ARES

TCFD Climate Action Report 2022

FULL YEAR REPORT

JULY 2023

Introduction

Global events over the past year have reinforced our focus on taking thoughtful and decisive actions in an effort to help mitigate climate risk. Energy insecurity, market volatility and inflationary pressures have reaffirmed our aims to promote a just transition while scaling investments into clean, secure, and affordable energy where possible. At Ares, we seek to drive value to our stakeholders by seizing the investment opportunity afforded by the transition to a more resilient, lower-carbon economy.

Financial and economic impacts from climate change continue to grow. In 2022, natural disasters caused an estimated $313 billion in financial losses globally, less than half of which was covered by insurance.[1] COP27 brought fresh attention to the "loss and damage" experienced in developing countries vulnerable to severe climate impacts. At Ares, we seek to invest in the energy transition to help mitigate these risks while delivering strong risk-adjusted returns for our investors.

Ares is a global alternative investment platform that spans a diverse set of geographies. Promoting a just transition means balancing a broad set of social, economic and environmental risks and opportunities while adapting our approach to different local and regional contexts. It also means demonstrating responsible stewardship over more emissions-intensive assets that provide energy security in today's world, as markets move to cleaner energy sources over time.

Ares is committed to demonstrating leadership through pragmatism and transparency. This means deploying an evidence-based approach to meet the growing yet diverse needs of our broad set of stakeholders, across our three core goals:

1. **Engage on real-world decarbonization** – We are prioritizing emissions measurement and data combined with engagement where appropriate as our core tools to effect change in the real world, as opposed to "paper decarbonization" of our portfolios.
2. **Invest in climate opportunities** - The energy transition is an estimated $194 trillion investment opportunity.[2] Ares has invested over $3.6 billion in climate infrastructure assets since 2015 with a history of strong performance.[3] We intend to leverage this investment experience in an effort to scale transition opportunities in the years ahead.
3. **Enhance our approach to managing climate risk** - Climate change represents potential financial risks for both Ares and our investors. Ares views managing climate risk in the context of our responsibility to protect value on behalf of our business and our clients' assets.

Ares is proud to publish our 2nd annual Climate Action Report. This report highlights the actions we have taken to evolve our approach to climate change, structured around the Task Force for Climate-related Financial Disclosures ("TCFD") framework.

> We ended 2022 having advanced and refined Ares' approach to climate change in collaboration with our colleagues, portfolio companies and investors. This is squarely focused on balancing the risks while seeking to maximize the potential opportunities associated with the energy transition."

Michael Arougheti

Director, Co-Founder, Chief Executive Officer and President of Ares

2022 Highlights

GOVERNANCE

- Established formal ESG representation on Ares' Enterprise Risk Committee ("ERC")
- Re-convened Climate Action Group for our 2nd annual Climate Offsite strategy session
- Continued to build capacity through our ESG team and Climate Champion network

STRATEGY

- Launched a planning process to revise our three-year climate strategy
- Integrated climate-related goals for 2023 for eight investment strategies
- Continued to invest in the energy transition with $3.6 billion of capital deployed since 2015[3]
- Engaged with UNPRI, iCI and other industry groups focused on climate frameworks

RISK MANAGEMENT

- Published climate risk addendum with formal guidance for integrating climate into the investment process[4]
- Established Fossil Fuel Working Group focused on developing an engagement framework to support assets in adapting to the energy transition
- Formally integrated physical climate risk assessments into due diligence for selected Real Estate strategies
- Implemented emissions data collection as part of portfolio monitoring across four investment strategies

METRICS & TARGETS

- Completed first financed emission estimates across 21 funds
- Piloted new climate risk metrics including Climate Value at Risk ("CVaR") and Weighted Average Carbon Intensity ("WACI") for Global Liquid Credit
- Established physical risk indicators for selected Real Estate strategies
- Expanded Ares' operational emissions estimates to include additional categories of emissions

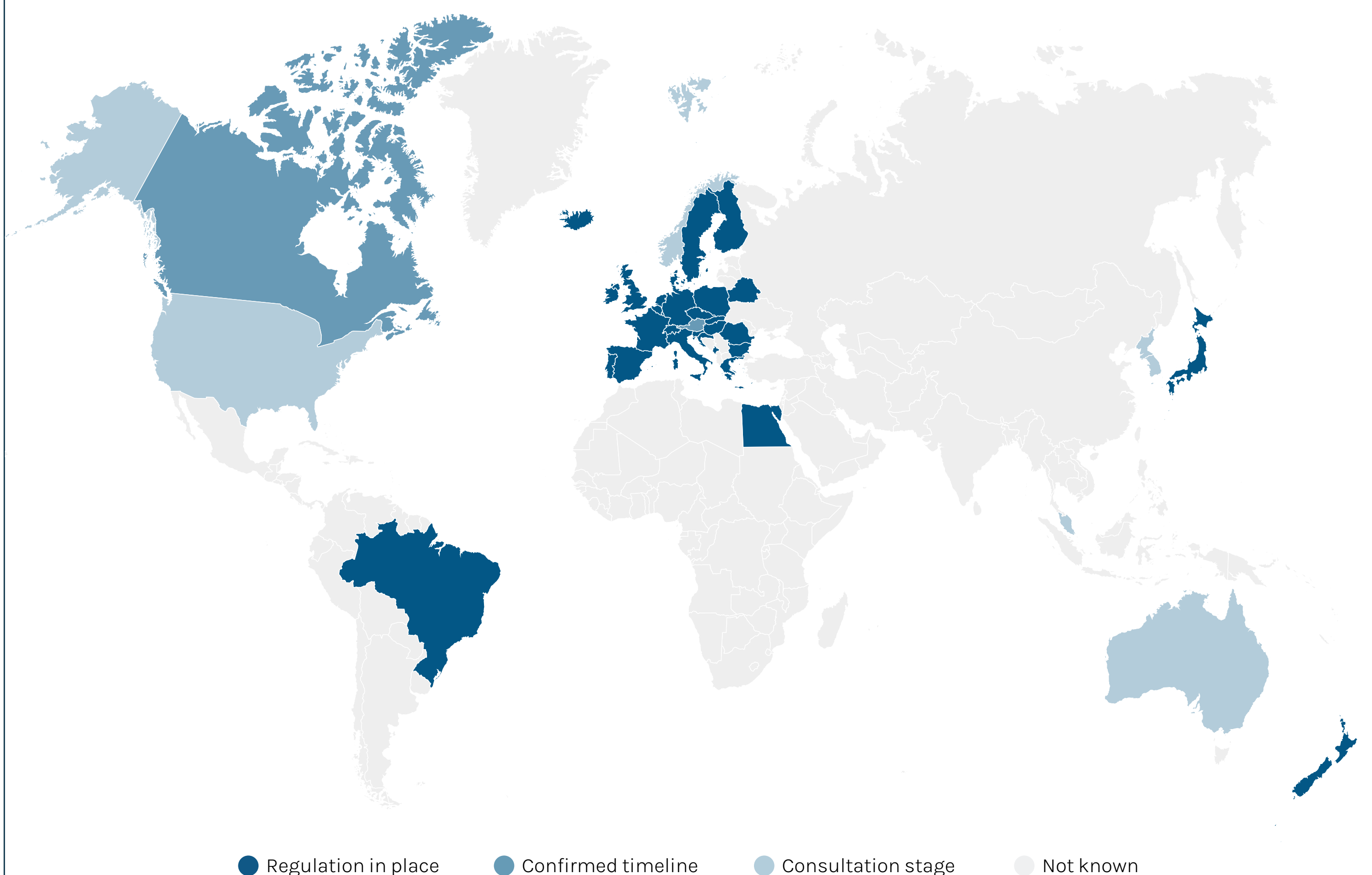
TCFD Alignment

While Ares' TCFD report is made on a voluntary basis, we have witnessed continued regulatory momentum behind TCFD-aligned disclosures for both the corporate and financial sectors. The first wave of TCFD regulations have now come into force in some jurisdictions, including the UK and Switzerland.[5]

Ares views greater transparency, consistency and comparability of disclosures globally as a positive development for our investors and stakeholders more broadly. This will improve the quality and consistency of underlying emissions data and metrics, which should in turn improve our ability to measure and disclose our exposure to climate risk for our investors.

At the same time, we recognize that the quality of climate-related data in private markets at present is still relatively low compared to public markets. This limits our ability to align fully with the quantitative components of the recommendations necessary to present the most relevant insights we seek to disclose to our investors. To address this and our consistent aim for continuous improvement, we have established **forward looking goals** across each of the TCFD pillars: Governance, Strategy, Risk Management, and Metrics & Targets.

Global Spread of Climate Reporting Regulations



Note: as at October 2022.

Governance

Ares' climate governance structure is designed to achieve appropriate levels of executive oversight combined with embedded accountability and ownership across the platform.

