

# WALKER REPORT

NOVEMBER 2016

KKR

# Our Support of the Walker Report

Over the past several years, Kohlberg Kravis Roberts & Co. L.P. (together with its affiliates, “KKR,” “we” or “us”) has been working to increase the transparency of our investment activities and processes, both through formal compliance with guidelines recommending increased levels of disclosure as well as through voluntary initiatives with our clients, partners, portfolio companies and the public at large.

In November 2007, a working group formed by The British Private Equity and Venture Capital Association (“BVCA”) and led by Sir David Walker issued the Guidelines for Disclosure and Transparency in Private Equity. That publication, which is also known as the “Walker Report,” makes specific recommendations for improving the level of public disclosure by private equity firms operating in the United Kingdom.

Because we believe in the importance of enhancing disclosure and transparency within the private equity industry, we helped draft the Walker Report guidelines and have voluntarily undertaken to conform to them and to promote further conformity by our U.K. portfolio companies. Today, the two KKR portfolio companies under Walker in the U.K. include the following<sup>1</sup>:



**South Staffordshire plc** is a UK water company that owns/operates two regulated water concessions solely responsible for the integrated water supply chain in the West Midlands and Cambridge areas in the UK, as well as a smaller non-regulated business that provides specialist services to other UK water companies and utilities under medium-long term contracts.



**Trainline** is a leading digital distribution platform for train tickets in the UK.

## Overview of KKR and our private equity business

Founded in 1976, KKR is a leading global investment firm that manages investments across multiple asset classes including private equity, energy, infrastructure, real estate, credit and hedge funds. We aim to generate attractive investment returns by following a patient and disciplined investment approach, employing world-class people, and driving growth and value creation in the assets we manage.

Through our Private Markets segment, we manage and sponsor a group of private equity funds and co-investment vehicles that invest capital for long-term appreciation, either through controlling ownership of a company or strategic minority positions. Throughout our history, we have consistently been a leader in the private equity industry, having completed more than 260 private equity investments in portfolio companies with a total transaction value in excess of \$515 billion. We have raised 19 funds with approximately \$78.3 billion of capital commitments through December 31, 2015.

Portfolio management committees are responsible for working with our investment professionals from the date on which a private equity investment is made until the time it is exited in order to ensure that strategic and operational objectives are accomplished and that the performance of the investment is closely monitored. When investing in a private equity portfolio company, we partner with management teams to execute on our investment thesis, and we rigorously track performance through regular monitoring of detailed operational and financial metrics as well as appropriate environmental, social and governance issues. We have developed a global network of experienced managers and operating executives who assist the private equity portfolio companies in making operational improvements and achieving growth. We augment these resources with operational guidance from operating consultants at KKR Capstone, senior advisors, and investment teams, and with “100-Day Plans” that focus the firm’s efforts and drive our strategies. We seek to emphasize efficient capital management, top-line growth, R&D spending, geographical expansion, cost optimization, and investment for the long-term.

## Exiting Investments

We have developed substantial expertise for realizing private equity investments. From our inception through December 31, 2015, the firm has generated approximately \$110.2 billion of cash proceeds from the sale of our private equity portfolio companies in initial public offerings and secondary offerings, dividends, and sales to strategic buyers. When exiting private equity investments, our objective is to structure the exit in a manner that optimizes returns for fund investors and, in the case of publicly traded companies, minimizes the impact that the exit has on the trading price of the company’s securities. We believe that our ability to successfully realize investments is attributable in part to the strength and discipline of our portfolio management committees and capital markets business, as well as the firm’s longstanding relationships

<sup>1</sup> As of September 30, 2016

with corporate buyers and members of the investment banking and investing communities. The average holding period for our European private equity investments is 6.5 years.

### Management of Our Private Equity Business in the United Kingdom

We provide management services to our private equity funds pursuant to management agreements. The services we provide include advising our private equity funds with respect to origination, investigation, structuring, financing, acquisition, monitoring and disposition of investments. With respect to investments made by our private equity funds in the U.K. and Europe, we are assisted in the provision of management services by our wholly owned subsidiary Kohlberg Kravis Roberts & Co. Partners LLP, which we refer to as our "U.K. subsidiary."

