

CREATING SUSTAINABLE VALUE

PROGRESS THROUGH PARTNERSHIP

KKR

2012 ESG AND CITIZENSHIP REPORT

Achieving Meaningful Progress

The world continues to change and we do too. As operating conditions and stakeholder expectations have transformed over recent years, KKR's approach to investing has evolved also. As part of this evolution, we have worked to thoughtfully incorporate environmental, social, and governance (ESG) factors in our decision-making processes.

We know that our decisions can have enormous impacts on companies and communities, and believe that the inclusion of ESG considerations leads to smarter, more responsible investing. We also believe that by being smarter investors, we can better achieve our greatest social impact, which are the returns generated for millions of retirees and pensioners around the world. This 2012 ESG report, our third annual, demonstrates our progress, highlights our partners who make this work possible, and lays out our vision for the future.

Thank you for being with us on this journey as we work to improve upon the foundation we have built.

KKR

PROGRESS THROUGH PARTNERSHIP



ACHIEVING MEANINGFUL PROGRESS

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KKR invests across the energy spectrum and believes that a diversity of energy sources is critical to address changing supply and growing global demand.



ABOUT THIS REPORT

This is KKR's third environmental, social, and governance (ESG) report. The report covers the 2012 calendar year, along with select forward-looking initiatives for 2013. Similar to past reports, we focus on what we consider to be our most material ESG issue: how ESG considerations are integrated throughout our investment processes. Based on feedback from last year's report, we have included more information in this report about our due diligence process (see page 21), our five proactive ESG programs (see pages 23-31), and our Firm structure (see pages 36-37).

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) (see page 10), we organize our key performance indicator (KPI) tables (see pages 46-48) around the PRI's six principles. We also apply the Global Reporting Initiative's Technical Protocol to guide our report's content (see page 11).

Please note that as used in this report "portfolio company" refers to the portfolio companies of our private equity funds. While we are in the process of evaluating ESG issues with respect to other asset classes, the description of ESG initiatives and the integration of ESG issues in the investment processes, as described in this report, is limited to our private equity investment process and private equity portfolio companies, unless otherwise specifically described.

Unless otherwise noted, all data and information in this report are as of December 31, 2012. Additional information about our report and reporting process can be found in Important Information on page 49 of this report.



For links to accompanying resources cited throughout this report, see Online Resources on page 49.



KKR at a Glance

KKR is a leading global investment firm with diversified capabilities, a strong track record, and deep roots in private equity. Established in 1976, today KKR is one of the world's most successful investment management companies with a variety of investment funds covering multiple asset classes. In private equity, KKR seeks to create value by working as a partner and bringing operational expertise to our portfolio companies.

PRIVATE MARKETS

KKR's Private Markets business focuses on investing in quality companies and partnering with their management to help them improve and grow. We have consistently set new standards of achievement and innovation in this area. These activities enable us to find creative solutions to help our portfolio companies adapt to a range of economic environments. Our Private Markets business brings together our investment capabilities in private equity, energy and infrastructure, and real estate.

PUBLIC MARKETS

KKR's Public Markets business offers products across a range of credit and equity investment strategies, such as leveraged credit, customized hedge fund solutions, long and short equity, and alternative credit. This business draws on the Firm's deep intellectual capital and industry expertise, global network of relationships, and, when appropriate, our knowledge of deal flow to identify emerging investment opportunities.

CAPITAL MARKETS AND PRINCIPAL ACTIVITIES

KKR's Capital Markets and Principal Activities business supports our Firm, our portfolio companies, and our clients by providing tailored capital markets advice to our portfolio companies and investment professionals and by developing and implementing both traditional and nontraditional capital solutions.

Capital Markets and Principal Activities

\$4.8
Billion
in
Investments

Public Markets

\$26.4
Billion
Assets Under
Management

Private Markets

\$49.1
Billion
Assets Under
Management




KKR by the Numbers



Key Milestones in Our Responsible Investment Journey

	2008	2009	2010	
Our responsible investment approach is constantly evolving. We are proud of the milestones we have achieved since 2008 and have highlighted many of them here.	MAY 2008 Launched the Green Portfolio Program in partnership with Environmental Defense Fund	FEBRUARY 2009 Became a signatory of the UN-backed Principles for Responsible Investment and endorsed the Private Equity Growth Capital Council Responsible Investment Guidelines	JANUARY 2010 Became a member of Business for Social Responsibility	JUNE 2010 Released second Green Portfolio Program results
		Released first results from the Green Portfolio Program	MARCH 2010 Became a member of CSR Europe	DECEMBER 2010 Joined the PRI Private Equity Steering Committee
			MAY 2010 Launched the Responsible Sourcing Initiative	



KKR invested in T-Solar Global Operating Assets ("T-Solar") in 2011. T-Solar is a leading solar photovoltaic operator in Europe with 168 megawatts of installed capacity across Spain and Italy.

2011

MARCH 2011

Endorsed the Institutional Limited Partners Association Private Equity Principles

MAY 2011

Published KKR's first ESG Report

SEPTEMBER 2011

Launched the Vets @ Work initiative with select private equity portfolio companies

DECEMBER 2011

Released third Green Portfolio Program results

Began piloting the KKR Wellness Works program

2012

FEBRUARY 2012

Launched partnership with Transparency International

MARCH 2012

Received the Private Equity International Award for Responsible Investor of the Year in North America

JUNE 2012

Published KKR's second ESG Report

OCTOBER 2012

Joined forces with the American Heart Association

DECEMBER 2012

Released fourth Green Portfolio Program results of more than \$600 million in cumulative financial impact

“

These efforts are not always easy,
but we are committed to thinking
through the tough challenges and
working to invest responsibly
across our businesses.

”

Letter From Our Founders

Our commitment to creating sustainable value has never been stronger. The journey we began in 2007 with our collaboration with Environmental Defense Fund (EDF) has evolved into a multi-faceted effort that spans geographies, industries, focus areas, and partnerships. As we reach the five-year anniversary of our official partnership with EDF – our first ESG partnership – we are looking back on the key drivers of past success and looking forward to the critical elements of future growth.

As we reflect on the last five years, three themes have proven consistently important to our **progress** toward creating shared value: the power of **private equity**, the value of **partnerships**, and the benefits of focusing on **performance**.

KKR sees the **private equity** model as one of the best investment models for both boosting business performance and serving as a platform for responsible investment. For 37 years, we have seen how private equity’s long-term investment horizon, active management, operational focus, and alignment of interests between investors and company management can be a powerful force for positive change within companies. This same combination can also help a company better engage with key stakeholders, improve environmental performance, enhance transparency, promote worker wellness and engagement, and achieve other important goals. In addition, we believe that private equity can play an important role in building enterprises that solve problems and create additional jobs. It can also augment the retirement security of retirees and pensioners, such as the nearly 40 million individuals who are the ultimate beneficiaries of our investments. In addition to producing strong returns, KKR is also focusing on promoting policies that can contribute to greater retirement security for individuals, including workers in the U.S. public sector. Lastly, in 2012, we saw how private equity can relieve some of the financial burden on governments through public-private partnerships that are designed to better manage infrastructure assets.

Moving forward, we are working to scale existing efforts to integrate the management of ESG issues in our private equity investment processes, while also determining how to apply what we have learned to other important asset classes for KKR. These efforts are not always easy, but we are committed to thinking through the tough challenges and working to invest responsibly across our businesses.

For nearly four decades we have seen how **partnerships** lead to greater value creation across our entire business. Now, five years after the start of our groundbreaking work with EDF, we know partnerships can also lead to real improvements in environmental and social performance and better governance.

In 2012, we launched initiatives with two new world-class organizations: American Heart Association to complement our efforts in health, and Transparency International to enhance our approach to ethics and integrity. These organizations along with our existing partners, such as EDF and Business for Social Responsibility (BSR), enable the important progress we are making, while always challenging us to do more. As we continue to evolve, we expect these partnerships to remain a core part of our accomplishments.



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

The momentum we have achieved in improving ESG **performance** to date has been significant and is delivering real value. We focus on setting shared performance goals with our private equity portfolio companies and seeking continued improvement against those goals. By doing so, we aim to build better businesses, while also proving the value of investing in ESG management.

- In 2012, for example, the Green Portfolio Program reported results for the fourth time and participating companies have cumulatively avoided 1.2 million metric tons of greenhouse gas emissions and achieved more than \$644 million in financial impact (cost savings and added revenue) through a variety of eco-efficiency efforts since 2008.
- In 2012, we also continued KKR Wellness Works, a program designed to support our private equity portfolio companies' efforts to manage their health care costs, while improving levels of employee wellness and engagement. This program currently includes eight of our private equity portfolio companies, which together provide health care for approximately 190,000 individuals in the United States.

- We continue to engage our investment partners and portfolio partners in enhancing our collective performance in ESG management by hosting a series of ESG-focused events that allow us to collaborate on challenges and share our lessons learned.

We have included these activities, along with others, in a summary of KKR's 2012 ESG progress and highlights.

In this, our third annual ESG report, we are sharing our success, but also aim to communicate that our efforts to create sustainable value are not without challenges. Whether integrating ESG management into the diverse companies in our private equity portfolio or determining how to evaluate investments in new asset classes with regard to ESG factors, we are constantly learning and improving. We know that our approach needs to be refined and enriched in order to continue to produce results. In 2013, we plan to scale our existing efforts, with the goal of making them more profound and impactful as we continue our journey.

We see our growing focus on ESG management as smart business, and believe it is an essential component to our and our investments' long-term competitive success. We are proud of the **progress** we have made to date and know it is only the beginning.

Thank you for your continued interest in our journey. We welcome your feedback on our efforts and look forward to continued collaboration in 2013 and beyond.

GEORGE R. ROBERTS

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

HENRY R. KRAVIS

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

*Kion Group, headquartered
in Germany, is a worldwide
provider of forklifts,
warehouse equipment, and
other industrial trucks.*



2012 ESG Progress and Highlights

Integration in the Pre-Investment Phase

18
Industry
Guides

Continued to manage ESG considerations in the private equity due diligence process by enhancing available resources and tools, developing 18 industry guides, and holding approximately 37 due diligence team meetings, where an average of approximately 12 companies were reviewed per meeting. P. 21

Partnering With Our Portfolio Companies to Support Veterans

Expanded our Vets @ Work initiative to an additional private equity portfolio company in the United States, bringing our total number of participating companies to nine. In 2012, our portfolio companies hired approximately 7,000 veterans. P. 31

7,000
Vets @ Work



Partnering With Our Portfolio Companies for the Environment

Continued to expand the Green Portfolio Program, adding seven new companies in 2012. Since 2008, the reporting companies have achieved more than \$644 million in cost savings and added revenue, while avoiding 1.2 million metric tons of greenhouse gas emissions, 3.4 million tons of waste, and 13.2 million cubic meters of water use. P. 24-27



Expanding External Partnerships

Strengthened our network of external partners and advisors on critical ESG issues, and formally joined forces with the American Heart Association (AHA) to lead a research study on our efforts in employee health. P. 29-30



American Heart Association®
Learn and Live



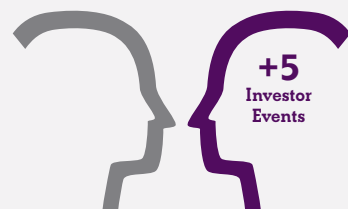
+2
Companies Assessed

Partnering With Our Portfolio Companies for Responsible Sourcing

Executed a series of webinars for our private equity portfolio companies on responsible sourcing and supply chain management. Expanded the Responsible Sourcing Initiative by providing customized assessments of sourcing policies and protocols for an additional two private equity portfolio companies, bringing our total number of companies assessed to 22. P. 28

Focusing Internally

Launched a series of initiatives designed to improve our own ESG performance. In June, the KKR Green Team addressed critical waste issues in the New York office. Their efforts had nearly a \$20,000 financial impact and saved approximately 60,000 water bottles from entering the waste stream. In November, KKR launched an internal wellness effort with its first biometric screening events for all U.S. employees, of which more than 98 percent of eligible employees participated. P. 40-41



Partnering With Our Investors

Held five ESG-focused events in the United States and Europe designed to inform our partners and prospective investment partners of our efforts, while also designed to help us learn from their experiences. Communicated our ESG priorities and initiatives to investment partners, for example, through the participation of ESG thought leaders at our 2012 U.S. Investors' Meeting. P. 15





*KKR investment
professionals discuss
business in our
Hong Kong office.*

Our Commitment and Approach

We believe that by investing over the long term, aligning our interests with our stakeholders' interests, and being active owners, we can capitalize on the power of private equity to improve performance and increase a company's value. Today, enhancing value and the bottom line also often means improving the environmental, social, and governance (ESG) aspects of a business.

KKR is committed to investing responsibly, which we define as the integration of ESG considerations throughout our investment processes. Whether reviewing ESG risks and opportunities during the due diligence phase or including ESG performance goals into the ongoing management of a private equity portfolio company, we are working to strengthen our teams' understanding of the impact of these issues on the companies in which we invest. The following pages explain our commitment to responsible investment, our approach to integrating ESG issues, and our view on how the private equity industry plays an important role in a healthy global economy.

What Are ESG Issues?

Environmental, social, and governance (ESG) issues can vary greatly among companies, depending on their industry, geography, and stakeholders. The following topics are examples of ESG issues.



Environmental

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



Social

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



Governance

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

The Importance of ESG Management

We believe that the thoughtful management of ESG issues is smart business and see it as an essential part of long-term success in a rapidly changing world. Companies that carefully manage ESG risks and opportunities today should be better positioned in the future as diminishing resources, changing consumer demands, and increased regulation are expected to pose greater challenges. In addition, we believe that our capital, operational capabilities, and ownership model can be part of the solution to some of the challenges that communities around the world are already facing, such as the need for improved infrastructure.

To be most effective, ESG initiatives should be seen as best practices for operational excellence. Therefore, KKR focuses on the areas where we believe there to be a social or environmental benefit, as well as a business benefit. It is important that our efforts make sense for the companies in which we invest, their communities, and our stakeholders, including our investment partners.

While we are proud of our progress, our efforts are not without challenges. We invest in complicated, often-global companies that every day must balance competing interests and make difficult trade-offs. While some might not always agree with our conclusions, we believe the key to success is to make informed decisions by thoroughly and carefully considering ESG issues.

