

# LIMITED PARTNERS' RESPONSIBLE INVESTMENT DUE DILIGENCE QUESTIONNAIRE

## ABOUT THE PRI LIMITED PARTNERS' RESPONSIBLE INVESTMENT DUE DILIGENCE QUESTIONNAIRE

The *LP Responsible Investment DDQ* aims to understand and evaluate a General Partner's (GP) processes for integrating material environmental, social and governance (ESG) factors into their investment practices and to understand where responsibility for doing so lies.

It builds upon Section 1 of the *ESG Disclosure Framework for Private Equity (Disclosure Framework)*: where the *Disclosure Framework* provides high-level guidance and explains the rationale behind asking ESG-related questions, the *LP Responsible Investment DDQ* provides a detailed list of such questions that LPs can ask GPs pre-commitment.

The *LP Responsible Investment DDQ* acknowledges the core premise of the *Disclosure Framework*, that: "Due to the both the diverse nature of the private equity asset class and differing LP and GP approaches to ESG management and disclosure, what constitutes effective and relevant disclosure can be defined only through discussions between a GP and its LPs."

The PRI encourages all LPs to use the *LP Responsible Investment DDQ* as a starting point for these discussions, to encourage a consistent industry approach from LPs on ESG due diligence and to facilitate more effective disclosure from GPs.

- The *LP Responsible Investment DDQ* is not intended to be used as a check-list, but as a tool to establish dialogue.
- Any opportunities for improvement that the LP identifies may form a basis for engagement, either pre- or post-commitment.
- LPs may consider tailoring the *LP Responsible Investment DDQ* according to the GP's strategy, size, experience and resources.
- LPs may want to supplement the *LP Responsible Investment DDQ* with additional questions that meet their own requirements (although an LP should only ask for information that is required for its due diligence).

Section 1 aims to establish the GP's approach towards ESG integration; Sections 2 and 3 aim to establish the GP's processes for ESG integration; Section 4 aims to establish the GP's communication practices on managing ESG factors.

The *LP Responsible Investment DDQ* is accompanied by a guidance document, (*The Limited Partners' Responsible Investment Due Diligence Questionnaire and How To Use It*), which guides both LPs and GPs on how to enhance discussions during due diligence.

## **Important Information**

This presentation (the "LP Responsible Investment DDQ") is published as part of KKR's efforts to increase transparency of responsible investment as a signatory of the Principles for Responsible Investment (PRI). This presentation is for general information purposes only and does not constitute an offer to sell, or a solicitation of an offer to buy or a current or past recommendation with respect to, any security or any investment strategy. Nothing contained herein constitutes investment, legal, tax or other advice nor is it to be relied on in making an investment or other decision. This presentation may not be referenced, quoted or linked by website, in whole or in part, except as agreed to in writing by Kohlberg Kravis Roberts & Co. L.P. (together with its affiliates, "KKR").

The information contained herein may include estimates, projections, targets, expectations and other "forward-looking statements." There is no assurance that such events or targets will be achieved, and due to numerous factors, actual outcomes may be significantly different from that shown here. Any information or statistical data contained herein derived from third-party sources are believed to be reliable, but KKR does not represent that they are accurate. General discussions contained within this presentation regarding the market or market conditions represent the view of either the source cited or KKR. Nothing contained herein is intended to predict the performance of any investment, and they should not be relied on as such or be the basis for an investment decision.

The information in this presentation is only as current as of June 1, 2017 and all financial information in this presentation is as of December 31, 2016, unless otherwise indicated, and such information may be superseded by subsequent market events or for other reasons. For example, statements concerning financial market trends are based on current market conditions, which will fluctuate and may be superseded by subsequent market events or for other reasons. KKR assumes no duty to update any information or opinions in this document including any forward-looking statements.

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

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

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

Unless otherwise indicated, statements in this Questionnaire are made as of December 31, 2016. The delivery of this Questionnaire at any time shall under any circumstances create an implication that the information contained herein is correct as of any time subsequent to such dates.

