

**KKR & CO. INC.  
2019 SUSTAINABILITY  
ACCOUNTING STANDARDS  
BOARD (SASB) REPORT**

## KKR & Co. Inc. 2019 Sustainability Accounting Standards Board (SASB) Report<sup>1</sup>

KKR & Co. Inc. (“KKR” or the “Firm”) is committed to consistent and thoughtful transparency and has been reporting publicly on our ESG-related efforts since 2011. This report has been developed by KKR in accordance with the Sustainability Accounting Standards Board (“SASB”) Industry Standards version 2018-10 for Asset Management & Custody Activities.

KKR is a leading global investment firm that manages multiple alternative asset classes, including private equity, credit, and real assets, with strategic partners that manage hedge funds. KKR aims to generate attractive investment returns for fund investors by following a patient and disciplined investment approach, employing world-class people, and driving growth and value creation with KKR portfolio companies. KKR invests the Firm’s own capital alongside the capital it manages for fund investors and provides financing solutions and investment opportunities through our capital markets business. References to KKR’s investments may include the activities of our sponsored funds. The responses provided in this disclosure are as of December 31, 2019, unless otherwise noted. For additional information about KKR & Co. Inc. (NYSE: KKR), please visit KKR’s website at [www.kkr.com](http://www.kkr.com) and on Twitter @KKR\_Co. For more on our efforts, please visit KKR’s [ESG website](#) and [Investor Relations website](#).

### Financials – Asset Management & Custody Activities

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<b>Incorporation of Environmental, Social, and Governance Factors in Investment</b>	Amount of assets under management, by asset class, that employ (1) integration of environmental, social, and governance (ESG) issues, (2) sustainability themed investing, and (3) screening	FN-AC-410a.1	4
	Description of approach to incorporation of environmental, social, and governance (ESG) factors	FN-AC-410a.2	5

<sup>1</sup> The inclusion of information on this report should not be construed as a characterization regarding the materiality or financial impact of that information. Please see filings by KKR & Co. Inc. with the U.S. Securities and Exchange Commission, including its Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q.

TOPIC	ACCOUNTING METRIC	CODE	PAGE
<b>Management &amp; Advisory</b>	in investment and/or wealth management processes and strategies		
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<b>Business Ethics</b>	Total amount of monetary losses as a result of legal proceedings associated with fraud, insider trading, anti-trust, anti-competitive behavior, market manipulation, malpractice, or other related financial industry laws or regulations	FN-AC-510a.1	6
	Description of whistleblower policies and procedures	FN-AC-510a.2	7
<b>Systemic Risk Management</b>	Percentage of open-end fund assets under management by category of liquidity classification <i>KKR &amp; Co. Inc. has omitted a response from this disclosure as it is not applicable to our business</i>	FN-AC-550a.1	7
	Description of approach to incorporation of liquidity risk management programs into portfolio strategy and redemption risk management	FN-AC-550a.2	7
	Total exposure to securities financing transactions <i>KKR &amp; Co. Inc. has omitted a response from this disclosure as it is not applicable to our business</i>	FN-AC-550a.3	N/A
	Net exposure to written credit derivatives <i>KKR &amp; Co. Inc. has omitted a response from this disclosure as it is not applicable to our business</i>	FN-AC-550a.4	N/A
<b>Activity Metrics</b>	(1) Total registered and (2) total unregistered assets under management (AUM)	FN-AC-000.A	9
	Total assets under custody and supervision	FN-AC-000.B	9

## Transparent Information & Fair Advice for Customers

### **FN-AC-270a.1**

*(1) Number and (2) percentage of covered employees with a record of investment-related investigations, consumer-initiated complaints, private civil litigations, or other regulatory proceedings*

During 2019, KKR had one covered employee – an ex-employee – representing less than 1% of all covered employees<sup>2</sup> – with a new disclosure of investment-related investigations, consumer-initiated complaints, private civil litigations, or other regulatory proceedings. KKR has policies and procedures reasonably designed to ensure compliance with regulations requiring covered employees to make and update applicable regulatory filings in a timely manner.