Overview

Ares believes that proper governance over our climate initiatives is vital to establishing clear lines of accountability while facilitating cross-platform collaboration on key topics. To that end, we have established the following three-tiered approach:

Oversight

Board of Directors

Oversight of corporate strategy and risk, receiving updates on ESG at least annually

Executive Management Committee

- Responsible for oversight of climate-related initiatives & integration into business strategy
- Chaired by CEO, attended by 16 additional senior leaders
- Receives updates on ESG and climate-related initiatives at least annually by Global Head of ESG

Enterprise Risk Committee

- Responsible for oversight of risk management framework and controls
- Chaired by Head of Enterprise Risk, attended by Global Head of ESG
- Receives updates on ESG and climate-related initiatives at least annually by Global Head of ESG

Strategy & Delivery

Climate Action Group

Delivery and collaboration across climate-related initiatives

Investment Platform Climate Champions

Corporate Climate Champions

ESG Team

- Responsible for cross-platform collaboration and delivery of function- and strategy-specific climate initiatives
- Climate Action Group consists of ~40 professionals representing investment strategies and climate-relevant corporate functions, alongside the ESG team
- Meets annually in person to set strategy, alongside quarterly councils to monitor and drive progress, in addition to regular meetings with frontline employees at the working group level

Implementation

Ares' Frontline Employees

- Responsible for implementing climate-related initiatives on a day-to-day basis. Local champions partner with frontline employees in their respective teams to design and implement strategy- and function-specific plans and to monitor and drive implementation
- Employees receive periodic ESG updates at townhall events, investment committees and function-specific team meetings, in addition to broader sustainability training on-demand via our e-learning portal

Set direction

Report on progress

Key Developments

Over the past year, Ares has continued to bolster our governance across all three tiers:

1. **Oversight:** ESG's seat at the table

   Ares' Global Head of ESG was added to the Enterprise Risk Committee. This positions us to enhance and systematize our approach to climate risk management going forward.

2. **Climate Action Group:** Developing asset class decarbonization plans

   Our dedicated group of employee climate champions continued to progress the work on the ground, gathering for quarterly councils on key topics such as climate risk, emissions footprints and frameworks for engaging with relevant portfolio companies and assets on climate. This work culminated in our 2nd annual Climate Offsite in December, entitled "Accelerating Decarbonization."

3. **Frontline:** Knowledge and capacity building

   In June 2022, Ares held a firmwide townhall focused exclusively on climate change. In addition, our Learning & Development team rolled out an e-learning platform, Workday, partnering with our ESG team to select climate-related modules, which also provides access to sustainability and climate-related content.[6]

Case Study

'Accelerating Decarbonization': Ares' 2nd Annual Climate Offsite

In December 2022, 39 members of Ares' global Climate Action Group gathered in New York alongside 72 virtual attendees. This group also included a selection of our partners and representatives from our portfolio companies.

The overarching theme of the event was "Accelerating Decarbonization." Within this, we focused on developing asset class level strategies to encourage emissions reductions where appropriate to mitigate risk and protect value through two primary avenues of investments and engagement.

At the event, we shared select case studies on emissions reduction strategies and target-setting at the portfolio company and asset level, focused on identifying tangible value creation opportunities for our investments.

Our central objective was to facilitate collaboration and learnings through real life examples, while challenging each other to create relevant climate goals specific to their strategies. Eight investment teams have now formally embedded climate-related goals into their business plans for 2023 tied to the overall objective of seeking to maximize investment returns and protect long-term value for our investors.

Looking Ahead

Building off our work to date, we will continue our efforts to evolve our governance structure focused on two key fronts:

Dedicated Climate Lead: Recognizing the need for specialist expertise, we have created a dedicated role accountable for coordinating and consolidating Ares' cross-platform efforts into a clear overall decarbonization roadmap.[7]

Key Goals:

1. Further developing Ares' climate action initiatives and driving implementation through our Climate Action Group and broader base of frontline employees
2. Systematizing Ares' Scope 3 financed emissions measurements and consolidating differing approaches across our varied investment strategies
3. Engaging with external industry networks with the aim of including Ares' voice in the development of frameworks for the alternative asset management community

Working Groups: Ares' Climate Action Group is encouraged and empowered to establish additional structures organized around high priority firm-level objectives and collaboration needs. To that end, last year we launched a working group focused on supporting existing fossil fuel assets in transitioning towards cleaner energy sources while striving to protect jobs and mitigate potential price volatility and energy insecurity.

Looking ahead we plan to launch additional cross-platform working groups targeted at priority topics such as emissions measurement and engagement, formed by our climate champions in collaboration with investment professionals from across the platform.

Summary

Governance

2022 Progress	2023 Goal
Established formal ESG representation on our Enterprise Risk Committee ("ERC")	Engage with Board of Directors and Executive Management Committee on our three-year climate strategy and deliver periodic updates on progress
Re-convened Climate Action Group for our 2nd annual Climate Offsite strategy session	Implement annual climate risk assessment at the corporate level to be conducted by ERC
Continued to build capacity through ESG team and Climate Champion network	Build broad climate awareness and literacy through training available to our frontline employees

Strategy

Reflecting the changing external environment and our key learnings from implementation, we launched a strategic planning process at the close of 2022 to refresh our climate approach with a three-year forward-looking view. The below outlines the key outcomes we are targeting and the enablers to our approach. While we have high conviction behind this framework, we strive for continuous improvement and plan to adapt as needed going forward:

Promoting a Just Transition

1

Engage to influence **real-world emissions** reductions

2

Seek to scale investments in **climate opportunities**

3

Protect **long-term value** through **climate risk management**

A People-first Approach

We seek to enable action and dialogue on climate through our people and wider stakeholders

Industry Action & Engagement

We engage with industry peers in an effort to develop best practice guidance and frameworks

Data & Measurements

We invest in data collection, emissions measurements and benchmarking tools with the aim to consistently sharpen our approach

1. Engage to Influence Real-world Emissions Reductions

At Ares, we are focused on driving real-world emissions reductions through tangible actions that generate value for Ares and our investors, where appropriate. For this reason, we have defined concrete actions and are building towards implementation at the asset class level.

Translating Firm-level Objectives into Asset Class Action

To lead this action, we mobilized our network of climate champions and tasked them with translating our three target outcomes of driving real-world emissions reductions, scaling investments into climate opportunities and protecting long-term value through climate risk management into strategy-specific frameworks and processes.

Private Credit

8 Climate Champions

4 Climate-related Goals

Private Equity

5 Climate Champions

2 Climate-related Goals

Real Estate

2 Climate Champions

2 Climate-related Goals

Infrastructure

3 Climate Champions

2 Climate-related Goals

Note: Strategy specific goals are at the business group level and there is no assurance all activities or elements outlined will pertain to every investment.

Integrating Climate-Related Goals into Our Annual Business Planning Process

Last year, eight Ares investment strategies set climate-related goals for 2023. These goals were formally integrated into our firmwide planning and budgeting process to align accountability and ensure it is integrated into business priorities.

While climate-related goals naturally varied from team to team, one common theme was measuring and improving portfolio emissions estimates as the foundation for meaningful engagement on decarbonization. Beyond carbon emissions measurement, strategy goals varied from increasing the number of sustainability-linked loans (SLLs) with financial incentives tied to emission reductions, to partnering with selected portfolio companies to help them establish emissions reduction plans where appropriate, and engaging with industry initiatives to develop frameworks for climate action within private markets.

2. Seek to Scale Investments into Climate Opportunities

Ares continues to seek to invest in the next frontier of assets helping to facilitate the transition to a lower-carbon economy. For example, Ares Infrastructure Opportunities ("AIO") strategy closed its inaugural $2.2 billion Ares Climate Infrastructure Partners Fund in 2021, with approximately $1.4 billion in total fund commitments raised inclusive of GP commitments, and $800 million in related transaction vehicles. As of the end of 2022, this fund has deployed and committed over $1.2 billion in capital toward assets and projects that will help facilitate a decarbonized future.

In 2022, AIO deployed capital across a variety of sectors that we believe will be critical to the energy transition, including renewable energy and storage, infrastructure services, digital, and controlled agriculture. In recognition of this work, the AIO team was named Energy Transition Investor of the Year for North America in the 2022 Infrastructure Investor Awards.[8]

Since 2015, the AIO team has committed $3.6 billion to over 50 climate infrastructure assets and companies.[3] We believe climate infrastructure will continue to represent a significant, multi-decade investment opportunity for Ares going forward.

Case Study

Financial and Technical Innovation to Power the Energy Transition

In December 2022, Ares Acquisition Corporation, a special purpose acquisition company, entered into a definitive business combination agreement with X Energy Reactor Company, LLC (“X-energy”). X-energy is a leading developer of small modular nuclear reactors (“SMRs”) and fuel technology for safe, affordable, zero-carbon energy generation.

