ARES

TCFD Climate Action Report 2022

MID-YEAR REPORT | JUNE 2022

Introduction

Ares believes that climate change presents one of the most significant challenges and opportunities of this era. As investors, we have an important role to play in helping our portfolio companies and assets prepare for the highly unpredictable impacts from rising temperatures and a global energy transition. In conversations with shareholders, limited partners, portfolio companies, and other stakeholders across the regions where we operate, we feel a heightened level of focus and urgency on this topic, which has prompted deeper questions about the actions we are taking in connection with Ares' role as a fiduciary and responsible investor.

In this inaugural Climate Action Report, organized according to the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD), we aim to transparently disclose the anticipated impacts of climate change on Ares and the steps we are taking to address them. While we operate across a range of geographies, asset classes, and strategies that may call for different tactics, our aim in this report is to clarify the overall approach at the firm-wide level.

While climate change may initially appear to be an environmental issue, we have come to appreciate the critical social and societal dimensions of this challenge. This has sharpened our focus on the people-oriented elements of this complex enterprise: taking steps to enable jobs and skills to be increased, not lost, to promote a Just Transition; building the capacity of our people to understand and act on climate-related information in the context of an investment process; and creating opportunities for employees to take action in their personal lives.

We look forward to providing updates on this document on an annual basis and welcome the continued engagement and partnership from our wide range of stakeholders. Generating a meaningful impact on this large-scale, complex, and global topic will require like-minded partners to band together with a common vision and purpose. We hope that this, our first Climate Action Report, clarifies our objectives and roadmap, creating new linkages to the broader global effort.

> "In mobilizing the Ares community to act on climate change we aim to empower Ares employees to play a meaningful role in creating a more inclusive, more equitable and lower-carbon economy."
>
> Michael Arougheti
> Director, Co-Founder, Chief Executive Officer and President of Ares

Our Approach

Promoting a Just Transition

Creating a pathway to decarbonization that integrates social and economic factors

STRATEGIC PILLARS

Climate & Sustainable Investing

Investing in climate solutions and appropriately integrating climate considerations into the investment process

Engagement on Decarbonization

Systematizing an approach to emissions measurement and engagement for decarbonization

People-First Approach

Inclusive social dialogue on climate and enabling action through people

Industry Action & Collaboration

Partnering to efficiently drive action across the industry

ILLUSTRATIVE ACTIVITIES

Climate & Sustainable Investing

- Ares Infrastructure Opportunities strategy
- Adopt Climate Change Addendum to Ares' Responsible Investment Program to provide systematic integration of climate into the investment process
- Physical & transition risk tools

Engagement on Decarbonization

- Scaled project to measure Scope 3 financed emissions
- High quality corporate emissions offsetting
- Emissions measurement objectives in our corporate revolver

People-First Approach

- CREST: signature grant to promote a Just Transition
- Climate Action Group
- Climate training programs

Industry Action & Collaboration

- Writing and supporting thought leadership
- Participating in and leading industry organizations/ working groups
- Generating thought leadership

Highlights

Engagement on Decarbonization

Held an inaugural climate change offsite, bringing together representatives from across various investment business, climate-related corporate functions, and the executive team.

Read more >

Ares Management's corporate operations achieved carbon neutrality on an expanded corporate footprint, offsetting with sequestration credits and Renewable Energy Certificates (RECs).

Read more >

Created roadmap to footprint most of Ares' Scope 3 financed emissions (investment platform) by mid-2024, including a prioritized subset this year.

Read more >

Industry Action & Collaboration

Joined the Initiative Climat International (iCI) as an inaugural and Operating Committee member of the North America Chapter.

Read more >

Sustainable Investing

Raised $2.2 billion of climate infrastructure capital for Ares Infrastructure Opportunities strategy, targeting investments that can accelerate the transition to a low carbon economy.

Read more >

Released a Climate Change Addendum to Ares' Responsible Investment Program to clarify and formalize our approach.

Read more >

People-First Approach

Ares Charitable Foundation launched Climate-Resilient Employees for a Sustainable Tomorrow (CREST), a $25 million grant to reskill individuals for climate-resilient jobs in the US and India.

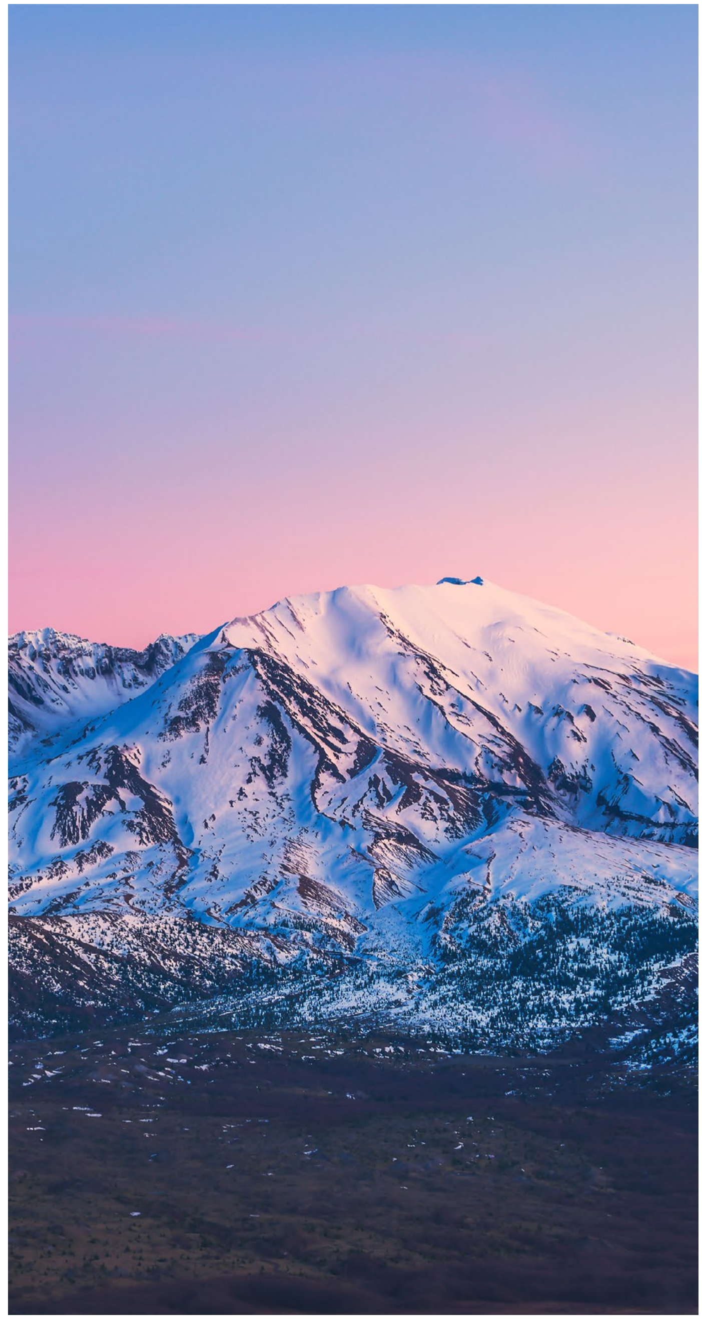
Read more >

Deploying climate-related benefits for Ares' employees to increase their climate knowledge and reduce their personal carbon footprints.

Read more >

Governance

Mobilizing our firm to act on climate change starts with creating a structure with clear roles and responsibilities related to oversight, strategy setting, information sharing, and implementation. Clarifying the key individuals and groups responsible for climate-related work enables us to focus on tailored capacity-building activities to enhance their respective climate-related decision making, collaboration, and execution.