# LIMITED PARTNERS' RESPONSIBLE INVESTMENT DUE DILIGENCE QUESTIONNAIRE

---

*\*Please Note: The following information is an excerpt of information shared with KKR's fund investors.*

## **1. WHAT ARE YOUR ESG-RELATED POLICIES AND HOW DO ESG FACTORS INFLUENCE YOUR INVESTMENT BELIEFS?**

### **1.1 Do you have a policy that describes your approach to identifying and managing ESG factors within the investment and portfolio management processes? If so, please provide a copy. If not, please indicate whether you would consider adopting a responsible investment policy.**

Yes. In 2013, KKR codified our processes and procedures related to responsible investment by developing a global Private Equity ESG Policy, which was published publicly in 2014. The policy applies to KKR's private equity investments going forward and establishes the various roles and responsibilities of KKR executives. Additionally, the policy details KKR's goals for ESG-related performance, referring to existing responsible investment frameworks for guidance. We will continue to make enhancements to the policy, as necessary.

View KKR's Private Equity ESG Policy [here](#).

### **1.2 What is the current implementation status of your responsible investment policy? Do you have any firm plans to develop your approach towards the management of ESG factors?**

We have been publicly committed to being a responsible investor since becoming a signatory of the Principles for Responsible Investment (PRI) in 2009 and are always seeking to make continuous improvements to our approach. In particular, we are focused on finding meaningful ways to create sustainable value in our private equity investments. With respect to KKR's non-private equity investments, we continue to make progress integrating ESG considerations across the investment lifecycle, depending on our level of access and influence, which can be different than in our private equity business. In 2010, we identified key performance indicators (KPIs) against which we have evaluated our performance to date. In KKR's [2016 ESG and Citizenship Update](#), please refer to pages 19-20 for a table of KPIs and the various ways in which we have made progress against our goals. The table is organized according to relevant PRI principles.

### **1.3 Do you commit to any international standards, industry (association) guidelines, reporting frameworks, or initiatives that promote responsible investment practices?**

In addition to being guided by KKR's values, we endorse relevant industry guidelines for responsible investing. In 2009, Kohlberg Kravis Roberts & Co. L.P. signed the PRI. Where consistent with our fiduciary responsibilities, we seek to follow the PRI's six principles for our private equity investments. Also in 2009, as a member of the American Investment Council (AIC) (formerly the Private Equity Growth Capital Council), KKR worked with other AIC members to develop the Guidelines for Responsible Investing.

In recent years, we led or participated in a variety of industry events and groups that promote responsible investment:

- Hosted ESG-focused events for fund investors in North America, Asia Pacific, and Europe
- Participated as a member of the PRI's Private Equity Advisory Committee and in multiple PRI projects, including providing feedback to the PRI's reporting and assessment process
- Convened a working group of some of our U.S.-based private equity peers to discuss responsible investment trends and best practices
- Served on the AIC Board of Directors, with KKR Global Head of Public Affairs Ken Mehlman as chair, during which the AIC enhanced its ESG-related education for members
- Contributed to the development of ESG disclosure guidelines through our participation on the Standards Council of the Sustainability Accounting Standards Board (SASB) and with the addition of Elizabeth Seeger, Director at KKR, as a member of the SASB Standards Board in 2017
- Spoke at conferences globally, including the Responsible Business Forum on Sustainable Development in Singapore and the ESG panel at SuperReturn 2016 in Germany
- Engaged with the broader responsible investment community in the Americas through sponsorship of events such as the inaugural Privcap Private Equity ESG Summit, where we provided the keynote speaker as well as a session with a portfolio company focused on providing ecological restoration solutions, and Bloomberg's Sustainable Business Summit in 2016
- Participated in surveys and industry reports on trends and best practices

Additionally, we would like to share highlights of select 2016 achievements:

- Received two awards for our commitment and approach to responsible investment<sup>1</sup>:
  - The British Venture Capital Association Responsible Investment Award for ESG Engagement with Portfolio Companies recognized KKR's commitment to ESG management practices.
  - The Responsible Investment (RI) Reporting Award for Asset Managers named us a joint runner-up for Best RI Report by an Asset Manager, recognizing our 2014 ESG and Citizenship Report for its use of materiality, its commitment to transparency, and its overall design and writing quality.
- Published KKR's sixth annual ESG and Citizenship Report (2015 report and 2016 update available at [www.kkresg.com](http://www.kkresg.com)), which takes a fresh approach to discussing our responsible investment efforts. We examined five global challenges and opportunities that are affecting KKR, our portfolio companies, and our investors: adapting to climate change, supporting better agriculture, treating and preventing disease, investing in infrastructure, and managing resource constraints. There is much interconnectivity and complexity in the world around us and the 2015 report begins to address how we see KKR's processes and programs within this broader framework.
- Launched the KKR Green Solutions Platform (GSP) Eco-Innovation Award, a competitive process to help us identify and celebrate the best environmental innovations happening in the KKR portfolio, and to further encourage and support innovation at our portfolio companies. We evaluated 13 submissions from around the world to determine our winner: Qingdao Haier. Haier received recognition for its development of energy-efficient air conditioners that reduce energy consumption by using innovative technologies. To learn more, visit [www.green.kkr.com](http://www.green.kkr.com).

---

<sup>1</sup> Represents all ESG-related awards received by KKR between January 1, 2016 and December 31, 2016.

- Continued to maintain momentum and produce value through the KKR Vets @ Work program. Since its inception in 2011, 36 portfolio companies have participated and hired nearly 48,300 veterans and military spouses. In November, we co-hosted the second annual Veterans Initiative Summit alongside three of our private equity peers. The event is an opportunity to have portfolio companies, military leaders, and community organizers engage to make a more meaningful commitment to our veterans.

**1.4 Do you make formal commitments relating to ESG integration in fund formation contracts, Limited Partnership Agreements or in side letters when requested by investors?**

KKR seeks to accommodate the specific needs of our clients, and as such, in the past has entered into side letters that have been provided to, and are negotiated with, limited partners to address specific concerns that they may have.

**2. HOW DO YOU IDENTIFY AND MANAGE MATERIAL ESG-RELATED RISKS AND USE ESG FACTORS TO CREATE VALUE?**

**2.1 How do you define the materiality of ESG factors? Please give 2-3 examples of ESG factors that you have identified as material to portfolio companies in your most recent fund.**

For the purposes of KKR’s private equity ESG policy, “material” ESG issues are defined as those issues that KKR in its sole discretion determines have—or have the potential to have—a direct, substantial impact on an organization’s ability to create, preserve, or erode economic value, as well as environmental and social value for itself and its stakeholders. These issues are taken into the context of the industry sector, the countries in which the business operates, and the type of investment, e.g., control, minority, or public equity.

Please see KKR’s library of case studies, available at [www.kkresg.com/resources](http://www.kkresg.com/resources).

**2.2 Describe your process for identifying and understanding (i) potentially material ESG risks, and (ii) ESG-related opportunities during due diligence.**

All potential investments at KKR go through a rigorous due diligence process. An integral part of this due diligence can be the evaluation of potential deals from an ESG management perspective, which includes both risks and opportunities.

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

During the diligence process, we refer to a series of guides for an in-depth review of key ESG questions based on sectors and subsectors. These guides were developed by our ESG diligence team with the input and expertise of a global network of third-party consultants and advisors. The team uses the guides and aims to continually refine them over time as new lessons are learned. We have developed more than 30 industry-specific ESG issue guides with input from external subject matter experts and, starting in 2016, the SASB.