Nuclear power could play a significant role in the transition to a lower-carbon economy, according to the International Energy Agency.[9] SMRs are an exciting technology because they can be installed close to demand centers and even on the sites of decommissioned power plants, which helps ensure jobs remain in energy communities.

Xe-100 Reactor

X-energy’s flagship Xe-100 is a high-temperature gas-cooled reactor that can uniquely address a broader range of uses and applications compared with conventional nuclear reactors. This specifically includes applications that currently rely on fossil fuels to produce steam and heat for processes like manufacturing, petroleum refining and hydrogen production. These capabilities led X-energy and Dow Inc., a leading materials science company, to enter into a joint development agreement in March 2023 to demonstrate the first full-scale SMRs at an industrial site in North America.

The transition to a low-carbon economy requires significant innovation, and Ares is proud to support X-energy’s mission to deliver safe, affordable low-carbon energy at scale.

3. Protect Long-term Value Through Climate Risk Management

We view climate risk management as a critical tool to protecting and promoting long-term value across our business and our investments. To help prioritize these risks, we mapped the TCFD risk drivers: Policy & Legal, Technology, Market and Reputation. We considered each of these risk drivers both at the firm and investment levels. We assessed how likely each is and what the potential impact could be across these two levels. The outcomes are summarized in the chart below.

Recognizing that the methods and tools used to quantify climate risk are still in their infancy, this is a qualitative assessment of potential risks and does not reflect a quantitative assessment of financial exposure. We have set a goal to evaluate the available methodologies and potential use cases for scenario analysis within 2023.

Assessment of Climate Transition Risks

Of the climate risk drivers evaluated, those in the Policy & Legal and Market groups imply the potential to have more material impacts for our firm and investments.[10] With respect to Policy & Legal, this is primarily because we anticipate the expansion of climate- and emissions-related regulation across our geographies of operation. With respect to the market, the potential re-pricing of assets could drive cost and risk across asset classes in myriad ways. By comparison, technology and reputation are important considerations, however they are more concentrated and relevant to specific underlying sectors.

Risk Group	Risk Driver	Corporate	Investments
Policy & Legal	Increasing carbon taxes		
	Increasing emissions disclosure regulation		
	Mandates on products and services		
	Exposure to litigation		
Technology	Substitution of existing products and services		
	Unsuccessful investment in new technologies		
	Costs to transition to new technologies		
Market	Resource/expertise required to align to new market expectations		
	Failure to adapt strategy in line with evolving market expectations		
	Increased cost of capital/insurance for assets in high risk sectors		
Reputation	Growth in greenwashing perceptions associated with the company/sector		
	Failure to attract and retain staff due to failures in sustainability strategy		
	Collective action/boycotting of specific sectors		

Low Risk Impact Score — **High Risk Impact Score**

Assessment of Climate Opportunities

We view the energy transition as a driver of substantial potential opportunity for both Ares and our investments. Of the climate opportunities identified, we assessed those within the Products & Services and Energy Source domains as more relevant to our firm and investments. We will require a variety of new solutions, including but not limited to the need for new energy sources, in the transition to a more sustainable, efficient and lower-carbon economy. These solutions hold the potential to drive cost savings, revenue growth and diversification for multiple sectors and regions globally.

Group	Opportunities	Corporate	Investments
Resource Efficiency	Transition to lower emission modes of transport		
	Transition to more remote working		
	Energy efficiency measures in buildings		
	Transition to circular models and waste reduction		
Energy Source	Transition to renewable/clean energy sources		
	Adoption of policy/tax incentives from clean energy		
	Investments into new/next generation energy solutions		
	Participation in carbon markets		
Products & Services	Reduce footprint of existing products and services		
	Launch new sustainable/transition products and services		
	Launch climate adaptation/insurance risk solutions		
	Scale investments into climate R&D & innovation		
Resilience	Scale investments into services for emerging markets		
	Partner with development funds/public sector capital		
Markets	Scale investments/opportunities in new markets		
	Widespread adoption drives down cost of new technologies		
	Stronger demand for lower emissions options		
	Stronger climate risk management drives down cost of capital		

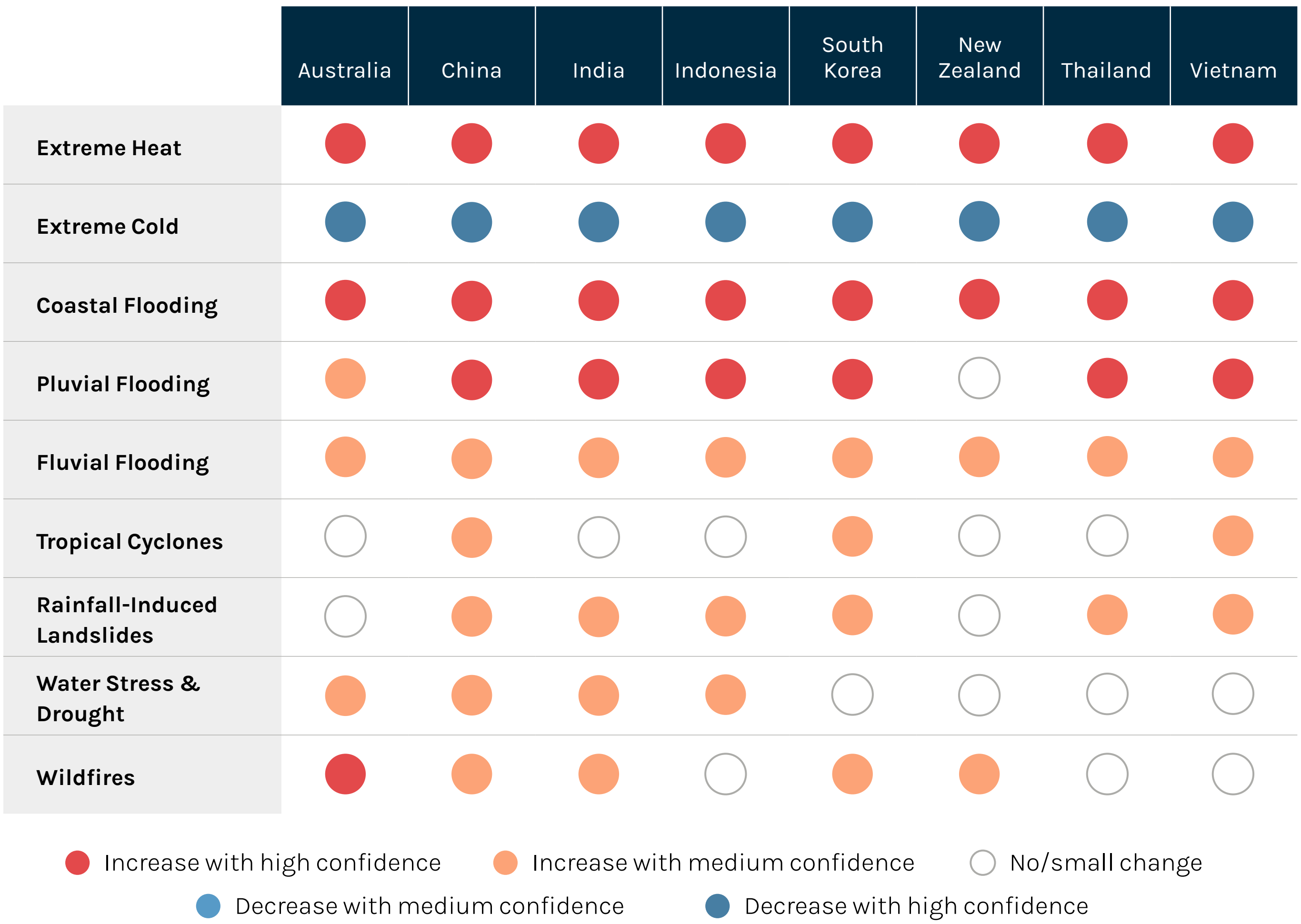
Low Opportunity — High Opportunity

This assessment reinforces the three focus areas of our overall strategy and the steps already taken to mitigate some of these risks, including enhancing our governance over ESG regulation, establishing a Fossil Fuel Working Group focused on transition planning for our most carbon-intensive assets, and setting the goal to scale up investments into the energy transition.

At the asset class level, we have also started to pilot physical and transition risk assessments using forward-looking analysis across key sectors and geographies, and under different scenarios.

Case Study

Conducting Our First Forward-looking Scenario Analysis for Ares in the APAC region



Ares Asia partnered with a third-party environmental consultant to conduct a detailed physical and transition climate risk assessment. This assessment covered 70% of assets within Ares Asia's portfolios. During this project, forward-looking analysis of potential physical and transition risks was performed using internationally recognized science-based scenarios.[11] The graph above is an illustrative output of this assessment which highlights potential changes in the frequency of physical risks across geographies, using different temperature warming scenarios. This exercise will be used to inform and evolve our approach to climate risk management across the APAC region.