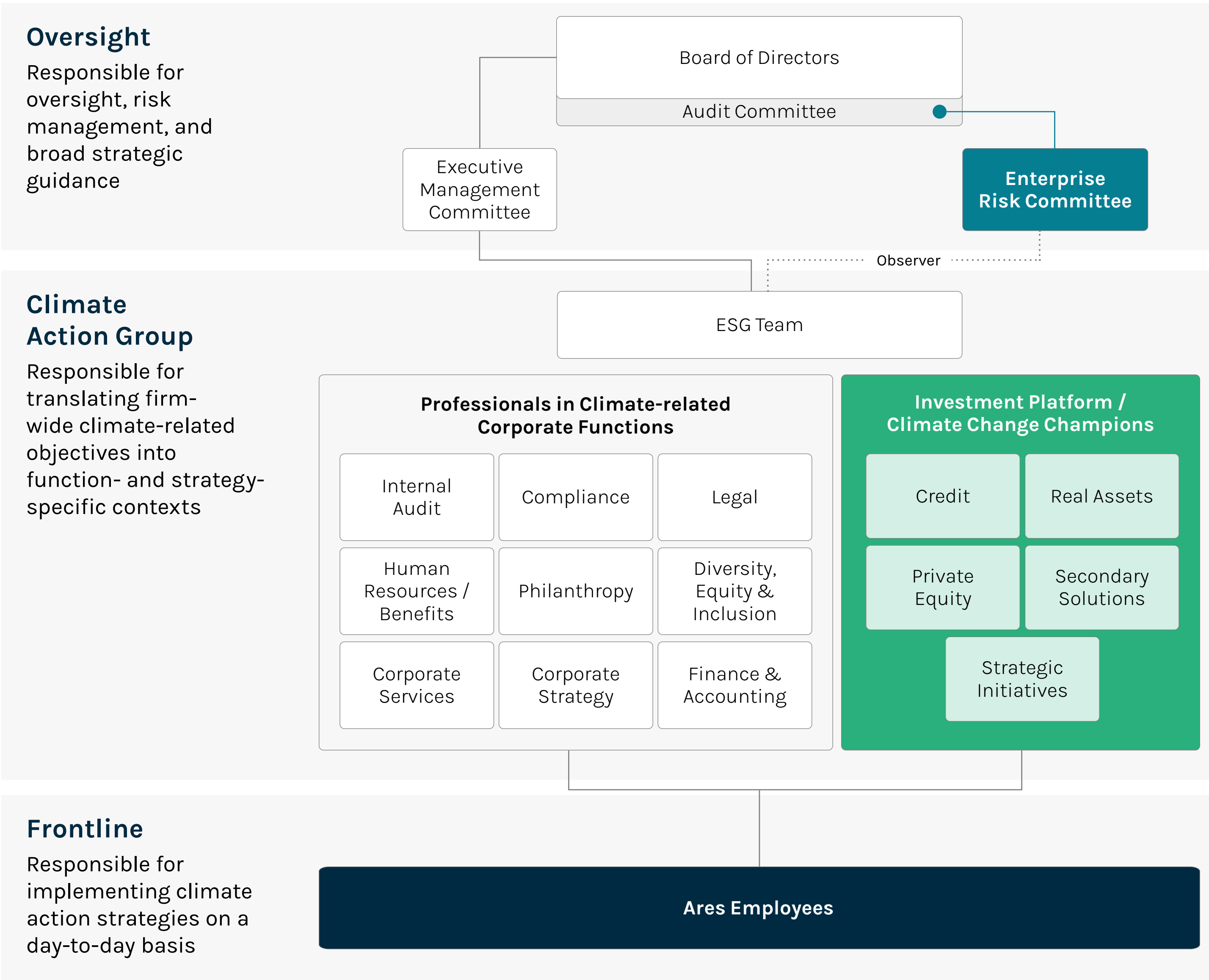
Governance Structure

Our approach to governance is reflected in three tiers: Oversight, the Climate Action Group, and Frontline Employees. The Oversight tier consists of our senior-most managers and decision-making bodies, including the Executive Management Committee and the Board of Directors, to whom the Global Head of ESG periodically presents.

The cross-functional Climate Action Group was created in 2021 to facilitate collaboration on climate-related issues across investment strategies and climate-relevant corporate functions. The Climate Action Group is a critical link between the oversight and strategy-setting first tier and the more diffuse implementation in the third tier, helping to translate firm-wide objectives into practical and applied integration steps at the investment strategy and corporate operations levels.

In addition to helping translate firm-wide objectives to an implementation level, the Climate Action Group is responsible for mobilizing Frontline Employees within their respective business units, both to integrate climate-related considerations and collect feedback that could improve our approach over time.

Climate Governance Structure



Enterprise Risk Committee (ERC)

The ERC oversees Ares' Enterprise Risk Management Program and Framework, which monitors potential exposures at a firm-wide level, including climate change. Our Global Head of ESG serves as an observer and provides periodic updates on ESG and climate-related risk and opportunities.

Climate Change Champions

Climate Change Champions are a sub-group of the 129-strong ESG Champions community that have volunteered to drive climate change integration into their respective investment platforms. This group, along with representatives from climate-related corporate functions, meets virtually on a quarterly basis and once annually in person.

Ares Employees

To implement climate-related activities at scale, Ares employees have a critical role to play. This band of the governance structure will depend on the Climate Action Group to cascade firm-wide objectives into frontline day-to-day job functions.

Building Capacity and Fostering Collaboration

Building the capacity and knowledge base of our employees is critical to achieving scaled outcomes on climate change. This means bolstering individual knowledge and creating space for learning, dialogue, and collaboration on climate topics. We have taken initial steps to provide focused training solutions appropriate to each level of governance: Oversight, the Climate Action Group, and Frontline Employees (see Governance Structure above).

Capacity Building in Senior Management and the Climate Action Group

As part of our efforts to build internal climate awareness, in December 2021 Ares held its first climate change offsite, which brought together more than 35 representatives from across most investment lines of business, climate-related corporate functions, and our executive team. We invited external experts to educate the group on the impacts of climate change on our business, shared current integration practices, and presented guidance on emerging best practice frameworks.

The offsite was intended to build climate change literacy, help the Climate Action Group mobilize a broad set of employees to drive integration, and support capacity building both on climate theory and practical implementation.

At the end of the session, Climate Change Champions were asked to chart 2022 goals for their respective investment lines of business. Since then, the Climate Action Group has met quarterly to discuss emerging ideas and guidance, with plans to reconvene for a second annual in-person gathering in Q4 2022.

Capacity Building and Engagement for Frontline Employees

While the Climate Action Group has become a community of relative specialists on the subject, we recognize the need to build baseline competence in climate-related topics among the broader employee group. In Q3 2022, we intend to launch a training and development platform accessible to all employees, including four modules and 20 climate-related sub-topics. The training includes an introductory module covering climate foundations such as the Paris Agreement, frameworks such as TCFD, carbon footprinting, and physical and transition risk.

To further build engagement and understanding of climate change and how it affects our business, we intend to host a firm-wide Town Hall event in June 2022 featuring a key leader from the Global Financial Alliance for Net Zero (GFANZ), two prominent limited partners that have made net zero commitments, and a large and long-standing shareholder of Ares Management Corporation.