In addition, just as in other aspects of investing, the process for understanding and better managing ESG issues is one that we must continually work hard to improve. As such, we work diligently to ensure that difficult situations are discussed thoughtfully with our network of internal and external partners, while seeking to act in the best long-term interests of our beneficiaries.

UN Principles for Responsible Investment

To demonstrate our commitment to ESG management and our fiduciary responsibilities, in 2009, we signed the United Nations-backed Principles for Responsible Investment (PRI). Where consistent with our fiduciary responsibilities, we commit to the following principles for our private equity investments:

- We will incorporate ESG issues into investment analysis and decision-making processes.
- We will be active owners and incorporate ESG issues into our ownership policies and practices.
- We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- We will promote acceptance and implementation of the Principles within the investment industry.
- We will work together to enhance our effectiveness in implementing the Principles.
- We will each report on our activities and progress towards implementing the Principles.

Identifying Shared Priorities

Returns for our investment partners are fundamental to our success. To ensure that our responsible investment efforts are in the best interest of our business and our stakeholders, we examined our business strategy, our stakeholders' expectations, and emerging trends regarding responsible investment to define our most material issues.

In 2010, we conducted our first materiality assessment. In 2011, we applied the Global Reporting Initiative's Technical Protocol to our assessment and confirmed our areas of focus. The Technical Protocol is often used as best practice for defining content for sustainability reporting.

According to our assessments, our most material issue is the process by which we ensure that the consideration and management of relevant ESG risks and opportunities are integrated in the pre-investment and portfolio management phases of our investment cycles, particularly in private equity.

We also know from our materiality assessment that our transparency and engagement with stakeholders about our approach and performance continue to be of high importance as we work to enhance our efforts.

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Material topics for a reporting organization should include those topics that have a direct or indirect impact on an organization's ability to create, preserve or erode economic, environmental and social value for itself, its stakeholders and society at large.

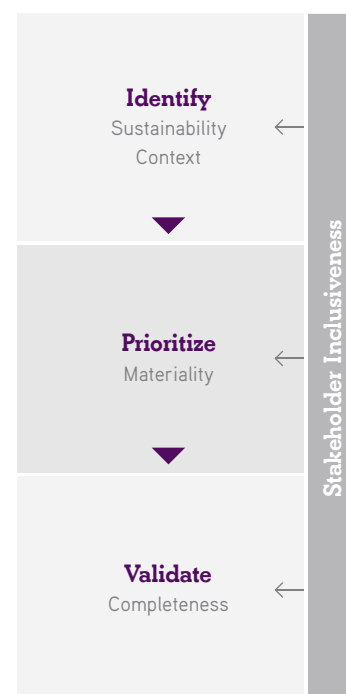
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Global Reporting Initiative (GRI)



Collaboration among our team members is a key component to successful ESG management.

GRI Principles for Defining Report Content



Engaging Our Stakeholders

Engaging proactively with our key stakeholders helps ensure that our approach to investing is informed by a broad range of insights and experiences, and that we are setting shared priorities, adjusting our approach, and learning from our mistakes. It also allows us to communicate our efforts, thereby demonstrating results and progress over time to our stakeholders. For these reasons, our focus on stakeholder engagement has been a central part of our philosophy from the beginning, and is a capability that we constantly strive to improve.

Our partners and stakeholders include a wide range of groups and individuals, such as the management teams and employees of the companies in which we invest, the individuals and institutions that invest alongside us, the communities affected by our investments, nongovernmental organizations (NGOs) including unions, and our own employees.

It is also important to us that we build positive relationships with groups that represent the communities and the environments we affect, as well as with the governments and regulators of the countries in which we operate. We believe that protecting and enhancing these relationships is critical to smart investing and creating long-term, sustainable value.



How KKR Engages With Stakeholders

STAKEHOLDER GROUPS	SOME OF THE WAYS WE ENGAGE
FUND INVESTMENT PARTNERS Those that have made or are considering making an investment with KKR	<ul style="list-style-type: none">■ Ongoing efforts to increase transparency and engagement, such as through our endorsement of the Institutional Limited Partners Association principles■ Alongside our limited partners, investment of more than \$4.6 billion of our and our employees' own money, making KKR its own largest investor■ ESG round tables with KKR private equity portfolio companies and ESG-focused presentations integrated in regular communications
KKR EMPLOYEES Persons directly employed by KKR	<ul style="list-style-type: none">■ Semiannual review and development discussions based on 360-degree feedback■ Ongoing leadership development and other critical skills-based training programs■ Communication of our ESG efforts to employees through targeted internal communications and regular updates from KKR leadership■ Specific ESG training programs for investment professionals and KKR Capstone executives

Our Approach to ESG Management in Private Equity

KKR considers the private equity model to be a strong platform for boosting business performance while also having a positive impact on the environment and society because of its active, long-term investment approach. Recognizing this, and the fact that the management of ESG issues in private equity is our most material ESG issue (see page 11), we work to embed ESG management throughout this investment process.

Good investments begin with rigorous due diligence. KKR due diligence includes a review of how potential portfolio companies manage environmental, social, and governance issues. For more about our due diligence process, see page 21.

The companies that make up our private equity portfolio may participate in our relevant proactive ESG programs (see pages 23-31). We work with portfolio company management teams to determine the programs that are most applicable and to identify the activities that are most relevant to their business.

Throughout our investment in a portfolio company, we offer the management team expertise and resources to achieve ESG-related goals. Our internal teams work together to provide strategic advice and operational support. These teams include investment professionals, Global Public Affairs, Legal and Compliance, KKR Capstone, and the Client and Partner Group.

After we choose to make a private equity investment, we work with the portfolio company management teams to set priorities and create a detailed 100-day plan that establishes initial goals and the steps to achieve them.

When material ESG issues are identified during the due diligence process, they may be included in these plans.

STAKEHOLDER GROUPS

GOVERNMENTS AND REGULATORS

Local, regional, and national governments, regulators, and supervisors

PRIVATE EQUITY PORTFOLIO COMPANY EMPLOYEES AND PROSPECTIVE EMPLOYEES

Employees of private equity portfolio companies around the world

CIVIL SOCIETY

Those representing the concerns and expectations of the communities in which KKR and the private equity portfolio companies operate

SOME OF THE WAYS WE ENGAGE

- Dialogue and engagement with regulatory authorities and policymakers by KKR and portfolio companies regarding societal needs, the role of private capital, and industry trends
- Investment partnerships with local and state government pension funds
- Advocate for the importance of defined benefit plans as an option for public sector workers
- Pre-investment assessments of relationship between workers and management, including, where relevant, organized labor and work councils
- Meetings and webinars with functional leads about emerging issues and proven practices on issues of interest
- Ongoing, deep engagement through the boards of directors and operational initiatives throughout the portfolio companies
- Partnerships with external thought leaders, such as NGOs
- Consultations with experts about specific ESG issues in the private equity pre-investment and portfolio management phases
- ESG round tables with KKR private equity portfolio companies
- Ongoing outreach and discussions with key media outlets and journalists



How We Partner for the Management of ESG Issues



Partnerships for ESG Expertise

For the past 37 years, we have seen how partnerships can lead to greater value creation. We now know that they also can lead to real improvements in environmental and social performance and to better governance.

From our internal teams, to nonprofit partners, to the investment community, each partner brings different expertise and helps to ensure that we remain at the leading edge of emerging issues and expectations. Our progress in reaching our ESG goals has been due to our strong network of internal and external partners.

To learn more, see Online Resources on page 49.

Our “One-Firm” Approach

KKR employees strongly believe in the power of our “one-firm” approach and work to apply it to all that we do. This philosophy means we work proactively and collaboratively across geographies and departments to achieve the best results in all aspects of our business, including the management of ESG issues.

Our **Investment Professionals** are responsible for identifying potential ESG issues and raising these issues during the pre-investment and investment phases. Recognizing the importance of building awareness and competence across the organization, we continued to integrate ESG management as part of the education of our private equity investment professionals in 2012. The level and format of education and training can vary significantly within the organization, but is a growing priority for the Firm. Currently, KKR private equity investment professionals are educated about our commitment to responsible investing through new-employee orientation, firmwide meetings, and communications from our founders. Through each of these channels, information about the importance of ESG issues and stakeholder expectations is stressed to participants.

Our **Global Public Affairs** team represents the core of the ESG expertise at KKR. The team was formed in 2008 to serve as a resource to KKR, our professionals, and our portfolio companies. The Global Public Affairs team is involved in the due diligence process for all potential private equity investments and also regularly engages with portfolio companies and external stakeholders. Two members of the team are fully dedicated to ESG strategy and management for the Firm. Additional members of the team are responsible for specific ESG opportunities based on their geography or subject matter expertise.

Our **Legal and Compliance** team, along with outside counsel, assists in our due diligence process by assessing prospective investments on key governance issues, such as anti-corruption. They also work with our portfolio companies on these issues after we have made an investment. Anti-corruption policies are part of our commitment to responsible investment and we have taken steps to build them into our processes. For more information about our approach to integrity and engagement, see pages 30-31.

KKR Capstone is a team of approximately 60 operational experts who partner with our investment professionals and portfolio company management teams

to define strategic priorities and drive operational improvement in our private equity investments. The team is made up of experienced professionals with strong backgrounds in business management, operational knowledge, and technical expertise. KKR Capstone professionals play a significant role in implementing our ESG programs and they partner with our Global Public Affairs team to lead the Green Portfolio Program, KKR Wellness Works, Vets@Work, and Responsible Sourcing Initiative. KKR Capstone executives receive frequent education and continuous training on our commitment to responsible investment and our ESG programs.

Our **Client and Partner Group** (CPG) is chiefly responsible for developing, structuring, and maintaining collaborative partnerships with our fund investors around the world. CPG brings together resources and expertise from all of KKR to deliver the most comprehensive and advanced intellectual capital to our investing partners. CPG professionals also play a critical role in listening and responding to ESG questions or suggestions from our fund investors. They regularly partner with the Global Public Affairs team. Together, the two teams have cohosted KKR's ESG Round Table series. This effort is designed to bring together the entire private equity investment chain – from limited partner to general partner to portfolio company – to share and discuss best practices with respect to real-life ESG case studies, challenges, and opportunities.

Partnering Externally for ESG Expertise

To succeed in the modern business landscape, companies must manage a wide range of ESG issues (see page 10), making external expertise, perspective, and support critical. While KKR has deep operational and ESG-related experience, we gain great knowledge and credibility by going outside of our organization and partnering with thought leaders, such as NGOs.

Since 2008, we have deepened our relationship with Environmental Defense Fund, while also building new relationships with other expert, nonprofit organizations including Business for Social Responsibility (BSR), Transparency International, the American Heart Association (AHA), and veterans' organizations.

These partners and others have helped our Firm and private equity portfolio companies work through a wide range of ESG risks and opportunities.

Partnering With the Investment Community

The integration of ESG factors into the investment process is gaining more attention every year. As we, along with our peers, continue our work to consistently and thoughtfully manage these issues, industry collaboration is critical. Therefore, part of our commitment to responsible investment involves engaging with our peers in financial services to achieve common goals. In 2012, we promoted responsible investment and enhanced dialogue around challenges and opportunities specific to the private equity industry through several efforts:

- Spoke about responsible investment at several conferences, including SuperReturn Asia, SuperReturn International, Ceres, Net Impact, and Private Equity International Responsible Investment Forum

PARTNERS IN ACTION



EDF President Fred Krupp (left) and KKR Co-CEO and Co-Founder Henry Kravis (right) discuss the Green Portfolio Program.

Since joining forces in 2008 with Environmental Defense Fund (EDF) to launch the Green Portfolio Program, we have seen the value and opportunity that strong external partnerships can provide to our ESG efforts.

In 2012, we commemorated the fourth anniversary of the program and released a video with Co-CEO and Co-Founder Henry Kravis and EDF President Fred Krupp. The video discusses the results of the Green Portfolio Program to date and the significance of our organizations' innovative partnership. It is available in the "Partnership" section of KKR's Green Portfolio Program website.



To learn more, see Online Resources on page 49.

Advantages of the Private Equity Model for Responsible Investment



Longer-Term Horizon

Progress on ESG issues can take time and often does not fit well within the pressures of quarterly reporting. Because private equity takes a longer view and measures progress over years, not quarters, we can focus on longer-term improvements.



Alignment of Interests

We work to align our interests across key stakeholder groups, including our investment partners, portfolio company management teams, and our employees. This strategy allows us to focus on mutually agreed upon objectives and to seek greater success.



Active Management

Being active investors in our portfolio companies helps ensure that everyone is working toward shared goals, including KKR management, executives at our portfolio companies, and outside advisors. Furthermore, we are able to provide resources and advice to help achieve the desired outcomes.

- Contributed to an industry best practices guide on due diligence in responsible investing as a member of the British Venture Capital Association
- Hosted ESG-focused events specifically for our investment partners in North America and Europe
- Contributed to the development of guidelines for ESG reporting, such as through the Sustainability Accounting Standards Board (SASB)

These efforts are in addition to our active engagement with our peers as signatories of the PRI (see page 10). We look forward to additional collaboration with the investment community in 2013.

Private Equity's Role in a Healthy Global Economy

Companies today face increasing pressures and challenges, such as uneven global growth, resource constraints, deleveraging, increased regulation, and demands for greater transparency. As a result, they may need capital, a long-term approach, and management expertise – three ways in which we believe our private equity model can provide support, while also serving as platform for responsible investment. We invest in companies that are poised for new growth, are undervalued, or are underperforming, and work with them to increase their value and growth potential. We see the role of private equity as significant in the global economy because of the direct and indirect benefits this model brings to our fund investment partners, our portfolio companies, and our shared communities.

Benefiting Our Investors and Their Beneficiaries

For more than three decades, leading fiduciaries around the world – including large public and corporate pension plans, sovereign wealth, financial institutions, insurance companies, university and other endowments, and foundations – have invested with KKR as investment partners. The beneficiaries of these partners include millions of teachers, firefighters, police officers, state and municipal employees, and other professionals. Our returns on their investments have a positive impact on the retirement security and well-being of these and future generations of beneficiaries. Ensuring that we create sustainable value is not only critical for the creation of long-term value for our portfolio companies and our investment partners, but it is also one of the most important ways we can benefit our investors and, by extension, society as a whole.

