



GLOBAL CHALLENGES. GLOBAL SOLUTIONS.

KKR

2017 ESG AND CITIZENSHIP REPORT

How is business part of the solution to today's global challenges?

Since 1976, when KKR first opened our doors, the objectives of the business world have broadened to include not only shareholder value but also shared value.

At KKR, we have embraced this expanded role. We believe that understanding global issues, forging partnerships to achieve greater impact, and underpinning actions with strong values are essential to not only healthy societies, but also smart businesses.

This year's Environmental, Social, and Governance (ESG) and Citizenship Report describes our commitment to responsible investment. It also highlights examples of ESG-related challenges that affect our portfolio companies and how our portfolio companies in turn impact these challenges. Further, this report provides examples of their innovative and adaptive solutions (pp. 10-17).



01	THE STATE OF THE FIRM	A Note From the Founders Our Firm and Impact
04	OUR APPROACH	Investing Responsibly Driving Value Through ESG Management Spurring Sustainable Innovation
10	RESULTS WITH IMPACT	Global Challenges and Opportunities Achieving Impact Through Our Portfolio
18	THE KKR EXPERIENCE	Working at KKR Building Stronger Communities
22	PROGRESS AND THE PATH AHEAD	Our Key Performance Indicators A Word From the Presidents
25	ABOUT THIS REPORT	

The KKR 2017 ESG and Citizenship Report details our activities during the 2017 calendar year. For supplemental information and resources, visit kkresg.com. For an explanation of the boundaries and reporting frameworks used in producing this report, see About This Report on page 25.



X-ELIO, based in Madrid, Spain, recently installed a 33.4 megawatt solar farm in Fukushima, Japan. Located on the site of a distressed golf course, the installation employs former golf course employees and required no significant deforestation during construction.

A NOTE FROM THE FOUNDERS

THE STATE OF THE FIRM

We have been in the business of building companies and returning strong investment outcomes for our investors for 42 years. As we reflect on this legacy, we are extremely proud, but always strive to do more. For at KKR, the work of building strong companies and better, more secure futures for our clients will never be done.

More than four decades of investing have taught us that success lies in people and in performance. To successfully grow companies and create positive outcomes for communities, we must consider multiple stakeholders' perspectives and a range of factors. Ten years ago, we recognized the opportunity to develop differentiated investment strategies that protect and grow value. By proactively considering broader stakeholder issues as part of our investment process, we began our responsible investment journey (p. 4).

Since then, we have learned that this work is an art, not a science. It is also a continuous cycle of evaluation and evolution without a final destination. We work to evolve alongside the societies where we invest and support solutions to the critical challenges we share. We have found investment opportunities that deliver strong returns by addressing concerns such as food safety, education and learning, and next-generation energy. Additionally, we have identified value-enhancing opportunities that add to our bottom line by optimizing environmental, social, and governance (ESG) issues. We recognize that, as with company performance broadly, today's leading ESG management practices will likely be lagging practices in a year without a



"For continued success, we must be more informed, nimble, and engaged than ever. We'll strive to provide effective and efficient solutions to the challenges our companies and communities face."

continued focus on progress. This work is also about learning from our past experiences and setting the right priorities. Sometimes, it is not possible to address every issue, so we aim to apply rigorous standards to help us focus our efforts to maximize impact on a company's bottom line and ESG performance (p. 6).

The complexities of today's world – a world in which many companies are intersecting with multiple issues – have intensified our role as responsible investors. The next 42 years will see significant changes to how business is

done, but with those changes and through our expanded role in society, will come incredible opportunities. There will be unmatched value, innovation, and progress for those who are bold enough to seek them.

As a Firm, we will shift and grow with the world around us while standing tall in our values of innovation, teamwork, diversity, and integrity. We will hold true to the belief that dynamic, diverse workforces will help us unlock value in dynamic, diverse investments. We will remain steady and fair in how we manage our relationships, keeping our belief that people choose to work with those whom they "like and trust" at the core of how we do business. We will continue to collaborate with each of you – our valued partners – in order to create meaningful outcomes both for our investors and society.

HENRY R. KRAVIS and GEORGE R. ROBERTS

Co-Founders, Co-Chairmen, and Co-CEOs

OUR FIRM AND IMPACT

THE STATE OF THE FIRM

Since KKR's founding in 1976, we have worked to create shared value for our fund investors, stakeholders, and the companies in which we invest. With deep roots in private equity, we have expanded into other alternative asset classes and have a growing presence in the public and capital markets. Today, KKR is a leading global investment firm managing \$168.5 billion of assets across multiple strategies.

THE KKR DIFFERENCE

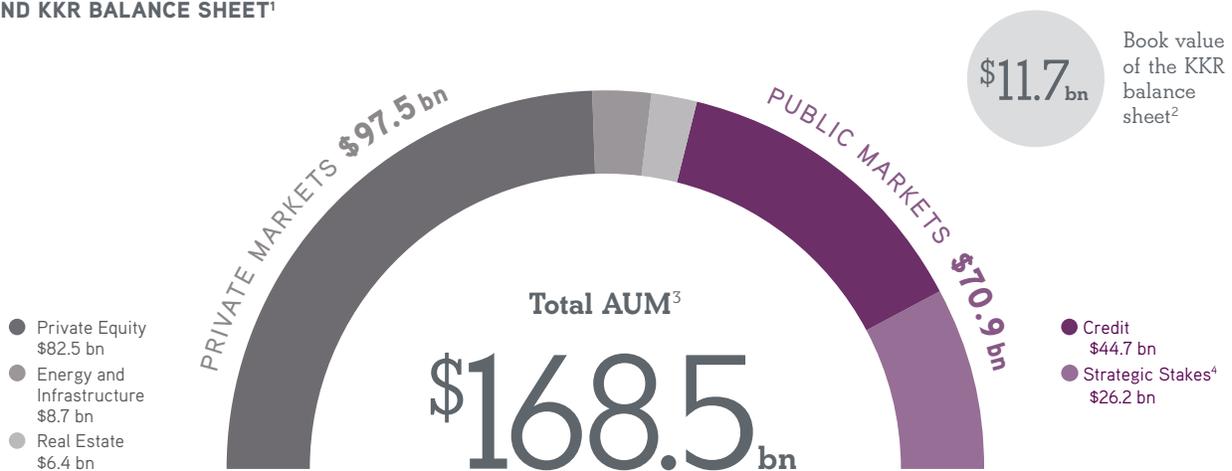
In today's complex global economy, we believe success depends on flexibility, the ability to collaborate on opportunities, and the strength to work collectively through challenges. We employ world-class people who function as a team across asset classes, geographies, and industry groups. We aim to generate attractive investment

returns for our clients by following a patient, disciplined investment approach and aligning our interests with those of our fund investors.

Our approach to responsible investment is no different. We promote operational excellence and strive to make thoughtful management decisions. Transparency, engagement, and mutual learning with our partners are central to our efforts.

To supplement our own capabilities, we partner with leading experts who provide insights on a range of market, societal, geopolitical, public policy, reputational, and macroeconomic issues. They also advise us on environmental, social, and governance (ESG) investment matters.

ASSETS UNDER MANAGEMENT (AUM) AND KKR BALANCE SHEET¹



¹ Data as of December 31, 2017. Numbers may not sum to total due to rounding.

² Book value of \$11.7 billion may be reconciled as follows: KKR & Co. L.P. Capital – Common Unitholders of \$6.7 billion, plus Noncontrolling Interests held by KKR Holdings L.P. and other of \$4.8 billion, plus other adjustments of \$0.2 billion.

³ See Important Information on inside back cover for additional information regarding assets under management (AUM). AUM includes \$70.9 billion of assets managed by affiliates of Kohlberg Kravis Roberts & Co. L.P. in strategies that do not integrate ESG factors in their investment or portfolio management practices.

⁴ Strategic stakes AUM represents KKR's pro rata share of the assets under management or advisement of hedge funds and other investment managers in which KKR holds a minority interest. KKR is not responsible for the management of these managers' assets.