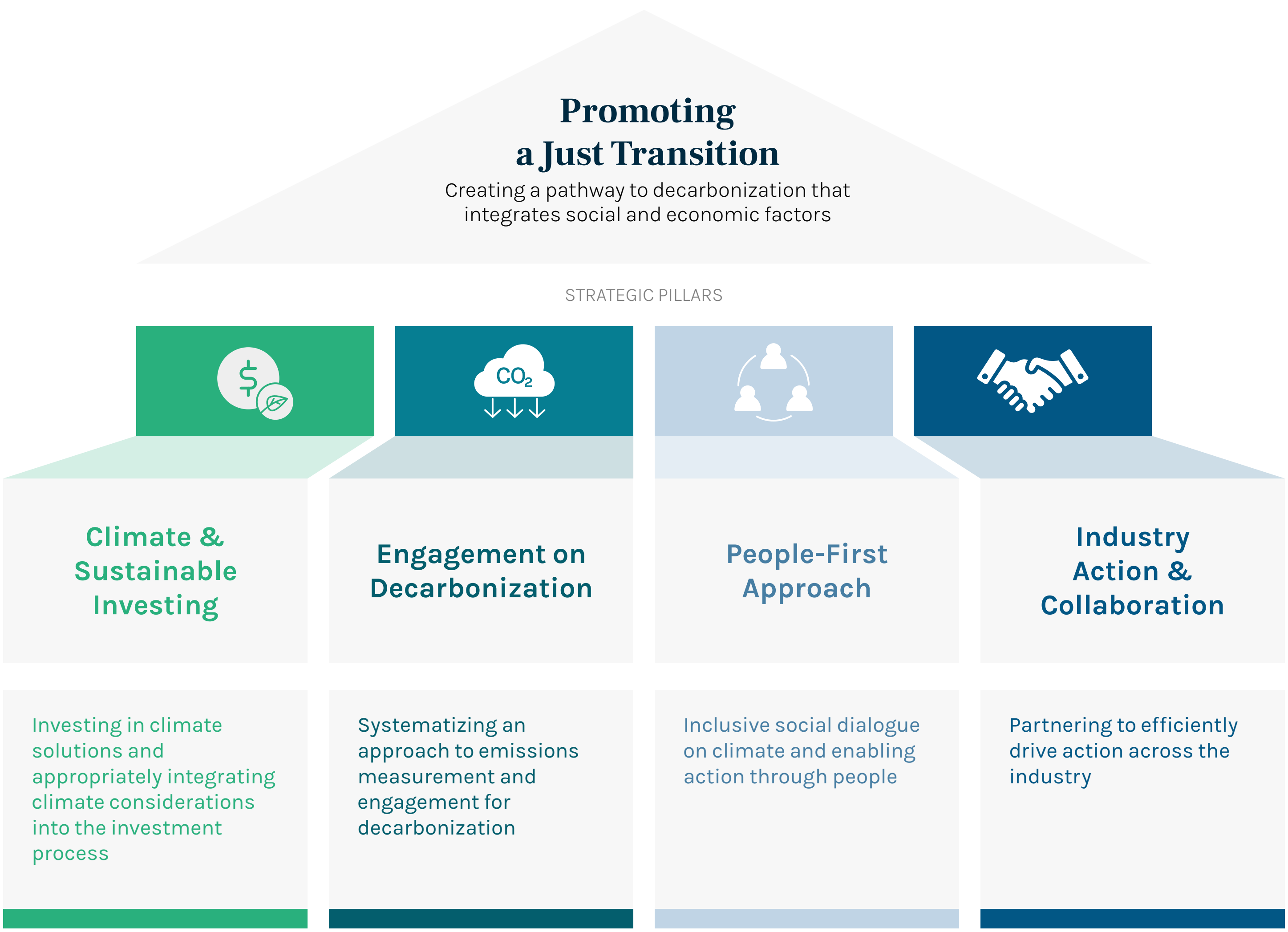
2021 Climate Change Offsite
In the inaugural edition of an annual event, the Climate Action Group met in December 2021 to share knowledge and collaborate on climate topics

Strategy

Responding to the climate crisis will require action on a global scale, across much of our economy and society. While the magnitude and complexity of the crisis can be overwhelming, it is critical that operational and investment groups clarify the key risks and opportunities that climate change presents to inform and prioritize their response. In this section we have identified what we consider to be the most significant of these for Ares, how they might impact our business, and actions we have taken to-date or currently plan to take in the future. We expect that the current risks and opportunities, impacts, and activities outlined here and detailed further under the Risks & Opportunity Management section, will evolve over time, which we will reflect in future versions of this report.

We base our approach in the context of a Just Transition, which emphasizes the potential social and economic consequences of climate change and a pathway to decarbonization. Under this overarching theme, we focus on four strategic pillars, outlined in the graphic below.

It is critical that operational and investment groups clarify the key risks and opportunities that climate change presents



Identifying Material Risks and Opportunities

Toggle through tabs to explore each strategic domain.

Climate & Sustainable Investing | Engagement on Decarbonization | People-First Approach | Industry Action & Collaboration

Risk/Opportunity TCFD Section: **Strategy**	Potential Impact on Ares TCFD Section: **Strategy**	Ares' Response to date TCFD Section: **Risks & Opportunities**
Investment decisions do not account adequately for potential business impacts from climate change	Value at risk from businesses which may be ill positioned to manage physical and transition risk	Beginning to build climate change considerations into ESG-integrated investment approach for many strategies
Financing the transition will require significant amounts of capital	Potential for new investment strategies and products	Raising dedicated climate infrastructure capital
Increased frequency and intensity of extreme adverse weather events	Value at risk from asset destruction and disruption to supply chains and livelihoods	Deepening approach to physical risk assessment in prioritized investments

Indicates risk

Indicates opportunity

Identifying Material Risks and Opportunities

Toggle through tabs to explore each strategic domain.

Climate & Sustainable Investing | **Engagement on Decarbonization** | People-First Approach | Industry Action & Collaboration

Risk/Opportunity TCFD Section: **Strategy**	Potential Impact on Ares TCFD Section: **Strategy**	Ares' Response to date TCFD Section: **Risks & Opportunities**
Investors and stakeholders seek deeper understanding of our approach to climate change (opportunity, risk)	Need to increase collection and analysis of climate-related data and increase transparency of climate-related activities	Improving transparency on climate-related topics (e.g. TCFD-Aligned Climate Action Report) Beginning to implement scaled emissions data collection exercise for select investments Emissions measurement goal in sustainability-linked pricing for our corporate revolving credit facility
Increased regulation and scrutiny on climate change topics in the US, EU, UK, and key Asian markets (risk)	Anticipated heightened scrutiny of our emissions and measurement approach, reputational risk, and potential fines for non-compliance	
Need to address any gap between what we are asking of portfolio companies and what we implement ourselves (opportunity)	Conduct footprinting and offsetting annually and align to or exceed good practice	Ares Management's corporate operations have been carbon neutral since 2020 Corporate operations emissions are offset twice over using high-quality sequestration credits and Renewable Energy Certificates (RECs)

! Indicates risk   Indicates opportunity

Identifying Material Risks and Opportunities

Toggle through tabs to explore each strategic domain.

Climate & Sustainable Investing | Engagement on Decarbonization | People-First Approach | Industry Action & Collaboration

Risk/Opportunity TCFD Section: **Strategy**	Potential Impact on Ares TCFD Section: **Strategy**	Ares' Response to date TCFD Section: **Risks & Opportunities**
Promote socially-conscious approach to potential economic dislocation resulting from decarbonization	Present a differentiated approach to climate change that considers people-focused elements	$25 million "Climate-Resilient Employees for a Sustainable Tomorrow" (CREST) philanthropic grant from Ares Charitable Foundation focused on job reskilling for a decarbonized economy Emphasize Just Transition in Impact at Ares framework
Deficit in employee knowledge on climate change issues impacts ability to act in a scaled manner	Potential for supporting a purpose-driven culture and promoting a scaled approach to climate internally	Training from external climate specialists provided for senior management and the Climate Action Group Planned Q3 2022 launch of Ares-wide climate training modules

Indicates risk   Indicates opportunity

Identifying Material Risks and Opportunities

Toggle through tabs to explore each strategic domain.

Climate & Sustainable Investing | Engagement on Decarbonization | People-First Approach | **Industry Action & Collaboration**

Risk/Opportunity TCFD Section: **Strategy**	Potential Impact on Ares TCFD Section: **Strategy**	Ares' Response to date TCFD Section: **Risks & Opportunities**
Because approaches to managing climate-related risks and opportunities are nascent, action on climate change can be disjointed and impede progress	Potential to position Ares as a market leader by driving industry action on climate	Chair of the UNPRI Private Debt Advisory Committee Founding member of the International Climat Initiative (iCI) North America Chapter; member of the 5-firm Operating Committee
	Potential to collaborate on solving climate-related inefficiencies collectively	Participating in academic research and industry working groups on climate-related topics

Indicates risk   Indicates opportunity

Risk & Opportunity Management

Having articulated which climate risks and opportunities are most material to our business in the Strategy section, here we expand upon corresponding mitigating activities, organized according to the four strategic pillars of our approach: Climate & Sustainable Investing, Engagement on Decarbonization, People-First Approach, and Industry Action & Collaboration.

As a global alternative investment manager, we believe our greatest climate impact potential is in our investment platform

Climate & Sustainable Investing

As a global alternative investment manager, we believe our greatest climate impact potential is in our investment platform. While the climate change conversation often focuses on energy, we believe that most industries could be meaningfully affected. Therefore, our philosophy emphasizes a more systematic and pragmatic approach to integrating climate-related considerations into a broad range of strategies, from private equity, to direct lending, to real estate and beyond.