### **FN-AC-270a.2**

*Total amount of monetary losses as a result of legal proceedings associated with marketing and communication of financial product-related information to new and returning customers*

KKR did not sustain any monetary losses in 2019 as a result of legal proceedings associated with our marketing and communications of financial product-related information to new and returning customers. KKR & Co. Inc. (NYSE: KKR) is the holding company for the KKR businesses, and as a public company, KKR & Co. Inc. reports all such matters that are material to KKR in our filings with the SEC.

### **FN-AC-270a.3**

*Description of approach to informing customers about products and services*

Our fund investors represent an important relationship to the Firm, and an important part of KKR's mission is to become a good partner to those who entrust us with their capital. We take pride in providing our fund investors with transparency, responsiveness, and in understanding and accommodating their needs.

KKR's Client & Partner Group (CPG) manages fund investor relations and capital activities with partners and clients of KKR. Working on a global basis, the executives in CPG serve as the conduit of information between the Firm and KKR's fund investors, making the full capabilities of KKR available to address these investors' needs and meet their particular investment goals.

The core of CPG are relationship managers, who become investors' solutions providers across the full range of KKR products, including private markets (private equity, growth equity, real estate, infrastructure and energy) and public markets (leveraged credit, special situations, direct lending, and private opportunistic credit). Relationship managers maintain close contact with our fund investors, addressing investor inquiries, organizing investor meetings and conferences, responding to investor requests, and sourcing new investor relationships.

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<sup>2</sup> "Covered employees" are defined by SASB as employees subject to filing the following forms: Form U4 with the Central Registration Depository ("CRD") of the Financial Industry Regulatory Authority ("FINRA"); Form U5 with the CRD of the FINRA; Form U6 with the CRD of the FINRA; Form BD with the Investment Adviser Registration Depository ("IARD") of the U.S. Securities and Exchange Commission ("SEC"); and Form BDW with the IARD of the SEC.

Supporting the relationship managers are KKR product specialists, who are available to provide specialized consulting on particular KKR products and customized product delivery; a globally integrated support team; and KKR Capital Markets, with the ability to provide direct product delivery capability to fund investors interested in direct equity and debt investing. CPG team members have access to the entire Firm to help address client and partner issues and develop advice and solutions.

KKR's approach to fund investor relations is premised on honest, direct, frequent communication with investors and high-quality solutions and idea-driven distribution capabilities. The Firm's integrated approach, which leverages all KKR executives and resources globally, has allowed the Firm to become a trusted advisor to a wide range of organizations. KKR's partners and clients include public and private pension funds, endowments, charitable organizations, corporations, family offices, sovereign wealth funds, investment consultants, insurance companies, financial institutions, government entities, mutual funds, fund of funds, and hedge funds, among others.

The KKR CPG team currently consists of more than 90 professionals located in New York, San Francisco, London, Dublin, Paris, Hong Kong, Beijing, Seoul, Tokyo, and Dubai.

## **Employee Diversity & Inclusion**

### **FN-AC-330a.1**

*Percentage of gender and racial/ethnic group representation for (1) executive management, (2) non-executive management, (3) professionals, and (4) all other employees*

For more information about KKR's diversity metrics, visit <https://www.kkr.com/our-firm/life-kkr/commitment-diversity>.\*

\*The information provided is the current publicly available breakdown of KKR's diversity metrics, which do not conform with the SASB metrics.

## **Incorporation of Environmental, Social, and Governance Factors in Investment & Management Advisory**

### **FN-AC-410a.1**

*Amount of assets under management, by asset class, that employ (1) integration of environmental, social, and governance (ESG) issues, (2) sustainability themed investing, and (3) screening*

KKR is integrating the consideration of ESG risks and opportunities across all our funds, where applicable and dependent on the level of influence and access. Please see FN-AC-410a.2 for more information about KKR's Responsible Investment Policy and processes.