OUR PRIVATE EQUITY PORTFOLIO⁵

101 Companies	43	36	22
637,500 Employees	259,100	251,800	126,600
\$120 bn in Revenue	\$51 bn	\$57 bn	\$11 bn

■ Americas
 ■ Asia-Pacific
 ■ Europe, the Middle East, and Africa

OUR GLOBAL FOOTPRINT⁶

<p>Investing in People</p> <p>RETIREMENT</p>  <p>50 million retirees and pensioners with exposure to KKR's investments</p> <p>JOBS</p>  <p>More than 695,000 jobs provided by our private equity, technology growth equity, infrastructure, and real estate portfolio companies</p> <p>VETERANS AND MILITARY SPOUSES</p>  <p>More than 62,500 veterans and military spouses hired by 41 U.S.-based portfolio companies since 2011</p>	<p>Investing in Economies</p> <p>ALIGNMENT WITH PARTNERS</p>  <p>\$13.3 billion invested or committed by KKR, our employees, and consultants alongside our fund investors across our private equity, growth equity, infrastructure, energy, and real estate funds⁷</p> <p>RESEARCH AND DEVELOPMENT</p>  <p>\$8.1 billion in capital expenditures and \$1.6 billion in research and development by our private equity, technology growth equity, infrastructure, and real estate portfolio companies</p> <p>DISTRIBUTIONS</p>  <p>\$55.3 billion cash back to fund investors in distributions since 2013 across our private equity, growth equity, infrastructure, energy, and real estate funds</p>	<p>Investing in Communities</p> <p>PHILANTHROPY AND VOLUNTEERISM</p>  <p>54 companies, or 35 percent of our private markets portfolio, support the communities where they operate through formal corporate philanthropy and volunteer programs</p> <p>ESG-RELATED AWARDS</p>  <p>More than 215 ESG-related awards have been presented to 60 companies in our private equity, infrastructure, and energy portfolios since 2012</p> <p>INFRASTRUCTURE</p>  <p>\$11.3 billion of enterprise value in renewable energy and water infrastructure assets since 2011</p>
<p>Investing in Solutions</p> <p>\$4.6 billion invested behind sustainable solutions-oriented themes since 2008⁸</p>		

⁵ Does not include investments in confidential opportunistic-toehold/public stake investments made on certain private equity funds' lines of credit. Numbers may not sum to total due to rounding.

⁶ Past performance is no guarantee of future results.

⁷ Includes investments/commitments made by KKR's balance sheet, KKR employees, KKR Capstone, and other affiliates. Investments made by current and former KKR employees and KKR Capstone are retained by those individuals personally. Includes unfunded commitments made by individuals. KKR Capstone is not a subsidiary or affiliate of KKR. See Important Information on the inside back cover for additional details.

⁸ See Important Information on inside back cover for additional disclosure regarding calculation and determination of sustainable solutions-oriented themes.

INVESTING RESPONSIBLY

OUR APPROACH

Responsible investment is a way of doing business that we believe makes us smarter, better investors. We seek to identify investment opportunities, reduce risk, and enhance value by building a proactive focus on ESG issues across the investment life cycle. We have both the opportunity and responsibility to be thoughtful about a range of ESG issues that drive where we invest and can affect the companies in which we invest. For a list of sample ESG issues, visit kkresg.com/esg-issues.

KKR IN DIALOGUE

“What uniquely prepares KKR for the next phase of its responsible investment journey?”

“We see opportunities and risks on the horizon and proactively partner with our portfolio companies to thoughtfully manage them. Our understanding of how ESG issues can drive value helps us invest responsibly in an increasingly complex future.”

Elizabeth Seeger
Director,
Sustainable Investing



“And, we know we are not experts on every niche topic and so during the last decade we’ve formed a network of partners who have the expertise we need to be our best. Connecting with and learning from our partners positions us for growth and success.”

Ken Mehlman
Member and
Global Head of Public Affairs



Read the full conversation at kkresg.com/dialogue.

Responsible investment is not a destination, but rather a journey of continuous growth and improvement. Ongoing dialogue and constant learning are central to our approach.

SETTING STRATEGY

In 2008, we formalized our efforts to protect and grow value by proactively considering stakeholder issues as part of our investment process. We established a Global Public Affairs team to lead this strategy, as well as other efforts at the Firm. Since then, we have demonstrated that managing ESG issues in our investments helps us generate strong returns for our Firm and our fund investors while also having a positive impact on society. We do this by anticipating, avoiding, or mitigating risk wherever possible and by identifying specific actions that will make a measurable difference in the results we achieve. During the past decade, we have used our focus on ESG management to both improve the companies in which we invest as well as identify investment opportunities.

DEFINING RESPONSIBLE INVESTMENT

Our responsible investment activities fall across three categories: ESG Integrated, ESG Targeted, and Solutions Focused. Most broadly, we work to integrate ESG considerations at each step in the life cycle for all private market investments, when applicable. ESG Targeted investments are those investments where improving performance on critical ESG issues helps create value or mitigate risk, and we provide resources or tools to manage and measure progress. Finally, Solutions Focused investments are those made in companies where the business model, product, or service provides a solution to an ESG-related challenge.



RESPONSIBLE INVESTMENT GOVERNANCE

KKR's senior leaders provide oversight of our responsible investing efforts, including solutions focused investments, and accountability extends throughout the organization. Global and regional team members, supported by subject matter experts, collaborate to implement an integrated approach.



OUR GOVERNING FRAMEWORK

Responsible investment at KKR is integrated into our Firm's investment and governance practices and is reflected in our Private Equity ESG Policy. A cross-functional global team of professionals manages our responsible investment strategy and implements it across relevant asset classes. This team keeps abreast of industry trends and provides resources, knowledge, and leading practices to our portfolio companies. The team collaborates across the Firm, increasingly focused on opportunities to invest in companies that provide critical solutions. Our one-firm approach¹⁰ guides all that we do and ensures that members of various teams are engaged throughout our efforts. To read our Private Equity ESG Policy, visit kkresg.com/esg-policy.

In addition, we endorse relevant private equity industry guidelines for responsible investment. In 2009, we became a signatory to the globally recognized voluntary framework of the Principles for Responsible Investment (PRI) and helped to develop the American Investment Council Guidelines for Responsible Investing. We are actively involved with both organizations and continue to use these frameworks to help guide and align our efforts.

PROGRESS THROUGH PARTNERSHIPS

Our progress is the result of productive partnerships, internally and externally. Our dedicated and committed team members collaborate across the Firm and often tap the expertise of leading external advisors¹¹, industry peers, and portfolio companies. Nongovernmental organizations (NGOs), public interest groups, and industry associations can be powerful partners and advisors in helping us realize social and environmental benefits that align with our business goals. As we work together toward common objectives, we can foster growth that is shared by all.

We strive to help advance consistent ESG integration and reporting in the private equity industry. For example, KKR has actively engaged with the Sustainability Accounting Standards Board (SASB) since 2012 to enhance our understanding and evaluation of the sustainability factors that are material to our portfolio companies' businesses. Elizabeth Seeger, Director, Sustainable Investing, currently serves on the SASB Standards Board. Working together, our team and external partners help keep our responsible investment strategy in sync with current industry trends and our objectives.

⁹ KKR Capstone is not a subsidiary or affiliate of KKR. See Important Information on inside back cover for additional details.

¹⁰ See Important Information on the inside back cover for additional disclosure regarding KKR's internal information barrier policies and procedures, which may limit the involvement of personnel in certain investment processes and discussions.

¹¹ Senior Advisors, Industry Advisors, and KKR Advisors are engaged as consultants and are not employees of KKR. See Important Information on inside back cover for more detail.

DRIVING VALUE THROUGH ESG MANAGEMENT

OUR APPROACH

We focus our responsible investment efforts in our private equity business and select non-private equity asset classes, including infrastructure, real estate, and special situations. These are the areas where we, as active managers, investors, and owners, can have the greatest impact. As active investors, we identify and manage critical issues to help create sustainable value for KKR and our portfolio companies.

A MATERIALITY-DRIVEN APPROACH

The focus of KKR's responsible investment efforts has been informed by an analysis of what is most material to us as investors. Conducted with the development of our first ESG report in 2011, this analysis evaluated the degree of influence that we can exert in each asset class prior to investment and during ownership. That analysis indicated that we would achieve the most impact by focusing on the life cycle of our private equity investments.

We believe the private equity ownership model provides a strong platform for responsible investment because of its long-term investment horizon, focus on alignment of interests, and commitment to active management. Companies are part of our private equity portfolio for a historical average of five to seven years from investment to the point that we realize value and exit a deal. This time frame allows us to support a company's progress over years, not quarters, and enables us to more thoroughly address ESG issues and opportunities.

As the range of our Firm's investment activities has expanded, we have broadened our approach to integrate ESG considerations and management into our non-private equity asset classes, including real estate, energy and infrastructure, and special situations. For more on this approach and a chart illustrating our relative influence over ESG issues across asset classes, visit kkresg.com/materiality.

DETERMINING MATERIAL ISSUES

We also apply the concept of materiality when we determine which issues to identify and manage in our portfolio. This process is codified in KKR's Private Equity ESG Policy, which defines material issues as those that "KKR in its sole discretion determines have – or have the potential to have – a direct, substantial impact on an organization's ability to create, preserve, or erode economic value, as well as environmental and social value for itself and its stakeholders." Guided by this policy, our Firm considers a range of potentially relevant ESG issues associated with current and potential portfolio companies.

IMPLEMENTING OUR APPROACH

Our approach is dynamic and has continued to grow since our responsible investment efforts began. At KKR, we evaluate all potential private equity deals from an ESG management perspective during our due diligence process. In 2017, we enhanced this work by incorporating SASB's industry-specific standards for identifying ESG issues that may likely be financially material. Next, to the extent that they are material to our investment, ESG-related issues are addressed post-investment. This process may include implementation of the 100-day plan, ongoing management of ESG performance, and monitoring and reporting of ESG-related progress. For more about our process and approach, see the ESG Management Process infographic on page 7.

