

## Columbia Business School Centennial Dinner

Thank you for that kind introduction. It is an honor and a real pleasure to be here this evening, celebrating Columbia Business School's 100th anniversary with fellow alumni, faculty members, students and friends...

My graduation from CBS was not always a sure thing. Shortly after beginning my studies at the business school, I called my father and I said, "This is not for me. I am an entrepreneur and I feel that everyone here wants to work at a large company". I pleaded my case vigorously but my father prevailed, convincing me to stay on at the school where ground-breaking research by David Dodd and Benjamin Graham would teach me a great deal about value investing.

While I did not always follow my Dad's advice, I am happy I listened this time. Columbia Business School did teach me about value investing and finance, but it taught me much more, and gave me a framework for thinking about business that has served me well to this very day. When Samuel Johnson taught at what was then King's College, later Columbia College, he insisted that the college should "enlarge the mind, improve the understanding, polish the whole man..."

When banker Emerson McMillin provided the initial funding for the business school, in 1916, he not only adopted the Johnson admonition about education but he also made a bet on the future – at a time when the world was turbulent and menacing. World War I was raging and 1916 was the year of the major battles and destruction at Verdun and the Somme. Yet, he instilled a spirit of optimism and risk taking and a "can do" attitude in the school, inspired by a long-term vision that business was good for progress. This remains part of the DNA of the business school and I certainly benefitted enormously from my years there.

Of course, much has happened in the school's one hundred year history and the world has changed tremendously since I graduated in 1969. Globalisation, technological discovery, medical progress, shifts in cultural dominance, increasingly diverse environments, pervasive regulation in a landscape of continuing change, challenges and opportunities.

At KKR, we devote a great deal of time, attention and creativity trying to dissect, understand and anticipate change with the goal of achieving consistently strong returns for our investors. We started off as a New York based boutique firm focused on private equity and we have evolved into a global investment firm managing approximately \$120 billion of investments across multiple asset classes, including private equity, energy, infrastructure, real estate, credit and hedge funds and capital

markets, enabling us to provide solutions to all types of companies, investing anywhere in the capital structure.

At the forefront of our evolution has been one of my favorite quotes from General Eric Shinseki: *"If you don't like change, you will like irrelevance even less"*.

This ever-changing world has made business more complex and the role of the CEO more demanding. I remember the teachings of **Peter Drucker** during my undergraduate studies at Claremont McKenna College. Drucker taught that the CEO is "the link between the Inside – that is, the organization – and the Outside of society, economy, technology, markets, customers, the media and public opinion. Inside, there are only costs. Results are only on the outside," he would say. I would argue that Inside, there are not only costs, there are also ideas, values, and a culture, but I fully subscribe to the view that business and CEOs must be ever more closely entwined in the environments in which they operate.

For example, at KKR, about 7 years ago, we added environmental and sustainability metrics to evaluate businesses... As rigorous as we are in our financial assessments, our work also requires understanding a company's strategic plans, commitment to R&D and innovation, regulatory risks, environmental footprint, sourcing practices and relations with its employees and its community.

At KKR and many of our more than 100 portfolio companies, we have established wellness programs for our employees and their families and we have encouraged the hiring of veterans. In fact, [our portfolio companies] have hired over 30,000 veterans in the past few years.

Don't worry- none of this has hindered our financial performance. We have delivered 26% gross return, compounded annually, for 40 years. For our portfolio companies, initiatives such as our partnership with the Environmental Defense Fund have yielded an estimated \$1.2 billion in financial impact and avoided approximately 2.3 million metric tons of greenhouse gas emissions, 6.3 million tons of waste and 27 million cubic meters of water use. We share this dashboard with our employees, and our experience is that a company that uses resources more efficiently, spends on R&D, innovates and improves the health of its employees is often a better, more profitable company.

Making money and making the workplace and the world a better place are not mutually exclusive.

Over the past five years, KKR has invested \$5 billion in companies whose mission is driven by societal challenges. We have invested in food safety in China, urban water

infrastructure in the US, solar and wind energy, better hospital care and training and education enterprises— all companies promising strong returns consistent with their respective asset class. Identifying unmet or underserved needs is an opportunity for business, and I would argue that the world is filled with such opportunities.