We have several subsidiaries which are authorized and regulated by the United Kingdom Financial Conduct Authority, or FCA, under the Financial Services and Markets Act 2000, or FSMA, and are authorized in the United Kingdom with permission to engage in certain specified activities.

### Portfolio Companies

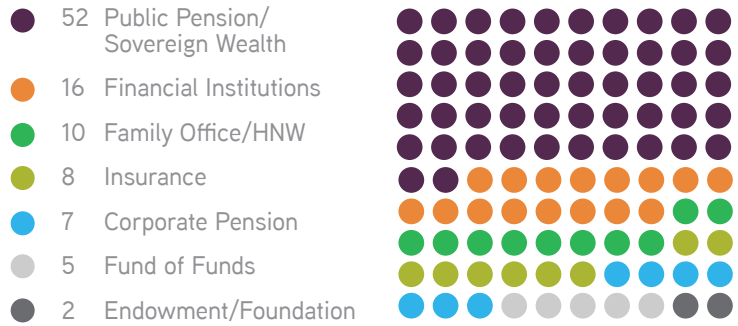
Since our inception in 1976, we have completed more than 260 private equity investments in portfolio companies with a total transaction value in excess of \$515 billion. Our current private equity portfolio consists of over 108 companies with approximately \$200 billion of annual revenues. These companies are headquartered in 21 countries and operate in 19 general industries which take advantage of our broad and deep industry and operating expertise. For specific information concerning our portfolio companies, including links to their websites, please our website at [www.kkr.com](http://www.kkr.com).

### Limited Partners

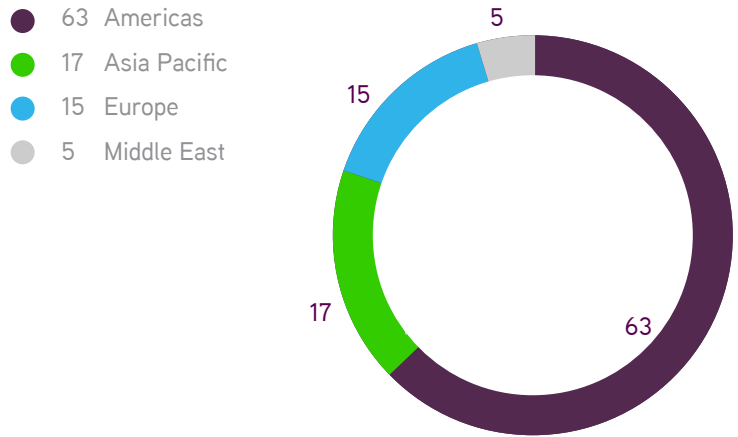
Over our 40 year history, we have established strong relationships with a diverse client base of investors by type and geography. Many of these investors have invested with us for decades across multiple funds that we have sponsored. The commitments we receive come from a variety of institutions including other public pensions, sovereign wealth funds, HNW/family offices, corporate pensions, insurance companies and financial institutions.

The following charts detail our investor base by type and geography as of December 31, 2015.

### Investor Base by Type (%)



### Investor Base by Geography (%)



\* Based on the AUM of our Private Markets investment funds, Private Markets co-investment vehicles, and Public Markets separately managed accounts and investment funds. These charts exclude (a) commitments in connection with Private and Public Markets vehicles for which we are entitled to management fees or carried interest upon the satisfaction of certain conditions, which had not been met as of December 31, 2015 and (b) assets managed by other asset managers with which KKR has formed strategic partnerships where KKR does not hold more than a 50% ownership interest. Allocations are assigned to a type or geographic region according to subscriptions received from a limited partner.

### Conflicts of Interest

Like our peers in the private equity industry, KKR places significant importance on the effective and timely identification, prevention and management of conflicts of interest. Because we recognize that our long-term success requires us to resolve such conflicts appropriately, the Firm's policies and procedures adopted in this regard are critical to maintaining a successful business model and Client relationships; to meeting legal and regulatory requirements including those of the FCA; and to managing the risk of perceived as well as actual and potential conflicts of interests which may arise in the course of KKR's global investment activities.