Enablers

Underpinning each of the three core outcomes of our strategy are the enablers to unlock, accelerate and enhance our approach:

People-First Approach

Taking a people-first approach means considering our impact on a broader set of stakeholders, including developing markets and lower socio-economic groups, as the world moves to a lower carbon economy. To help ensure this, we have identified two primary channels for action: (1) reskilling for a decarbonized economy to enable individuals to be better prepared for climate-resilient jobs, and (2) working to help maintain or improve energy security and access. The table below outlines some of the actions we have taken to date across these channels:

Reskilling for a Decarbonized Economy

In 2022, Ares launched Climate-Resilient Employees for a Sustainable Tomorrow (**CREST**), a five-year, $25 million initiative in partnership with Jobs for the Future and the World Resources Institute focused on the US and India. This initiative is expected to support at least 25,000 individuals into clean energy jobs, while also reaching 100,000 individuals through awareness-raising around climate-resilient careers.

Supporting Energy Security

- Invested into secure, stable and cleaner energy sources such as **Small Modular Nuclear Reactors**
- Launched a Fossil Fuel Working Group focused on supporting existing fossil fuel assets as they transition toward cleaner energy sources while protecting jobs and energy security.

Industry Action & Engagement

Approaches to climate risk measurement are still nascent across the alternative asset management industry. Ares views industry engagement as a useful mechanism to collaborate on challenging areas such as data, measurement and reporting standards. To that end, we are active participants in a number of climate-focused working groups including:

- **UNPRI Private Debt Advisory Committee (PDAC):** We are a founding member and current chair of the UNPRI PDAC within which we are co-leading the climate working group that aims to distill and share best practice across the industry
- **Initiative Climat International (iCI):** Ares sits on the North American Operating Committee of the iCI, a working group of sponsors within the Private Equity community focused on sharing climate-related best practice
- **Ceres:** We are active participants in the Ceres Private Equity Working Group on Climate Change

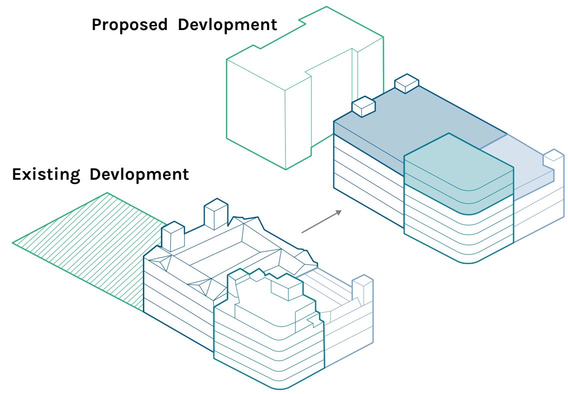
Through these external forums, we are frequently engaging to advocate that approaches related to climate risk are meaningful, implementable and pragmatic.

Data & Measurements

Data is a foundational element of our climate strategy and enables prioritization, engagement, risk measurement and monitoring. In 2022, we established an ESG data working group between select ESG and IT members to plan out a three-year ESG data strategy. We are investing in data provider solutions to improve both our carbon footprinting data quality and to systematize our approach. For more information on our progress and goals around climate-specific data, please see the **Metrics & Targets** section.

Case Study

Using scenarios to explore stranded asset risk within Real Estate



For our upcoming development in Leeds, United Kingdom, the Real Estate team completed a holistic carbon emissions review, including a transition/stranded asset risk assessment and decarbonization pathway analysis.

The Leonardo Buildings project includes a major refurbishment of two historic Grade II listed buildings and one new 11-storey building to be constructed at the site of an existing commercial office.

The carbon emissions review identified that the embodied carbon of the planned development was ~30% less overall than if the development was all new construction. Furthermore, utilizing the CRREM 1.5°C climate pathway[12] for the new building and the 2.0°C pathway for the historic building respectively, it was assessed that the assets would not be stranded for more than 10 years post-construction.

Following the study, several interventions were identified to further improve the operational performance of the asset. These include utilizing the Leeds district heating network, use of air source heat pumps for ground floor entrance spaces and installing mechanical ventilation with a heat recovery mechanism.

Summary

Strategy

2022 Progress	2023 Goal
Launched a planning process to revise our three-year climate strategy	Continue implementation of our three-year climate strategy and launch new portfolio engagement initiatives in targeted asset classes
Integrated climate-related goals for 2023 for eight investment strategies	Seek opportunities to scale investments into the energy transition
Continued to invest in the energy transition with $3.6 billion of capital deployed since 2015[3]	Establish a framework to consistently define and track transition opportunities
Engaged with UNPRI, iCI and other industry groups focused on climate frameworks	Evaluate methodologies for scenario analysis
	Continue to engage with external initiatives on emerging climate frameworks for private markets

Risk Management

At Ares, we view managing climate risk within the context of our duty to deploy prudent risk management over our business and on behalf of investors. To that end, last year we published a Climate Risk Addendum to our Responsible Investment program in parallel with our Climate Action Report. This set out a framework and guidance for considering climate risk across the investment process.

Spotlight

The Climate Change Addendum provides guidance to investment teams on integrating climate considerations into the investment and portfolio management process.

Teams are 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
Sourcing	• Screen for investment opportunities that might be exposed to significant physical or transition risk • Seek out investment opportunities that could benefit from the energy transition (e.g., renewable energy, energy efficiency, clean transport, etc.)
Diligence	• 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	• 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 manage climate-related risks and opportunities
Exit	• Where possible, track qualitative and quantitative progress made on climate-related topics over our investment period

Note: No assurance that all activities or elements outlined will pertain to every investment.

Integration into the Investment Process

Recognizing that methodologies for evaluating climate risk are still in their infancy, we have taken a proportionate approach to considering climate risk within the investment process on a materiality basis.[10] As such, approaches to climate risk vary by asset class depending on the varying levels of control, access to data and hold periods. To help support investment professionals in performing these risk assessments, the ESG team in partnership with our climate champions have implemented several initiatives, including for example, providing both general and asset class specific training, frameworks and data tools.

Case Study

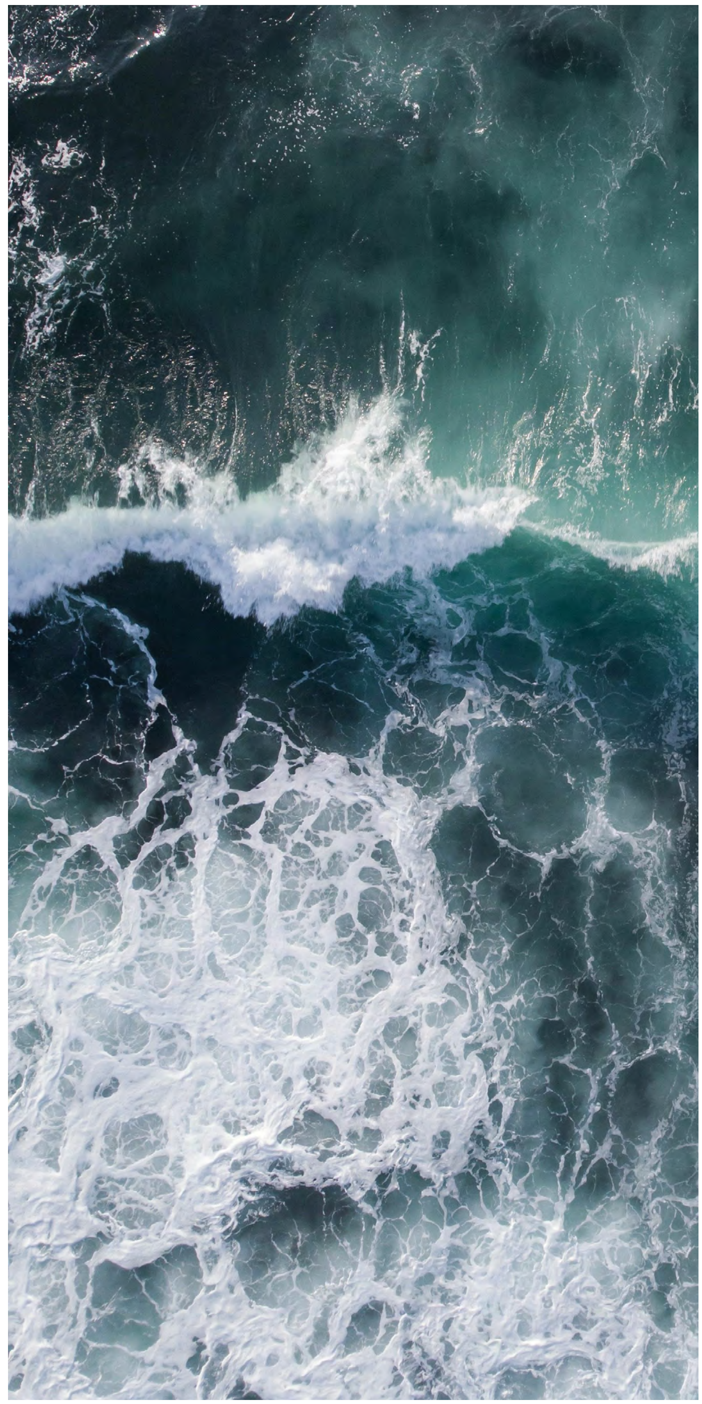
Evaluating Physical Climate Risk in Due Diligence for Real Estate Assets

Given the materiality of potential physical risk impacts on investments into real assets, we have integrated physical climate risk assessments into the investment process for selected Real Estate strategies.