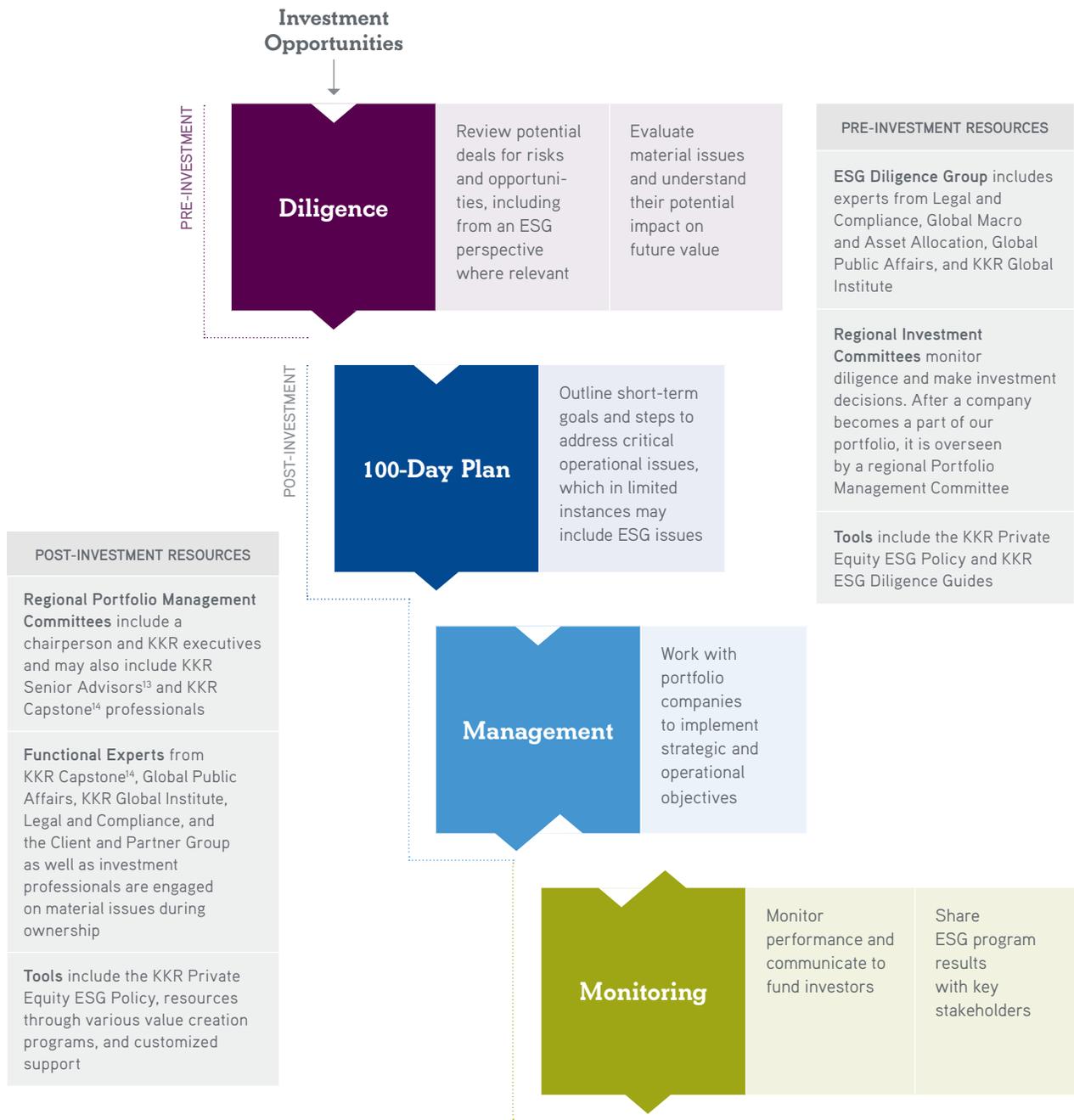
KKR: DISCLOSURE

Increasing Transparency

KKR fosters dialogue about responsible investment policies and practices with our fund investors. For the second time, KKR is publicly sharing responses to the Principles for Responsible Investment (PRI) Limited Partners' Responsible Investment Due Diligence Questionnaire, available at kkresg.com/ddq.

ESG MANAGEMENT PROCESS¹²

We strive to incorporate ESG considerations into our decision-making and management practices by identifying and managing the issues we believe are most relevant to our investments. KKR's influence and control can vary significantly across asset classes, which is taken into account during the ESG management process.



¹² For illustrative purposes only and may be subject to change.

¹³ Senior Advisors, Industry Advisors, and KKR Advisors are engaged as consultants and are not employees of KKR. See Important Information on inside back cover for additional information.

¹⁴ KKR Capstone is not a subsidiary or affiliate of KKR. See Important Information on inside back cover for additional information.

OUR MODEL FOR VALUE CREATION

KKR's growing array of ESG-related value creation programs, tools, and resources aim to enhance our portfolio companies' sustainability initiatives across a broad range of common issues. We work to deliver practical and effective resources to help our portfolio companies achieve meaningful results and long-term benefits. In addition to the offerings shown below, we provide customized guidance and support to create sustainable value at our portfolio companies.



SPURRING SUSTAINABLE INNOVATION

OUR APPROACH

In partnership with global NGOs and the companies in which we invest, we have built a community of trusted experts and peers. By consistently working to understand the issues that are most relevant to each company and learning from these companies' approaches, we help them to foster innovation and embed more sustainable practices into their operations. We continuously work to enhance and introduce new portfolio value creation resources and tools to better support and learn from our companies.

INTRODUCING NEW PROGRAMS

Our sustainable innovation platform, shown on the previous page, depicts the range of topics on which we engage with our companies. In the past year, we began expanding our resources to encompass data privacy as well as inclusion and diversity, and we are working to develop programs on climate change and citizenship during 2018.

As we move forward, we aim to ensure our model of engagement on sustainability issues remains flexible,

constructive, and relevant. Our offerings will continue to adapt with the challenging environment in which our businesses operate. For more detailed information, visit kkresg.com/sustainable-innovation.

KKR: LOOKING TOWARD THE FUTURE

Focusing on Disruption and Innovation

Disruptive technology and innovation are creating new markets and value networks around the world. These developments present unprecedented risks and opportunities. In response, KKR has created our first Innovation and Technology team, led by Global Head of Innovation and Technology Usman Rabbani.

This team is working to ensure that our new investments, our portfolio companies, and our Firm are adequately informed and engaged to assess disruptive trends. It is building KKR's knowledge, resources, and relationships in the technology sector and other areas to benefit our entire organization.

KKR: ECO-INNOVATION AWARD

US Foods Receives 2017 Eco-Innovation Award¹⁵

In the spirit of innovation and value creation, in 2016, KKR launched an Eco-Innovation Award for our portfolio companies as a mechanism to encourage and reward innovative, environmentally beneficial projects that create business value. In 2017, US Foods, one of the largest foodservice distributors in the United States, won the second annual award for its Serve Good product line, which is composed of sustainable food and non-food products that are responsibly sourced or contribute to waste reduction. The product line enables restaurants to serve quality food while also considering the environmental impact of their offerings. In this way, the Serve Good products demonstrate business value through increased customer loyalty and revenue. Learn more at green.kkr.com/award.



¹⁵ KKR exited US Foods in 2017. The above case study from our private equity portfolio is for illustrative purposes only and is not representative of all investments made by KKR Funds or accounts, nor should it be assumed that any investment in the company identified was or will be profitable.

GLOBAL CHALLENGES AND OPPORTUNITIES

RESULTS WITH IMPACT

For many companies around the world, the past year was filled with volatility. Whether suffering from the effects of a changing climate or struggling to cope with shifting demographics, increased urbanization, and political instability, companies have been dealing with an unprecedented array of challenges and many have been working to develop innovative solutions.

IDENTIFYING COMMON CHALLENGES

In our 2015 ESG and Citizenship Report, we identified five global challenges that can affect our companies, that our companies can impact, or both. Two years later, while these major themes remain relevant to the companies in which we invest, we have also recognized that workforce issues have become distinctly more relevant over time. Thus we have identified a sixth global challenge that we also seek to understand: The Talent Puzzle: Focusing on Employees. We outline these six challenges on pages 12-13.

In addition, many of our investments are helping to create stronger, more resilient communities as they improve infrastructure, mitigate climate risks, and spur healthy economic development. We share examples of how select portfolio companies are contributing critical societal solutions or enhancing their own business resilience on pages 14-17.

WORKING TOGETHER

Our commitment to ESG management has not only reduced risk and created value for our investors, but also allowed us to develop deep expertise in areas that help build better companies and help address the challenges we have identified in this report.