Benefiting Communities

We believe two essential ways for our private equity portfolio companies to contribute positively to their communities are through employment and innovation.

By extension, a significant part of KKR's contribution to social and economic growth is the Firm's investment in companies that employ hundreds of thousands of people around the world. Worldwide, our private equity portfolio companies employed nearly one million people at the end of 2012: 66 percent

in North America, 16 percent in Europe, 16 percent in Asia, and 2 percent in other regions of the world. In addition to direct employment by our portfolio companies, economic growth and job opportunities are created through companies' networks of suppliers and other partners.

Moreover, our private equity portfolio companies invest in innovation through their products, services, and facilities, thereby benefiting the greater economy. In 2013, select portfolio companies are expecting to invest approximately \$7.6 billion in capital expenditures.² We believe that these investments in capital expenditures and research and development are evidence of companies investing in their future and, by extension, in the future of their local economies.

In 2012, select portfolio companies reported investments of approximately \$1.4 billion in research and development.¹

Benefiting Society

Many companies in our portfolio fulfill societal needs for materials, information, or services (see case study below) and can have a positive impact on individuals and communities. For example, whether developing capsules to effectively deliver medicine in the body or manufacturing equipment to keep workers in high-risk jobs safe, many companies in our portfolio have a focus on solving societal problems.

Our understanding of macro-trends and societal needs provides important context in these types of investments, which can provide solutions to difficult challenges. Increasingly, we see the potential for creating value through a deliberate emphasis on ESG issues, such as with our investments in renewable energy or water infrastructure. We believe this is a true form of shared value and will continue to examine these types of potential investments moving forward.

¹ KKR investments that reported as part of this number include: Accellent, Acteon, Aricent Technologies, Biomet Inc., Capital Safety, Capsugel, Del Monte Foods, Go Daddy Group, Ipreeo, Jazz Pharmaceuticals, Inc., KION Group, MMI Holdings Ltd., Northgate Information Solutions, NXP, SunGard Data Systems, Inc., Tarkett S.A., TASC, TDC A/S, Versatel, Visant Corporation, Visma AS, Wild Flavors, WMF. For a complete list of KKR's private equity portfolio companies, visit our website: <http://www.kkr.com/partners/portfolio-partners>

² KKR investments that reported as part of this number include: Academy Sports, Accellent, Acteon, Alliant Insurance Services, Inc., Ambea, Aricent Technologies, Capital Safety, Capsugel, Colonial Pipeline, Coriance, Dollar General Corporation, Energy Future Holdings Corp., First Data Corporation, Fotolia, Go Daddy Group, Ipreeo, Jazz Pharmaceuticals, Inc., KION Group, Maxeda, Nielsen Co., Oriental Brewery, ProSiebenSat.1 Media AG, Tarkett S.A., TASC, TDC A/S, U.N Ro-Ro, U.S. Foods, Van Gansewinkel Groep, Versatel, Visant Corporation, Wild Flavors, WMF, Yageo Corporation. For a complete list of KKR's private equity portfolio companies, visit our website: <http://www.kkr.com/partners/portfolio-partners>

Case Study

Investing in Solutions: Magma Fincorp³

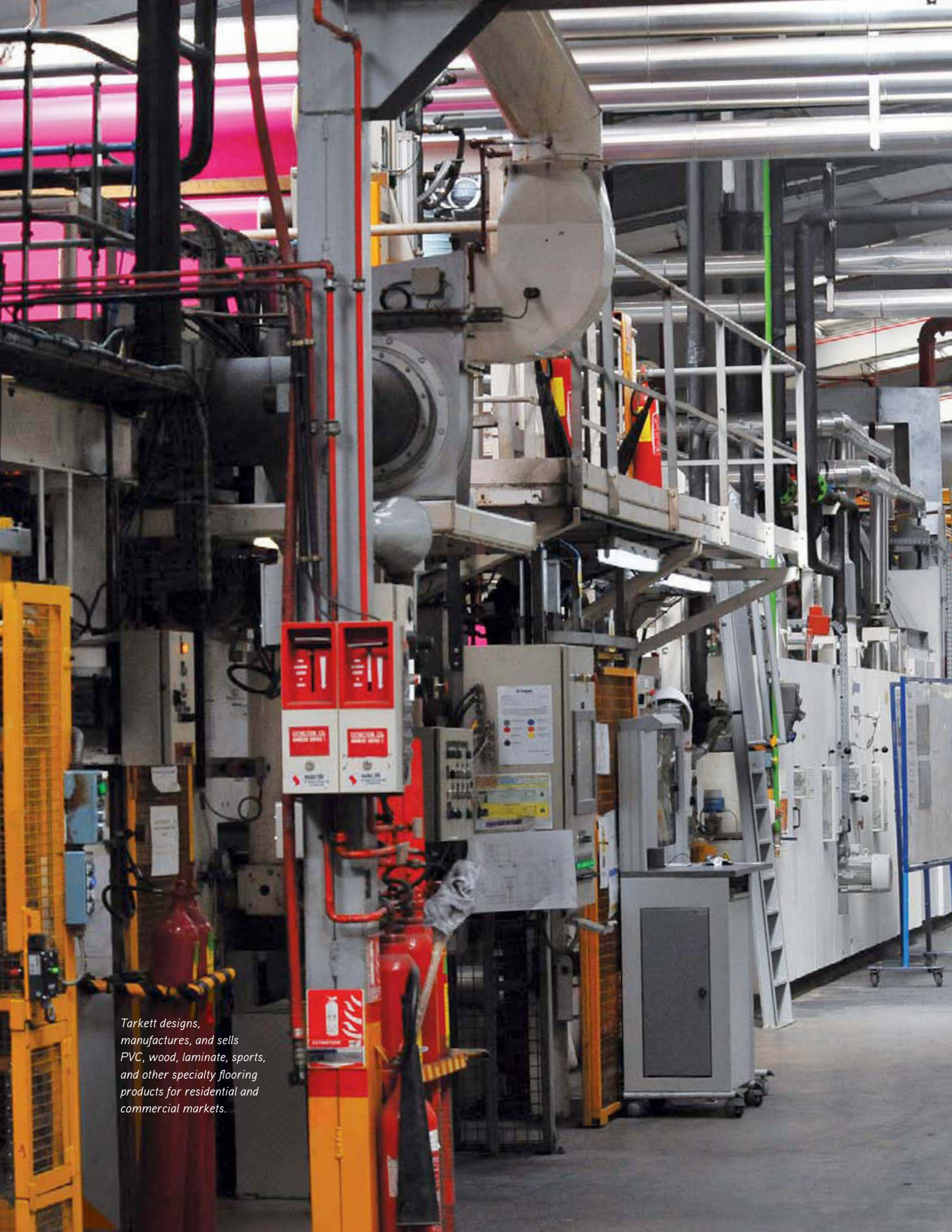
In 2011, KKR invested in Magma Fincorp Limited ("Magma"), a nonbanking finance company. Magma caters to the diverse financial requirements of small entrepreneurs in rural and semi-rural India who have had difficulty accessing the Indian banking network.

Magma customizes its products to address customers' needs and positions itself as a solutions provider in the asset financing market. In alignment with this philosophy, the company provides a range of products encompassing financing for cars, new and used commercial vehicles, construction equipment, tractors, small- and medium-sized enterprise loans, gold loans, and affordable housing financing. The company has provided financing to more than 700,000 customers.

³ The following companies are all of KKR's portfolio companies with headquarters in India as of December 31, 2012: Bharti Infratel Limited, Coffee Day Resorts, Dalmia Cement, Magma Fincorp, and TVS Logistics Services Ltd. The specific portfolio companies identified are not representative of all of the portfolio companies purchased, sold, or recommended for KKR funds. The reader should not assume that an investment in the portfolio companies identified was or will be profitable.



Magma's network helps to connect the company with banking customers who previously had difficulty accessing capital and financial services.



Tarkett designs, manufactures, and sells PVC, wood, laminate, sports, and other specialty flooring products for residential and commercial markets.

ESG Management in Our Investment Process

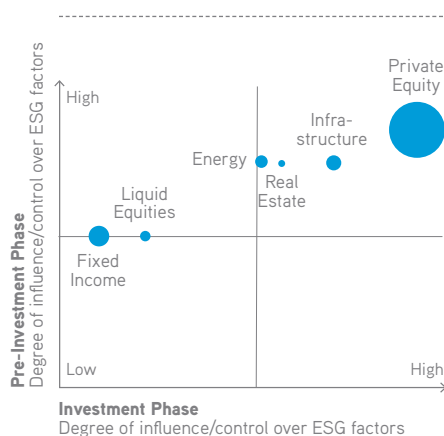
Throughout the investment process, KKR works to thoughtfully integrate environmental, social, and governance (ESG) considerations in our decision-making. Whether by formal assessments or frequent dialogue, we engage with portfolio company management teams to support their efforts to manage their relevant ESG issues. Additionally, we work with select private equity portfolio companies on a series of proactive programs and initiatives that address ESG opportunities.

In addition to our focus on our private equity portfolio, we have been working to apply responsible investment principles to asset classes that are newer to KKR, such as energy and infrastructure.

The following pages explain how we integrate the management of ESG issues into our investment decision-making processes from start to finish, and how we partner over the long term with portfolio companies through our proactive ESG programs.



Relative Influence and Control Over ESG Issues Across KKR Asset Classes



Influence and Control Over ESG Issues in the Investment Portfolio

During the last five years, we have improved our investment flexibility and capabilities to invest up and down a company's capital structure. We believe this has enabled us to provide better solutions for investment partners and companies. While more than 60 percent of KKR's assets under management are in our private equity funds, we have expanded our business to also include energy and infrastructure, real estate, and a range of debt and public equity investing.

Many of these additional business models do not lend themselves to the same ESG-management approach that we apply in our private equity portfolio. This is primarily because of varying investment theses and levels of influence. However, we still believe that responsible investment can play an important role in many of these businesses. To better understand how to approach ESG risks and opportunities, in 2011 we analyzed our relative degree of influence and control over ESG factors in the pre-investment and investment phases. Based on this analysis, we continue to prioritize efforts to integrate ESG considerations in the private equity investment process. We are also exploring ways to apply these considerations to other asset classes including energy and infrastructure, and real estate.

Different Approaches for Different Businesses

In 2012, we continued to grow our energy and infrastructure platforms with 11 new investments. As these investments increase in size or frequency, so do the opportunities to consider and manage ESG issues. However, because of the nature of these partnerships and the size of our investment, our level of influence can be far less than in private equity. In addition, there can be varied and significant ESG challenges and opportunities in this sector, and as such, we believe that a flexible and tailored approach to the integration of ESG considerations in these investments is essential. For more information about our approach to ESG management in our energy and infrastructure business, see pages 32-33.

In 2012, our real estate business continued to grow and evolve as well. In these cases, our ability to influence or control the activities of our investments can vary quite significantly, and is often limited. As we expand our business in these areas, we expect to more clearly define our ESG strategy. For more information about our real estate business, see page 33.

As our assessment indicated, private equity is the area where we have the most influence and control (see sidebar on left), though these levels can vary depending on several factors, including whether we are a minority or majority investor. Therefore, throughout our private equity funds we are active investors that partner with our portfolio company management teams to improve productivity and drive growth. Responsible investment in this asset class is a key priority for us. The majority of this report, particularly section 2, refers specifically to the management of ESG factors in the pre-investment and investment phases of our private equity model. We also highlight the specific proactive ESG programs that we have in place for relevant companies in our private equity portfolio (see pages 23-31).

The Private Equity Growth Capital Council (PEGCC) Guidelines

As part of our commitment to responsible investment, KKR worked with other members of PEGCC to develop Guidelines for Responsible Investment in 2009. These guidelines serve as a platform for formalizing and focusing our responsible investment efforts and those of our peers in the private equity industry. In accordance with these guidelines, KKR's private equity funds commit to take labor and other ESG issues into account when making and managing investments.

i To learn more, see Online Resources on page 49.

Integrating ESG Management Into the Private Equity Investment Process

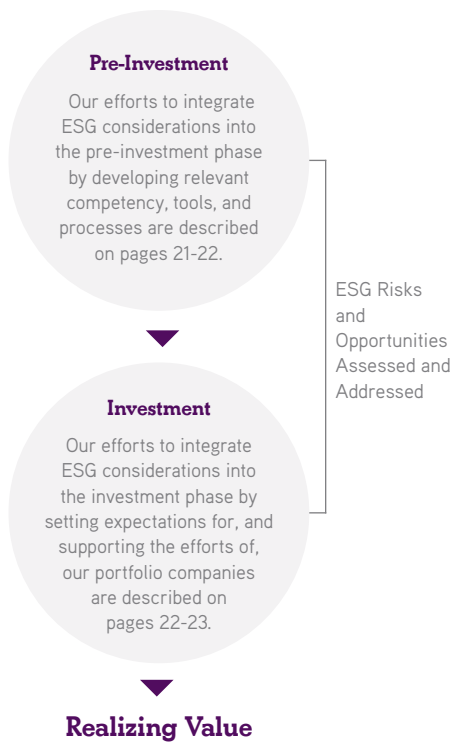
As investment partners, we seek to help companies find solutions to their biggest challenges and only invest if we think we can help unlock value in a company. Today, unlocking value can often include the thoughtful management of ESG-related issues. We look at a company's operations and how we can improve efficiencies and drive positive change, whether on its environmental impact, in its supply chain, or among its employees. We do this analysis before investing, through our due diligence process, and after investing, through our portfolio management approach.