I highlight urban water infrastructure given the tragic situation of Flint, Michigan. Flint is not the only community confronted with such problems. Almost four years ago, in partnership with United Water, we invested in the City of Bayonne, New Jersey, to help address their water infrastructure needs. Together, we helped the city eliminate existing debt, improve its finances and upgrade the water system. Our hope is that sustained maintenance and effective management will make these changes permanent.

At KKR, we believe we can make a difference by integrating our performance-focused investment philosophy with our environmental, social and governance initiatives or ESG. It is our responsibility – not only to serve our investors through great investment returns – but also to support them by investing in their communities, and the communities of the corporations in which we invest.

That is exactly why, earlier today, George Roberts and I announced that in honour of KKR's 40th anniversary- yes, yesterday, May 1st was the 40th anniversary of KKR's founding- we announced that we would encourage our employees to spend 40 hours of paid time on community or volunteer service over the next year, separate and apart from allocated vacation time. It is not mandatory, but we do hope our employees will take the opportunity to do more for their communities.

Columbia Business School is keenly attuned to changing global circumstances. Its student body is much more diverse and international than when I attended. The curriculum has expanded to offer many more courses relating to the high tech, digital, entrepreneurial world and there are also more than 20 courses related to social enterprise. The school also offers a world-class Executive MBA program which allows students to hold jobs while they are studying.

CBS alumni are a testament to this evolving landscape and a number of them have started for-profit companies and non-profit social ventures upon graduation.

For example, after graduating in 2013, alumnus **Donnel Baird** founded **BlocPower** in NY to tackle two problems: chronic unemployment and high energy costs. BlocPower hires unemployed residents of financially underserved communities to install solar and energy efficient technology for small businesses, nonprofits and residential housing. Energy costs have declined as have carbon dioxide emissions. Congratulations Donnel.

I also congratulate those graduates who have taken risks in starting up innovative for-profit companies. We all read in the Wall Street Journal last week about **Krave**, founded by 2012 alumnus **Jon Sebastiani**, and bought by Hershey. **ZocDoc**, founded by **Cyrus Massoumi** of the class of 2003, is driving gains in healthcare delivery and productivity. **Betterment**, founded by **Jon Stein**, class of 2009, attempts to make investing simpler and provides online investment advice. **EpiBone**, co-founded by **Nina Tandon**, class of 2012, is a revolutionary bone reconstruction company that allows patients to “grow their own bone” using the patient’s own stem cells to provide a superior bone graft that integrates easily and fits exactly. And to Shazi Visram, class of 2004 and Founder and CEO of Happy Family, congratulations on receiving the distinguished early achievement award tonight. Last, but not least, congratulations to those who have joined the ranks of finance, media, consulting, real estate and industry, in general. Throughout our history, business has created products and services that have improved and transformed life – transportation innovations that have increased mobility and independence, medicines that have eradicated or treated disease, technologies that have increased longevity, provided a cleaner environment and better communication and products that have enhanced quality of life and broadened consumer choice and I could go on...and on.

Successful businesses have always been connected to their communities, with an ear to the ground and a pulse on the times. So, many of the business leaders here this evening have not only created outstanding products and services, but they are heavily involved in their communities, contributing to solutions to various societal challenges. It is, after all, our responsibility as leaders and citizens, even if we do not always get much credit for it.

It is also our duty as business leaders to ensure that institutions such as Columbia Business School thrive. The business school is teaching and forming the next generation of business leaders, challenging students to self-reflect, to think in multiple dimensions, in evolving economic, cultural, social and political environments.

The school is preparing students to tackle growing competition, complex financial structures and regulatory principles. It is giving them tools to promote innovation and its dispersal and to create the products and services of the future. It is teaching the importance of ethics, public engagement and public trust. Columbia Business School must continue to attract the best students and the best faculty. For this — and much more — they deserve our support. Happy 100th anniversary CBS and on to the next centennial!

Thank you!