We are not alone in trying to solve these pressing social and environmental problems. We draw on our experience in the industry and our network of investors and nongovernmental organization partners. For inspiration, and to align our efforts with those of the global

business community, we also look to external frameworks that cover a broad range of social and economic development issues. In the coming years, we aim to explore additional frameworks focused on inclusive, sustainable growth.

KKR: A POSITIVE SOCIETAL IMPACT

Advancing Solutions Around the World

Increasingly, KKR is investing in businesses that are working to address pressing societal issues. While we seek to apply an ESG management lens to the activities in our portfolio where applicable, we also invest in opportunities in which responsibility and sustainability are core to the business model and investment thesis. KKR's capital, operational capabilities, and long-term ownership model position the Firm well for investing in strategies that have positive societal impact.

Based on where we think opportunities are going forward, we have invested more than \$4.6 billion behind sustainable solutions-oriented themes¹⁶ such as industrial and infrastructure solutions, environmental management, next-generation energy, responsible production and consumption, and learning resources and workforce development. These are themes that we believe contribute to the United Nations Sustainable Development Goals, which provide an important framework for assessing progress.

For example, we made our first investment in a renewable energy company in 2011 and have since invested in various solar, wind, and district heating assets, which have a combined enterprise value exceeding \$10.6 billion.

To learn more, read the Investing in Solutions Fact Sheet, accessible at kkresg.com/solutions-fact-sheet.

¹⁶ See Important Information on inside back cover for additional disclosure regarding calculation and determination of sustainable solutions-oriented themes.



Resource Environmental Solutions (“RES”), an example of a solutions focused investment by KKR, is one of the largest providers of ecological restoration and water resource solutions in the United States. RES develops turnkey projects that mitigate the environmental impact of complex development projects for its public and private sector customers. Since 2007, RES has restored, enhanced, rehabilitated, preserved, and conserved more than 290 miles of streams and more than 58,000 acres of wetlands in environmentally sensitive habitats, including the Enlow Fork Mitigation Bank in Pennsylvania (pictured).

AN OVERVIEW OF SIX KEY GLOBAL CHALLENGES AND KKR'S APPROACH

Below, we explain each challenge in the context of how it is affecting our portfolio and how we believe companies can respond. Further, we describe how we are collaborating with our portfolio companies to address these challenges in their operations.

A New World: Adapting to Climate Change



THE CHALLENGE

Our lives – and thus our livelihoods – are part of a delicate ecosystem. Science, data, and extreme weather events demonstrate that the climate is changing. These changes are likely to create many issues that can influence a business' bottom line and its ability to compete in the future.

Climate change is a global challenge and will require solutions at all levels. As such, investment managers, portfolio companies, and communities must work to fully understand the immediate and longer-term impacts of climate change. Forward-looking companies can devise solutions and become climate resilient by embracing new processes and adopting emerging technologies.

OUR APPROACH

KKR has a track record of working with our portfolio companies to understand and manage environmental impacts.

As part of this, we seek to help portfolio companies reduce their energy use and greenhouse gas emissions. In 2017, approximately 12 companies across the private equity and real estate portfolios worked with a Professional Engineer hired by KKR Capstone¹⁷ to develop recommendations for energy and water efficiency projects. In addition, we have been investing in renewable energy businesses for a number of years. Learn more about these investments on page 10.

The Next Billion: Supporting Better Agriculture



Population growth, technological advancements, and globalization have dramatically changed agricultural practices. The impacts on farming and food production worldwide have been both positive and negative. For example, although modern agricultural machinery enables higher food yields using less labor, the availability of arable land and usable water is decreasing. In many markets, food supply has not kept up with demand, leading to a number of risks, including a lack of attention to food safety in some cases.

Companies have the potential to transform the food landscape by creating cost-competitive, sustainability-oriented products to meet rising consumer demand.

We work alongside our agriculture-related portfolio companies to adopt enhanced production practices and mitigate environmental externalities, which are critical components of ensuring adequate food supply and nutrition.

KKR also encourages these and our other food-sector companies to accelerate innovation that can more effectively feed a growing population that demands better quality. For instance, we presented our 2017 Eco-Innovation Award to US Foods for its responsibly sourced, sustainable Serve Good product line. Learn more on page 9.

A Complex Future: Managing Resource Constraints



The demands on the world are rising, yet the natural resources required to support this growth are finite. Whether precious metals or oil, forest products or water, natural resources are in increasingly short supply.

Given the increasing digitization of society, companies also need to manage data as a valued business resource, just as they manage natural, human, and financial resources.

For continued success, companies must understand their inputs, do more with less, and take an innovative approach to product design and business management.

Through our Responsible Sourcing Initiative, we evaluate risks and opportunities in the global supply chains of select private equity portfolio companies by utilizing assessments conducted in partnership with the nonprofit BSR.

In 2016, we broadened our efforts to encompass data management practices and digital resources. In 2017, we completed a cybersecurity assessment of relevant private equity portfolio companies, including a review of data privacy and risk management practices. We then provided each company with an individualized benchmarking report for consideration.

¹⁷ KKR Capstone is not a subsidiary or affiliate of KKR. See Important Information on inside back cover for additional details.

**The Talent Puzzle:
Focusing on Employees**



THE CHALLENGE

The human capital required to run industry-leading operations is becoming more scarce. An aging – and thus retiring – workforce in much of the United States, Europe, and parts of Asia, coupled with deficiencies in the experience, education, and technology-based skills of current job seekers, has created a shortage of talent for companies.

Companies can stay on their front foot in attracting top talent by striving to remain innovative, relevant, and competitive. By investing in professional development and human capital, companies should be better positioned to engage and retain the talent that they recruit.

OUR APPROACH

At KKR, we know people are a company’s greatest asset. Therefore, we are continuously improving our talent management strategies and our focus on inclusion and diversity. Our portfolio companies also understand the need to recruit and retain talented, diverse employees.

In 2017, we partnered with BSR to develop an inclusion and diversity questionnaire to gather baseline information about select portfolio companies’ practices and to provide recommendations and resources to improve their long-term performance.

**A Need for Smarter Cities:
Investing in Infrastructure**



Functional infrastructure is vital to economic and social systems that enable people, goods, and resources to come together productively. Yet, critical infrastructure is absent or failing in many parts of the world. Due to rapid urbanization and years of insufficient funding, the infrastructure in many cities is in desperate need of repair, expansion, or both.

Continued progress and growth depends on maintaining, developing, and fortifying infrastructure, from highways to water systems to housing. This need presents vast opportunity for innovative partnerships and private capital to fund such infrastructure improvements.

With a dedicated infrastructure team, we are committed to helping meet these demands by investing in infrastructure assets globally. Since 2011, KKR has invested \$7.7 billion in numerous infrastructure projects that we believe have the potential to create shared value for both investors and communities. For example, water – or lack thereof – and related systems are one of today’s most pressing issues. KKR has invested more than \$400 million in water infrastructure projects since 2011.

We aim to continue to bring solutions that not only address infrastructure issues, but also incorporate responsible management practices.

**The Health of Populations:
Treating and Preventing Disease**



The health care industry is experiencing tremendous medical innovation. At the same time, society is in a period of great medical need. Rising rates of chronic diseases and conditions plague developed countries while infectious diseases and chronic malnutrition afflict developing countries. There are compelling economic and humanitarian opportunities for companies to provide solutions through product commercialization, medical innovation, and enhanced health care delivery systems.

Separately, employee well-being can be directly linked to important metrics of workforce success including productivity, retention, and engagement. Therefore, companies that want to be successful must focus on the health and safety of their employees.

KKR has deep knowledge in the health care industry and a long history of investing in this field. Most recently, in 2017, KKR completed the fundraise of our first fund dedicated to health care growth equity investment opportunities in the Americas after executing a number of these transactions since 2014.

In addition to investing in health care-related businesses, we address employee health at our companies. Through our Worker Safety and Wellness Works programs, we seek to improve the well-being of portfolio company employees because we believe healthier employees lead to better companies.

ACHIEVING IMPACT THROUGH OUR PORTFOLIO

RESULTS WITH IMPACT

As a portfolio manager of more than 100 private equity portfolio companies in roughly 20 industries, KKR has the ability to recognize shared challenges and identify opportunities to address them.

We collaborate with our portfolio companies to improve their business performance in a dynamic and changing landscape. Many of our portfolio companies are reducing their environmental impacts, focusing on employee

engagement, or bolstering innovation, while simultaneously improving the financial bottom line.

COMPANIES TAKING ACTION

The following case studies describe the results select portfolio companies have achieved while addressing the six global challenges identified on the previous pages. Visit kkresg.com/resources for additional case studies.



"Our team has a keen focus on understanding the future of cities, which is critical to the long-term success of our business."

