

Climate Change Addendum to the Ares Responsible Investment Program

I. Introduction

Ares Management Corporation ("Ares" or the "Firm") is a leading global alternative investment manager offering clients complementary primary and secondary investment solutions across the credit, private equity, real estate and infrastructure asset classes. We believe that appropriately integrating climate change considerations into the investment and portfolio management processes in our platform can help us seek to generate superior risk adjusted returns while also creating opportunities to combat both the drivers and effects of climate change. Ares seeks to prioritize climate change risks and opportunities as part of its broader ESG initiatives at both the corporate level and through its investment platform.

II. Objectives

Ares' objectives for integrating climate considerations into its investment and portfolio management processes are to:

1. Identify risks and opportunities related to climate change to better inform investment decisions and enhance investment returns.
2. Seek to engage applicable funds' portfolio companies to help them understand and improve their ability to manage climate change risks and opportunities.
3. Promote opportunities to decarbonize the economy, support a Just Transition, and aid in limiting global warming to well below 2°C in order to avoid the worst effects of climate change.

III. Principles

The following principles guide Ares' approach to integrating climate-related considerations:

1. **Be Pragmatic.** While we believe that over the long-term climate change will impact most companies in our funds' portfolios, we prioritize our analysis and engagement for those companies for which climate change is most material.
2. **Partner With Our Investments.** We are focused on using our scale to seek opportunities to increase our funds' portfolio companies' and assets' climate preparedness, and believe in engagement for better climate outcomes.
3. **Measure Our Impact.** Where possible we aim to quantify our work to facilitate a more objective and measurable approach.
4. **Embed into Our Culture:** We recognize the complex nature of climate change and its associated impacts, and aim to create scale-able opportunities for our colleagues to build their climate-related expertise.

- Collaborate with Industry Peers.** We believe that the key frameworks and tools needed to integrate climate change considerations into the investment process are not yet fully established or harmonized across the industry. Therefore, we aim to collaborate with other investors and stakeholders to help identify and promote best practices.

IV. Implementation

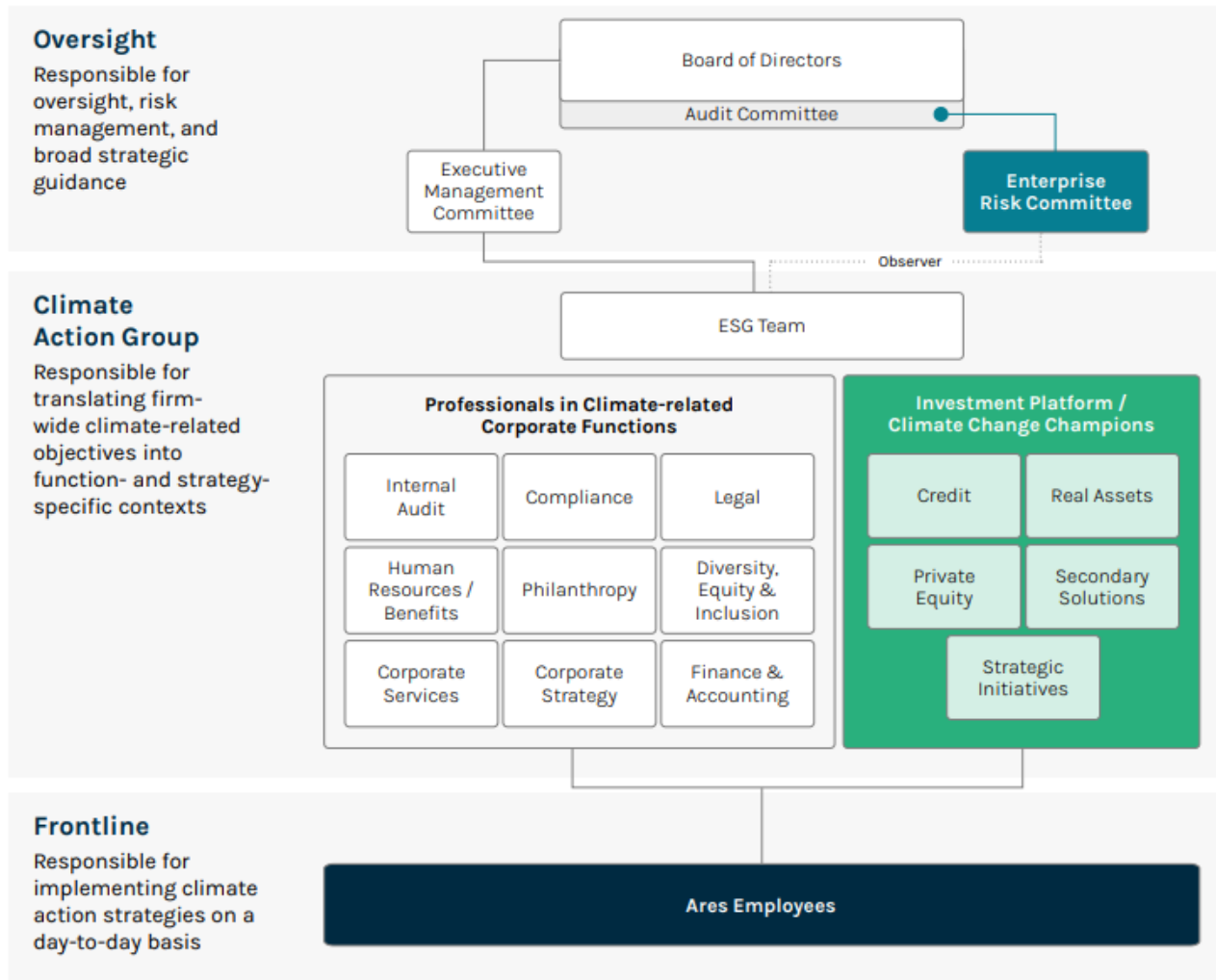
The following table provides guidance for how investment strategies should consider integrating climate considerations into the investment and portfolio management process. Each team is responsible for identifying the specific implementation steps that are most relevant to their respective strategy, based on level of influence, anticipated investment period, and other factors.