Considering ESG Issues During Pre-Investment

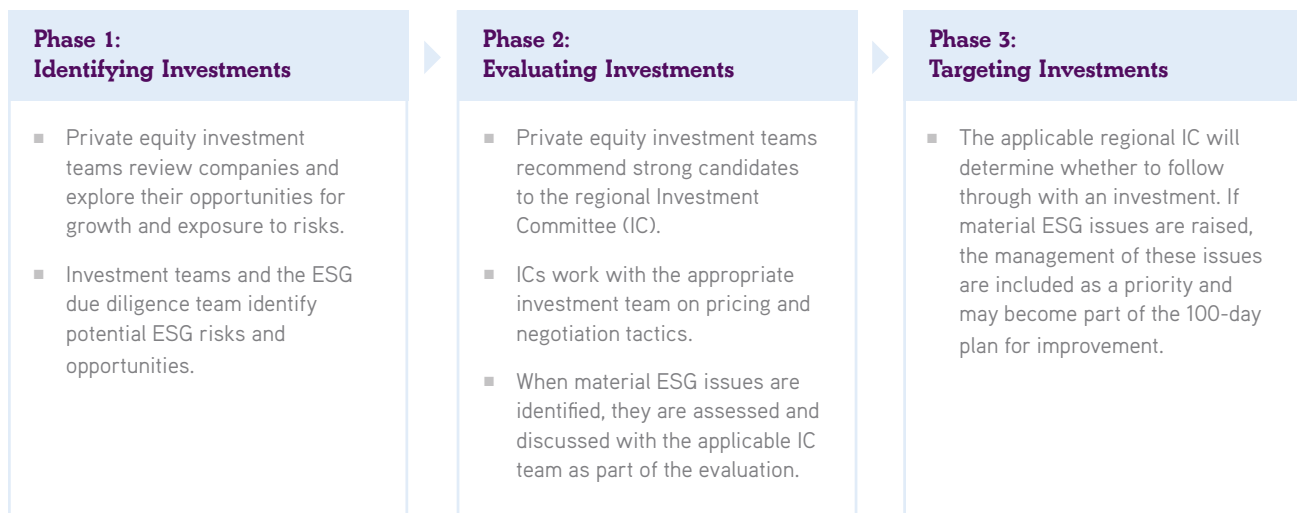
Good investments begin with rigorous due diligence on key business drivers, such as macroeconomic trends, customer preferences, and raw materials prices. KKR investment professionals consider how these factors provide opportunities and pose risks to growth and success over the long term. KKR due diligence also includes a review of how potential portfolio companies manage or are affected by environmental, social, and governance issues. A team of cross-functional internal subject matter experts reviews prospective investments to identify material ESG factors and works with investment teams and external consultants to gather the appropriate information to make informed recommendations about potential risks and opportunities.

ESG considerations that are discovered in the diligence phase can have an impact on our investment decisions. However, a decision to invest or not is rarely due exclusively to ESG issues because these concerns can be intertwined with other business issues that might make the business more or less attractive

ESG Management in Our Private Equity Investment Process



ESG Considerations During Pre-Investment



ESG Management in the 100-Day Plan

Setting the Plan

We work with relevant internal and external partners to identify the ESG-related issues or opportunities. When issues material to an investment are identified, they may be incorporated into the company's 100-day plan.

Supporting the Goals

Our investment teams and Portfolio Management Committees (PMCs) work together to monitor and support our portfolio companies' engagement with their key stakeholders. Where needed, we provide additional resources, access to partnerships, or strategic advice.

Managing Progress

Beyond the first 100 days, the investment team and PMC continue to partner with the company on setting targets and tracking progress in the short, medium, and long term. In many cases, members of the KKR Capstone team are also involved during our investment in a company to help create value and maximize returns.

for investment. In some cases, we may decide that an ESG issue poses a risk to our investment, e.g., due to concerns with the environmental impact of a company's key product or operations. In other instances, we may determine that a company has significant opportunities because of the way it manages ESG issues. Understanding the ESG challenges and opportunities helps us to determine our best strategy for working with a company in which we may make an investment.

We formalized our ESG due diligence efforts in 2011 by assembling our team of internal experts and establishing regular meetings. In 2012, we began developing a process that allowed us to monitor relevant deals and their associated ESG issues throughout the pre-investment phase. Using this process, our team of internal experts held approximately 37 diligence meetings in 2012, where an average of approximately 12 companies were reviewed per meeting for the first time or as follow-up on ESG-related diligence.

In 2012, we also deepened the resources available during the diligence process by creating a series of relevant industry guides. Working with third-party experts, we have developed 18 guides that cover a wide range of sectors and subsectors, such as health care and managed care facilities. The guides offer key questions and considerations for material ESG factors specific to each industry. Our due diligence team uses the guides regularly and we continue to strengthen and improve them over time.

Considering ESG Issues During Investment

After we make a private equity investment, we partner closely with the company's management team to achieve mutually agreed upon performance goals. To support this effort in the early stages, we develop a detailed 100-day plan (see sidebar on left) that identifies initial goals and the steps needed to achieve them. Material ESG issues identified during the due diligence process may be included in these plans. When companies do not have critical ESG issues or opportunities to address immediately, we may engage with them outside of their 100-day plan and throughout our time as investors.

From initial investment to the point of realizing value, private equity portfolio companies are part of our portfolio for an average of five to seven years, depending on our investment thesis and market conditions. This longer-term horizon allows our portfolio companies to invest the time, resources, and attention needed to grow the company, while also providing an opportunity for our teams to partner with them to enhance their management of ESG issues.

As in the pre-investment phase, our relationships with our private equity portfolio companies are carefully overseen by our investment 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, KKR and KKR Capstone professionals, and Senior Advisors. The PMC advises our portfolio companies on a variety of matters, such as where to deploy additional resources and how to improve underperforming businesses. Throughout the management process, the applicable PMC monitors each company's progress and advises them on strategies for realizing value.

As with other aspects of business operations, KKR offers our portfolio companies expertise and resources to achieve their ESG-related goals. KKR Capstone – our team of business operations experts – works with management on operational issues that affect the bottom line, including various ESG issues in partnership with the Global Public Affairs team.

In 2012, a group of cross-functional experts from across KKR came together to review priority ESG issues for each portfolio company in North America. These priorities were then shared with each investment team and top issues were integrated into ongoing PMC processes. Some of these issues, for example material regulatory changes, were flagged for board-level review. In 2013, our goal is to complete a review of European portfolio companies that is currently underway and start a similar review of Asian portfolio companies.

Responding to ESG Challenges and Opportunities

The ESG challenges and opportunities faced by our private equity portfolio companies can vary greatly over time and are based on a company's industry, geography, and stakeholders. Therefore, to ensure the most success for our efforts after we have made an investment, our approach to ESG-related issues is highly customized and collaborative.

For certain companies, we partner with them through our proactive ESG programs (see pages 24-31). With others, we respond to individual ESG-related needs or requests as they arise as part of an individually tailored plan. When there are shared issues across the portfolio, we are able to leverage our experience and the experience within our portfolio companies to provide tested solutions to these shared challenges.

As part of our effort to provide tailored and practical guidance, we integrate ESG issues into existing conversations and collaborations with functional leaders from across our private equity portfolio. For example, in 2012, as in past years, we integrated ESG-related presentations and discussions at our general counsel meeting, chief procurement officer summit, and our first annual global communications summit. Overall, more than 50 portfolio company representatives were involved in our discussions about how ESG issues affect their functions and day-to-day responsibilities. We also engage with portfolio company executives through webinar series, some of which are described on page 28.

Our Proactive ESG Programs

Believing that we have a unique ability to provide objective and meaningful guidance to help our private equity portfolio companies to pursue ESG-related goals, we have created a number of proactive programs to share resources to address common challenges. Each program has internal and external partners who focus on producing results through financial, environmental, and social impact, or risk mitigation. We have five proactive ESG programs available for relevant private equity portfolio companies: [Green Portfolio Program](#), [Responsible Sourcing Initiative](#), [KKR Wellness Works](#), [Integrity and Engagement](#), and [Vets @ Work](#).

Proactive ESG Programs for KKR Portfolio Companies



Green Portfolio Program



Responsible Sourcing Initiative



KKR Wellness Works



Integrity and Engagement



Vets @ Work

Green Portfolio Program Approach

The following process is tailored to companies' existing sustainability and ESG programs.



Select Priority KEPAs

- Review current environmental practices
- Assess environmental and business impact through materiality assessment
- Identify performance areas for focus in the GPP



Establish Metrics and Baseline

- Establish key metrics to assess progress on priority KEPAs
- Collect historical data and establish baseline for selected metric



Develop Goals and Action Plan

- Identify improvement targets against selected metrics
- Develop and implement action plan



Measure and Report Results

- Report performance against baseline and targets regularly
- Assess progress and action plans, amending as necessary



Green Portfolio Program: Partnering for the Environment

KKR believes companies that strategically measure and manage environmental impacts will find opportunities to increase efficiency, reduce operating expenses, and boost the bottom line.

In May 2008, KKR launched the Green Portfolio Program (GPP) in partnership with Environmental Defense Fund (EDF) – a leading nonprofit organization with more than 700,000 members worldwide and a long history of helping companies realize bottom line benefits by better managing their environmental impacts. The GPP is an operational improvement program that uses an “environmental lens” to assess critical business activities of KKR’s participating private equity portfolio companies.

At the core of the GPP approach (see sidebar on left) is a set of analytic guides to help each company’s management team assess and track improvements across several key environmental performance areas (KEPAs). KEPAs include greenhouse gas emissions, water use, waste management, use of priority chemicals, and use of forest resources. Portfolio companies use these guides to identify their key environmental impacts and to design initiatives to manage them. In many cases, participating companies already have environmental

2012 Green Portfolio Program Participants⁴

⁴ The above listed portfolio companies represent all of KKR’s portfolio companies that publicly participate in the Green Portfolio Program as of December 31, 2012. The specific portfolio companies identified are not representative of all of the portfolio companies purchased, sold, or recommended for KKR funds. The reader should not assume that an investment in the portfolio companies identified was or will be profitable.

efforts underway, so the GPP brings additional resources, clear performance metrics, and tailored support for each company's focus areas.

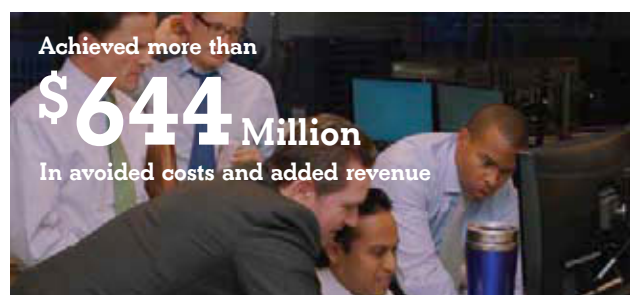
The GPP is managed by a global team of KKR Capstone and Global Public Affairs professionals, which works with KKR investment teams to enroll and manage the participation of portfolio companies. The GPP team meets monthly to discuss program goals, regional updates, and needed resources. For more information about our teams, see pages 14-16.

The program began with just three participating portfolio companies in North America; however, by the end of 2012, the GPP had expanded to include 24 of our private equity portfolio companies across North America, Europe, and Asia. In 2013, we aim to deepen the relationships we have with existing participating companies, while also expanding the program to new participants as appropriate given their business models and material issues.

Reporting Green Portfolio Program Results

At the end of 2012, 24 companies were publicly enrolled in the program, with 25 portfolio companies having participated in the program since its inception in 2008. Sixteen companies reported results in 2012, the GPP's fourth results announcement.⁵ Their reported efforts have led to the estimated cumulative results between 2008 and 2011 as shown below.

Cumulative Green Portfolio Program Results 2008-2011⁶



⁵ Sixteen of the KKR portfolio companies participating in the Green Portfolio Program in 2012 reported results. Reporting for the first time in 2012 are: TDC A/S in Denmark, Van Gansewinkel Groep in Benelux, and Visant Corporation in the United States. Seven new companies joined the GPP in 2012 and are expected to report results in 2013: Del Monte Foods and Capsugel in the United States; TDC A/S in Denmark; Versatel and KION Group in Germany; Bharti Infratel and Dalmia Bharat Cement in India; and MMI in Singapore.

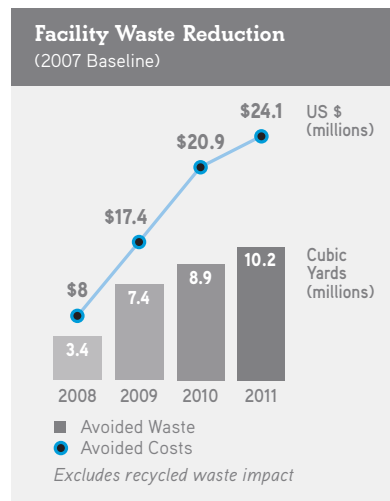
⁶ The impact of initiatives of the Green Portfolio Program is based on KKR and KKR Capstone's internal analysis and information provided by the applicable portfolio company. Impacts of such initiatives are estimates that have not been verified by a third party and are not based on any established standards or protocols. They may also reflect the influence of external factors, such as macroeconomic or industry trends, that are unrelated to the initiative presented. For information about our methodology, download our methodology document from our Green Portfolio Program website: http://green.kkr.com/uploads/docs/gpp_methodology.pdf

Green Portfolio Program Snapshots⁷

Dollar General: Waste Reduction



+82%
Improvement
in Waste
Efficiency



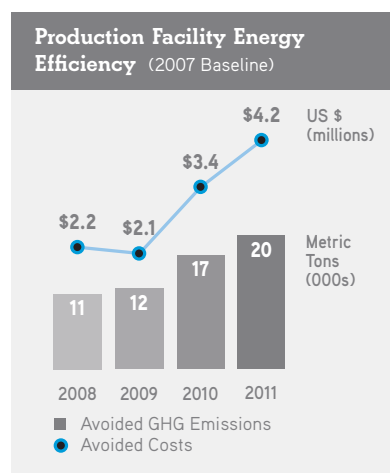
Dollar General is a leading U.S. small-box discount retailer offering a broad selection of merchandise, including consumables, seasonal products, apparel, and home goods, with more than 10,500 stores in 40 states. As part of the Green Portfolio Program, Dollar General has focused on reducing and recycling cardboard waste from its stores and distribution centers. To measure the financial and environmental impacts of its improvements, it measured waste production and recycling rates against a 2007 baseline.

Despite significant growth in store operations, since 2007, Dollar General has reduced its waste production in absolute terms by approximately 72 percent and has improved its waste efficiency by more than 82 percent (cubic yards of waste/dollar of revenue). These improvements have helped Dollar General to achieve an estimated \$70 million in cost avoidance, to avoid almost 30 million cubic yards of waste, and to recycle approximately 506,000 tons of cardboard since 2007.