(1) \$218 billion assets under management as of December 31, 2019; (2) KKR's Global Impact Fund was fundraising as of December 31, 2019

## **FN-AC-410a.2**

### *Description of approach to incorporation of environmental, social, and governance (ESG) factors in investment and/or wealth management processes and strategies*

KKR has been publicly committed to responsible investment since Kohlberg Kravis Roberts & Co L.P. became a signatory of the UN-supported Principles for Responsible Investment (PRI) in 2009. Our commitment is publicly available at [kkr.com](http://kkr.com) and [kkresg.com](http://kkresg.com). 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. In 2020, we published KKR's Responsible Investment Policy, which articulates our approach to integrating the consideration of ESG risks and value creation opportunities into investment processes across various asset classes globally.<sup>3</sup> This policy supersedes any policies or commitments made public prior to its effective date. KKR will seek to update the policy periodically, as appropriate. For further details, please see KKR's Responsible Investment Policy at [kkresg.com/esg-policy](http://kkresg.com/esg-policy).

All potential 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, where applicable, our best strategy for working with a company in the future.

The businesses in scope for this policy include credit, energy, infrastructure, core, private equity, and real estate equity and credit. While some differences in application exist between the asset classes due to the nature of the investments, for illustrative purposes, the following table describes our general process across the relevant asset classes.

*(See next page for our responsible investment process table)*

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<sup>3</sup> Including KKR funds and other client accounts managed by Kohlberg Kravis Roberts & Co. L.P., KKR Credit Advisors (US) LLC, KKR Credit Advisors (Ireland) Unlimited Company, or their affiliates. For the avoidance of doubt, this policy does not apply to KKR's Capital Markets business or other non-asset management business activities.

1. Evaluate Potential Gating Issues <sup>4</sup>	2. Conduct Diligence on Company-Specific Relevant Issues	3. Document and Review Findings	4. Monitor and Manage
<b>When:</b> Pre-Screening	<b>When:</b> Commercial and Legal/Compliance Diligence	<b>When:</b> Investment Committee Evaluation	<b>When:</b> Post-Investment
<b>What:</b> <ul style="list-style-type: none"> <li>Review Gating Issues to determine whether there are any critical ESG or reputational concerns with regards to target companies, operators, issuers, and, where relevant, sponsors</li> </ul>	<b>What:</b> <ul style="list-style-type: none"> <li>Evaluate material ESG risks and opportunities applicable for the industry or asset type(s) with regards to the issuer or target company, including climate change risks and other portfolio-wide considerations and opportunities, where relevant</li> </ul>	<b>What:</b> <ul style="list-style-type: none"> <li>Include key risks and opportunities in the Investment Committee discussions and memorandums as they relate to the issuer or target company</li> <li>Track relevant findings, even when no additional actions are needed</li> </ul>	<b>What:</b> <ul style="list-style-type: none"> <li>Include key ESG risks and opportunities in the Portfolio Management Committee discussions and memorandums, where applicable</li> <li>Engage with select companies on value creation efforts</li> <li>Document efforts on relevant issues or incidents for ongoing tracking as relevant</li> </ul>

In addition, where relevant and appropriate, KKR will engage with management teams of our portfolio companies to provide guidance and support on key cross-portfolio ESG risks and opportunities. Visit [kkresg.com](http://kkresg.com) for more about KKR's efforts related to portfolio company engagement and KKR's value creation resources.

### **FN-AC-410a.3**

#### *Description of proxy voting and investee engagement policies and procedures*

As a general matter, given the private nature of KKR fund investments, voting decisions relating to investments are viewed as an extension of the investment decision relating to the investment and are handled by the investment professionals responsible for the ongoing management of the investment. Voting decisions relating to public equity securities held by KKR funds (if any) other than in relation to a private equity type investment are voted by appropriate investment professional and Investment Committees, as applicable, in accordance with KKR's proxy voting guidelines. These guidelines have been implemented in accordance with Rule 206(4)-6 of the Investment Advisers Act. Compliance with the guidelines is periodically monitored by the Global Head of Compliance.