We use these risk assessments to supplement other information gathered during due diligence to obtain a more holistic assessment of the prospective investment's risk exposure. To help ensure consistency across the team in evaluating the impact of these risks, we have also created a standard menu of appropriate physical risk mitigants. These mitigants include, for example, purchasing or requiring borrowers to purchase appropriate insurance coverages, considering flood mitigation measures and/or installing seismic shut off valves, among other precautions.

Example output of our third-party physical climate risk assessments conducted during diligence for a new acquisition

Climate Hazard	Risk Level
Earthquakes	Medium
Floods	Low
Heat Stress	Medium
Hurricanes & Typhoons	None
Sea Level Rise	None
Water Stress	High
Wildfire	Medium



Climate Risk Management and Mitigation

While recognizing the diverse and widespread impacts of climate change, we have focused our initial efforts on what we believe are material potential risks to our business and investments.[10] Although representing less than 3% of our assets under management, fossil fuels arguably present the highest exposure to transition risk across our portfolios. To help manage and mitigate this risk, in Q3 last year we established a Fossil Fuel Working Group formed of senior investment professionals focused on the energy sector from across our Infrastructure, Private Equity, Global Liquid Credit and Direct Lending strategies.

Firm Level: The Fossil Fuel Working Group

At Ares, we recognize the reality that fossil fuels represent the majority of total global energy supply today. In 2022, the Russia-Ukraine conflict reaffirmed the need for stable energy supplies to avoid price inflation alongside corresponding negative social and economic impacts.

As an asset manager, our primary duty is to generate returns on behalf of our investors. For investments into fossil fuel assets, this means encouraging adaptation to help retain profitability within a decarbonizing economy.

Given this context, Ares plans to remain a responsible steward of these assets to support their energy transition planning. To structure and formalize our approach, we established the Fossil Fuel Working Group tasked with drafting an engagement framework for our fossil fuel assets. The core pillars of this framework are outlined below and include: promoting transparency, providing resources, encouraging action and measuring progress to monitor emissions reductions over time. The list of illustrative examples highlighted below are potential actions that teams could take within these pillars. Each of these will be assessed within the context of Ares' ambition to generate long-term risk-adjusted returns while promoting a just transition to a low-carbon economy.

STRATEGIC PILLARS

Promote Transparency	Provide Resources	Encourage Action	Track Progress
Increasing firmwide and portfolio company / asset disclosures	Equipping Ares teams and portfolio company management teams with the tools they need	Leveraging financial incentives to drive progress	Measuring improvement over time

ILLUSTRATIVE EXAMPLES

Promote Transparency	Provide Resources	Encourage Action	Track Progress
Disclose our firmwide exposure to fossil fuel assets	Create carbon reduction playbooks and programming	Link Ares' financings to climate KPIs	Monitor emissions data year-on-year
Collect / estimate emissions data from our portfolio annually	Generate thought leadership	Offer sustainability-linked terms to borrowers	Develop engagement escalation plans
Encourage annual ESG reporting efforts at portfolio companies / assets	Leverage Ares' in-house expertise to drive operating efficiencies	Incorporate climate-related incentives	Revisit engagement strategy

Strategy Level: Private Equity Partnership on Emissions Measurement

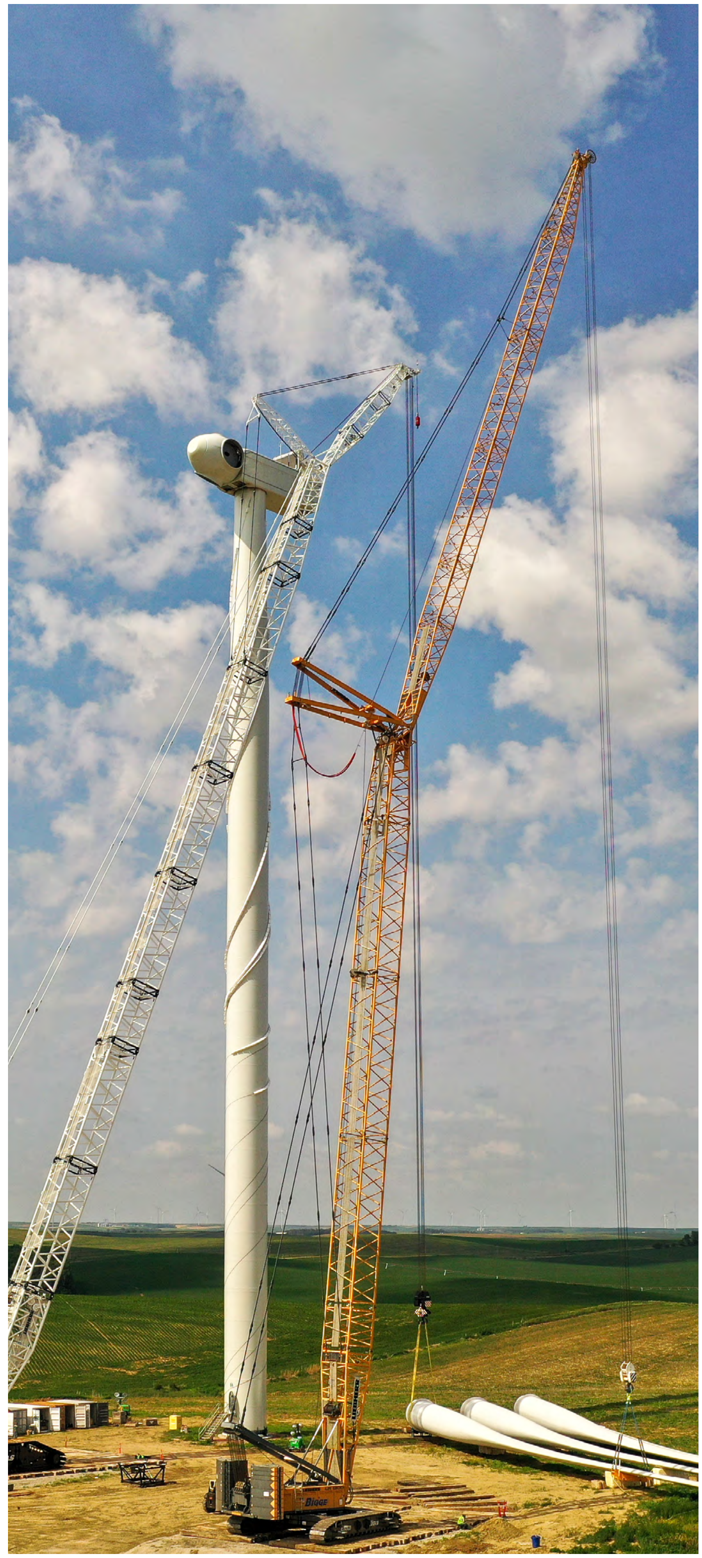
Within our Private Equity Group ("PEG"), we aim to systematize and scale greenhouse gas ("GHG") emissions measurement, develop and implement decarbonization plans, and track progress over time for selected platform investments. The PEG began requesting emissions information as part of its annual ESG data collection exercise in 2021. Two platform portfolio companies reported Scope 1 and 2 emissions, while most holdings had not yet measured emissions. To improve emissions data, the PEG reviewed multiple firms and selected SLR, a leading ESG consulting firm and PEG portfolio company, to support select control portfolio companies measuring Scope 1 and 2 emissions for the first time.

The PEG aims to support a subset of its most recent control companies in completing their first granular emissions measurements. We anticipate this pattern of gradual replacement of top-down estimates with bottom-up measurements to expand across our portfolio. This partnership and our insights from helping to guide these portfolio companies along this path will provide relevant learnings to other strategies across our platform.

Investment Level: Mitigation Plan to Address Risks Identified During the Investment Process

In August 2022, AIO acquired a controlling interest in Atlas Crane Service ("Atlas"), a company that provides crane rental, maintenance and repair services primarily supporting the wind energy sector. Last year, wind power supported over 120,000 jobs in the United States alone.[13] Going forward, the IEA estimates reaching net zero emissions by 2050 will require quadrupling global wind power capacity this decade.[14] Wind power and ancillary infrastructure represents a substantial opportunity for revenue and job creation while at the same time helping to accelerate the energy transition.