Oriental Brewery: Energy Efficiency



+16%
Improvement
in Energy
Efficiency



Oriental Brewery is a leading brewery in South Korea with a strong portfolio of brands including Cass, OB Golden Lager, and Cafri. The company has more than 1,600 employees and operates three production facilities in South Korea. Since joining the Green Portfolio Program, Oriental Brewery has focused on reducing energy use in these facilities against a 2007 baseline.

In absolute terms, GHG emissions from production facilities have increased approximately 18 percent compared to 2007. This increase is due to a significant growth in overall production for the company. Over the same period, efficiency improved by an estimated 16 percent (metric tons of GHGs/hectoliter of beer). This improvement helped Oriental Brewery avoid approximately \$11.8 million in costs and almost 60,000 metric tons of GHG emissions since 2007.

Our GPP Team and Resources

In 2012, in addition to expanding the GPP to include an additional eight companies, we also strengthened our internal team for managing the program and developed significant resources for participating private equity portfolio companies.

We added four KKR Capstone executives across North America, Asia, and Europe to the global GPP team, and we strengthened the guidance for global GPP team members to enroll and engage portfolio companies. This team meets monthly to review participating companies' progress, share

best practices across regions, and determine our priorities related to program expansion.

We also spent much of 2012 developing additional resources for our portfolio companies. Industry practitioners are frequently developing new technologies and practices that enable companies to do business more efficiently with an improved environmental impact. The efforts undertaken by the GPP participants since 2008 have highlighted for us where companies are seeking solutions to shared challenges and the best practices they are implementing to resolve them.

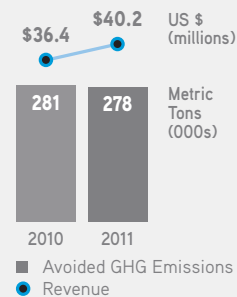
Van Gansewinkel Groep: Waste-to-Energy Production

Van Gansewinkel Groep (VGG) is a waste service provider, as well as a raw materials and waste-to-energy supplier, with approximately 7,000 employees. VGG sees waste as the foundation for new raw materials and energy. In 2010, VGG began actively measuring and managing its green energy production as part of the Green Portfolio Program. Its focus has been on increasing the amount of energy it is producing and selling to nearby customers and neighboring cities from two facilities, AVR Duiven and AVR Rozenburg.

In absolute terms, in 2010 and 2011, electricity generated by the VGG facilities resulted in the avoidance of almost 559,000 metric tons of GHG emissions and earned approximately \$76.6 million in revenue for energy sold to third parties. Over the same time period, net efficiency – defined as produced heat plus sold electricity divided by the energy content of waste and biomass throughput – declined by almost one percent, partially due to the effects of a mild winter and a nonfunctioning turbine for part of 2011. Plans for 2012 and 2013 are expected to improve net efficiency by increasing the amount of heat in the form of water and steam that is ultimately delivered to customers.

-1%
Decrease
in Net
Efficiency

Waste-to-Energy Production (2010 Baseline)



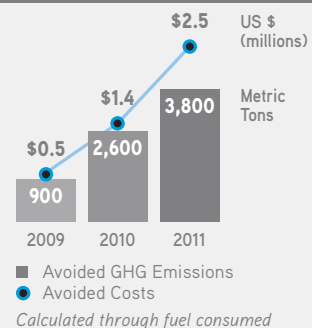
Pets at Home: Fleet Efficiency

Pets at Home is the United Kingdom's leading specialty retailer of pet food, pet-related products, and accessories. As part of the Green Portfolio Program, Pets at Home is measuring and managing the efficiency of its distribution fleet.

In absolute terms, GHG emissions from the distribution fleet decreased approximately 21 percent compared to a 2008 baseline. Over the same time period, efficiency improved by approximately 42 percent (metric tons of GHGs/carton shipped). These improvements in efficiency have helped Pets at Home to avoid approximately \$4.3 million in costs and almost 7,300 metric tons of GHG emissions since 2008.

+42%
Improvement
in Efficiency of
Distribution Fleet

Fleet Energy Efficiency (2008 Baseline)



[†]See Important Information on page 49 for information regarding the Green Portfolio Program and its methodologies.

As we have learned from these experiences, we designed our *GPP Handbook*, a document comprising 11 guides focused on common areas of interest, such as fleet energy efficiency, retail store energy efficiency, and data center energy and water efficiency.

We seek to share these lessons with all companies in our private equity portfolio, and hope that the *GPP Handbook* serves as a formal step in that process by highlighting a wide range of best practices relevant to different industries. The *GPP Handbook* will be released in early 2013 and will be updated periodically as we receive feedback or new information.



RSI Company Assessment Process

Identification of Companies for Review

Based on industry, products, stakeholders, and sourcing patterns, we identified 20 portfolio companies for deeper assessment. In 2012, we reviewed two additional companies as they became part of our private equity portfolio.

Information Gathering and Review of Key Issues

With our partners at BSR, we developed a 36-question survey that collected details about sourcing footprints, senior executive engagement, codes of conduct, supplier engagement, and communications.

Analysis of Performance and Feedback

With BSR, we assessed responses to the surveys, evaluated each company's overall performance, and provided prioritized ideas about how to improve performance.



Responsible Sourcing Initiative: Partnering for Social Value

With increasingly complex global supply chains and suppliers in distant locations, it can be challenging for companies to ensure that their ESG performance expectations, as well as those of their customers and stakeholders, are being met by suppliers. In addition to having potentially unacceptable human rights or environmental consequences, suppliers' failure to achieve these expectations can result in operational risks, such as supply chain disruption, that affect product reliability or consumer behavior. For these reasons, in 2010, we launched an initiative to provide our private equity portfolio companies with guidance and resources focused on the continuous improvement of their management of human rights and environmental issues in global supply chains.

To create a series of tools, events, and other resources for our portfolio companies, we partnered with Business for Social Responsibility (BSR), a nonprofit organization with a global network of nearly 300 member companies. Together we developed a *Supply Chain Sustainability Resource Guide*, which covers international standards, industry collaborations, certification processes, and guidance to help with supply chain evaluation and management efforts.

In addition to providing information and resources to our portfolio companies, in 2011 we began to review policies, procedures, and management practices at portfolio companies with potential exposure to supply chain risks. To date, we have worked with 22 of our portfolio companies to review their supply chain policies and procedures for responsible labor and sourcing practices. Additionally, we review these policies during our due diligence assessment of companies, when appropriate.

We found a number of our portfolio companies are leading on these issues. However, for a small number of companies the assessment revealed areas for improvement. In these cases, we provided guidance and recommended action plans for improvement. The most common areas for improvement included the need for a stronger supplier code of conduct, better integration of the code of conduct in contractual language, and more proactive engagement with suppliers. In each of these areas, we provided draft language and examples from other leading companies, combined with individual support to ensure that the recommendations are customized and actionable. In 2012, we worked with three portfolio companies to improve their sourcing practices and will work with three additional companies into 2013.

In addition, since 2010 we provided training on responsible sourcing principles to more than 50 percent of our portfolio companies. In 2012, this training consisted of a webinar series that focused on recognizing emerging trends and the role of growing stakeholder expectations. The topics included: Responsible Raw Material Sourcing, Supplier Engagement and Capacity Building, Business and Human Rights, and Internal Alignment for Supply Chain Sustainability.

Moving Forward

In 2013, KKR will continue our work in the area of responsible sourcing. As in previous years, we plan to develop additional resources for portfolio companies,

including for company employees in the source countries, thereby supporting their efforts to effectively manage supply chain challenges and opportunities.

In addition, we will continue to support our private equity portfolio companies that were identified as having areas for improvement and will continue to assess new private equity portfolio companies with the same methodology as they join the KKR portfolio.



KKR Wellness Works: Partnering for Health

As health care costs in the United States continued to increase, we began to see an opportunity to get engaged in this complex but important issue. Some of our portfolio companies were already actively providing innovative solutions to encourage employee wellness, so we began working with them to learn from their experiences, share best practices, and scale efforts to support good health for company employees.

Existing research shows that employees' wellness levels can have positive direct and indirect impacts on employee engagement, lost time, productivity, and health care spending. Our program, KKR Wellness Works, was launched in 2011 and is built on the idea that employees who know their key health indicators are able to make better decisions for their health and ultimately improve their well-being. Our early analysis showed that while many companies offered biometric screenings to employees, those who incentivized participation in screenings were most successful in increasing participation. This realization formed a core element of KKR's Wellness Works program. Therefore, companies enrolled in this program commit to offering an annual incentivized biometric screening to employees. They also provide resources for employees to better understand and respond to their results, while protecting individual privacy.

The program began at five of our U.S.-based portfolio companies. By the end of 2012, we enrolled an additional three portfolio companies whose wellness efforts met our program criteria. Together, these companies provide health care coverage for approximately 190,000 employees. Based on 2012 employment data, our participating companies saw an aggregate biometric screening rate of 72 percent in 2012, compared to 46 percent prior to their engagement with KKR Wellness Works.⁸ We also deployed the program at all KKR offices in the United States, experiencing participation rates of approximately 98 percent (see page 41). We aim to expand our efforts to additional portfolio companies in 2013.

2012 Wellness Works Program Participants⁹

⁸In early 2013, KKR exited its investment in Sealy and therefore is not including its data in these results.

⁹The above listed portfolio companies are all KKR's portfolio companies participating in the KKR Wellness Works program as of December 31, 2012. The specific portfolio companies identified are not representative of all the portfolio companies purchased, sold, or recommended for KKR funds, and it should not be assumed that the investment in the portfolio companies identified was or will be profitable.

The KKR Wellness Works Program Model



Companies design an incentive for employees worth approximately \$250 per employee, tied to taking a biometric screening.



Companies communicate the program and incentive. Health management providers then collect a set of biometrics including BMI, blood pressure, lipids and glucose from each participating employee.



The data is processed by health management providers, who in turn reach out to employees to discuss their results, providing additional resources if the data indicates a health risk.



Over time, the biometric data and participation rates are reported and measured to track progress for employees and the program overall.



Throughout the process, the companies are engaging with health management providers that adhere to HIPAA guidelines.



To learn more, see Online Resources on page 49.



Del Monte offers on-site fitness classes to promote health and wellness among employees.

Del Monte: Wellness at Work

Del Monte is one of the country's largest producers, distributors, and marketers of premium-quality, branded pet and consumer food products for the U.S. retail market.

To encourage employees, Del Monte launched their wellness effort "Live Healthy...Every Day" in 2009. In 2010, Del Monte launched a Take Care Rewards program incentivizing employees to complete a health risk assessment (HRA) and go to their doctor for a screening relative to their age and gender. This program led to 17 percent participation. In 2012, the company joined KKR Wellness Works and evolved the Take Care Rewards offering to include on-site biometric screenings to all benefit-eligible employees in all locations. They also incorporated HRAs into their plan design. By completing these two components, employees are eligible for a health premium discount of up to \$540 off their 2013 medical premiums. Using this model, their participation rate increased to nearly 70 percent.

Additionally, Del Monte offers employees telephonic health coaching, on-site fitness classes and customized website resources. Their internal Living Healthy...Every Day website also offers healthy recipes highlighting Del Monte ingredients, pertinent news articles, and snapshots of employees "living healthy."

In 2013, Del Monte will encourage employees to maintain or improve their biometric screening results to qualify for the health premium discount.

In addition, as part of our program, in 2012 we formally joined forces with the American Heart Association to launch an innovative research study and provide additional tools and resources to our participating portfolio companies. The study will evaluate the health improvement effort at those companies to determine what works best to reduce risk factors and improve health for individuals, allowing us to adjust and continuously improve our program. The research will be based on data collected at participating portfolio companies and results are expected in 2015.



Integrity and Engagement: Partnering for Good Governance

Promoting best practices in ethical business and thoughtful engagement with stakeholders at our portfolio companies is an important goal for us as investors. Over the past few years, we have strengthened the guidance and resources available to our investment professionals and our portfolio companies on transparency, engagement, and reporting.

Transparency and Stakeholder Engagement

Demands for meaningful transparency are driven by growing expectations for corporate accountability and continue to increase rapidly around the world, especially as companies expand their operations and global footprint. In response, companies are working to communicate their performance on many fronts, including ESG issues and impacts on society in general.

We encourage our portfolio companies to enhance engagement with their stakeholders by educating them about the voluntary codes and frameworks of transparency. In 2011, we supported their efforts through a series of webinars that reached more than 22 portfolio companies around the world. In 2012, we continued this effort by incorporating transparency and engagement in our ESG Round Table event for portfolio companies in London and our first global communications summit in New York City. In 2013, we will continue to provide guidance through our meetings with functional leads and additional webinars for interested portfolio company executives.

Ethics, Integrity, and Compliance

Regulation from legislation, such as the UK Bribery Act and the extended reach of the U.S. Foreign Corrupt Practices Act, coupled with greater demands for transparency from stakeholders, means that it is increasingly critical for companies and investors to spend time managing and documenting their governance practices. Companies operating around the world must develop effective anti-corruption programs.

For KKR, thoughtful, effective anti-corruption policies are part of our commitment to responsible investment, and we have taken steps to build them into our processes. To this end, we have conducted training for KKR executives, included due diligence of anti-corruption matters in our private equity investment process, and assisted many of our private equity portfolio companies in enhancing their anti-corruption programs through our portfolio oversight activities.

In 2012, we launched a partnership with Transparency International (TI), a global anti-corruption NGO. Through this partnership we seek to enhance our investment and company management processes, specifically in business integrity. We work with TI to identify resources that can inform investment professionals and portfolio companies based on their regions and sectors.



Vets @ Work: Partnering for Employment

In 2012, the unemployment rate in the United States hovered above 8 percent; however, the rate for veterans returning from Iraq and Afghanistan was more than 12 percent and for the youngest U.S. veterans returning from these conflicts, the rate was 30 percent.¹⁰ These numbers provide an example of one of the many challenges U.S. military personnel find upon returning from war.