### **Business Ethics**

#### **FN-AC-510a.1**

#### *Total amount of monetary losses as a result of legal proceedings associated with fraud, insider trading, anti-trust, anti-competitive behavior, market manipulation, malpractice, or other related financial industry laws or regulations*

KKR did not sustain any monetary losses in 2019 as a result of legal proceedings associated with fraud, insider trading, anti-trust, anti-competitive behavior, market manipulation, malpractice, or other related financial industry laws or regulations. KKR & Co. Inc. (NYSE: KKR) is the holding company for the KKR

<sup>4</sup> Gating Issues are business activities and industries that require early, additional scrutiny. This issues list is updated periodically to account for evolving or emerging issues.

businesses, and as a public company, KKR & Co. Inc. reports all such matters that are material to KKR in our filings with the SEC.

#### **FN-AC-510a.2**

##### *Description of whistleblower policies and procedures*

KKR has procedures in place to anonymously report violations or suspected violations of accounting, internal controls, auditing, legal, and regulatory matters, including by using a confidential hotline or a website, which are both administered on behalf of KKR by an independent third party. Consistent with KKR's policies, employees who, in good faith, make a report or provide assistance to the Audit Committee, management or any other person or group, including any governmental, regulatory, or law enforcement body, will not face retaliation, and the source of any report will remain anonymous unless compelled by judicial or other legal process or as necessary to fully investigate a particular matter. Every year, our employees complete a mandatory compliance training that includes procedures for confidentially reporting violations of suspected violations.

#### **Systemic Risk Management**

#### **FN-AC-550a.1**

##### *Percentage of open-end fund assets under management by category of liquidity classification*

In 2018, the SEC voted to adopt "Investment Company Liquidity Disclosure," a final rule amending Rule 22e-4 ("Investment Company Liquidity Risk Management Program Rules"). In accordance with the Investment Company Liquidity Disclosure rule, the SEC rescinded the requirement that open-end mutual funds registered under the Investment Company Act of 1940 publicly disclose aggregate liquidity classification information at the fund level. The SEC explained that "the subjectivity of the Rule 22e-4 classification process when applied to this public disclosure concerns [the SEC] for several specific reasons." The reasons given by the SEC included, among others, that the data "may pose a significant risk of confusing and misleading investors."

Further, as a fiduciary asset manager, liquidity is managed at the fund level and the assets of one open-end fund cannot be used to meet the redemptions of other funds, as each fund is a separate legal entity. Aggregate liquidity classifications across funds would not provide meaningful insight as to how liquidity is managed at the fund level. Accordingly, we are omitting a response to this item.

#### **FN-AC-550a.2**

##### *Description of approach to incorporation of liquidity risk management programs into portfolio strategy and redemption risk management*

Most of KKR's assets under management are invested in private markets strategies, characterized by closed-end partnerships that are not subject to rolling subscription and redemption windows, but that are rather managed over multiyear timelines incorporating defined periods for the commitment, investment, and distribution of fund capital.

We are in the process of updating our fund liquidity management policy to comply with upcoming European ESMA Liquidity Guidelines, which focuses on the systemic risk of fund liquidity. We have also upgraded our liquidity management tool to meet the guidelines.