SACHA OERLEMANS
Corporate Director of Marketing, Q-Park

INVESTING IN INFRASTRUCTURE

Q-Park: Advancing Urban Mobility¹⁸

With nearly 70 percent of the world's population expected to live in cities by 2050, the need to improve urban infrastructure and livability is critical. Q-Park, a leading European parking provider, aims to be a key player in this transformation.

Dedicated to supporting smart mobility and repurposing historic buildings and areas, Q-Park works in partnership with municipalities and city councils. For example, the company recently partnered with leadership in Antwerp, Belgium, to repurpose space at the city's historic Zuiderdokken canals to create parking and green space. Q-Park's innovative approach to reusing two old ship docks for underground parking will create parking space for 2,000 cars and 300 bicycles in addition to electric charging stations for at least 50 cars. After construction of the car parks, Q-Park and the city will transform the area above ground into a park so that residents can enjoy gardens and recreational facilities. Q-Park seeks to support cities so that they remain accessible and economically viable now and in the future.

¹⁸ The case study about the company from the infrastructure portfolio shown above represents what we believe to be the most demonstrative example of the corresponding challenge. The specific portfolio company identified is not representative of all of the investments made, sold, or recommended for advisory clients, and it should not be assumed that the investment in the company identified was or will be profitable. See Important Information on inside back cover for source.

**OVH:
Reducing Data Center Energy Use¹⁹**

An increasing number of people and devices are connecting to the Internet and interacting with more data-intensive web content. This creates a need for more data than ever before. While this interaction enables important flows of information, it also consumes a tremendous amount of energy. Thus, we believe improving data center efficiency is critical to managing not only the energy inputs required for more data, but also the climate impacts that this energy demand places on the planet.

OVH, a leading provider of cloud services, is taking an integrated approach to reducing its environmental impact and associated costs through better data center design. As part of its efforts to reduce the use of energy, all of OVH's data centers use a combination of water-cooling technology and building design instead of air conditioning to cool its servers. Through this and other tactics, OVH has achieved a Power Usage Effectiveness (PUE) of 1.09, which means that the company's operations are approximately 36 percent more energy efficient than an average data center. Recognizing the need for continuous improvement, OVH is leading other environmentally focused initiatives such as investing directly in turbines for the production of wind power in France.

¹⁹ The case study about the company from the private equity portfolio shown above represents what we believe to be the most demonstrative example of the corresponding challenge. The specific portfolio company identified is not representative of all of the investments made, sold, or recommended for advisory clients, and it should not be assumed that the investment in the company identified was or will be profitable. See Important Information on inside back cover for source.



**COFCO Meat:
Converting Waste to Fertilizer²⁰**

A growing appetite for animal protein among Chinese consumers has led to an increase in industrialized farming. This approach to meat production comes with environmental challenges, such as extensive animal waste. Our portfolio company COFCO Meat ("COFCO"), a vertically integrated pork producer based in China, is focusing on creating a more efficient and useful process for manure disposal. The scale of the problem is large: COFCO's production results in roughly 600,000 tons of manure annually in the Jilin, China region. In partnership with the U.S. Grains Council and China Agriculture University, COFCO is conducting a pilot project to demonstrate that fertilizing land with fermented manure improves farming efficiency. For this project, COFCO received the 2017 Eco-Project Grant from KKR. In the project's first year, the team sought to prove the concept by converting approximately 60,000 tons of manure into fertilizer, which it applied to 67 hectares of land to raise the soil nutrient content. On this land, the team tested various crops including rice, which showed a 100 percent increase in productivity compared with the normal practice of using chemical fertilizer. The team also harvested approximately 2.5 tons of sunflower seeds and 67.5 tons of sorghum that generated \$150,000 in additional revenue. COFCO seeks to scale and promote this method of manure fertilization to improve land use and add economic value in surrounding villages.

Sustainably planted

67

hectares to prove the concept of animal waste fertilization

²⁰ The case study about the company from the private equity portfolio shown above represents what we believe to be the most demonstrative example of the corresponding challenge. The specific portfolio company identified is not representative of all of the investments made, sold, or recommended for advisory clients, and it should not be assumed that the investment in the company identified was or will be profitable.

BridgeBio Pharma: Discovering and Developing Drugs for Patients With Genetic Diseases²¹

Thousands of rare and genetic diseases, such as Tay-Sachs, sickle cell anemia, and various cancers, affect more than 350 million people globally. Many of these diseases are considered rare, and most of them are acute with intense symptoms that compromise quality of life and result in high mortality rates. Unfortunately, nearly 30 percent of individuals with genetic diseases are not expected to live past the age of five.

BridgeBio is working to change that by creating effective, targeted treatments for patients with genetic diseases. Through its differentiated biopharmaceutical discovery and development platform, BridgeBio has developed a portfolio of therapeutics that are targeting more than a dozen genetic diseases for which BridgeBio has specific expertise. Across the spectrum from pre-clinical to late-stage clinical development, innovation and empathy remain critical to the BridgeBio ethos. The more than 50 employees at BridgeBio who are dedicated to research and development seek to develop therapies that target genetic mutations and stop the diseases at their source. In the coming years, BridgeBio hopes to use its differentiated platform to launch therapies that contribute meaningful solutions to patients with genetic diseases.

Portfolio of drugs and interventions targeting

12+

genetic diseases

²¹ The case study about the company from the health care growth portfolio shown above represents what we believe to be the most demonstrative example of the corresponding challenge. The specific portfolio company identified is not representative of all of the investments made, sold, or recommended for advisory clients, and it should not be assumed that the investment in the company identified was or will be profitable. See Important Information on inside back cover for source.



Industrials Investments: Building Stronger Companies Through Employee Engagement and Ownership²²

Driving change in a business can be difficult. Old habits are hard to break and new initiatives may fall flat if employees are not enthusiastic about ensuring the initiatives' success. With operational transformation at the core of its investment strategy, KKR's Industrials team recognized these issues and is addressing them by increasing employee engagement.

This multifaceted approach includes making investments in the workforce through efforts such as safety and skills training and supporting partnerships with an alignment of needs between portfolio companies and nonprofits. However, the centerpiece of the strategy is the belief that every employee, no matter his or her level of seniority, should be able to think, act, and engage as an owner in the business.

To achieve this, in partnership with portfolio company management teams, KKR Industrials has implemented a management equity program at Capital Safety²³, Capsugel²³, C.H.I. Overhead Doors, and Gardner Denver through which more than 11,000 employees were granted either direct or indirect ownership in the company. Prior to KKR's involvement, ownership was concentrated in a small group of senior managers, if at all.

We believe that this broader ownership mindset will engage employees in a substantial way that benefits both them and the company. On realized investments to date, the value distributed to employee-owners at KKR Industrials portfolio companies totals nearly \$500 million, with even the most junior workers receiving thousands of dollars when KKR exited these investments.

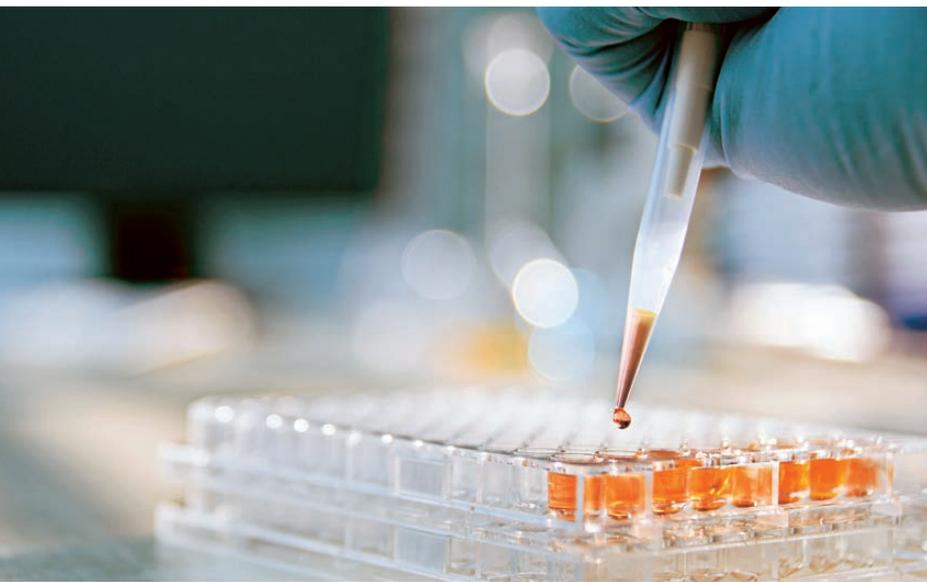
Going forward, this engagement and ownership strategy will continue to be embedded in future KKR Industrials investments wherever possible.

²² The case study about the companies from the private equity portfolio shown above represents what we believe to be the most demonstrative example of the corresponding challenge. The specific portfolio companies identified are not representative of all of the investments made, sold, or recommended for advisory clients, and it should not be assumed that the investment in the companies identified was or will be profitable.