While Atlas' services are critical to accelerating the transition to wind power, the heavy-duty equipment used generates operational emissions that can be challenging to abate. To help mitigate this risk identified during the investment process, AIO created a post-closing plan that included specific sustainability-related action items in addition to the more traditional business-related items. Examples included transitioning more of the company's vehicles to an electric fleet, measuring the company's carbon emissions and evaluating renewable energy solutions.



Summary

Risk Management

2022 Progress	2023 Goal
Published Climate Risk Addendum with formal guidance for integrating climate into the investment process	Enhance integration of climate-related risks into our corporate enterprise risk management framework
Established Fossil Fuel Working Group tasked with developing an engagement strategy to support fossil fuel assets in managing transition risks	Deliver climate risk training to the Climate Action Group and identify trainings needs for climate risk across the investment platform
Formally integrated physical climate risk assessments into due diligence for selected Real Estate strategies	Evaluate tools to consider physical and transition risk during due diligence for relevant strategies
Implemented emission data collection as part of portfolio monitoring across four investment strategies	Enhance climate risk reporting internally and externally for relevant strategies

Metrics & Targets

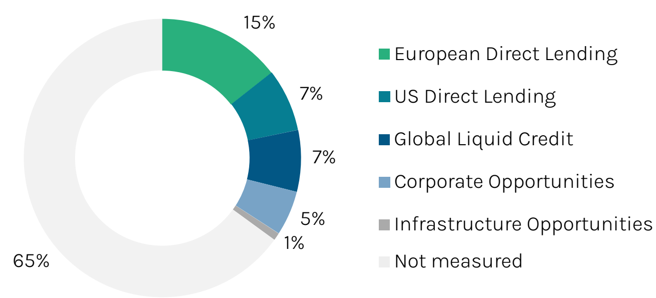
Ares recognizes the importance of disclosing relevant, consistent and comparable data to our investors and shareholders. To that end, over 2022 we launched several initiatives focused on climate-related data.

Financed Emissions

Last year, Ares successfully completed our first financed emissions estimates, categorized as Scope 3 (Category 15) under the Greenhouse Gas Protocol. These figures cover 35% of Ares' total Invested Assets globally, as of 31 December 2022. This excludes capital not yet deployed. The estimates include 21 funds and over 1,200 portfolio companies from within our Direct Lending, Global Liquid Credit, Corporate Opportunities and Infrastructure Opportunities strategies. As the first step in a multi-year effort, we prioritized starting with these strategies alongside developing plans to scale up coverage across our platform over time.

% of Global Invested Assets Estimated

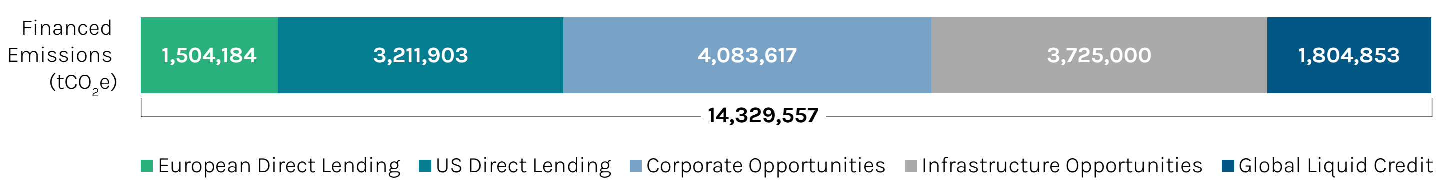
2022



Our estimates are calculated in line with the Partnership for Carbon Accounting Financials ("PCAF") framework, as the industry standard for emissions accounting within financial services.[15] They refer to Ares' attributable share of the Scope 1, 2 and 3 emissions of our portfolio companies and assets. They are preliminary, unaudited estimates and leverage a range of internal and third-party data sources and tools. Our calculations, excluding Global Liquid Credit, have been externally reviewed by a carbon-focused consulting firm to confirm consistent alignment to the PCAF standard and market best practice. Global Liquid Credit emissions data was sourced from third-party vendors, including MSCI.

Estimated Financed Emissions (tCO_2e)

2022



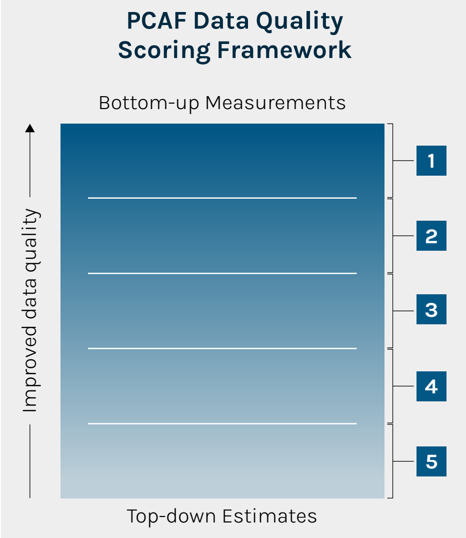
Strategy	Total Invested Assets Estimated ($m)[16]	Estimated Absolute Emissions (tCO_2e)[17]	Emissions Intensity (tCO_2e/Invested Assets $m)	Weighted Data Quality Score
European Direct Lending	36,299	1,504,184	41	3.1
US Direct Lending	18,252	3,211,903	177	4.0
Global Liquid Credit	18,019	1,804,853	90	3.7
Corporate Opportunities	13,067	4,083,617	313	4.0
Infrastructure Opportunities	2,176	3,725,000	1,712	3.1
Total	87,813	14,329,557	163	3.5

Data Quality in Private Markets

Ares primarily invests in private markets where the availability of emissions data is notably lower than in public markets. For this reason, our initial calculations are largely reliant upon top-down sector-based estimates. These are known to regularly overstate self-reported emissions by several orders of magnitude.

To address this, Ares has launched several initiatives targeted at improving the quality and coverage of our emissions measurements over time.

To enable consistent monitoring of data quality improvements alongside changes in emissions profiles year-on-year, we are also disclosing Ares' data quality scores in line with the PCAF data quality scoring framework. This scale ranges from 1 as the highest quality, most granular data source available to 5 as the lowest credibility data source based on top-down estimates.



Case Study

European and US Direct Lending's Annual Data Collection Program

In Q3 2022, Ares' European and US Direct Lending teams partnered with a third-party data platform to launch an enhanced data collection program. Through this program, we gathered Scope 1, 2 and 3 greenhouse gas emissions, amongst other ESG metrics, direct from our borrowers. For the Scope 1 and 2 emissions metrics, we had a completion rate of just under 80% coverage across the pilot group in Europe.

We plan to run this as an annual process across all European Direct Lending borrowers and select borrowers in the US from 2023, to feed into both investor reporting and our own financed emissions (Scope 3, Category 15) estimates. This will enable us to improve our understanding of our emissions profile and more accurately prioritize companies for engagement, as we improve the quality of our estimates with self-reported data year-on-year.

Within European Direct Lending, we found that replacing our initial sector-based estimates with self-reported emissions collected from our portfolio companies reduced the footprint of the strategy by 37%.

Spotlight

Decarbonizing Infrastructure

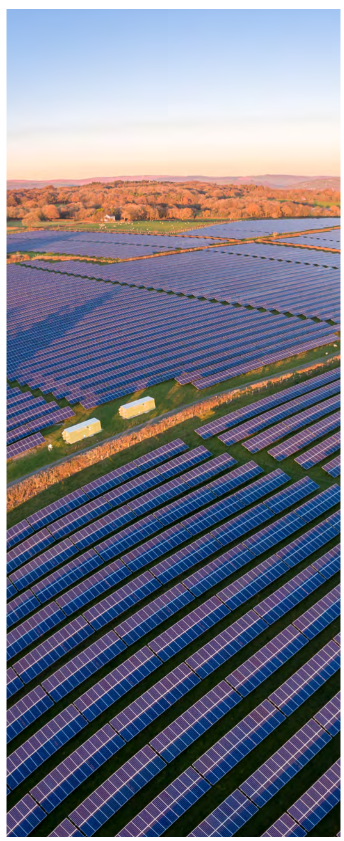
The Ares Infrastructure platform consists of funds managed by both the Infrastructure Opportunities and Infrastructure Debt teams. Over the past five years, Ares has significantly increased its focus on investing in companies and projects that support the transition to a lower-carbon economy.

As highlighted in the **Strategy** section, AIO established a climate infrastructure strategy in 2021, primarily focused on investments that reduce emissions, promote resource efficiency, and/or strengthen resiliency. The financed emissions of our recent climate infrastructure investments are, on average, 100x less than the financed emissions of our conventional energy investments.

AIO also remains invested in conventional energy infrastructure assets in prior fund vehicles that provide essential baseload power and energy security. AIO is committed to serving as positive stewards of these investments in support of a just energy transition. Further, AIO is actively exploring opportunities to decarbonize these assets through fuel-switching and carbon capture technologies where appropriate.