Vets @ Work, launched in 2011, is an initiative aimed at recruiting and hiring veterans across our U.S.-based private equity portfolio companies. Because of their specialized skills, leadership experience, and strong character from years of military service, numerous companies and studies are showing that hiring veterans is smart business and good corporate citizenship.

In 2012, the Vets @ Work participants hired more than 7,000 veterans and our shared commitment to this initiative continued to grow. In addition, we expanded the program to an additional company, Academy Sports, bringing our total number of actively participating companies to nine. We also deepened our relationships with existing participants by developing a series of tools and making important resources available, such as expert third-party advisors, and added opportunities for our portfolio companies to share best practices with each other by facilitating semiannual group discussions and webinars. By opening these conversations up to our entire portfolio, we were able to reach additional portfolio companies that were not yet formally enrolled in the program. Lastly, we encouraged the Vets @ Work portfolio companies to attend key industry events. Six portfolio companies participated in the Veterans on Wall Street (VOWS) Conference, of which KKR is a two-time sponsor, and three companies participated in the Robin Hood Foundation's Veterans Hiring event.

KKR continues to strengthen our own commitment to veterans, and we have a number of U.S. veterans working at the Firm today. They include individuals who served in the U.S. Navy, U.S. Marine Corps, U.S. Air Force, and the U.S. Army, and they play key roles in KKR's Vets @ Work program.

2012 Vets @ Work Participants¹¹

¹⁰ Bureau of Labor Statistics, Employment Situation of Veterans 2012, <http://www.bls.gov/news.release/pdf/empsit.pdf>

¹¹ The above listed portfolio companies represent all of KKR's portfolio companies that participate in the Vets @ Work initiative as of December 31, 2012. The specific portfolio companies identified are not representative of all of the portfolio companies purchased, sold, or recommended for KKR funds. The reader should not assume that an investment in the portfolio companies identified was or will be profitable.



In 2012, Toys "R" Us hired more than 1,200 veterans.

Toys "R" Us: Building Tools to Build Careers

Toys "R" Us is one of the world's leading specialty toy and juvenile products retailers, selling merchandise globally through more than 1,600 stores in approximately 36 countries, and through the company's websites. The company is proud to support members of the U.S. armed forces by continually striving to hire veterans and active duty military service men and women. In 2012, the company bolstered its initiatives to get troops back to work by actively recruiting through military job boards, at career fairs, and on military bases. Additionally, Toys "R" Us partners with a wide range of military employment-focused organizations and career websites, including Hiring Our Heroes.

To further assist veterans in finding the best job opportunities for their skills, the company launched a Military Skills Translator in November 2012. The Translator matches military personnel with Toys "R" Us job openings based on their core Military Occupational Specialty (MOS), as well as secondary and tertiary MOS codes, subspecialties, certifications, and any additional training the applicant may have obtained while serving in the U.S. military. In 2012, the company hired more than 1,200 veterans for full-time and seasonal positions in its stores, corporate headquarters, and distribution facilities.



To learn more, see Online Resources on page 49.

Commitment to Thoughtful Management of ESG Risks and Opportunities in Real Estate and Energy and Infrastructure

While our investment approach in energy and infrastructure and in real estate does not always lend itself to the same level of ESG management as our private equity portfolio, we are finding ways to thoughtfully integrate responsible investment strategies where conditions allow. We work with communities, policymakers, investors, NGOs, and other stakeholders to understand the key issues for these investments and the best approaches to managing them.

Responsible Investment in Non-Private Equity Asset Classes

As we expand our investments beyond private equity, we are continuously evaluating how best to approach responsible investment in these businesses. As illustrated on page 20, beyond our private equity work, we are most focused on our energy and infrastructure and real estate businesses because of our relative level of influence on the investments we make in these asset classes.

ESG Management in Energy and Infrastructure

Many experts would agree that we are currently in the midst of an energy revolution. Global growth and urbanization, particularly in developing markets, has created an unprecedented demand for increased infrastructure and all forms of energy. Demand is particularly acute because the regions where energy needs are strongest are often far from where energy sources reside. Accordingly, there are significant needs for related exploration, development, production, transportation, and distribution of energy resources. Moreover, the world has access to more energy sources than ever before because of technologies and innovations that are unlocking a more varied energy platform.

KKR has invested in both energy and infrastructure assets for many years, building a business by making investments that supply capital to support this changing supply and growing demand.

Providing Solutions Through Infrastructure Investments¹¹



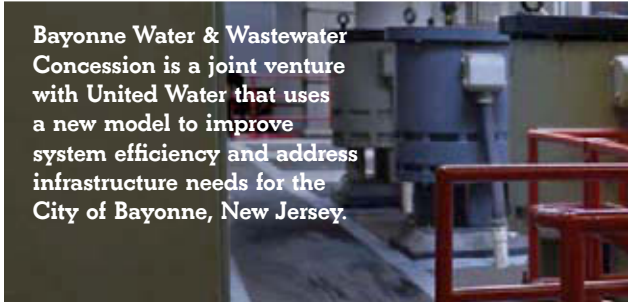
Sorgenia France is one of the largest wind farm operators in France by installed capacity, helping the country respond to energy challenges.




T-Solar Global Operating Assets joined the KKR energy portfolio in 2011 and is a leading solar energy company in Spain and Italy.



SunTap Energy RE is a strategic partnership with Recurrent Energy focused on acquiring solar photovoltaic electricity generating facilities.



Bayonne Water & Wastewater Concession is a joint venture with United Water that uses a new model to improve system efficiency and address infrastructure needs for the City of Bayonne, New Jersey.



Coriance addresses changing energy needs in France through its innovative operations in biomass, geo-thermal sources, and waste-to-energy plants.

¹¹ The following companies are all of KKR's infrastructure transactions since 2011: Sorgenia France, T-Solar Global Operating Assets, Saba Infraestructuras, SunTap Energy, Coriance, Bayonne Water & Wastewater Concession. The specific portfolio companies identified are not representative of all of the portfolio companies purchased, sold, or recommended for KKR funds. The reader should not assume that an investment in the portfolio companies identified was or will be profitable.

Renewable Energy Investments

Our energy and infrastructure platform is built on a value-added investment strategy and supported by a team with deep industry experience. We invest across the energy spectrum and believe that a diversity of energy sources is critical to the functioning of the world economy. Therefore, in addition to conventional energy sources, such as fossil fuels, we also invest in renewable energy sources. These sources can have a lower environmental impact than conventional energy technologies and provide our investors with stable investments with the potential for current yield and protection from inflation and GDP risk. For these reasons, renewable energy is a critical part of that energy supply diversity and is a focus of our infrastructure investments.

Natural Gas Investments

The more than doubling of our natural gas supply over the course of the last decade has changed what had been a relatively stable energy supply outlook. For decades, U.S. oil and gas production was on the decline and many associated industries and businesses had moved offshore. Today, this trend is reversing due to the technology-enabled shale gas resource. If used to its potential, KKR believes that shale gas could provide lasting economic benefits and drive growth in long-dormant or declining parts of the economy such as manufacturing and basic industry, improve our trade balance, increase energy independence, advance U.S. national security, and spur continued technological advancements.

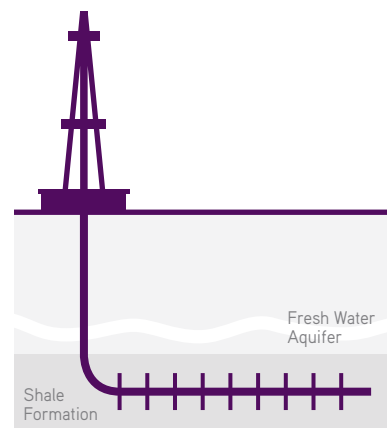
As with all areas of our energy and infrastructure business, we are committed to working with the industry and our stakeholders to better understand and manage the environmental and social risks that we face across this asset class.

ESG Management in Real Estate

Through our real estate business, we target a variety of real estate 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.

As we continue making initial investments through this platform, we are examining how to best integrate ESG management into our real estate investment processes. Our investment teams have considered areas of importance, such as environmental conditions, energy conservation, and employment practices in commercial real estate. As an example of this, in 2012, with the assistance of the Clinton Foundation, we worked with Yorktown Center, a shopping mall in which we invested outside of Chicago, to consider a number of recommended environmental conservation measures for implementation. The measures include outdoor and indoor lighting upgrades and modifications to the chilled water system. In 2013, we aim to further strengthen our approach to incorporate ESG considerations into the real estate due diligence process and encourage thoughtful and appropriate environmental and social practices during investment.

Hydraulic Fracturing and Shale Gas Development



Natural gas has long been viewed by many as the environmentally preferred fossil fuel and as the best bridge fuel for the long-term transition to a low-carbon economy. In fact, the environmental community has frequently advocated increased natural gas use as an alternative to coal. Despite this relatively benign view of natural gas generally, development of shale gas has become a polarizing issue. While investing in this growing market, we are committed to actively working with the industry and our key stakeholders to better understand and thoughtfully manage the relevant environmental and social risks and impacts.

A priority in our work will be to further develop our support for portfolio company teams' efforts to manage the environmental and social impacts of activities related to hydraulic fracturing for natural gas, commonly referred to as "fracking." In November 2012, we released a natural gas report that outlines many of the opportunities and issues associated with natural gas extraction and calls for stakeholders to develop appropriate regulation and best practices that reduce impacts and protect human health and the environment, including the reduction of fugitive methane emissions.

i To learn more, see Online Resources on page 49.





KKR recognizes the impact that our Firm and investments can have on communities around the world.

Our Community

KKR seeks to build stronger businesses, and we believe that stronger businesses help build better communities. Whether in our own offices, the operations of our private equity portfolio companies, or the local communities that we affect, our impact can be significant and our role as a good citizen is critical.

As demonstrated throughout this report, our most material issue is the integration of environmental, social, and governance (ESG) considerations in our private equity investment process. However, we also recognize that the ways in which we manage our partnerships, support our employees, and engage with our communities are critical components of our long-term growth and success.

The following pages focus on the KKR culture – the ways we work with our people through our values, programs, and processes. This section also highlights the ways that we support local communities and our goals for future corporate engagement.

KKR’s Culture and Community

KKR’s long-term growth will be driven in large part by the thoughtful management of our culture and community, for it is our people and partners that are at the core of the Firm’s success. Our values, Firm structure, leadership, and community engagement are essential parts of managing KKR for long-term growth.

Our Values

The bedrock of KKR’s culture is a unique spirit of partnership and a shared sense of ownership across all of our businesses. Our founders established the Firm in 1976 based on these beliefs, as well as their own unique partnership and lifelong friendship. The same core values are ingrained in the organization today. Not only are they well-understood throughout the Firm, but they are also fundamental to how we recruit, evaluate, and reward people.

- **Teamwork** is at the heart of how we operate.
- We conduct ourselves with **Integrity** in everything we do.
- As a **Relationship-Driven** Firm, we are deeply committed to building and sustaining long-term partnerships – internally and externally – grounded in trust and transparency.
- We readily accept **Accountability** for our actions, inactions, and decisions, both individually and as a Firm.
- We constantly strive to be **Innovative** by questioning accepted wisdom, creating new ideas and new approaches, and never resting on our laurels.
- In our pursuit of **Excellence**, we aspire to be the best at what we do and to lead by example.

These deeply rooted core values make KKR a very special place to work, while driving a culture committed to exceptional performance and results for our investors and other stakeholders.

 To learn more, see Online Resources on page 49.

Our Governance Process

We strive to clearly and deliberately align our interests with the interests of our investment partners and the executives at our portfolio companies to create sustainable value. To this end, we invest our own capital alongside our investors and we each benefit from the collective performance of the Firm.

To establish the basis for strong corporate governance, KKR has adopted corporate governance policies covering areas such as the board of directors’ responsibilities and duties, and the relationship of the board of directors to management.


KKR’s board of directors consists of the two founders and co-chief executive officers, Henry R. Kravis and George R. Roberts, and six non-executive directors: Joseph A. Grundfest, John B. Hess, Dieter Rampl, Patricia F. Russo, Thomas M. Schoewe, and Robert W. Scully.

KKR’s board of directors has four standing committees (see sidebar on left) that operate pursuant to written charters.

Board of Directors

BOARD MEMBER	AUDIT	CONFLICTS	NOMINATING AND GOVERNANCE	EXECUTIVE
Henry R. Kravis			○	●
George R. Roberts			○	●
Joseph A. Grundfest	○	●		
John B. Hess		●		
Dieter Rampl		●		
Patricia F. Russo		●		
Thomas M. Schoewe	●	●		
Robert W. Scully	●	●	●	

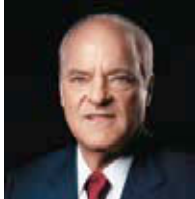
○ Chair
● Member

 To learn more, see Online Resources on page 49.

Our Management

KKR is managed as one firm, with investment teams located around the world, supported by an organization in which communication and collaboration are priorities. Together, all KKR professionals across all business lines are compensated based on the overall success of the Firm.

KKR'S EXECUTIVE OFFICERS



Henry R. Kravis
Co-Chief Executive Officer



George R. Roberts
Co-Chief Executive Officer



Todd A. Fisher
Chief Administrative Officer



William J. Janetschek
Chief Financial Officer



David J. Sorkin
General Counsel and Secretary

Our Investment and Portfolio Management Committees

In each region, our investment processes are overseen by an Investment Committee (IC) and Portfolio Management Committee (PMC).

Our ICs are responsible for managing the pre-investment phase. They review and approve all investments, monitor due diligence practices, and provide advice in connection with the structuring, negotiation, execution, and pricing of investments. When an investment team determines that an investment proposal is worth consideration, the proposal is formally presented to the applicable IC and the due diligence process commences, if appropriate. The IC monitors all due diligence practices and must approve an investment before it may be made.

PMCs are responsible for working with our investment professionals from the point at which an investment is made until the time it is exited to ensure that strategic and operational objectives are accomplished and that the performance of the investment is closely monitored. In addition to the support provided by our investment teams, KKR Capstone, our Senior Advisors, and our Global Public Affairs team, KKR's PMCs provide additional expertise, support, and oversight of our private equity portfolio. The PMCs also instill centralized discipline in the process of creating value in KKR's private equity portfolio companies and act as an early-warning system to identify and address challenges.