During 2016, our ESG diligence team met more than 30 times and assessed more than 120 companies. We expanded our ESG diligence team to include more individuals around the Firm and augmented our internal monitoring system to include more detail on findings and next steps for each investment.

### **2.3 Once identified, how might the identification of (i) potentially material ESG risks, and (ii) ESG-related opportunities impact the investment decision?**

All potential private equity investments at KKR go through a rigorous due diligence process. As part of this process, in conversations with the respective KKR industry teams, cross-functional internal subject matter experts review prospective investments to identify material ESG factors, gather the appropriate information from the company in question, and make informed recommendations about potential risks and opportunities as potential investments move through the Investment Committee process.

ESG considerations discovered in the diligence phase can affect our investment decisions; however, a decision to invest or not is rarely due exclusively to ESG issues. ESG-related concerns are often intertwined with other business issues that make the business more, or less, attractive for investment. In rare cases, we may find an ESG issue poses such a risk to an investment that the investment does not occur. However, in most instances, we look to determine that a company has significant opportunities because of the way it addresses ESG issues or could have such opportunities if it were to address them in a proactive manner. Understanding the ESG challenges and opportunities of individual investments helps us to determine whether to invest in a company, and, more importantly, our best strategy for working with a company in the future.

### **2.4 How are ESG risks and/or ESG-related opportunities reported to, considered and documented by the ultimate decision making body, such as the Investment Committee?**

KKR seeks to integrate the consideration and thoughtful management of ESG issues throughout the investment cycle.

**ESG due diligence** – We involve internal regional and global subject matter experts with ESG-related competence to conduct an assessment of ESG value creation opportunities or risks for potential private equity investments considered through the Investment Committee process. When material ESG issues are identified, they may be included in discussions with the applicable Investment Committee, and external advisors may be engaged to carry out additional ESG-related due diligence as needed. Where management of, or performance on, a material issue is considered by KKR to need improvement, we will work with company management to support the development of an action plan.

**Monitor progress** – During the diligence process, where material issues are identified that need addressing or monitoring if an investment is undertaken, we seek to include the management of these issues in a 100-day plan post-close, or otherwise monitor ongoing progress on ESG issues, as applicable. Where management of, or performance on, a material issue is considered by KKR to need improvement, we work with company management to support the development of an action plan.

**Documentation** – In cases where material ESG-related risks and opportunities are being monitored or managed by KKR, KKR will document, for internal use, the issue, progress, and next steps, if any. In some cases, we provide reports summarizing portfolio company ESG-related issues to select investors.

**2.5 During deal structuring, what is the process for integrating ESG-related considerations into the deal documentation and/or the post-investment action plan?**

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

**2.6 Please describe how (i) oversight responsibilities, and (ii) implementation responsibilities for ESG integration are structured within your organisation. Please list the persons involved and describe their role, position within the organisation and how they are qualified for this role. Please also describe any external resources you may use.**

Our Global Public Affairs team, an internal team of experts, 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. Overall, several individuals across KKR have a role in managing ESG issues. Ken Mehlman (Member) has ultimate responsibility of the Global Public Affairs team and over KKR's responsible investment efforts. KKR has three full-time professionals dedicated to working on KKR and KKR's private equity portfolio companies' overall sustainability programs. Additional members of the Global Public Affairs team are responsible for specific efforts based on their geography or subject matter expertise.

KKR Capstone<sup>2</sup> consists of over 50 operational experts engaged to create value by identifying and delivering sustainable operational performance within KKR portfolio companies. The team helps implement some of KKR's ESG efforts, partnering with the Global Public Affairs team to lead the Green Solutions Platform, Vets @ Work, and the Responsible Sourcing Initiative. Todd Cooper (Managing Director) leads Procurement & Supply Chain value creation efforts across KKR's portfolio program and co-leads these programs. Alan Grant (Principal), a professional engineer, joined KKR Capstone in 2014 to help drive resource efficiency programs at KKR portfolio companies, including real estate investments, as part of the Green Solutions Platform.