²³ KKR exited Capital Safety in 2015 and Capsugel in 2017.

"Through our engagement model, we have seen how the alignment and excitement of broad-based employee ownership can contribute to creating exceptional outcomes."

PETE STAVROS
Member and Head of Industrials, KKR



LOOKING AHEAD

The challenges facing the business community are only growing in their complexity. Companies must learn, adapt, and evolve in step with these challenges in order to compete in a more complicated future. We are working to better understand the needs of our portfolio companies and to collaborate with our thought partners on critical issues. We believe that the more we and our companies are able to anticipate and plan for the future, the more likely we will be able to adapt and compete in a changing world.



ADAPTING TO CLIMATE CHANGE

A Look Back: Recovering From Natural Disasters²⁴

Greater intensity of extreme weather events is a known result of a changing climate. Unequivocally, 2017 was a year of historic storms and disasters across the United States, the Caribbean, and Latin America. From violent hurricanes to severe wildfires to a massive earthquake, each of these disasters destroyed homes and disrupted businesses.

Many of our U.S.-based businesses were directly affected this past year, sustaining damage at manufacturing, distribution, and service centers. Others were affected indirectly through the devastation experienced by their employees and customers.

For example, in the wake of Hurricane Harvey, National Vision was forced to temporarily shut down multiple store locations, and focused on providing support to employees and customers in affected areas. Academy Sports + Outdoors in Houston, Texas, turned its headquarters into a unified command center and hosted teams from the U.S. National Guard, U.S. Army, Texas Department of Public Safety, Emergency Medical Services crews, and others. After Hurricane Irma, Travelopia's facility in the British Virgin Islands became a shelter for its employees.

With these recent events in mind, we are strengthening preparedness and response plans at KKR and at our companies to improve our disaster management capabilities. Evaluating the impacts of these disasters is increasingly important. Members of the KKR team and leaders at portfolio companies are studying issues such as facility location, building design, and insurance coverage.

²⁴ The case study about the companies from the private equity portfolio shown above represents what we believe to be the most demonstrative example of the corresponding challenge. The specific portfolio companies identified are not representative of all of the investments made, sold, or recommended for advisory clients, and it should not be assumed that the investment in the companies identified was or will be profitable.

WORKING AT KKR

THE KKR EXPERIENCE

At KKR, we strive to attract, develop, and engage the strongest possible talent in order to create positive outcomes and experiences for our investors, companies, and stakeholders.

Professionals in our industry today have extensive choice in where and how they work. By embracing new research, leveraging technology, and collaborating across teams, we better understand what matters most to our people, and thus to our business. We aim to provide a dynamic and exceptional workplace that enables employees to thrive professionally and personally.

AN EMPLOYER OF CHOICE

Our goal is to provide an unrivaled employee experience to create the strongest workforce possible. For us, the KKR Experience encompasses four dimensions. At the foundation of this value proposition is our “Workplace Culture,” which underpins what we do and creates a supportive, industry-leading environment to help people succeed. The next dimension of this experience is our “Core Business” proposition: employees participate in an exceptional investing environment as part of a first-rate team of professionals. We believe that because of our history, geography, and credibility, employees are part of transactions and networks that are uniquely ours.

We believe this opportunity is why people come to KKR, but joining KKR is only the beginning. Once hired, we invest in our people. We provide benefit programs, compensation structures, and opportunities that empower them to stretch, grow, and achieve new levels of “Career Development” – the third dimension of the KKR Experience.

Finally, when we think about the KKR Experience, we recognize that employees have needs, personal interests, and passions. Employees care deeply for their families and communities. They want purpose in their careers and in their lives. Our care for both employees and communities drives our increasing focus on “Citizenship.”

KKR: INCLUSION AND DIVERSITY

Driving Diversity for Better Results

Becoming more diverse and inclusive is a strategic imperative for KKR because we believe it can maximize our performance and produce better results. In 2014, we created the Inclusion & Diversity Council, whose global leadership is composed of 11 KKR Members and an Advisory Group of approximately 20 diverse KKR executives.

Since then, we have improved our pipeline of diverse candidates, built a more diverse organization, and expanded our external partnerships with diversity-focused organizations. Areas of progress include:

- Scored 100 percent on the Human Rights Campaign’s (HRC) Corporate Equality Index for the third consecutive year
- Joined the CEO Action for Diversity & Inclusion, with Co-Founders and Co-CEOs Henry R. Kravis and George R. Roberts committing to this pledge
- Hired 100 percent of our 2017 MBA summer intern class to join the Firm in 2018
- Launched the Inclusion Network to bring our employees together across regions and offices to foster greater inclusion and celebrate the diversity of our workforce
- Continued offering comprehensive policies and programs for working parents, including extended paid leave for primary and nonprimary caregivers, Parental Leave Executive Transition support, and a firm-paid Childcare Travel Program
- Introduced adoption reimbursement benefits for all U.S. and London employees and seek to expand that benefit to employees in our other European and Middle Eastern offices in 2018

Our programs will continue to expand and evolve, reinforcing KKR’s position as a diverse, supportive employer of choice. For more on our progress, programs, and awards, visit kkresg.com/diversity-fact-sheet.

THE KKR EXPERIENCE

To create the strongest workforce and culture possible, we are focused on providing our employees with an unparalleled and differentiated experience. During the past year, we have dedicated resources to and have thought about how we define and can improve the KKR Experience.

Workplace Culture: Cultivating Success



Our Firm's values guide our goals and interactions, setting us apart from our peers. The seven values set out by our founders 42 years ago underpin all that we do and have informed the environment we have built. Today, our industry-leading workplaces are being designed to support flexibility, spur innovation, and build community. We are also driving internal communications that support transparency and increased employee engagement.

Core Business: Producing Exceptional Results



KKR is a pioneer in the private equity industry. Our early willingness to try new things has shaped a culture of innovation and calculated risk-taking. Through decades of successful, varied investments, we have built a reputation as a Firm that is focused, rigorous, and cutting edge. When people join KKR, they have access not only to unparalleled investment opportunities, but also to a network of high-quality professionals. Through our differentiated investment strategies, commitment to responsible investment, and dynamic global footprint, KKR offers a rich, diverse experience that is both fulfilling and challenging.

Career Development: Investing in Employees



To cultivate the most engaged and impactful workforce, we invest in employee training and professional development. Employees receive mentoring and executive coaching to supplement on-the-job experiences and ongoing performance feedback from managers and team members. We regularly offer skills-based development workshops to maximize performance across every level of the organization. Our merit-driven compensation structure and differentiated benefit programs provide attractive financial incentives and rewards that can also result in positive outcomes for our investors and unitholders.

Citizenship: Giving Back to Our Communities



Good citizenship helps make KKR an increasingly dynamic and exceptional place to work. Citizenship encompasses how we engage with our employees and communities and how they in turn engage with each other. We believe it is integral to the KKR Experience. It can create real value for us as a company, for our employees, and for the communities we all share. Our citizenship platform is integrated across the Firm with our wellness, inclusion and diversity, and sustainability programs as well as with office operations and events.

BUILDING STRONGER COMMUNITIES

THE KKR EXPERIENCE

Successful companies are only as strong as the communities in which they operate. Being an engaged and responsible corporate citizen is important to KKR.

Since launching our citizenship platform in 2016, we have defined our focus and strengthened our commitment to KKR employees and the communities we share. Our philanthropic reach and citizenship activities encompass our Firm, our employees, and our portfolio companies.

KKR supports healthy, inclusive communities and has focused on forming strategic relationships with nonprofit organizations that enable this vision. We partner with organizations such as Code First: Girls, Girls Who Code, Girls Who Invest, Management Leadership for Tomorrow, and Sponsors for Educational Opportunity (SEO) to help build pipelines of diverse talent and train the next generation of the workforce. In addition to providing financial support to these groups, we aim to engage our employees with each of these organizations by facilitating opportunities for strategic guidance, meaningful

volunteer activities, and board service. We have a large network of nonprofit partners and have donated more than \$12.1 million to charitable organizations globally through the KKR Charitable Gift Fund since 2005.

A CATALYST FOR ACTION

KKR employees can offer a wealth of resources, connections, and expertise to their communities around the world. Through our KKR Cares platform, we offer strategic programs and opportunities that encourage, inspire, and support employees as they engage with nonprofits and their communities. Learn more below.

Our efforts are multiplied by the power and reach of the KKR portfolio. Many of our companies maintain vibrant citizenship and philanthropic efforts, which we support. We offer a suite of resources that portfolio companies can leverage, and we also learn from our portfolio as their commitment and results inspire and inform our own citizenship journey.

DEEPENING OUR EMPLOYEES' IMPACT

Through KKR Cares, we help employees establish connections, create strong impact, and expand their horizons. KKR Cares inspires and enriches our employees' professional and personal lives through three core components.