The PMCs consist of senior professionals drawn from KKR's private equity industry teams, KKR Capstone, and KKR Senior Advisors. The PMCs meet regularly to review the portfolio in detail, which advances their in-depth knowledge of each investment and helps keep investment teams focused on factors that contribute to value creation.

i To learn more, see Online Resources on page 49.

Our Code of Business Conduct and Ethics

KKR has adopted a Code of Business Conduct and Ethics that sets forth the standards for business ethics and personal integrity in all types of transactions and interactions. The code emphasizes our commitment to ethics and compliance with the law, sets forth basic standards of ethical and legal behavior, and provides reporting mechanisms for known or suspected ethical or legal violations. The code applies to all directors, officers, and employees at KKR.

i To learn more, see Online Resources on page 49.

3

Executive Compensation and Alignment of Interests

To help inform our talent management decisions, including compensation and promotions, we conduct a comprehensive evaluation process annually, if not more often, that is predicated on input from a wide range of people regarding each employee's contributions to the Firm. Feedback is gathered along three core performance dimensions:



Delivering Commercial Results



Leading and Managing People



Living the Firm's Values

The members of the PMCs are also engaged with KKR's private equity portfolio companies on a frequent basis through conversations with the KKR investment teams, KKR Capstone, portfolio company management teams, and other constituents. Both the degree of information exchanged and the frequency of these exchanges help define KKR's differentiated operational focus on its portfolio.

Risk Management

KKR has an active Risk Committee consisting of senior KKR leaders representing all business lines (e.g., private equity, public markets, capital markets) and control functions (e.g., legal, finance, public affairs). The Risk Committee prioritizes the Firm's risks, including ESG issues when relevant, and maintains focus on significant and emerging business risks.

Our Employees

The success of our business is dependent on the strength and skills of our employees and teams. Among other things, we depend on their ability to find, select, and execute successful investments; manage and improve portfolio company operations; and find and develop relationships with fund investors and other sources of capital. Therefore, we incentivize employees in ways designed to motivate them to excel and encourage them to remain with the Firm.

Executive Compensation

Our compensation program has three primary objectives: to attract, motivate, and retain our employees; to align their interests with those of our unit holders and fund investors; and to reinforce our culture and values.

Alignment of Interests

Management equity ownership in the businesses in which we invest has been a guiding principle throughout our Firm's history, and we apply that principle to ourselves: every employee of the Firm has an equity interest in KKR. This equity ownership serves to align the interests of our employees with those of our investors. Because we invest in our investment funds alongside our investment partners, we believe that our principals' interests are also aligned with those of our investors in the funds, vehicles, and accounts that we manage, which in turn benefits our unit holders.

We subscribe to, and take great pride in, having a culture of meritocracy and fairness: holding people accountable for results and their individual contributions to the Firm. In keeping with this philosophy, compensation is based on many things, including the performance of the Firm as a whole, performance of one's business unit, as well as one's individual performance and accomplishments. We believe this type of rigorous and inclusive evaluation process not only reaffirms our culture, but also helps increase objectivity and more thoughtful managerial decision-making.

Our Culture and Programs



The talent and perspectives of our employees are at the heart of the Firm's success.

Having employees with varied backgrounds, perspectives, skills, and experiences helps strengthen our teams and our investment decisions. We focus on promoting and supporting diversity at our Firm and in our industry. We also provide our employees with training and experiences that develop their skills to maximize performance and realize their full potential. We believe that a strong focus on both diversity and development helps KKR to build better teams and ultimately better businesses.

Developing a Diverse Culture

KKR recognizes the benefits that come from an increasingly diverse workforce and, as such, makes creating an inclusive place to work a priority. We are committed to:

- Identifying top talent and building development plans accordingly
- Seeking a diverse slate of candidates for key job openings
- Building a pipeline of diverse talent by working closely with search firms, universities, and key industry groups
- Providing opportunities for our employees to give feedback and voice concerns by way of networking groups, discussions with senior leaders, and community outreach events
- Offering a comprehensive set of policies, programs, and benefits to meet the changing needs of a wide spectrum of individuals

Diversity is an area on which the Firm is committed to focusing and building. A working group of KKR executives focuses on expanding our network of relationships and developing opportunities to increase diversity at the Firm. The Firm's recent hiring cycles have reflected the prioritization of these activities.

Advancing Women in Leadership



In 2012, we promoted two women to Member and our longest-standing female Member became the first woman appointed to the Firm's Management Committee:

- **Suzanne Donohoe**
Client and Partner Group, Member Management Committee, Member
- **Claire Farley**
Energy and Infrastructure, Member
- **Silke Scheiber**
European Private Equity, Member

We also work with external organizations to promote diversity in our industry as a whole. Through a series of partnerships and sponsorships with leading organizations (see below and SEO case study on page 43), we hope to build the talent pipeline and networks of diverse professionals. Organizations that KKR has proudly supported over the last decade include:

- **Private Equity Women Investors Network (PE WIN)** – KKR is an engaged supporter of PE WIN and serves on the steering committee for the organization. PE WIN's mission is to provide a forum for female general partners, limited partners, and private equity professionals to network, share investment ideas, and explore opportunities to work together.
- **The Robert Toigo Foundation** – KKR is a multi-year supporter of the Toigo Foundation, which supports MBA students with Toigo fellowships and provides outreach to minorities and female professionals to help them obtain leadership roles at their respective finance institutions.
- **Out on the Street** – KKR is a proud sponsor of Out on the Street, an annual summit designed to focus on challenges and opportunities for lesbian, gay, bisexual, and transgender (LGBT) people working on Wall Street.



To learn more, see Online Resources on page 49.

Investing in Training and Development

At KKR, professional development is a journey in which we will always invest to better serve our teams, our investors, and our corporate partners.

Our formal professional development effort – beginning with programs launched in 2010 – continues to provide relevant training, mentoring, and executive coaching to supplement on-the-job experiences, feedback, and coaching. With a focus on onboarding new employees, targeting development at key career transitions, and providing skills-based development to maximize performance at every level, training programs are customized for KKR employees, and often include a combination of external experts and KKR leaders serving as faculty.

Programs go beyond technical expertise to the development of skills that will continue to differentiate KKR as a leader in our industry. To date, these workshops have focused on how to communicate more effectively, build lasting partnerships, manage and lead teams, and optimize productivity.

NY Office Green Team Reduces Waste and Costs

In 2011, the Firm founded the KKR Green Team at our New York headquarters. The Green Team comprises cross-functional subject matter experts and is charged with evaluating current practices, setting baselines, and prioritizing initiatives. In 2012, the Green Team piloted a series of initiatives in the New York office focusing on our food and pantry programs. The team eliminated the use of bottled water on select floors, replacing the plastic disposables with a filtration system and providing each employee with a reusable bottle or drinking glass. This effort is estimated to avoid approximately 60,000 bottles from the waste stream and achieve nearly \$20,000 in financial impact annually.

The team also worked to purchase items, such as juice and cereal in bulk containers, thereby eliminating excess waste and reducing costs. We also provided additional reusable mugs, plates, and cutlery as well as changed all disposable options to include materials that are biodegradable or made from recycled content. In 2013, the Green Team will focus on our printing and office supply centers.

The Green Team was an active partner with the Office Operations team throughout the year and participated in a series of moves, build-outs, and retrofits by offering opinions and insight. The building standards used in our New York

It is also important that our team members continue to benefit from diverse experiences and holistic skills development during their employment at the Firm. KKR has a strong focus on mobility designed to give employees richer and more varied experiences.

In 2013, we will continue our focus on employee development, establishing an even stronger foundation for the future.

Supporting Employee Wellness

KKR has always been committed to providing the best health care and wellness opportunities possible for our employees. While we continue to strengthen our efforts on wellness among our private equity portfolio companies (see pages 29-30), we also decided to deepen our commitment internally.

In 2012, for the first time, KKR offered free, on-site biometric screening events to all employees in our U.S. offices. Through a strategic communication effort, strong leadership from senior management, and a compelling incentive, KKR achieved 98 percent participation in the screenings, a result we are very proud to report. All employees received on-site health coaching and follow-up outreach if their results indicated a health risk.

In addition to the biometric events, we continued to offer our flu shot program, health risk assessment, and cancer screening outreach initiative. We will offer all these programs again in 2013 and look to improve our biometric screening participation with the goal of reaching 100 percent. We are also pursuing changes to our lunch program and office pantries to include more heart-healthy food options.

"Greening" Our Operations

KKR is committed to operating efficient, sustainable, and strong businesses through its "greening" initiatives. We believe that our greatest environmental impact comes through our work with portfolio companies. Therefore, we have focused on environmental issues with our portfolio companies through initiatives, such as the Green Portfolio Program (see pages 24-27). However, with growing teams and offices around the world, we have an ever-increasing opportunity to measure and manage KKR's direct environmental footprint.

By thoughtfully "greening" the way we work, we aim to improve our efficiency, reduce our operating costs, and incorporate high-quality environmental practices into our offices.

office are being shared globally to ensure the utilization of green options when and where possible.

In 2012, Office Operations and Green Team members joined forces to support Earth Hour at our Firm. This global action is designed to drive awareness of climate change and improve environmental efficiency. Lights and equipment were turned off at KKR offices around the world, while employees were also encouraged to make changes at home. We will support Earth Hour again in 2013. We also hope to host our first Earth Day volunteer activity in New York and share our success with other offices by developing guides for "greening" KKR offices in the next year.



Through our own footprint and that of our portfolio companies, we have a significant opportunity to monitor and improve the ways we have an impact on various communities around the world. We will continue to focus on these efforts in 2013 and beyond.

Our Impact on the Communities Where We Live and Work



KKR employees participated at a Hurricane Sandy volunteer event in Rockaway, Queens, New York.

Philanthropy has played a significant role in the lives of the founders, partners, and employees across the Firm. In 2012, we launched a formal corporate engagement effort, hiring a Director of Corporate Engagement to oversee our strategy and programs related to employee volunteerism and giving. We believe that our corporate engagement platform will allow us to harness the extensive involvement and commitment of KKR's employees with community nonprofit organizations and to share these experiences with employees across the Firm. In 2012, we focused our efforts in four key ways:

- In the first eight months of our Corporate Engagement program we launched the **KKR Gives speaker series** to introduce employees to the challenges facing their communities and connect them with nonprofit organizations that are addressing these challenges. These forums have provided employees with a firsthand look at the ways that they can get involved and make a difference where they live and work.
- Through our extensive partnerships and involvement with U.S. nonprofit organizations across New York, San Francisco, and Menlo Park, we connected employees with **nonprofit board service** opportunities. Through this effort, dozens of employees were connected to nonprofit organizations and five board placements were facilitated.

Through our long-standing partnership with the Private Equity Foundation in London, we have forged partnerships with nonprofit organizations in the U.K. that will allow us to facilitate nonprofit board placement opportunities for our European employees in 2013. We are also looking to expand this initiative to Asia.

- In 2012, we developed the framework and guidelines for a KKR employee **matching gifts** program. Launching in 2013, the program will match donations that employees make to eligible nonprofit organizations dollar for dollar up to \$4,000 per employee. We believe this program will further incentivize employee giving and involvement.
- Lastly, we organized opportunities for employees to give back through volunteering. In 2013, we will build on our relationships with nonprofit organizations across our U.S. offices to identify **employee volunteerism** service opportunities, culminating in a formal service effort.

Volunteerism and Charitable Giving

3

Around the world, our employees are directly involved in their communities, volunteering their time, talent, and expertise to numerous nonprofit organizations. In addition to the work they do in their personal lives, employees at KKR joined together to support numerous organizations during 2012.

- Through the **Finance Department's** annual charity softball game, nearly 150 employees in our New York office joined forces to raise more than \$60,000 for Camp Fatima of New Jersey, a camp for children with special needs.
- Employees from our **San Francisco** office participated in the American Heart Association's annual Heart Walk in September, raising critical funds to fight heart disease and promote research.
- Because Hurricane Sandy affected so many of our employees and neighbors, KKR hosted two relief volunteer events and made a \$1 million donation to recovery relief efforts in **New York** and **New Jersey**. We continue to work closely with the Partnership for New York City on citywide business relief initiatives related to the storm.
- When flooding in **Thailand** affected our portfolio company MMI and its employees, KKR employees wanted to help. Through a voluntary donation program, KKR employees across all of our offices contributed more than \$45,000 and in 2012 provided it to MMI's workers whose lives were impacted by the flooding.

Sponsors for Educational Opportunities (SEO)

Since 2009, KKR has been an active partner of Sponsors for Educational Opportunities (SEO). SEO provides superior educational and career programs to young people from underserved communities to maximize their opportunities for college and career success.

At the beginning of our involvement, KKR helped to design and launch the Alternative Investments Fellowship Program. This program is geared toward increasing workplace diversity and is designed to provide a pathway to training and mentoring opportunities for talented young financial executives of color to increase their presence in the alternative investments field. More than 20 KKR executives are directly involved in the Fellowship Program, serving as monthly volunteers and regularly meeting with students. This is in addition to five KKR executives who currently serve as mentors to SEO students.

We have seen the power of the SEO model firsthand. We are proud that ten KKR executives are SEO alumni. Their contributions to the Firm remind us of the importance of investing in people at all points of their professional journey. We are proud to have been involved with SEO over the past four years and look forward to increasing our commitment in 2013.

i To learn more, see Online Resources on page 49.



KKR is proud to support SEO in advancing education and career opportunities for young people.

Our growing focus on volunteerism and giving is shared by our founders, Henry Kravis and George Roberts, both of whom are actively involved in positively contributing to their communities through their engagement with several leading nonprofits.

- Through the **Kravis Prize**, Henry Kravis recognizes excellence in the nonprofit sector through an annual grant that is awarded to outstanding nonprofit organizations each year. Past and recent recipients of the prize are brought together annually to share best practices and, in the process, create an extraordinary global network of nonprofit leaders.
- **REDF**, founded by George Roberts, provides equity-like grants and business assistance to a portfolio of nonprofit organizations in California. The grants and assistance are designed to help start or expand social enterprises that employ individuals who were formerly incarcerated, homeless, or struggling with mental illness or drug and alcohol addictions.

i To learn more, see Online Resources on page 49.