In addition to this integration, we see the opportunity to invest specifically in transition initiatives, principally through Ares' Infrastructure Opportunities strategy (see *Spotlight* on *Ares Infrastructure Opportunities*). In this way, we are seeking a methodical approach to climate change across investments, while also pursuing specific climate opportunities.

Integration into Investment Lifecycle

While many of Ares' investment strategies have begun to integrate climate change considerations into their processes -- for example we have begun the process of undertaking physical risk assessments on real assets, seeking out climate-positive investments, engaging with some of our borrowers on their own climate-related risks and opportunities as historical and future examples across strategies -- we are focused on improving firm-wide consistency. This is both to integrate best practices as they evolve and to enable an aggregated view of risk and opportunity.

Accordingly, alongside this report we are releasing a *Climate Change Addendum* to our Responsible Investment Program. The Addendum aims to provide guidance to investment teams on the objectives for climate change integration, the principles behind our approach, and direction on considerations throughout the investment process. Our aim is to help create replicable processes that can be broadly implemented in diverse contexts, and intend to revisit this document on an annual basis.

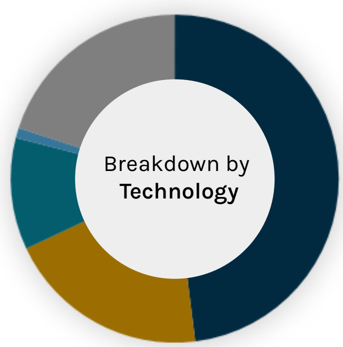
In terms of practical implementation, the Climate Change Champions (described in the *Governance section*) will be the critical channel to adapt the Climate Change Addendum to their respective investment strategies and cascade day-to-day implementation to frontline investment and portfolio management professionals.

SPOTLIGHT

Climate & Sustainable Investing Spotlight: Ares Infrastructure Opportunities

Ares Infrastructure Opportunities strategy closed $2.2 billion of climate infrastructure capital within its inaugural fund, Ares Climate Infrastructure Partners Fund (ACIP), inclusive of $1.4 billion in the fund and $800 million in related transaction vehicles. The strategy invests across the capital structure in equity, preferred equity and structured debt of assets and companies that, among other characteristics, are aimed at accelerating the transition to a low carbon economy.

ACIP Investments Breakdown as of March 2022



ACIP Projected Lifetime Portfolio Impact Metrics*

From Fund inception through December 31, 2021	**205,771,031** Avoided SO_2 (kg)
933,399,162 Avoided CO_2e (Mt)	**92,980,215** Ammonia (kg)
606,391,991 Avoided NO_x (kg)	**2,816,608,943** Avoided Particulate Matter (kg)
19,841,270 Avoided VOCs (kg)	**179,874** Job Creation (JobYears)

Investment Spotlight

Company Overview

PosiGen is a vertically-integrated residential solar and energy efficiency company focused on the low-to-moderate income (LMI) markets in select states across the northeastern and southeastern regions of the US. Since 2010, PosiGen has successfully installed over 17,000 systems, with over 70% installed in LMI neighborhoods.

Ares Impact

Between 2019 and 2021, ACIP and other Funds managed by Ares invested over $100 million of varying credit and structured solutions, supporting and catalyzing the development of up to 27 MW of solar energy. Emissions analysis forecasts that the PosiGen investment could remove over 270,000 metric tons of CO_2e over the next 21 years, while also increasing the accessibility of clean and affordable energy to an underserved segment of the market.

Potential Investment Benefits

- Decarbonization
- Job Creation
- Energy Affordability
- Renewable Energy Accessibility

*Notes: All figures reflective of the lifetime impact of the twelve current holdings and three realized investments that ACIP has executed, excluding toeholds, as of December 31, 2021. All projected impact figures represent ACIP's underwritten scenario. Projected lifetime reflects the respective lifetime of the individual assets. No assurance the stated impact will be achieved and different assumptions in the underwritten scenario can yield varying results.

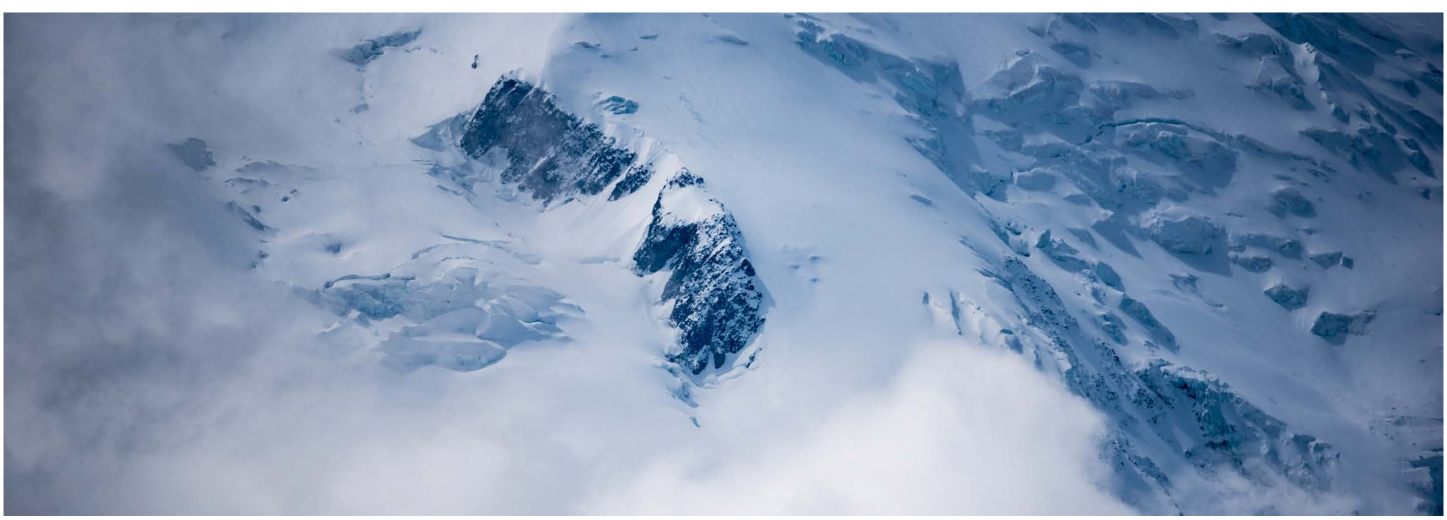
Investing for a Just Transition

Ares is committed to investing in assets that accelerate the transition to a lower-carbon economy. Our Infrastructure Opportunities strategy focuses almost exclusively on climate-positive assets like solar, wind, and other businesses that we believe will be critical to the energy transition. Even outside of this dedicated strategy, Ares teams have identified investment opportunities that can help deliver a decarbonized future whether by providing energy efficiency services, advising on net zero strategies, or constructing more sustainable buildings.

Even as investment opportunities grow quickly in this space, renewable power is still not widely available, reliable, and affordable, creating the need for investment in more carbon-intensive forms of power generation for at least the next few decades. Without such investments vulnerable communities would likely suffer disproportionately, whether in the developing world where the most affordable forms of energy are often the most carbon-intensive, or in the developed where entire communities depend on fossil-based industries for employment. We believe that these socio-economic considerations are an appropriate consideration in an effort to promote a Just Transition, without which progress towards decarbonization could be delayed or even derailed.

In practical terms, this means we aim to conscientiously support the conventional and baseline energy sources needed to fuel a functioning economy. When we make carbon-intensive investments, we intend to engage where possible to support transition planning while considering the social and economic context in which these assets operate. Ultimately, we believe that private market investors in general, and Ares in particular, can be a constructive force in partnering with these higher-emitting companies.

When we make carbon intensive investments, we intend to engage where possible to support transition planning while considering the social and economic context in which these assets operate



Engagement on Decarbonization

Limiting the impacts of climate change will require wide-scale decarbonization of the global economy. As an investor, we believe we have a role to play in financing this transition and assessing how we and our portfolio companies could be impacted by decarbonization. The first step is to understand and estimate our own emissions and those of our portfolio, an exercise we began this year and which we intend to scale up and improve in coming years.