KKR CARES		The KKR Employee Matching Gift Program matches employee donations to eligible nonprofit organizations dollar for dollar up to \$4,000 per employee annually. Since its launch in 2013, the program has matched approximately \$2.8 million to more than 550 nonprofit organizations ranging from schools to environmental causes. In 2017, we improved the matching platform and enhanced internal communications. As a result, employee participation nearly doubled, rising from 27 percent in 2016 to 52 percent in 2017.
		KKR 40 for 40 grants employees 40 hours of paid time annually to volunteer at community projects and nonprofit organizations that are meaningful to them. To introduce our employees to volunteer opportunities, we hosted two Nonprofit Networking Events in 2017 that brought together nearly 50 nonprofits and more than 200 U.S. employees.
		We connect KKR executives with nonprofit board service opportunities. Since 2015, we have placed more than 60 KKR employees on associate boards. Through these roles, they interact in a meaningful way with key nonprofits and the populations they serve.

ENGAGING WITH COMMUNITIES AROUND THE GLOBE

In 2017, we deepened our corporate engagement efforts by providing more impact opportunities for employees and our shared communities.



Delivering Disaster Relief

Hurricanes, earthquakes, and forest fires ravaged communities across North America in 2017, and while these disasters created destruction, they were also a time of hope and collective action. We partnered with the American Red Cross, Team Rubicon, Bravo Foundation, and our portfolio companies to support communities and employees. KKR and portfolio company employee volunteers acted as first responders, helped to rebuild, and supported their neighbors. Together, we donated nearly \$4 million across the United States, Mexico, and the Caribbean, in addition to providing significant logistical and in-kind support.

Giving Back in a Big Way

As an employee-driven program, KKR 40 for 40 encourages employees to volunteer as teams, with their families, and on their own.

Given the varied interests of our employees, this program invites our people to engage with the causes that matter most to them. Some have traveled across the globe to meet new people and have new experiences. Others have worked in their own communities on local projects. Through KKR 40 for 40, our employees have worked with refugees in Syria, cleaned up beaches and parks, helped immigrants apply for citizenship, served food, cared for animals, and supported schools. For highlights of our employees' volunteer experiences, visit kkresg.com/kkr-40-40.

**650 employees
committed
7,000+
hours since 2016**

²⁵ Piece & Co. is not a KKR portfolio company.

²⁶ KKR Capstone is not a subsidiary or affiliate of KKR. See Important Information on inside back cover for additional details.

Advancing Girls in Technology

As a Firm, we know diverse teams produce better results. In 2017, we focused on the low representation of girls and women in technology-related fields through partnerships with two nonprofits that are working to close this gender gap.



Girls Who Code

In the United States, KKR partners with Girls Who Code, a nonprofit working to close the gender gap in technology. We are providing financial support and leveraging our global resources and network to help grow the organization. In addition, KKR portfolio companies First Data and GoDaddy each sponsored a Summer Immersion Program, which provided nearly 40 girls with seven weeks of free, immersive instruction in web development, design, robotics, and mobile development.



Code First: Girls

We have partnered with Code First: Girls, a UK-based social enterprise focused on advancing diversity and skills in the technology sector. KKR provides financial, operational, and logistical support to Code First: Girls' 20:20 campaign to train 20,000 women for free by the end of 2020. Our UK-based portfolio companies Trainline and OVH are also partnering with this initiative to help women learn to code.

Creating Sustainable Jobs

Social enterprise Piece & Co.²⁵ is a company forging long-term partnerships with artisan groups and small businesses around the world to create a global supply chain of sustainable textiles and jobs. For 11 months, KKR and KKR Capstone²⁶ provided pro bono assistance to help expand Piece & Co.'s market, streamline operations, and develop a strategic plan to scale the business. The KKR plan positions Piece & Co. for growth that, if pursued, has the potential to quadruple income to artisans to \$3.5 million.

KKR and KKR Capstone²⁶ have completed seven such technical assistance projects, during which they provided expertise to social enterprises and nonprofits.



OUR KEY PERFORMANCE INDICATORS

PROGRESS AND THE PATH AHEAD

We are committed to measuring and reporting on our progress. Through relevant key performance indicators (KPIs) that track our performance and goals, we communicate the results of our efforts to integrate ESG considerations into our investment process.

Tracking our performance is an evolving task, especially given the fluidity of the holdings in our portfolios and the varying levels of our influence across asset classes. We work to ensure that our approach is both broad and nimble to best serve our portfolio companies and to adapt over time. Furthermore, we seek continuous improvement in all that we do.

TAILORING OUR TECHNIQUE

At the onset 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. We thus focus on measuring the integration of ESG principles throughout the investment process, much of which is largely qualitative in nature. We welcome feedback from our partners and stakeholders as we continue to refine our KPIs.

KEY PERFORMANCE INDICATORS

This table shows the various ways in which we have made progress against our goals and is organized according to the relevant Principles for Responsible Investment (PRI).

	OUR COMMITMENT	PROGRESS HIGHLIGHTS SINCE 2010
PRI 1	Identification of ESG risks and opportunities pre-investment Assess potential private equity investments as part of the Investment Committee process, which involves the ESG diligence group Provide guidance to KKR investment professionals for identifying and assessing opportunities Integrate ESG considerations when assessing potential investment targets for relevant non-private equity asset classes	Created guidelines for the investment teams and Investment Committees to support integration of ESG considerations prior to investment Developed a global Private Equity ESG Policy and shared it publicly in 2014 Developed more than 30 industry-specific ESG issue guides with input from external subject matter experts and the Sustainability Accounting Standards Board (SASB) Enhanced our global network of diligence providers to support our ESG-related efforts across regions Developed and expanded our ESG diligence group, augmenting our internal monitoring system to include more detail on findings and next steps for each investment Integrated ESG issues into technology platforms that support the investment process Assessed approximately 190 companies through 35 meetings of the ESG diligence group in 2017 Identified opportunities and invested more than \$4.6 billion behind sustainable solutions-oriented themes since 2008 ²⁷
PRI 2	Management of ESG issues during portfolio management Partner closely with our private equity portfolio companies to ensure key ESG issues are being assessed and managed appropriately Integrate ESG considerations in management across relevant non-private equity asset classes	Implemented regular internal meetings to review the private equity portfolio for material ESG issues or opportunities Began regular assessments of company-specific issues and ongoing monitoring for asset classes beyond private equity, where applicable Concluded a cybersecurity assessment of private equity portfolio companies' policies and procedures and developed a data privacy gap assessment tool in 2017 Integrated tracking of priority issues into the Portfolio Management Committee process and annual investor reporting for select private equity funds

²⁷ See Important Information on inside back cover for additional disclosure regarding calculation and determination of sustainable solutions-oriented themes.