		Potential Stage	Key Objectives
REPORTING	Provide transparency into: <ul style="list-style-type: none"> The climate-related risks and opportunities identified Any steps taken to manage climate-related issues Where possible, the relevant quantitative measures used to evaluate and manage climate risks and opportunities 	Sourcing	<ul style="list-style-type: none"> Screen for investment opportunities that might have significant adverse impacts on the environment Seek out investment opportunities that will benefit from climate-related opportunities (e.g., renewable energy, energy efficiency, clean transport, etc.)
		Diligence	<ul style="list-style-type: none"> Where material, assess physical and transition risks that could negatively impact the value of the investment throughout the holding/ownership period Where material, identify climate-related value creation opportunities
		Holding & Ownership	<ul style="list-style-type: none"> Manage climate-related risks and opportunities through ongoing monitoring and engagement with select portfolio companies and assets, with a focus on investments that present the greatest climate-related risks Collect climate-related data from select portfolio companies and assets, with a focus on investments that present the greatest physical and transition risks Selectively engage with management teams to consider setting goals to improve climate-related outcomes
		Exit	<ul style="list-style-type: none"> Where possible, track qualitative and quantitative progress made on climate-related topics over an investment's lifetime

V. Governance

Ares believes that the effective management of material climate change factors can lead to enhanced long-term value creation, risk mitigation, and reduced negative environmental impact. To promote effective governance of climate change integration into the investment platform, most strategies have identified at least one Climate Change Champion responsible for cascading firm-wide climate-change guidance into practical and applied implementation steps at the strategy level. These champions comprise part of the Climate Action Group that meets regularly throughout the year, with a focus on sharing best practices across strategies. For a full explanation of Ares' governance of climate-related risks and opportunities please see our [TCFD Climate Action Report](#).

Climate Governance Structure



VI. Training

Cultural integration and training play a key role in maximizing the impact of our climate change efforts. It is only when employees understand and can integrate climate-related practices into their work processes that we can achieve our broader objectives at scale. As such, we aim to provide guidance and training to frontline investment and portfolio management professionals on various ESG topics, including climate risk and measurement.