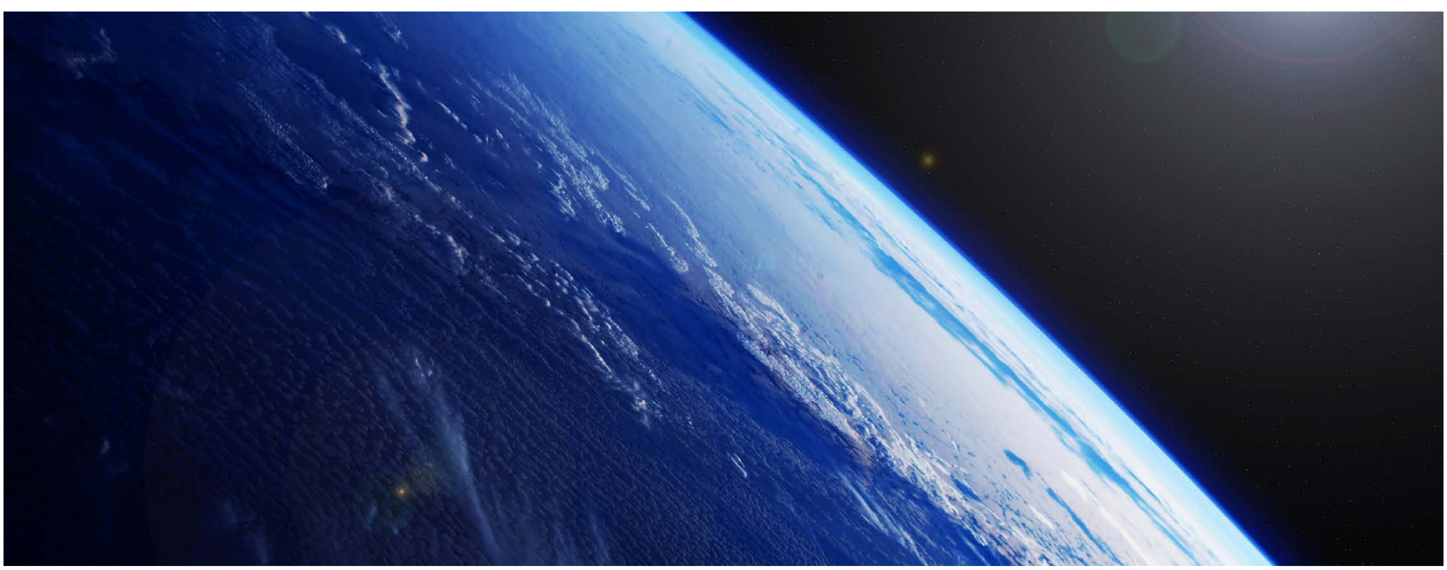
As we gain more insight into the higher-emitting areas of our investment platform, the next step will be to prioritize areas for engagement. This can take a variety of forms according to the sector, strategy, level of control and other factors. One important tool in this effort will be Sustainability-Linked Loans (SLLs), whereby specific sustainability outcomes, for example achieving or missing a carbon emissions reduction target, can trigger a discount or penalty on the cost of the loan.

We can also engage with partners to support resource efficiency and lower-emissions assets. For example, the Spotlight below on 100 Flatbush Avenue explores our investment in New York City's first all-electric skyscraper, where Ares collaborated with our development partner to evaluate the feasibility and implications of constructing an all-electric building. We anticipate the minimized environmental impact and enhanced efficiency will be attractive to future occupants.

Scaling Emissions Measurement

As we systematize our approach to emissions measurement, we plan to use this information to prioritize engagement with companies and assets to support wider decarbonization efforts. This year, we began to footprint our Scope 3 Financed Emissions. We are approaching this first in priority asset classes, where we have more control and where regulatory and investor pressures are higher. We intend to work towards a more complete baseline footprint in 2023 and future years by expanding the exercise and taking learnings to other asset classes.

As we systematize our approach to emissions measurement, we plan to use this information to prioritize engagement with companies and assets

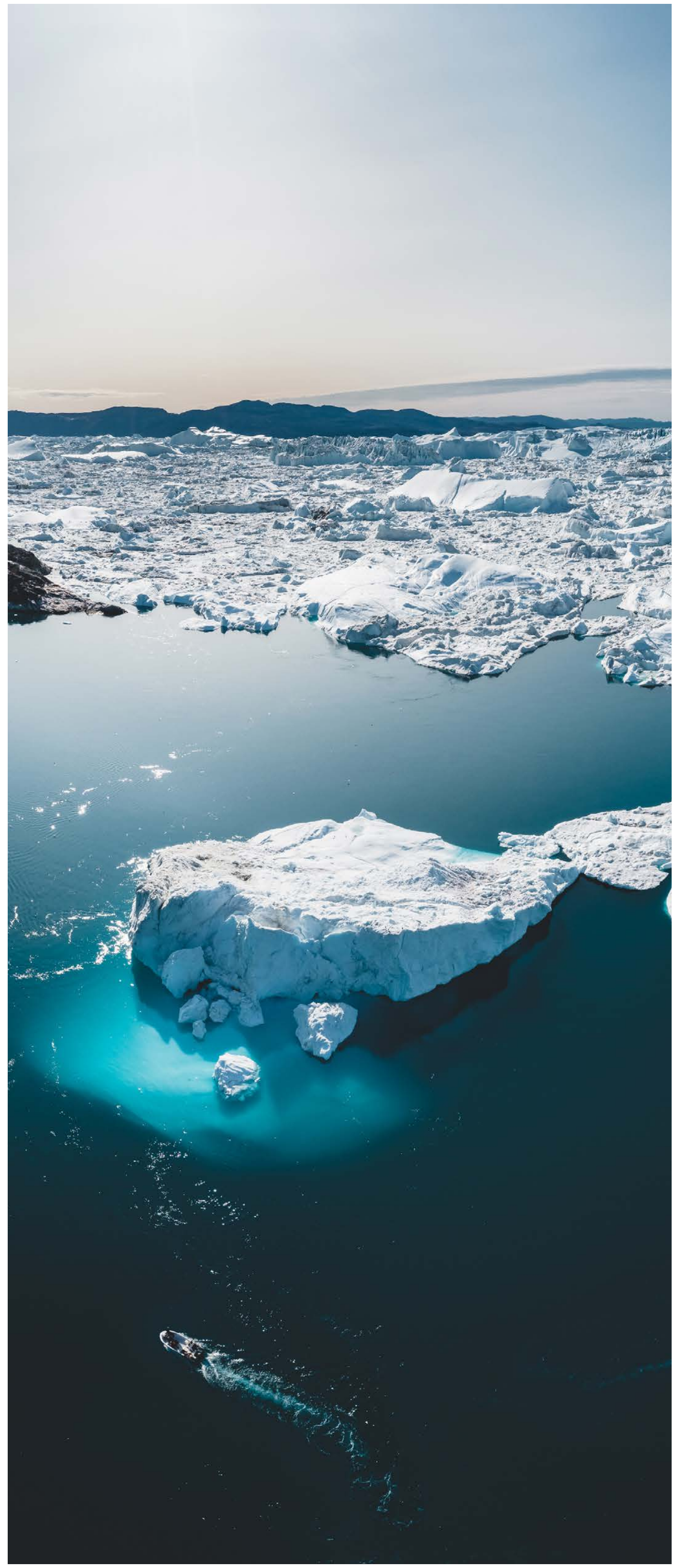


In private markets particularly, data collection presents one of the biggest challenges to understanding and addressing climate risks. In some cases, Ares requests emissions estimates as part of routine due diligence, but few companies can report these figures due to a range of factors such as resource constraints and data availability. As we begin to collect emissions, we expect the initial data quality to be relatively low, relying on estimates more so than bottoms-up footprinting. Therefore, our footprinting exercise will be a combination of bottom-up data where information is available alongside top-down estimates as necessary. We will seek to proactively improve the quality of this data over time by supporting investments to measure their emissions more accurately, targeting relatively higher-emitting parts of the portfolio where climate risk could be more acute.

Though we are deploying a range of emissions benchmarking techniques, we intend to align with the GHG Protocol-aligned Partnership for Carbon Accounting Financials (PCAF) methodologies. By tracking the average PCAF score of our Scope 3 Financed Emissions over time, we will be able to assess progress in improving data quality.