For example, Channelview Cogeneration, a cogeneration plant owned by funds managed by AIO, recently joined the Houston Carbon Capture and Storage ("CCS") Alliance, which was created to reduce industrial CO_2 emissions in the Houston area, one of the nation's largest concentrated sources of CO_2. The Alliance aims to deploy CCS technologies to make Houston the model for a lower-emission world that supports jobs and economic growth.






Embedding Accountability to KPIs

In 2022, Ares Management Corporation worked with our lenders to introduce sustainability-linked pricing to our corporate revolving credit facility, which includes goals tied to our measurement of greenhouse gas emissions, alongside diversity associated with our employees and third-party supplier spend. This facility includes a two-way ratchet adjustment, meaning that Ares receives an interest rate discount if we achieve our sustainability targets, but will receive an interest rate increase if no targets are achieved.

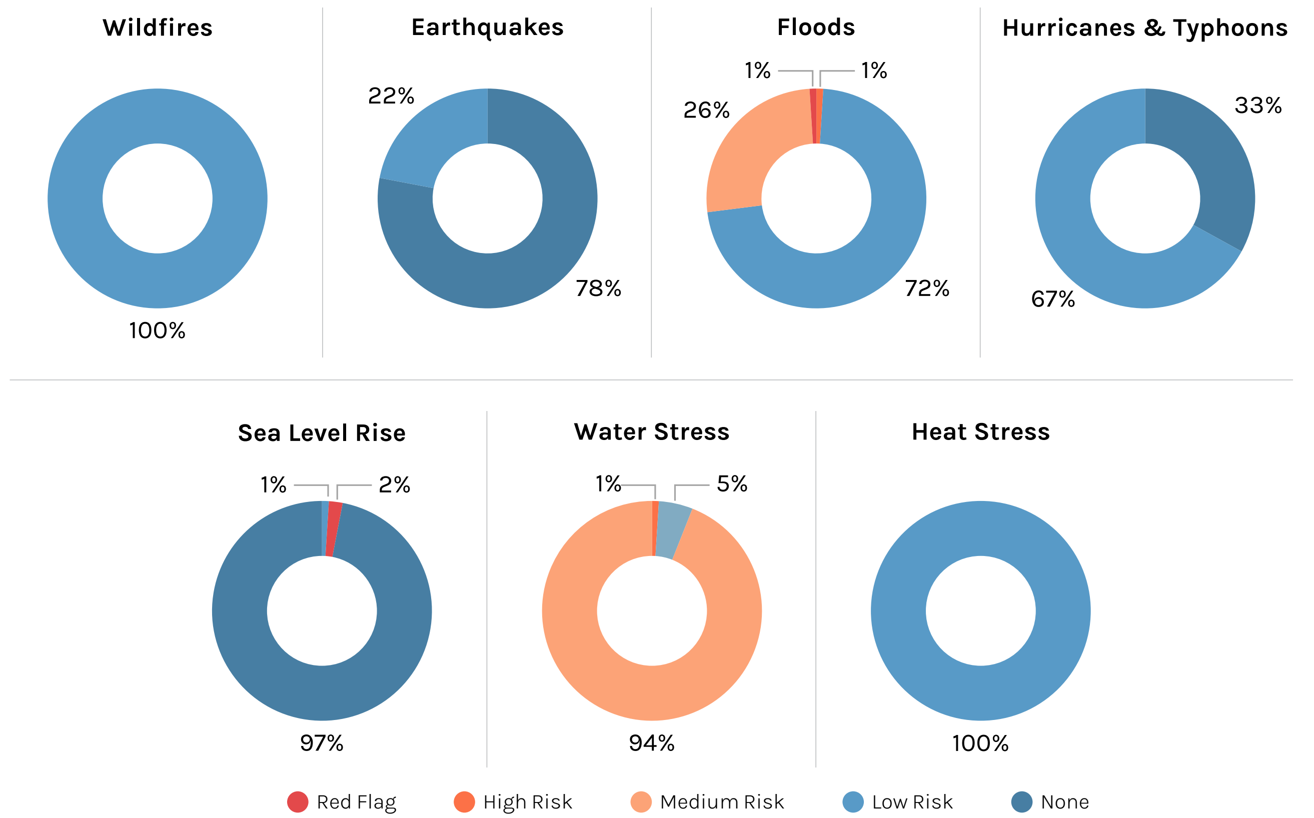
Piloting Climate Risk Metrics

In addition to broader cross-platform initiatives, individual investment strategies also made progress on measuring other climate-related metrics tailored to their portfolios. For example, in 2022 Ares' Real Estate team onboarded a physical climate risk data provider, enabling the team to measure the exposure of existing assets, excluding our single-family home and triple net lease portfolio, across seven priority risk factors: earthquakes, floods, heat stress, hurricanes/typhoons, sea level rise, water stress, and wildfires.

As both the physical and transition risks of climate change continue to evolve, we will look to enhance our climate risk measurement over the coming years at both the corporate and investment strategy level. This will include identifying relevant metrics, evaluating external data providers and integrating new data points into internal processes.

Spotlight

Physical Risk Indicators for Selected Real Estate Assets

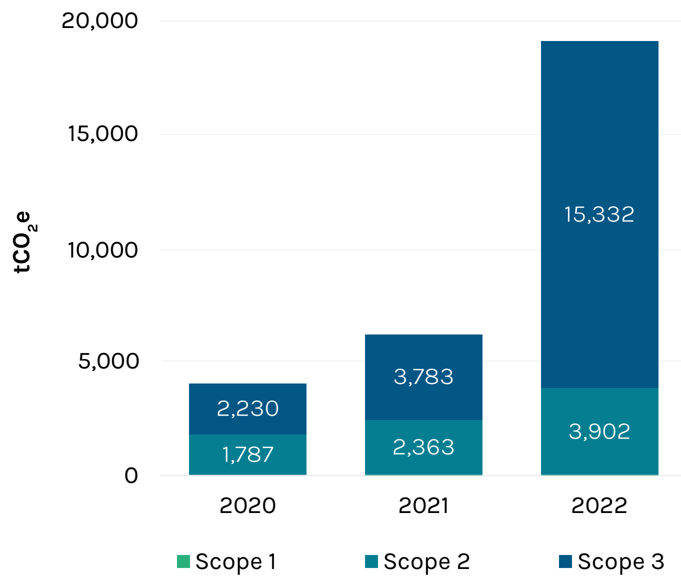


Ares as a Corporate: Leading by Example

At Ares, we view decarbonization as a strategic opportunity to drive energy efficiency, cost savings and sustainable resource management across our own operations. For this reason, we have been measuring our operational emissions, driving decarbonization initiatives and investing in high quality carbon offset projects since 2020.[18]

Over the 2020-2021 time period, we experienced the abnormal impacts of Covid-19 in driving down economic activity, travel and consequently emissions. During 2022, our employee travel rebounded significantly in the return to pre-Covid working patterns. Alongside this, Ares experienced sustained growth as a firm, increasing our employee base by ~21% and adding new offices across the globe. For this reason, we have seen a significant year-on-year increase in our operational emissions compared to 2020 and 2021 levels, as shown in the graph at right.

Scope 1, 2 and 3 Operational Emissions[19]



Note: For Scope 2, "Market-based" and "Other" categories of emissions are used in this chart.

In addition to the return to travel, part of this increase was driven by the inclusion of additional categories of emissions. This year, we expanded our measurements to include upstream emissions of purchased fuels and electricity (Scope 3, Category 3). We view this as a positive step towards continuing to identify and prioritize areas for action.

Corporate Sustainability Initiatives

To date, we have delivered a number of strategic initiatives focused on our corporate emissions. This includes actions targeted specifically at incorporating sustainability into our growth where possible, such as preferencing new sites with LEED/BREEAM energy efficiency certification, implementing measures to improve energy efficiency, installing LED and natural lighting, and using locally sourced materials.

Going forward, we have committed to a package of goals focused on driving efficiencies and reductions across our corporate footprint. This includes reviewing our travel policy, engaging with selected landlords on energy efficiency, exploring use of sustainable aviation fuels, and providing education opportunities for our employees to learn how to manage their personal emissions. In addition, we continued to offset our corporate emissions using high quality offsets as an imperfect though valuable mechanism to scale up investments into climate solutions. We see this as additive to, not replacing, our ongoing work to reduce our emissions at source.

