

# Description of Methodology and Terms

## About the Green Solutions Platform

The Green Solutions Platform (GSP) is a global program designed by Kohlberg Kravis Roberts & Co. L.P. (KKR) to identify, support, and highlight environmental initiatives at a subset of KKR portfolio companies across three areas: eco-efficiency, eco-innovation, and/or eco-solutions. The platform is intended to provide KKR with flexibility to engage with and highlight companies that are driving meaningful business and environmental benefits. KKR's environmental program was originally launched as the Green Portfolio Program in partnership with the Environmental Defense Fund in 2008. In 2015, KKR redesigned the program and launched it as the Green Solutions Platform.

The goal of the GSP is to identify and support portfolio companies' efforts to measure and improve performance in areas that have both an environmental and business benefit. KKR portfolio companies participate in the GSP by committing to share program results directly with KKR and to participate in annual public reporting when at least one full year of results is available. When a full year of results is not available, KKR may preview some of the activities of the participating companies that are already underway. The methodology for evaluating results is described below. In some cases the participating portfolio companies provide KKR with data, which KKR uses to calculate results. In other cases, performance results data are taken from participating companies' existing public reports or participating companies' internal analyses, and KKR is not involved in the analysis of the underlying performance data.

The GSP is not a comprehensive corporate sustainability program and therefore does not address all environmental and social issues affecting portfolio companies. The program also is not a comprehensive reporting or disclosure framework. It does not seek to replace existing frameworks for reporting, such as the Global Reporting Initiative, Greenhouse Gas Protocol, or others. While developing the GSP, KKR has taken note of existing standards and protocols for measurement and reporting; however, the environmental impacts disclosed through the GSP are initiative-specific, should not be interpreted as third-party verified footprints, and may not be reported according to established voluntary standards or protocols. In addition, as the portfolio companies' data collection processes evolve and are refined, or as facilities are added or divested, results from prior years may be restated to present comparable data. The data used to report the results for the GSP were gathered solely by the participating portfolio companies under such companies' internal reporting policies and procedures without KKR's participation. In certain cases, the analysis of such data was also conducted independently of KKR. While KKR believes these sources are reliable, KKR has not independently verified the results or data and does not guarantee the accuracy, adequacy or completeness of such information. There is no guarantee that reported results will be replicated in the future and actual results may be better or worse in future years.

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## Results Methodology for Companies Providing Source Data for KKR Evaluation

The following describes the methodology that KKR follows when calculating results from data provided by participating companies. To-date, this data methodology applies only in the case of certain eco-efficiency projects, and we have disclosed in other eco-efficiency case studies where this approach does not apply.

### CHOICE OF METRICS:

A key component of the program is choosing one or more key environmental performance areas (KEPAs) that are most material to the company's business and environmental performance. After identifying the appropriate KEPAs, KKR, KKR Capstone, and the participating portfolio company jointly identify key metrics to measure and manage performance. In the case of eco-efficiency projects, metrics are chosen

to evaluate absolute business and environmental performance as well as efficiency improvements. Collecting and analyzing both types of metrics provides a comprehensive view of the changes in performance at the portfolio companies.

### **BASELINE YEARS:**

For each initiative, a baseline year is selected and serves as a basis for future performance assessment. Baseline years are determined by (a) the earliest year of complete and valid data, and/or (b) the year when the initiative or initiatives were first launched.

### **CALCULATING RESULTS (ECO-EFFICIENCY):**

- **Absolute:** Absolute figures represent the total quantity of a category of data associated with a specific time period. For, example, total kilowatt hours consumed in 2010, total dollars spent on electricity in 2010, or total greenhouse gases emitted during 2010. We calculate the change in absolute GHGs by subtracting the absolute quantity in the year prior from the absolute quantity in the reporting year and then dividing the difference by the absolute quantity in the year prior.
- **Intensity and Efficiency/Productivity:** Intensity is a measure of how efficiently a company is using specific resources. We calculate the environmental intensity of an initiative by normalizing the environmental metric against a core business metric to produce an annual intensity ratio. This is critical to be able to account for changes in the business and to ensure that real improvements are being made. Decreases in intensity signify an increase in efficiency.
- **Estimated avoided environmental impacts:** The annual intensity ratios described above are used to estimate the avoided environment impacts associated with an improvement in efficiency (or a decrease in intensity). These avoided greenhouse gas emissions effectively identify the additional emissions that a company would have produced if it had not improved efficiency over time.
- **Estimated avoided costs:** Similarly, annual intensity ratios are used to estimate the avoided operating costs associated with an improvement in efficiency (or a decrease in intensity). The estimated avoided impact – kwh or gallon of fuel in the case of GHGs – is multiplied by the per unit cost for the reporting year. These avoided operating costs effectively identify the additional costs that a company would have incurred if it had not improved efficiency over time.

### **COMMUNICATING RESULTS:**

Results are calculated by KKR or KKR Capstone based on data provided by participating portfolio companies. While KKR generally considers such information to be reliable, KKR does not represent that such information is accurate or complete, and KKR has not undertaken any independent review of such information. In addition, while the GSP seeks to align with existing protocols for calculating and communicating environmental performance, it is not intended to be comprehensive or verifiable environmental reporting.

Reported numbers are rounded and may not produce the same results when used to analyze percent changes or total impact.

Where portfolio company results are negative, KKR discloses the percent change in both absolute and intensity metrics on the individual company narrative pages.

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## **Results Methodology for Companies Evaluating Their Own Source Data**

Beginning with the launch of the GSP in late 2015, in some cases KKR began utilizing results data gathered, calculated, and reported by the participating portfolio company. In these cases, the data used to report the results for the GSP were gathered and analyzed independently of KKR. While KKR believes these sources are reliable, KKR has not independently verified the results, data, or analysis and does not guarantee the accuracy, adequacy, or completeness of such information. While this approach does not allow for aggregation of program results like in years past, KKR believes that the increased flexibility allows teams to focus more time on the value creation aspects of the program and less time on data calculation, confirmation, and aggregation. However, there is no guarantee that reported results will be replicated in the future and actual results may be better or worse in future years. It is noted in cases where the results were gathered, calculated, and reported by the portfolio company.

## Summary of Reporting Framework

For consistency, each of the reporting portfolio companies' narratives uses the same format containing the following sections:

- **Challenge:** This section includes general statements about the environmental issues and opportunities related to the company's key environmental performance area(s). This section aims to describe the connection and relevance of a challenge or opportunity to the actions of the companies. Where noted, facts and figures originate from publicly available primary or secondary sources.
- **Response:** This section details actions the portfolio company takes to address the environmental challenge and those actions which contribute to the company's reported results.
- **Results:** This section outlines the quantitative and/or qualitative outcomes of the previously described actions. As noted, results are reported and determined according to the processes described under "Results Methodology for Companies Providing Source Data for KKR Evaluation" and "Results Methodology for Companies Evaluating Their Own Source Data."
- **Looking Forward:** This section includes projections of future actions or results and are provided by the reporting portfolio companies. These projects and events are subject to uncertainty and may not develop as planned or at all.

## Additional Notes

The GSP methodology and tools are dynamic and will be updated as KKR and KKR Capstone gain experience working across a growing number of companies and issues. The program also benefits from the experience of the participating portfolio companies, and the toolkit grows as new best practices are identified and shared.

KKR may routinely adjust data as we refine our methodology. As part of the partnership between KKR and EDF, we strive to make the results we report transparent and credible. Questions, comments and suggestions are welcome at: [sustainability@kk.com](mailto:sustainability@kk.com).

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, 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. 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 company. Impacts of such initiative 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.