For liquid markets strategies that do have rolling subscription and redemption windows, we have a number of tools we use to manage liquidity. First, our accounts and funds in leveraged credit strategy typically have a notice period (30-60 days) for redemptions, which provides the portfolio managers with a reasonable timeframe to generate liquidity and minimize portfolio impact. We also evaluate the liquidity of all underlying positions across our accounts. Each underlying security is given a liquidity score by the traders (1, 2, and 3). These are based on tranche size, bid/asks, trading volumes, and qualitative assessment. Our leveraged credit portfolios are monitored based on the following estimated liquidity assignments:

Level 1: liquidated within 0-7 days

Level 2: liquidated within 1 month

Level 3: liquidated >1 month

The majority of our assets in leveraged credit are liquid high-yield bonds and loans where we can transact daily. While we have no stated minimum issue size, most of the issues that we participate in have at least \$300 million of issue size, with many issuers or borrowers having more than \$1 billion in outstanding debt. We carefully manage allocations to smaller deals to ensure we appropriately match liquidity needs on an account-by-account basis. We also have a number of portfolio analytic tools that provide a quantitative assessment of each underlying portfolio's liquidity.

For our open-ended traded credit portfolios, we utilize a bottom-up approach, leveraging Markit's Liquidity score, which takes into account market data, including number of dealer quotes, bid-ask spread, quote size, and issue size, to calculate the Liquidity Score.

These scores are mapped to a "daily tradable amount," which is the amount of each asset that could be traded per day without materially moving the price in both a Normal and Stressed market.

Factoring in each position size results in "days to liquidate" each position. This is then aggregated across the fund to produce a Traded Liquidity Profile for each fund.

In addition to the Traded Liquidity Profile, settlement time is factored in per asset class to produce a "Settled Liquidity Profile."

These profiles are then compared to the fund investors' ability to redeem from each fund, which is referred to as "Liability Profile." This enables analysis of the combined asset and liability profile.

Liquidity is measured at both a fund level and a group of funds level to analyze aggregated liquidity.

## Activity Metrics

### **FN-AC-000.A**

*(1) Total registered and (2) total unregistered assets under management (AUM)*

(1) Total registered AUM was approximately \$17 billion as of December 31, 2019. Our registered AUM includes pooled funds that, in our judgement, qualify as “registered AUM” as the term has been defined in the SASB Asset Management & Custody Activities Standard. These funds include one credit-oriented mutual fund and certain business development companies that are subject to the regulations of the Investment Company Act of 1940.

(2) Total unregistered AUM was approximately \$201 billion as of December 31, 2019. Our unregistered AUM equals total AUM minus total registered AUM.

### **FN-AC-000.B**

*Total assets under custody and supervision*

We have renamed this metric to “total assets under management” from “total assets under custody and supervision,” [but not renamed above] because assets under management is a more relevant activity metric for asset managers and KKR is an alternative asset manager, not a custodian bank. As of December 31, 2019, KKR had total assets under management of approximately \$218 billion. [See Item 1. Business](#) on KKR’s 2019 Annual Report and 10-K for more information on KKR’s total assets under management.

## **CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS**

This report contains certain forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act of 1933, as amended. Forward-looking statements may be identified by use of words such as “plans,” “expects,” “will,” “anticipates,” “believes,” “intends,” “projects,” “estimates,” or other words of similar meaning, and relate to expectations, estimates, beliefs, projections, future plans and strategies, anticipated events or trends, and similar expressions concerning matters that are not historical facts. The forward-looking statements are based on KKR’s beliefs, assumptions, and expectations, taking into account all information currently available to it. These beliefs, assumptions, and expectations can change as a result of many possible events or factors, not all of which are known to KKR or are within its control. If a change occurs, actual results may vary materially from those expressed in the forward-looking statements. Factors that could cause actual results to vary from the forward-looking statements are discussed in KKR & Co. Inc.’s Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, and other filings with the SEC, which are available at [www.sec.gov](http://www.sec.gov). All forward-looking statements speak only as of the date hereof. KKR does not undertake any obligation to update any forward-looking statements to reflect circumstances or events that occur after the date on which such statements were made except as required by law.

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**Kohlberg Kravis Roberts & Co. L.P.**

9 West 57th Street

Suite 4200

New York, New York 10019

+1 (212) 750.8300

**www.kkr.com**



@KKR\_Co



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