In addition to our internal team and KKR Capstone<sup>2</sup>, we have developed a strong network of external resources, such as nonprofit organizations, membership organizations, and thought leaders, to help us manage critical issues. These issues include evolving U.S. and non-U.S. rules governing investment activities generally, environmental and energy policy, labor relations, supply chain management, transparency, and other matters.

**2.7 Do you provide training, assistance and/or external resources to your staff to help them understand and identify the relevance and importance of ESG factors in investment activities? If so, please describe what level of training is provided.**

We seek to raise awareness among private equity investment and operational professionals about our commitment to, and their role in, responsible investment. To

---

<sup>2</sup> KKR Capstone is not a subsidiary or affiliate of KKR. Please see Important Information at the beginning of this questionnaire for additional disclosure regarding KKR Capstone.

this end, we have educated our private equity investment and operational professionals about our commitment to managing ESG issues through new employee training and regular Firmwide meetings, stressing their accountability for working in partnership with ESG internal experts. We have included ESG considerations in Investment Committee (IC) and Portfolio Management Committee (PMC) guidance materials.

We also seek to enhance the capabilities of our ESG professionals through subject-matter training and education and we encourage regular professional development activities for the ESG team, such as participation in key industry conferences and specialized development.

### **3. HOW DO YOU CONTRIBUTE TO PORTFOLIO COMPANIES' MANAGEMENT OF ESG-RELATED RISKS AND OPPORTUNITIES?**

#### **3.1 Upon investing in a company, would you review existing compliance, sustainability or ethical business guidelines, or introduce new guidelines if necessary?**

Yes, where there are material issues identified during the diligence process, we include the management of these issues in our management plans post-close, or we monitor ongoing progress on ESG issues, as applicable. Where management of, or performance on, a material issue is considered by KKR to need improvement, KKR will work with company management to support the development of an action plan.

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

**Sustainable innovation platform** – We provide general resources to participating portfolio companies through our sustainable innovation platform (see more information at [www.kkresg.com](http://www.kkresg.com)). We offer companies access to a range of best practices, trusted experts, tested resources, and a nuanced understanding of the issues that are most relevant to them. In addition, we provide resources such as best practices guides, webinars, and training on many of the key issues facing our portfolio companies.

**Customized support** – For some portfolio companies, we respond to specific ESG-related needs or challenges as part of an individually tailored plan. Also, KKR professionals are available to consult with portfolio company management teams and advise as needed. By ensuring that our approach to managing ESG-related issues is highly customized and collaborative, we believe we are more likely to achieve success.

#### **3.2 What monitoring processes would you have in place to assess portfolio companies' management of ESG factors?**

To the extent that they are material to our private equity investments, ESG-related issues are managed and monitored as part of our portfolio management processes. As in the pre-investment phase, engagement on ESG issues with our private equity



portfolio companies is overseen by our industry and country teams with support from KKR Senior Advisors<sup>3</sup>, internal experts, and external advisors, as necessary.

Each region has a Portfolio Management Committee (PMC) consisting of a chairperson and KKR executives. The PMC may also include KKR Senior Advisors and KKR Capstone<sup>4</sup> professionals. Throughout the management process, the applicable PMC monitors each company's progress and provides input on strategies for realizing additional value. From investment to the point of realizing value and exiting a deal, companies are part of our private equity portfolio for a historical average of five to seven years. This longer-term horizon allows a company's progress to be measured by years, not quarters, and as such, provides us an opportunity to more thoroughly address ESG issues and opportunities.

Throughout our investment period, KKR offers our portfolio companies expertise and resources to achieve mutually agreed upon, ESG-related performance goals. When engaged, KKR Capstone<sup>6</sup> partners with the Global Public Affairs team and company leaders on ESG-related operational issues that affect the bottom line.