Sustainability-Linked Loans

This year, we have intensified our efforts to deploy SLLs. In 2021 the Credit Group closed Ares' first SLL, as the sole lender of a GBP £1 billion debt facility to the RSK Group, the U.K.'s largest privately-owned multi-disciplinary environmental business. This financing included an emissions reduction target, among other sustainability objectives, and an SLL framework that we could adapt to other transactions. Following the RSK transaction, earlier this year, the Credit Group deployed the first private credit-backed SLL in Australia, providing a $280 million credit facility to Waste Services Group, a specialized operator of waste management services. In June, our Infrastructure Debt team closed Ares' first SLL in the US to support decarbonization efforts at data center provider EdgeConneX. By engaging with borrowers to integrate outcomes linked to emissions management where possible, we aim to help deliver tangible impacts on climate that can also create value and mitigate risk in our investments.



SPOTLIGHT

Engagement on Decarbonization

Ahead of the Curve: New York City's First All-Electric Skyscraper

Construction is underway at Phase I of the Alloy Block development located at 100 Flatbush Avenue, a 42-storey tower that will be New York City's first all-electric skyscraper. Ares Real Estate Group partnered on Phase I with Brooklyn-based Alloy Development, which designed and developed the mixed-use building, to embed sustainability considerations throughout and bring this industry-leading project to fruition. In addition to minimizing its carbon footprint, 100 Flatbush intends to provide the broader community with numerous benefits.

Climate Concerns at the Forefront

Climate change opportunities underpinned the unusual step of using all-electric infrastructure, which improves the efficiency of building operations. Ares and Alloy Development evaluated this unique opportunity against climate and commercial considerations, and ultimately chose an all-electric plan as the best path forward. Avoiding natural gas while enhancing the building's efficiency not only minimizes greenhouse gas emissions, but, as an additional benefit, results in better indoor air quality and potential for lower expenses for residents and commercial tenants. In this vein numerous engineering solutions that far surpassed minimum code requirements were selected.

These efforts are expected to lead to an energy use that will be 20% more efficient than a comparable code-compliant building.

100 Flatbush Avenue represents an exciting milestone and major turning point in New York City real estate development, aligning with New York City's long-term strategic plan, OneNYC 2050.

Benefits

- The first two Passive House compliant public schools in New York City, providing roughly 800 additional student seats to the city's overburdened public school system.
- An affordable housing component.
- Robust local hiring and minority/women-owned business considerations, as well as support for local artists and non-profits.
- Proximity to one of the largest mass transit hubs in New York City, minimizing the need for automobiles and providing easy access for commuting.

Engineered Solutions

- High-performance building envelope (U-values as high as 50% above code baselines) with low solar heat gain coefficients (30% below code requirements) serving to minimize the electrical loads.
- Energy recovering ventilators that are capable of recovering circa 70% of the heat exhausted from apartments while also providing appropriate levels of fresh air.
- Induction cooktops will minimize thermal loads and ventilation needs for cooking, benefiting the indoor air quality and residents' comfort.

People-First Approach

As a people business that often invests in other people businesses, we feel it is important to recognize the human elements of climate change. This means harnessing the ingenuity, innovation, and passion within our own organization to enable climate action. Outside of our organization, it means being sensitive to the potential impacts of climate change on vulnerable communities through socially-conscious dialogue, an approach commonly referred to as a Just Transition.

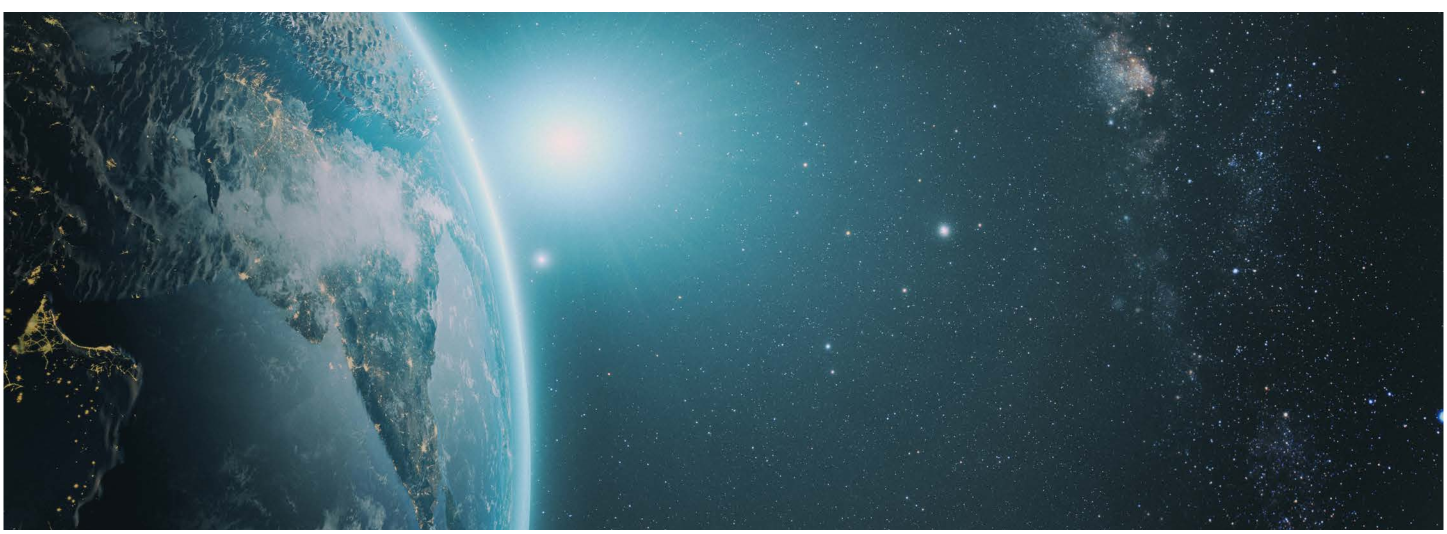
This theme is reflected in our approach: first, by helping our own employees live more sustainably by providing climate-related benefits, while building their capacity to understand and analyze climate-related issues (see also the Building Capacity section); and second, by deploying a $25 million signature grant through the Ares Charitable Foundation, focused on reskilling workers in the US and India who could potentially be displaced by the energy transition to fill the emerging jobs needed in a lower-carbon economy (see Spotlight on Ares Charitable Foundation below).

We feel it is important to recognize the human elements of climate change

Climate-Related Benefit for Employees

This year, Ares is planning to roll out a series of employee benefits to build enthusiasm and engagement on climate-related issues. Given that we expanded our Scope 3 operational footprint to include home working, a corresponding new benefit is a community home solar program which will initially be offered across select US offices where the program is available: Boston, Chicago, Denver, Needham, Newport, and New York.

We are also engaging employees on their personal climate journeys by providing educational webinars on reducing personal footprints in partnership with two climate organizations. Finally, we are providing employees with e-book access to David Wallace-Well's "The Uninhabitable Earth" to spark interest in the broader context of the global climate challenge, within which each employee can better understand the activities underway at Ares. Following this initial wave of climate-related employee benefits, we will explore additional ways to augment the program with impactful ways to build engagement.



SPOTLIGHT

People-First Approach

Addressing Climate Change Through Philanthropy: Ares Charitable Foundation

Ares' strategic aim of promoting a Just Transition flows not only through training and working with portfolio companies, but extends to our Ares Charitable Foundation activities. In 2022, the Ares Foundation launched Climate-Resilient Employees for a Sustainable Tomorrow (CREST), a five-year, $25 million initiative in partnership with Jobs for the Future (JFF) and World Resources Institute (WRI) that seeks to prepare and reskill individuals for climate-resilient jobs in the US and India. Reskilling for a decarbonized economy is a core principle of the Just Transition, and these grants will offer evidence-based solutions to climate change challenges in the labor market across both developed and developing countries.

CREST intends to help disrupt the racial, gender and systemic inequities that create occupational segregation in the green economy, enabling a Just Transition to clean energy. The initiative seeks to benefit frequently overlooked populations including people of color, women, and individuals with low socio-economic status.

In the US, JFF will examine models that effectively upskill individuals for climate-resilient jobs through a five-region jobs challenge to drive workforce development through climate and energy resilience. The grant will also connect regions to entrepreneurs, whose products support climate-resilient job entry, and digital platforms that help workers navigate their careers and strengthen their personal finance skills.