Through the Kravis Prize, Henry Kravis recognizes excellence in the nonprofit sector through an annual grant.



REDF, founded by George Roberts, provides equity-like grants and business assistance to social enterprises.

Continuing the Journey

We believe that integrating ESG considerations into the investment process is about more than avoiding risks. It is about discovering opportunity and being better investors. It helps our Firm to take smarter risks; it encourages us to think outside of the box in all that we do; and it allows our teams to find and unlock value that others do not see.

While we may not always make the most popular decisions, we are working to make the right decisions. To this end, we are committed to continuing our journey to learn and improve and will continue to thoughtfully approach the ESG opportunities and challenges that we face. We believe that doing so is critical to our ultimate success as private equity investors.

We look forward to finding new opportunities to create sustainable value for our partners. We are glad you are on this journey with us, for it is through collaboration and partnership that we are achieving our most meaningful progress.

Our 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. In 2010, we started a dialogue with several stakeholders to define Key Performance Indicators (KPIs) relevant to our business model and material issues.

Goals for ESG Management

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 ways in which we have made progress against our goals and is organized according to relevant PRI principles.

	OUR COMMITMENT	WHAT WE HAVE DONE SINCE 2010	WHAT WE AIM TO DO IN 2013
Identification of ESG risks and opportunities pre-investment (PRI I)	Assess potential private equity investment targets for ESG opportunities and risks	Assessed all potential investments for ESG opportunities and risks; further developed guidance for the Investment Committees (ICs) and investment teams to support integration of ESG considerations pre-investment	Continue to enhance guidance and, where relevant, identify and assess value creation opportunities related to ESG factors
	Develop ESG industry guides	Developed 18 ESG industry guides for sectors or companies under consideration	Develop a library of ESG industry guides and broaden to additional sectors or geographies as needed
	Involve ESG diligence team in the assessment of all potential private equity investments as part of the Investment Committee process	Developed and expanded ESG diligence team and enhanced internal monitoring system to include more detail on findings and next steps per investment	Enhance documentation and internal monitoring methodology
	Integrate ESG considerations in pre-investment across relevant non-private equity asset classes	Interviewed stakeholders and benchmarked peers to establish ESG-related draft policies for all relevant asset classes	Finalize and implement ESG-related policies for relevant asset classes
Executive competency (PRI I & II)	Raise awareness among private equity investment and operational professionals about our commitment to responsible investment and their role	Educated all of our private equity investment and operational professionals about our commitment to, their role in, and their accountability for managing ESG issues in partnership with internal experts through new employee training and regular firmwide meetings; included ESG considerations in IC and PMC guidance materials	Continue awareness-building efforts; provide an additional ESG-focused workshop for key private equity investment and operational professionals
	Build the capabilities of our ESG professionals through subject-matter training and education	Encouraged regular professional development activities for ESG team, such as participation in thought-leadership exercises, key industry conferences, and specialized development	Maintain the capabilities of all our ESG professionals through additional subject-matter training and education
	Continue to build the team of dedicated ESG professionals	Expanded our team in 2011, to include a Director of Public Affairs in Asia and an ESG and Stakeholder Engagement Manager	No additional goals at this time
Management of ESG issues during portfolio management (PRI II)	Partner closely with our private equity portfolio companies to ensure key ESG issues are raised to their boards, KKR directly, or both	Alerted executives at portfolio companies in North America and Europe of our expectations regarding material ESG issues; assessed publicly available information regarding portfolio company policies and awards; began holding quarterly internal meetings to review the private equity portfolio for material ESG issues or opportunities	Continue engagement with portfolio companies and regular assessment of material ESG issues or opportunities across all regions; enhance partnership with Asia-based portfolio companies on ESG management
	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 all relevant asset classes	Finalize and implement ESG-related policies for relevant asset classes

About Our Key Performance Indicators

During the past three years, we have been thoughtful in our effort to define relevant KPIs for measuring and reporting performance. Through this effort, we have identified a number of KPIs that are meaningful to us and our stakeholders, but have also discovered challenges to both measuring and communicating our performance on many issues. Because of these challenges, there are several KPIs that we considered but ultimately decided did not accurately communicate our progress. As an example, the “number of companies in which we identified ESG issues as part of the pre-investment phase” would be more a reflection of the number

of companies and their sectors that we were evaluating rather than the success of our evaluation process. As another example, we determined that “total greenhouse gas emission of our portfolio companies” would not be a meaningful metric for the performance of the total portfolio, which includes diverse companies and business models and changes from year to year as companies enter and exit the portfolio. Instead, we seek to communicate the results of our efforts to integrate ESG considerations into the investment processes. We are open to feedback from our partners and stakeholders as we continue to refine our KPIs going forward.

	OUR COMMITMENT	WHAT WE HAVE DONE SINCE 2010	WHAT WE AIM TO DO IN 2013
Green Portfolio Program (GPP) expansion (PRI II)	Enhance environmental management in the portfolio companies where eco-efficiency is material to the business	Started with three companies in 2008 and now at 24 companies globally; added seven new companies to the GPP in 2012	Launch <i>GPP Handbook</i> as part of 2013 engagement with portfolio companies; enroll four to six additional companies globally
Employee engagement program expansion (PRI II)	Support productive and constructive relationships between management, employees, unions, and work councils in private equity portfolio companies	Assessed and continued to look for opportunities in all current and new portfolio companies to support management in building positive relationships between management, employees, unions, and work councils; developed partnerships with thought leaders, including the Gephardt Group	Continue to look for opportunities in all portfolio companies to support positive relationships between management, employees, unions, and work councils, including where KKR expertise can create additional value
	Enhance employee productivity and health in private equity portfolio companies through KKR Wellness Works	Collected second year of biometric data for participating companies; added three companies to the Wellness Works program; joined forces with the American Heart Association, forming a joint research task force and issuing a request for proposal for an academic institution to complete the proposed research study	Add two to three additional portfolio companies to the program, continue collecting biometric data for participants, and launch the research effort with the selected academic institution
Responsible Sourcing Initiative (RSI) expansion (PRI II)	Engage private equity portfolio companies in the RSI	Trained approximately 50 percent of global private equity companies via learning programs; developed online library of materials, such as code of conduct and supplier questionnaires; hosted a quarterly webinar series with partner Business for Social Responsibility (BSR) on key topics in responsible sourcing	Continue to provide learning programs and resources to chief procurement officers and general counsels, including resources for in-country sourcing officers
	Assess private equity portfolio companies' policies and procedures for opportunities associated with supply chain responsibility	Analyzed policies and procedures for 22 high-priority portfolio companies and developed action plans where we saw a need for improvement; moved three portfolio companies from “room for improvement” to “satisfactory” or above	Continue to assess portfolio companies' practices as we invest in them
Transparency and stakeholder engagement (PRI III)	Train private equity portfolio companies on best practice reporting, including integrated reporting	Developed web-based learning events that reached more than 22 portfolio companies and continued to provide guidance as appropriate, including through the ESG round tables	Continue learning events on proven practices as appropriate and explore the opportunity to create a focused working group
	Encourage private equity portfolio companies' efforts to report on sustainability to key stakeholders	Approximately 38 percent of our global portfolio companies report or are beginning to report publicly on sustainability-related issues	Encourage additional private equity portfolio companies to report publicly on sustainability to key stakeholders where relevant
Promotion of responsible investment (PRI IV)	Involvement in sector initiatives to promote the PRI and other guidelines for responsible investment	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; 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

Goals for ESG Management (continued)

	OUR COMMITMENT	WHAT WE HAVE DONE SINCE 2010	WHAT WE AIM TO DO IN 2013
Collaboration with partners (PRI V)	Work with individuals throughout the private equity value chain to share best practices	Convened nine ESG round table and stakeholder engagement events in Europe and North America	Develop additional opportunities to convene investors and portfolio companies with two to three events in 2013
	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, including by contributing to the PRI self-assessment survey; began contributing to the Sustainability Accounting Standards Board	Continue to advocate for and participate in efforts to improve the thoughtful management and disclosure of ESG issues with partners
Transparency and reporting (PRI VI)	Engage stakeholders to obtain feedback on our ESG reporting	Interviewed approximately 20 diverse stakeholders between 2009 and 2011 to help define our approach to ESG reporting; in 2012, we conducted an additional professional review of opportunities for improvement	Seek to strengthen reporting on areas of challenge and, where available, quantitative metrics
	Integrate discussion of ESG issues into investment partner communications	Integrated ESG management into discussions at annual limited partner conferences globally and distributed quarterly ESG updates as relevant	Enhance reporting on practices and progress in portfolio company-level reports as appropriate
	Continue the development of quantifiable indicators on key areas	Developed quantifiable ESG goals for the first time in 2010-2011 and worked to enhance internal tracking methods on ESG-related efforts	Continue efforts to better quantify goals and performance, particularly as related to our pre-investment and portfolio management efforts
	Provide data and KPIs that clearly link ESG goals to business performance	Measured and reported the financial benefit of the Green Portfolio Program and explored additional KPIs that capture the relationship between business success and ESG performance, such as through the KKR Wellness Works program	Explore additional KPIs that capture the relationship between business success and ESG performance and participate in industry efforts to further develop framework

Goals for KKR's Long-Term Growth

In order to monitor our progress on managing KKR for long-term growth, we have begun to develop KPIs that are relevant to our business. The following table provides an overview of some of these KPIs and targets as well as our assessment of our current performance as compared to 2010. This continues to be a work in progress and we aim to further develop these KPIs and targets over time.

	OUR COMMITMENT	WHAT WE HAVE DONE SINCE 2010	WHAT WE AIM TO DO IN 2013
Environmental Footprint	Assess our environmental impact and identify opportunities for improvement	Formed the KKR Green Team, a committee in our New York office, focused on finding "green" solutions for KKR's internal operations; reduced packaging waste and costs in our New York operations by purchasing items in bulk and eliminating water bottles	Explore additional opportunities within KKR's New York operations and develop a plan for expanding to other offices as relevant
Workplace Diversity	Identify opportunities to increase diversity of investment professionals at KKR	Adapted recruiting practices to increase access to candidates with diverse experiences and less traditional backgrounds; continued investing in finding additional ways to expand efforts	Continue investing in and focusing on diversity initiatives, and explore additional ways to expand efforts
Corporate Engagement	Create opportunities to deepen community involvement for all Firm employees	Hired a director of corporate engagement in 2012; launched KKR Gives speaker series; facilitated three community service events	Continue to build relationships with nonprofit organizations to identify employee volunteerism and board service opportunities; host additional firmwide volunteer events; launch the KKR matching gifts program

ABOUT KKR

Founded in 1976 and led by Henry Kravis and George Roberts, KKR is a leading global investment firm with \$75.5 billion in assets under management as of December 31, 2012.

With offices around the world, KKR manages assets through a variety of investment funds and accounts covering multiple asset classes. KKR seeks to create value by bringing operational expertise to its portfolio companies and through active oversight and monitoring of its investments. KKR complements its investment expertise and strengthens interactions with fund investors through its client relationships and capital markets platform. KKR & Co. L.P. is publicly traded on the New York Stock Exchange (NYSE: KKR), and “KKR,” as used in this report, includes its subsidiaries, their managed investment funds and accounts, and/or their affiliated investment vehicles, as appropriate. For additional information, please visit KKR’s website at www.kkr.com.

CONTACT

We value feedback on our ESG and corporate citizenship program. We welcome your questions and comments on both our report and our performance. Please email sustainability@kkr.com with any questions or suggestions.

IMPORTANT INFORMATION

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The reported impact of initiatives of the Green Portfolio Program is based on internal analysis of KKR and/or KKR Capstone and information provided by the applicable portfolio company. Impacts of such initiatives are estimates that have not been verified by a third party and are not necessarily reported according to established voluntary standards or protocols. KKR does not guarantee the accuracy, adequacy or completeness of such information. They may also reflect the influence of external factors, such as macroeconomic or industry trends. There is no guarantee that results shown will be replicated in the future and actual results may be better or worse in future years. Please note the reported figures in “Van Gansewinkel Groep: Waste-to-Energy Production” (see page 27) are absolute GHG emissions that result from its business of making productive energy out of waste materials. These figures are not included in the aggregate KKR GPP results communicated in 2011. Revenue numbers are included in the aggregate KKR GPP results. For more information on the methodology and terms used in the Green Portfolio Program, please see <http://green.kkr.com>.

Past performance is not indicative of future results. Any information provided in this report about past investments is provided solely 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.



ONLINE RESOURCES

For more information on KKR’s ESG and citizenship program, see kkr.com/responsibility. For additional details about specific topics found throughout this report, see the following listed resources:

- Page 14 KKR External Partners: www.kkr.com/company/responsibility/network-external-partners
- Page 15 EDF and KKR Fourth Anniversary Partnership Video: <http://green.kkr.com/partnership>
- Page 20 PEGCC Guidelines: <http://www.pegcc.org/issues/guidelines-for-responsible-investment/>
- Page 29 KKR Wellness Works program: <http://www.kkrwellnessworks.com>
- Page 31 KKR Vets @ Work initiative: www.kkr.com/company/responsibility/vets-work
- Page 31 Toys“R”Us Military Skills Translator: www.toysrusinc.com/careers/military-hiring/skills-translator/
- Page 33 KKR’s Report on Natural Gas: www.kkr.com/_files/pdf/KKR_report-20121113-Historic_Opportunities_from_the_Shale_Gas_Revolution.pdf
- Page 36 KKR Culture and Values: <http://www.kkr.com/company/culture-values>
- Page 36 KKR Governance: kkr.com/governance
- Page 37 KKR’s Leadership Team: <http://www.kkr.com/leadership/team>
- Page 37 KKR Code of Business Conduct and Ethics: kkr.com/conduct-and-ethics
- Page 40 Private Equity Women Investors Network: <http://pe-win.com/>
- Page 40 Toigo Foundation: <http://www.toigofoundation.org/>
- Page 40 Out on the Street: www.outonthestreet.org/
- Page 43 Sponsors for Educational Opportunities: www.seoaltinvestments.org/fellowship
- Page 44 The Kravis Prize: www.cmc.edu/kravisprize/
- Page 44 REDF: www.redf.org/

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