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

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

**3.3 Give 2-3 examples of how you have contributed to portfolio companies' management of ESG factors. Specify which initiative(s) you worked with management to identify and instigate, which you supported your portfolio company to achieve (and how) and/or what the portfolio company was already doing that you identified as existing good practice.**

We partner with certain companies through our sustainable innovation platform (see [www.kkresg.com](http://www.kkresg.com) and [www.green.kkr.com](http://www.green.kkr.com)), which is intended to support our portfolio companies' management of ESG issues. Our programs leverage our knowledge and the experience within our portfolio companies to provide a structured approach and tested solutions to common challenges. Please refer to the web sites and the 2016 ESG and Citizenship Update for portfolio company case studies.

In addition, in 2015/2016 we provided resources and training for portfolio companies, including:

---

<sup>3</sup> Senior Advisors, Industry Advisors, and KKR Advisors are engaged as consultants and are not employees of KKR. Please see Important Information at the beginning of this presentation for additional information.

<sup>4</sup> KKR Capstone is not a subsidiary or affiliate of KKR. Please see Important Information at the beginning of this questionnaire for additional disclosure regarding KKR Capstone.

- In 2015, we hosted KKR’s second North American Sustainability Innovation Summit, bringing together more than 20 leaders from KKR portfolio companies, a number of members of the KKR and KKR Capstone<sup>5</sup> teams, and more than 10 professionals from partner organizations, including NGOs, advisors, and consultants. The agenda focused on current challenges and trends in corporate sustainability and responsibility, with topics ranging from worker safety to energy management to sustainability reporting.
- In 2016, we developed a seven-topic webinar series for portfolio companies globally. Topics included:
  - Telling Your Sustainability Story (Asia-Pacific)
  - Supply Chain Regulations: The UK Modern Slavery Act
  - Driving Business Results with “Materiality”
  - Health and Safety Performance: Understanding the Value
  - Circular Economy: Innovative Business Models to Enhance Value
  - Engaging Stakeholders through Sustainability Disclosure
  - Paris Agreement on Climate Change: How Businesses Can Take Action
- Between 2014 and 2016, we hosted two summer Climate Corps fellows from Environmental Defense Fund and KKR Capstone<sup>5</sup> hired a full-time resource efficiency expert to assist companies with energy efficiency and management across our private equity, real estate, and energy and infrastructure asset classes.

**3.4 How do you assess that adequate ESG-related competence exists at the portfolio company level? How do you ensure that portfolio company management devotes sufficient resources to manage ESG factors that have been identified?**

We engage with portfolio companies in a variety of ways when they are part of the KKR portfolio. Any material issues or opportunities identified during the diligence or management phases are shared with the relevant industry team and KKR Capstone<sup>5</sup>, with the top issues being integrated into ongoing PMC discussions to ensure the appropriate level of management and oversight.

Please see the answers to 3.1 and 3.2 for more information.

**3.5 How do you use your interaction with the board to influence the portfolio company’s management of ESG factors?**

We insist on active, engaged boards of directors that consist of industry and operational experts who roll up their sleeves with portfolio company management to help improve the companies. In addition, the boards of the portfolio companies are staffed with our investment professionals, who remain actively involved over the life of the investment, even in the case of some public investments where we may continue to hold shares. This frequent interaction at the highest levels can allow us to be informed about and enhance the management of material ESG issues that may arise. The governance of portfolio companies is further described in the 2016 ESG and Citizenship Update available at [www.kkresg.com](http://www.kkresg.com).

**3.6 Do you systematically incorporate ESG considerations into preparations for exit? If yes, please describe your approach. If not, please explain why.**

KKR’s investment professionals are deeply engaged in continuous monitoring and management of material issues affecting our private equity portfolio companies,

---

<sup>5</sup> KKR Capstone is not a subsidiary or affiliate of KKR. Please see Important Information at the beginning of this questionnaire for additional disclosure regarding KKR Capstone.

including ESG issues where relevant. Throughout the management process, the applicable PMC monitors each company's progress and provides input on strategies for realizing additional value. Throughout this process, we work to support our portfolio companies' efforts to build long-term, sustainable efforts that exist beyond investment period. We do not have policies that apply solely to the exit phase of any investment. We do include information related to ESG issues in exit memos when required under the limited partner agreement or where those issues are material to the performance of the business.