WRI will improve the resilience of India's micro, small and medium enterprises (MSMEs) in an effort to future-proof their business models in a changing climate. The organization will research capacity-building efforts and design digital resources to strengthen MSME workers' skills. Concurrently, WRI will lead the first major initiative to identify, amplify and communicate the systemic challenges that small and medium enterprises (SMEs) face in meeting the mandates of multinational companies to reduce climate impacts. This will empower SME workers and owners to advocate for a Just Transition and help SMEs meet customer demands, mitigating the risk of worker displacement.

JFF and WRI will also engage Ares employees as CREST volunteers, inviting them to mentor participants in job preparation program and engaging Ares employees in peer-review knowledge product processes and local site visits.

CREST is expected to reach at least 12 million stakeholders globally through information sharing and dissemination. This includes at least 100,000 individuals in the US through exposure and training, with at least 25,000 individuals placed in green jobs. CREST is also expected to reskill at least 1,000 MSME workers in India and help 100,000 SME workers and owners over the five-year period.

Industry Action & Collaboration

Since action on climate change is still relatively nascent in the alternative investment management industry, collaboration will be especially critical to collectively assess key challenges, develop standardized guidance, and adapt approaches across a diverse range of asset classes. We engage in these dialogues in both leadership and participatory capacities.

To fill leadership gaps, we are chairing the inaugural Private Debt Advisory Committee (PDAC) at United Nations Principles for Responsible Investment (UNPRI) and are serving on the Operating Committee of the North American chapter of the Initiative Climat International (iCI). In addition, we have participated in several climate-related initiatives, including the Ceres PE Working Group on Climate Change, speaking alongside RSK at a COP26-associated event, and contributing to other climate-focused publications and research reports.

Collaboration will be especially critical to collectively assess key challenges

Ares' Recent Collaboration Partners on Climate Change

Metrics and Targets

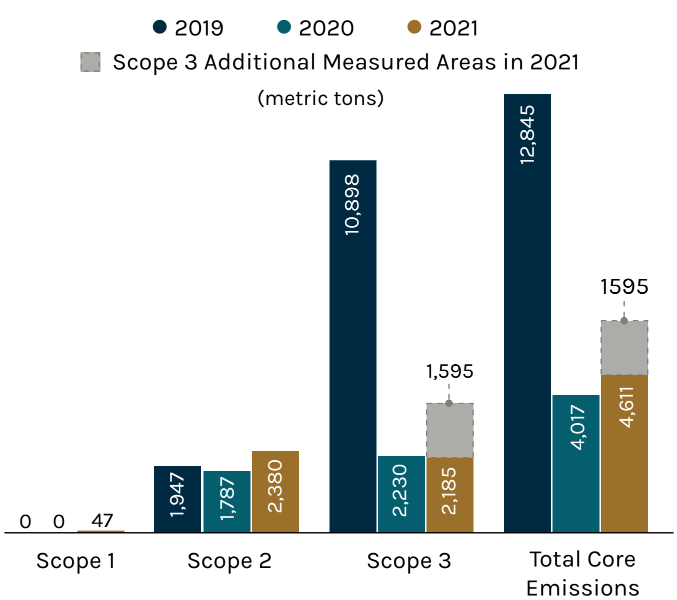
While measuring emissions does not translate directly into a clear view of transition risk and opportunity, it is a common-sense first step to inform our longer-term emissions management. Acting first ourselves, our approach to Scope 1, 2 and operational Scope 3 emissions (our corporate footprint) is detailed below under Ares' Operational Footprint. We outlined our phased approach to Scope 3 Financed Emissions measurement. Below, we provide additional detail on how this will inform our approach to metrics and targets in the years ahead.

Ares' Operational Footprint

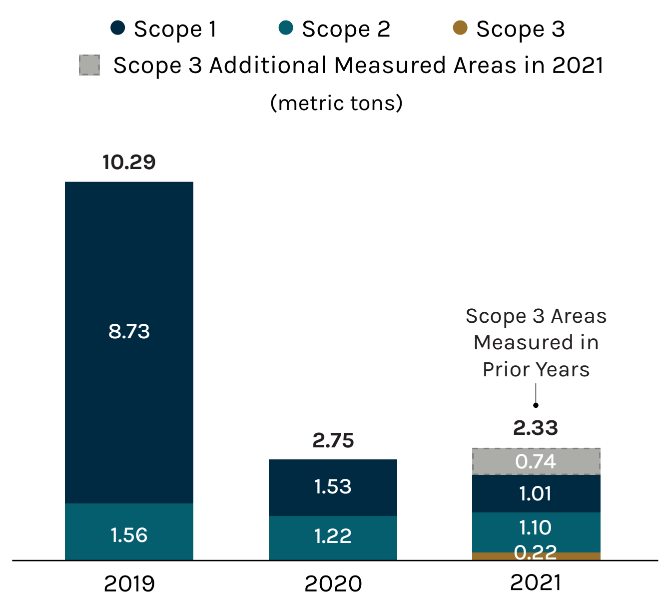
Ares Management's corporate operations have been carbon neutral since 2020 (based on a third-party assessment of our operational footprint) and offset with high-quality carbon credits and Renewable Energy Certificates (RECs). This year, we expanded our Scope 3 activities, adding home working and commuting. We have also double offset our Scope 1 and 3 operational emissions with carbon credits that sequester emissions (grasslands, forests, etc.) and have purchased double the number of RECs that correspond to our Scope 2 footprint.

As we have taken steps to improve our emissions measurement, we are focused on reducing our per-person environmental footprint by expanding on our corporate environmental initiatives, prioritizing areas where we have control or influence (for example in-office energy savings, travel, and office waste) and deploying new employee benefits (see People First Approach) that help reduce home working emissions.

Corporate Emissions — Year-on-year Emissions (CO_2e)



Year-on-year Emissions per Employee (CO_2e)



Additional Scope 3 Mategories measured in 2021
(metric tons of CO_2e)

705.8	Employee Commuting
575.1	Remote Work
46.3	Refrigerant Gas
83.2	Airport Transfers

Investments

As we improve the measurement and management of our operational emissions footprint, we are also deploying a larger-scale exercise focused on our investment platform. While we expect that efforts which we intend to implement to manage transition risk at the platform-wide level will center on the common metric of emissions data, targets we set will likely be strategy- or fund-specific due to the variety of asset classes in which we invest, outlined more fully in the Engagement on Decarbonization section. To help reinforce accountability and transparency around this effort, we worked with our lenders to introduce sustainability-linked pricing to our corporate revolving credit facility in 2022, including an emissions-related objective.

Emissions are a helpful tool for assessing transition risks as an overarching endeavor that is scaled and relevant across all our business lines. In tandem, we are working with specific strategies to understand and address other climate-related risks such as exposure to physical hazards, mitigation planning, and opportunities to improve our own resilience and that of our funds' portfolios. As we gain experience measuring and managing these risks in specific areas of our platform, we will use our Climate Action Group to facilitate cross-platform learning and collaboration.

We worked with our lenders to introduce sustainability-linked pricing to our corporate revolving credit facility

Conclusion and Looking Ahead

Climate change is an important issue for investors both for the potentially systemic impacts to our funds' portfolio companies and assets, and the immense investment opportunity flowing from a gradually decarbonizing economy.

We are pleased to release this initial TCFD-Aligned Climate Action Report in an effort to provide more transparency into both how we see climate change affecting our business and how we are mobilizing our firm to manage the related risks and opportunities. As our business evolves and expands, we plan to adapt our climate-related disclosures and approach and reflect those changes on an annual basis through an updated version of this report. We invite engagement from our shareholders, limited partners, employees, and other stakeholders on these topics as we believe effective action on climate change will require collaboration across a wide range of partners.

On the next page we've included Key Focus Areas and Next Steps in line with the four TCFD disclosure areas, to provide an overview of our future intended progress .

