to improve interviewing skills and raise potential bias awareness
Corporate Engagement	Create opportunities to deepen community involvement for all Firm employees	Hired a director of corporate engagement in 2012 Facilitated 12 community service events since launching our corporate engagement platform in 2012 Developed a KKR Employee Matching Gift Program for all employees, matching more than \$500,000 to date	Continue to leverage executives' board service positions to foster relationships with nonprofits and identify volunteerism opportunities; host Firmwide corporate engagement activities
Health and Wellness	Build a culture of health and wellness at KKR through robust and diversified benefit programs, policies, and wellness offerings	Hired a global head of benefits in 2014 Designed and implemented a U.S. strategy that will: <ul style="list-style-type: none"> ■ Drive engagement through senior leader support; enhanced workplace environment; and self-directed initiatives ■ Increase accountability through program enhancements that drive efficient utilization and behavior change ■ Identify and prevent health risks through annual biometric screenings, HRAs, and flu shots 	Introduce benefits to support employees and their families in managing their health and welfare Pilot selective on-site wellness programs promoting increased physical activity, improved nutrition, and resiliency

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 www.kkr.com.

CONTACT

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

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References to "assets under management" or "AUM" represent the assets as to which KKR is entitled to receive a fee or carried interest. KKR's calculation of AUM may differ from the calculations of other asset managers and, as a result, KKR's measurements of our 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 we manage and is not calculated pursuant to any regulatory definitions. Certain numbers may differ due to rounding.

TO LEARN MORE

To learn more about KKR's ESG approach, visit the 2014 ESG and Corporate Citizenship microsite at www.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. Follow us on Twitter: [0KKR_Co](https://twitter.com/0KKR_Co).

ONLINE RESOURCES

For additional details about specific topics found throughout this report, see the following listed resources:

- Page 1 Global Reporting Initiative's Technical Protocol: www.globalreporting.org/resource/library/GRI-Technical-Protocol.pdf
- Page 12 KKR Culture and Values: www.kkr.com/company/culture-values
- Page 12 Principles for Responsible Investment: www.unpri.org/about-pri/the-six-principles/
- Page 12 PEGCC Guidelines for Responsible Investment: www.pegcc.org/issues/guidelines-for-responsible-investment/
- Page 12 KKR Code of Business Conduct and Ethics: ir.kkr.com/kkr_ir/kkr_governance.cfm
- Page 13 KKR Governance: ir.kkr.com/kkr_ir/kkr_governance.cfm
- Page 14 KKR Private Equity ESG Policy: www.kkr.com/_files/pdf/kkr-esg-policy.pdf
- Page 17 KKR Stakeholders: www.kkresg.com/partnerships
- Page 30 GPP Website: green.kkr.com

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