**3.7 Do you measure whether your approach to ESG factors has affected the financial and/or ESG performance of your investments? If yes, please describe how you are able to determine these outcomes.**

When a material ESG-related issue has been identified for ongoing management and oversight, KKR tracks the progress of that issue over time. Where possible, performance is quantified, for example: the number of work-related injuries or the number of kilowatt hours consumed.

In addition, KKR measures the outcomes of the programs that are part of our sustainable innovation platform, which were all designed to drive both business and ESG-related value.

For example, in 2008, we entered into a partnership with the environmental advocacy nonprofit, Environmental Defense Fund. Through this first-of-its-kind partnership, known as the Green Portfolio Program, we were seeking cost-effective ways to measure and improve the efficiency and environmental performance of our global private equity portfolio companies, similar to the way that we drive operational and financial improvement.

In 2015, the Firm re-launched the Green Portfolio Program, with a new name and expanded mission, as "The Green Solutions Platform (GSP)," a global program centered around three focus areas: eco-efficiency, eco-innovation, and eco-solutions. This updated strategy expanded the program's focus from eco-efficiency to additional types of projects. The results from the GSP, which include both environmental and financial performance, are available at [www.green.kkr.com](http://www.green.kkr.com).

For additional information, please refer to our Key Performance Indicators on pages 19-20 of the 2016 ESG and Citizenship Update.

**4. HOW CAN LPS MONITOR AND, WHERE NECESSARY, ENSURE THAT THE FUND IS OPERATING CONSISTENTLY WITH AGREED-UPON ESG-RELATED POLICIES AND PRACTICES, INCLUDING DISCLOSURE OF ESG-RELATED INCIDENTS?**

**4.1 Which channels do you use to communicate ESG-related information to LPs? Can you provide samples of ESG-related disclosures from an earlier fund? If not, please indicate whether you would consider introducing ESG-related disclosures.**

In 2017, KKR published our seventh annual ESG report, which contained information about our overall strategy, our work with stakeholders, our governance of these efforts, and summary tables of some of our KPIs. We consider the PRI to be closely aligned with the expectations of our stakeholders. Therefore, through our reporting efforts, we aim to show how our commitment to the PRI has materialized. See pages 19-20 of the 2016 ESG and Citizenship Update.

In addition to the annual public report, updates regarding ESG considerations at the general partner, portfolio, and portfolio company level are included in annual investor

meetings for our limited partners, when material. Quarterly reviews may include ESG considerations, as appropriate.

**4.2 Is the management of ESG factors included on the agenda of the Limited Partners Advisory Committee and/or Annual General Meeting?**

Yes. For example, since 2010 we have integrated ESG management into discussions at the annual global investment partner conferences and distributed quarterly ESG-related updates, when appropriate. We continue to facilitate conversations with limited partners about our approach to responsible investment.

**4.3 Describe your approach to disclosing and following up on material ESG incidents to your LPs.**

Updates regarding ESG performance at the general partner, portfolio, and portfolio company level are included in annual investor meetings for our limited partners, when material. Quarterly reviews may include how KKR or portfolio companies are managing ESG considerations, as appropriate. In the rare instance where there is a material ESG-related incident at one of KKR's portfolio companies, KKR's Client Partner Group, along with KKR's Public Affairs team and others at KKR, will evaluate the need for communication about an incident and the management of that incident over time. The format of this communication may vary between written reports or verbal informal reports, depending on the issue, the timeline, and the audience for the communication as well as on internal policies and agreements and regulations regarding disclosure of such information.