As our business evolves and expands, we plan to adapt our climate-related disclosures

Looking Ahead: Key Focus Areas and Next Steps

Governance

- Re-convene Climate Action Group in Q4 2022 to share experiences with Scope 3 Financed Emissions exercises, insights from pilot physical risk assessments, and learnings from portfolio company climate engagements
- Continue to build capacity firm-wide to understand and manage climate-related risks and opportunities
- Develop a broader set of physical and transition risk assessment tools

Strategy

- Assess priority climate-related risks and opportunities, evaluating potential impacts through Enterprise Risk Committee and the Executive Management Committee
- Closely track emerging climate-related regulations and requirements related to our business
- Partner with shareholders, limited partners, and other stakeholders to refine our understanding of their key needs as their own climate-related objectives evolve

Risk & Opportunity Management

- Emphasize climate change considerations in the investment process and encourage engagement on decarbonization
- Evaluate ways to expand our investments into new climate-related technologies, target expansion of our capital base in climate-related investments
- Create tools to help embed climate risk and opportunity assessment further

Metrics & Targets

- Seek opportunities to reduce the intensity of Ares Management's corporate operational footprint
- Assess opportunities for enhanced transparency and disclosure
- Identify additional climate-related metrics beyond emissions reporting

Forward-Looking Statements

This 2022 Climate Action Mid-Year Report ("the Report") contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended which reflect our current views with respect to, among other things, future events, operations and financial performance. You can identify these forward-looking statements by the use of forward-looking words such as "outlook," "believes," "expects," "potential," "continues," "may," "will," "should," "seeks," "predicts," "intends," "plans," "estimates," "anticipates," "foresees" or negative versions of those words, other comparable words or other statements that do not relate to historical or factual matters. The forward-looking statements are based on our beliefs, assumptions and expectations of our future performance, taking into account all information currently available to us. Such forward-looking statements are subject to various risks and uncertainties and assumptions relating to our operations, financial results, financial condition, business prospects, growth strategy and liquidity. These factors include, but are not limited to, those set forth in this Report and in Ares' periodic filings with the Securities and Exchange Commission. If one or more of these or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, our actual results may vary materially from those indicated in these forward-looking statements. New risks and uncertainties arise over time, and it is not possible for Ares to predict those events or how they may affect us. Therefore, you should not place undue reliance on these forward-looking statements. Actual results may differ materially from any forward-looking statements. Any forward-looking statement speaks only as of the date on which it is made. Ares does not undertake any obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise, except as required by law.

This Report includes information on Ares' program for incorporating Climate considerations across our corporate operations, strategies, and or funds. Such program is subject to Ares' fiduciary duties and applicable legal, regulatory, and contractual requirements and is expected to change over time. Additionally, the act of selecting and evaluating material Climate factors is subjective by nature, and the criteria utilized or judgment exercised by Ares may not align with the views, internal policies, or preferred practices of any particular investor or other asset manager or with market trends. There are a variety of principles, approaches, frameworks, methodologies, and tracking tools; Ares' adoption and adherence to those discussed herein or to any others is expected to vary over time as Climate practices evolve.

While Ares intends to include Climate risk as a component of its investment process, and certain corporate activities as described in this Report, there can be no assurance that Ares' climate initiatives, policies, and procedures related to ESG integration or responsible investment or the application of ESG-related criteria or reviews to the investment process, including ESG scores, as described herein will continue; such policies and procedures could change, even materially, or may not be applied to a particular investment. Ares is permitted to determine in its discretion that it is not feasible or practical to implement or complete certain of its climate-related initiatives, policies, and procedures based on cost, timing, or other considerations; such climate-related initiatives, policies, and procedures are not necessarily (and are not purported to be) deployed in connection with each investment. Statements about ESG initiatives or practices related to portfolio companies also do not apply in every instance and depend on factors including, but not limited to, the relevance or implementation status of an climate-related initiative to or within the portfolio company; the nature and/or extent of investment in, ownership of, or control or influence exercised by Ares with respect to the portfolio company; and other factors as determined by investment and operation teams and/or portfolio company teams on a case-by-case basis.

Additionally, climate-related factors are only some of the many factors Ares considers with respect to investments, and there is no guarantee that Ares' implementation of its ESG program will enhance long-term value and financial returns for limited partners. To the extent Ares engages with portfolio companies on climate-related practices and potential enhancements thereto, there is no guarantee that such engagements will improve the performance of the investment. Additionally, there can be no assurance that Ares or its investments will be able to achieve any climate-related objectives, that their actions will not result in outcomes that could be viewed as having a negative ESG effect, or that any historical trends will continue to occur. Actual results may be significantly different from the forward-looking statements herein. Certain information contained herein relating to any goals, targets, intentions, or expectations, including with respect to climate targets and related timelines, is subject to change, and no assurance can be given that such goals, targets, intentions, or expectations will be met. Further, statistics and metrics relating to ESG matters may be estimates and subject to assumptions or developing standards (including Ares' internal standards and policies). There is no guarantee that Ares will remain a signatory, supporter, or member of any climate-related initiatives or other similar industry groups or frameworks.

Statements about climate-related initiatives, outcomes or practices related to portfolio companies, assets or case studies do not apply in every instance and depend on factors including, among others, (i) the relevance or implementation status of a particular initiative to or within the portfolio company, (ii) the nature and extent of Ares' investment in, ownership of, or control with respect to the portfolio company, and (iii) other factors as determined across teams, companies, investments, and/or businesses on a case-by-case basis. Climate risk factors are only some of the many factors Ares considers in making an investment, and there is no guarantee that Ares will make investments in companies or assets that create positive climate impact or that consideration of ESG factors will enhance long-term value and financial returns for clients or investors. To the extent Ares engages with portfolio companies on climate-related practices and potential related improvements, there is no guarantee that such engagements will improve the financial or climate-related performance of the investment.

Certain investment examples described in this report may be owned by investment vehicles managed by Ares and by certain other third-party partners, and in connection therewith Ares may own less than a majority of the equity securities of such investment.

Case studies presented herein have been selected in order to provide illustrative examples of Ares' application of its ESG program with respect to its portfolio investments and do not purport to be a complete list thereof. Descriptions of any ESG achievements or improved practices or outcomes are not necessarily intended to indicate that Ares has substantially contributed to such achievements, practices, or outcomes. For instance, Ares' ESG efforts may have been one of many factors—including such other factors as engagement by portfolio company management, advisors, and other third parties—contributing to the success described in each of the selected case studies. It should not be assumed that investments made in the future will be comparable in quality or performance to the investments described herein. Further, references to particular portfolio companies or assets should not be considered a recommendation of any particular security, investment, or portfolio company or be used as an indication of the current or future performance of Ares' investments.

Forward-Looking Statements

The receipt of any awards or accolades by Ares or the portfolio companies described herein is no assurance that Ares' investment objectives have been achieved or successful. Further, such awards or accolades are not, and should not be deemed to be, a recommendation or evaluation of Ares's alternative asset management business. The awards noted herein relate only to selected funds or strategies and may not be representative of any given client's experience and should not be viewed as indicative of Ares' past performance or its funds' future performance. In gathering and reporting upon the ESG information contained herein, Ares may depend on data, analysis, or recommendations provided by investments of Ares or by third-party advisors or data sources, which may be incomplete, inaccurate, or out of date. Ares does not independently verify all ESG information it receives from investments or third-party advisors or data sources, and it may decide in its discretion not to use certain information or accept certain recommendations. While these third-party sources are believed to be reliable, Ares makes no representation or warranty, express or implied, with respect to the accuracy, fairness, reasonableness, fitness for use, or completeness of any of the information contained herein, and expressly disclaims any responsibility or liability therefor.

In this Report, we are not using such terms "material" or "materiality" as they are used under the securities or other laws of the U.S. or any other jurisdiction, or as they are used in the context of financial statements and financial reporting. Materiality, for the purposes of this document should not, therefore, be read as equating to any use of the word in other Ares reporting or filings.

The data and information provided in this Report are presented for informational purposes only. This Report shall not constitute an offer to sell or a solicitation of an offer to buy interests in any fund or security or other investment product sponsored or managed by Ares or any of its affiliates. Any such offer or solicitation shall only be made pursuant to a final confidential private placement memorandum (as amended and/or restated from time to time) and the applicable fund's subscription documents, which will be furnished to qualified investors on a confidential basis at their request for their consideration in connection with such offering. The information in this Report is only as current as the date indicated and may be superseded by subsequent market events or for other reasons, and Ares assumes no obligation to update the information herein. Nothing contained herein constitutes investment, legal, tax, or other advice nor is it to be relied on in making an investment or other decision.

REF: AM-02586