	OUR COMMITMENT	PROGRESS HIGHLIGHTS SINCE 2010
PRI 2	Green Solutions Platform expansion	<p>Enhance environmental management in the portfolio companies where improved environmental performance is material to the business</p> <p>Announced Green Portfolio Program (GPP) results annually, including the final eco-efficiency results of 25 portfolio companies that collectively achieved \$1.2 billion in financial impact and environmental benefits from 2008 to 2014</p> <p>Launched the Green Solutions Platform in 2015 to expand on the GPP; 13 participating portfolio companies globally across four asset classes released program updates in 2017</p> <p>Worked with a Professional Engineer who was hired by KKR Capstone²⁸ to develop recommendations for energy and water efficiency projects at approximately 12 of our private equity and real estate investments in 2017</p> <p>Launched the KKR Eco-Innovation Award in 2016 and have awarded it to two portfolio companies for innovative, environmentally beneficial projects that create business value</p>
	Employee engagement program expansion	<p>Enhance the productivity and health of employees in private equity portfolio companies through Wellness Works</p> <p>Amplify portfolio companies' recruitment, hiring, and retention of veterans through Vets @ Work</p> <p>Foster continuous improvement in the health and safety performance, diversity, and employee productivity of portfolio companies</p> <p>Engaged more than 250,000 employees at 10 portfolio companies from 2011 to 2015 through Wellness Works</p> <p>Continued KKR and portfolio company engagement in the American Heart Association CEO Roundtable to share evidence-based approaches to workplace health</p> <p>Hired more than 62,500 veterans and military spouses at 41 U.S.-based portfolio companies since 2011; sponsored Military Hiring Fairs in the U.S. cities of Nashville, Fort Worth, and Washington, D.C. in 2014, 2015, and 2017, respectively</p> <p>Developed and distributed a proprietary Worker Safety Guide and webinar series</p> <p>Introduced several portfolio companies to the Gephardt Group since 2009 to support relationships between management and organized labor</p> <p>Engaged seven portfolio companies in an inclusion and diversity assessment developed with BSR in 2017</p> <p>Implemented an employee engagement strategy, which includes a management equity program, at four KKR Industrials investments</p>
	Responsible Sourcing Initiative expansion	<p>Enhance private equity portfolio companies' policies and procedures for opportunities associated with supply chain responsibility</p> <p>Analyzed policies and procedures for approximately 30 high-priority portfolio companies and developed action plans where we identified a need for improvement</p> <p>Worked with seven portfolio companies to improve their processes associated with responsible supply chains</p> <p>Conducted 10 webinars on key topics related to responsible sourcing</p>
PRI 3	Transparency and stakeholder engagement	<p>Encourage private equity portfolio companies' efforts to report on their sustainability and ESG efforts to key stakeholders</p> <p>Developed webinars on reporting and provided guidance, as appropriate</p> <p>Identified that nearly 28 percent of our global private equity portfolio companies report, or are beginning to report²⁹, publicly on sustainability-related issues, and nearly 57 percent communicate sustainability-related information publicly</p>
PRI 4	Promotion of responsible investment	<p>Work with individuals throughout the private equity value chain to share best practices</p> <p>Promote the PRI and other guidelines for responsible investment through involvement in sector initiatives</p> <p>Convened approximately 14 ESG roundtable and stakeholder engagement events</p> <p>Held 12 cross-portfolio conferences containing ESG-related content, including the KKR Sustainability Innovation Summit in 2014 and 2015, the Veterans Initiative Summit in 2015 and 2016, and the Vets @ Work Roundtable in 2017</p> <p>Sponsored and/or delivered remarks at various forums in 2017, including: The Bloomberg Sustainable Business Summit, PEI Responsible Investment Forum, and BSR Conference</p>
PRI 5	Collaboration with partners	<p>Work with others in the financial services industry to develop a common framework for ESG reporting</p> <p>Participated in the PRI's Private Equity Advisory Council until 2015</p> <p>Contributed to the PRI self-assessment survey to help develop guidelines and performance indicators for the private equity industry</p> <p>Continued to contribute to the Sustainability Accounting Standards Board development of industry disclosure guidelines; a KKR executive joined the SASB Standards Board in 2017</p>
PRI 6	Transparency and reporting	<p>Integrate discussion of ESG issues into investment partner communications</p> <p>Provide data and KPIs that clearly link ESG goals to business performance</p> <p>Obtain stakeholder feedback on our ESG reporting</p> <p>Integrated ESG management into discussions at three regional investment partner conferences annually and distributed periodic ESG-related updates when appropriate</p> <p>Responded to 22 stand-alone ESG-related questionnaires from fund investors in 2017</p> <p>Measured and reported the financial benefit of the Green Solutions Platform</p> <p>Solicited input of approximately 40 stakeholders since 2009 to help define our approach to ESG reporting; conducted professional analyses of our report to identify opportunities for improvement</p>

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

²⁹ For purposes of this number, a company was considered reporting if it independently disclosed performance metrics on its ESG or citizenship programs.

A WORD FROM THE PRESIDENTS

PROGRESS AND THE PATH AHEAD

During our 22 years with KKR, we have experienced tremendous change – both at the Firm and in the world. Our time as investors, and now as Firm leaders, has taught us how critical it is to understand clearly and respond swiftly to shifts in markets, performance, and perspectives.

We are living in a time of remarkable changes. Consumers are redefining their expectations of how business should operate in society. Citizens are concerned about topics like climate change and are demanding action. Digital users have evolving expectations about data privacy. Employees are vocalizing what they need and want from their employers in unprecedented ways.

In our business, we see and feel the effects of these and other developments. Our investment professionals and operations teams are always striving to learn about the changing world around us. We believe this enables us to invest smarter and perform better.

This desire to learn and perform is in KKR's DNA and thus at the core of our approach to responsible investment. We know that our partners and communities expect more from us each year. Whether from CEOs of financial institutions, investors from major funds, or nonprofit activist groups, we have seen a substantial increase in public conversations focusing on the role of business and the power of investing. There is a growing realization that private capital has a role in solving some of the significant challenges facing our global society.



"Leaders across industries are demanding more of themselves and their partners, and so are we. We are focused more than ever on delivering for those who invest with us, on maximizing our impact, and on creating a best-in-class workplace with diverse talent."

Companies are engaging with credible frameworks such as the United Nations Sustainable Development Goals to better define their impact. They are working together in coalitions to take a stance on everything from immigration to innovation. KKR, too, is thinking critically about where we invest and how we have an impact on the world through our investments, our teams, our relationships, our values, and our philanthropy.

As we look to the future, we expect things to change far more than they stay the same. We are building teams that better anticipate, predict, and drive changes where we can – and that better embrace

and adapt to change where we must. What we know for sure is that change is inevitable, but for folks like us, it is also highly desirable. For at KKR, change has brought us opportunities, seizing those opportunities has created growth, and managing that growth has driven performance for us, our companies, our investors, and our communities.

So, bring on the change. We're ready.

SCOTT C. NUTTALL and JOSEPH Y. BAE

Co-Presidents and Co-Chief Operating Officers



Based in Jakarta, Indonesia, GO-JEK uses technology to serve a region on the move. Through a mobile application-based platform, GO-JEK provides services such as ride hailing, food delivery, lifestyle services, and mobile payments. Its operations are based on three main values: speed, innovation, and social impact.

ABOUT THIS REPORT

Since we published our first ESG report, we remain committed to sharing our progress transparently and consistently. This 2017 ESG and Citizenship Report provides an account of our activities during 2017 and is our eighth such document addressing our responsible investment approach and progress. For more detail, view supplemental materials and past reports, available at kkresg.com. That microsite provides these documents in PDF format for download and in digital formats for viewing on desktop, tablet, and mobile devices.

Guiding Frameworks

We seek to align our reporting efforts with leading frameworks and methodologies. As a signatory to the voluntary framework of the United Nations-backed Principles for Responsible Investment (PRI), we organize our key performance indicators (pp. 22-23) around the PRI's six principles. To foster dialogue about responsible investment policies and practices with our fund investors, KKR publicly shares our responses to the PRI Limited Partners' Responsible Investment Due Diligence Questionnaire, available at kkresg.com/ddq. When writing this report, we considered the Global Reporting Initiative principles for defining report content and quality.

Boundary

We evaluate ESG issues with respect to several asset classes; thus, this report describes the initiatives and the integration of ESG issues in the investment processes for both our private equity investment process and private equity portfolio companies as well as for select non-private equity asset classes such as energy and infrastructure, real estate, and special situations, unless otherwise noted. As used in this report, "portfolio company" refers to the companies held in our private equity funds, unless otherwise noted. The data contained in this report are based on those assets/investments held in our portfolio during the 2017 calendar year along with select forward-looking initiatives for 2018. All information and data in this report are as of December 31, 2017, unless otherwise noted.

About KKR

KKR is a leading global investment firm that manages multiple alternative asset classes, including private equity, energy, infrastructure, real estate and credit, with strategic manager partnerships that manage hedge funds. KKR aims to generate attractive investment returns for its fund investors by following a patient and disciplined investment approach, employing world-class people, and driving growth and value creation with KKR portfolio companies. KKR invests its own capital alongside the capital it manages for fund investors and provides financing solutions and investment opportunities 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), please visit KKR's website at www.kkr.com and on Twitter @KKR_Co.

Contact

We value feedback on our ESG-related efforts and citizenship program. We welcome your questions and comments on both our report and our performance. Contact us via email at sustainability@kkr.com or by using the feedback form on our report microsite: kkresg.com/contact. Join the conversation on Twitter using #KKRESG and #KKR40for40.

Top-performing companies positioned for long-term success are no longer focusing solely on what they do. Rather, they are now also increasingly focused on how and why they do it.

As communities search for leadership and solutions in a time of volatility, we believe a company's role as a strategic and thoughtful partner is more important than ever. With this in mind, KKR is committed to focusing on the ways we can add value to the investments we make and the investors we serve by leveraging our responsible investment expertise and track record. Working together with companies and communities, we aim to provide solutions to the shared challenges we face.

IMPORTANT INFORMATION

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

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

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

The companies included in the calculation on pages 3, 10, and 22 represent KKR's sustainable solutions-oriented investments. The determination and assessment by KKR of which investments to include involve significant judgment and may differ from another party's review of KKR's investments. Another party's assessment may exclude certain companies or include comparable companies not represented.

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

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

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References to "Senior Advisors" and "Industry Advisors" are to individuals who are engaged, as consultants, to assist KKR with sourcing or developing investment ideas and a variety of other matters. These individuals are not employees of KKR. The portion of the compensation paid to Senior Advisors and Industry Advisors that is related to fund activities, such as sourcing investments or monitoring portfolio companies, may be borne by the relevant funds. References to "KKR Advisors" are to individuals who were formerly employees of KKR and are engaged as consultants for KKR. None of the compensation of KKR Advisors is borne by the funds.

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

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Sourced information for the Q-Park, OVH, and BridgeBio Pharma case studies are United Nations World Urbanization Prospects: The 2014 Revision, Highlights (2014), Solon Management Consulting (July 2016), and Global Genes: Rare Diseases Facts and Statistics (2015), respectively.

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