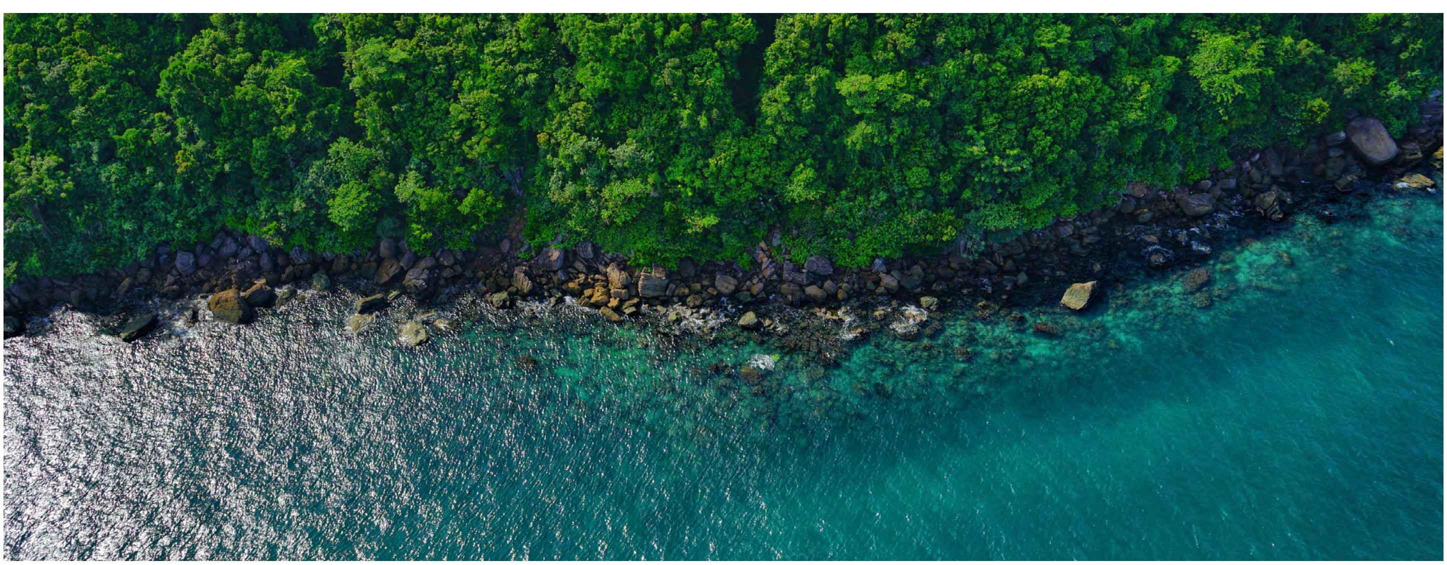
We have also implemented a number of initiatives to help improve our waste management and recycling levels where possible, including eliminating plastic water bottles, significantly reducing single-use consumables and enhancing recycling programs. As a financial services firm, we do not generate hazardous waste directly beyond the disposal of computing systems, which we strive to dispose of properly and recycle in partnership with our waste management companies, in an environmentally safe way. We will continue to work to embed these principles into new office spaces and facilities, which helps to ensure we continue to grow with sustainability at the heart of our operations.

Environmental Metrics

Absolute Emissions by Scope[19]		2021 (tCO2e)	2022 (tCO2e)	Change (tCO2e)
Scope 1		47	35	-12
Scope 2	Location-based	2,330	2,983	654
	Market-based	2,363	3,114	751
	Other	-	788	788
Scope 3*		3,783	15,332	11,549
Total Emissions (Market-based)		6,193	19,269	13,076
Total FTE (Full-time equivalents)		2,117	2,563	+21%
Emissions Intensity (tCO_2e/FTE)		2.92	7.52	+157%

*Note: Scope 3 here relates to operational emissions only and excludes category 15, also known as "financed emissions," which are disclosed separately on page 23.

Metric	2021	2022	% Change
Energy Consumption	33,045 GJ	67,235 GJ	+103%
Energy Intensity	4.36 MWh of energy use per employee	7.60 MWh of energy use per employee	+74%
Water Consumption	8,302 m^3	7,732 m^3	-7%
Water Consumption Intensity	3.84 m^3 of water use per employee	3.02 m^3 of water use per employee	-21%



Summary

Metrics & Targets

2022 Progress	2023 Goal
Completed first financed emission estimates across 21 funds	Expand financed emissions estimates to cover additional strategies and funds
Piloted new climate risk metrics including CVaR (Climate Value at Risk) and WACI (Weighted Average Carbon Intensity) for Global Liquid Credit	Continue to improve emissions data quality through bottom-up data collection initiatives for relevant strategies
Established physical risk indicators for selected Real Estate strategies	Pilot additional climate metrics for prioritized asset classes and risk areas
Expanded Ares' operational emissions estimates to include additional categories of emissions	Implement initiatives focused on reducing our emissions from Ares' corporate operations

2023 Goals

GOVERNANCE

- Engage with Board of Directors and Executive Management Committee on our three-year climate strategy and deliver periodic updates on progress
- Implement annual climate risk assessment at the corporate level to be conducted by ERC
- Build broad climate awareness and literacy through training available to our full employee base

STRATEGY

- Continue implementation of our three-year climate strategy and launch new portfolio engagement initiatives in targeted asset classes
- Seek opportunities to scale investments into the energy transition
- Establish a framework to consistently define and track transition opportunities
- Evaluate methodologies for scenario analysis
- Continue to engage with external initiatives on emerging climate frameworks for private markets

RISK MANAGEMENT

- Enhance integration of climate-related risks into our corporate enterprise risk management framework
- Deliver climate risk training to the Climate Action Group and identify training needs for climate risk across the investment platform
- Evaluate tools to consider physical and transition risk during due diligence for relevant strategies
- Enhance climate risk reporting internally and externally for relevant strategies

METRICS & TARGETS

- Expand financed emissions estimates to cover additional strategies and funds
- Continue to improve emissions data quality through bottom-up data collection initiatives for relevant strategies
- Pilot additional climate metrics for prioritized asset classes and risk areas
- Implement initiatives focused on reducing our emissions from Ares corporate operations

End Notes

1. Aon, "Global Insured Losses from Natural Disasters Exceeded $130 Billion in 2022, Driven by Second-Costliest Event on Record", January 2023.

2. Bloomberg NEF, **World Energy Outlook Report**, 2022.

3. Includes invested capital in relevant investments made by the Ares Infrastructure Opportunities team and Ares Direct Lending, including Ares Capital Corporation, between January 2015 and December 2022 which are consistent with Ares Infrastructure Opportunities' climate infrastructure mandate. Typical climate infrastructure investments include high-quality assets and companies across the renewable energy, resource and energy efficiency, energy storage, vehicle electrification and transmission sectors.

4. Guidance is dependent on the potential investment or asset and not all investments or assets will integrate the guidance. This guidance is not the sole factor involved in the management of respective investments.

5. Task Force on Climate-related Financial Disclosures (TCFD), **Status Report**, October 2022.

6. Includes all courses with climate tagged in the title of the Coursera course library.

7. Please note that the Climate Lead role is due to be filled in August 2023.

8. Ares was selected to be on a short list of nominees for the Energy Transition Investor of the Year, North America award by the global editorial teams of PEI, PDI, PERE and Infrastructure Investor and was selected as the winner of the award through a voting process by thousands of PEI, PDI, PERE and Infrastructure Investor readers. Ares did not pay any compensation to participate in the award submission. The selection of Ares to receive the award was based in part on subjective criteria and a limited universe of candidates, and therefore there can be no assurance that a different global editorial team or voters might not have selected other firms or transactions as the winners. The information provided above is solely for informational purposes; performance, awards or ranking noted herein relate only to the selected funds/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. All investments involve risk, including loss of principal.

9. IEA, **Nuclear Power and Secure Energy Transitions**, 2022.

10. 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 purposed of this document, should not, therefore, be read as equating to any use of the word in other Ares reporting or filings.

11. For Physical risk, IPCC SSP SSP1-2.6 and SSP5-8.5 from AR6 were used; for Transition risk, International Energy Agency's Stated Policies Scenario, Announced Pledges Scenario were used.

12. CRREM (Carbon Risk Real Estate Monitor) is a tool that enables investors and companies to assess emissions reduction pathways for real estate assets.

13. U.S. Department of Energy, "DOE Finds Record Production and Job Growth in U.S. Wind Power Sector", August 2022.

14. IEA, **Net Zero by 2050**, May 2021.

15. PCAF, The Global GHG Accounting and Reporting Standard Part A: Financed Emissions, Second Edition, 2022.

16. "Invested Assets" follows the PCAF methodology, within which different metrics are used for different asset classes. For private credit, this is defined as the total book value of debt, whereas for private equity the metric used is the fair value of the equity held within the company in addition to any debt financing provided. In all cases, the reporting period is as at 31st December 2022.

17. Ares' initial financed emissions estimates cover a subset of the assets managed within each strategy. This metric expresses the percentage of the total Invested Assets attributed to each strategy for which we have estimated our initial Scope 3 financed emissions, as at 31st December 2022. Over time, we plan to build up coverage of these estimates across our global platform.

18. At Ares, we evaluate potential carbon offset projects with the support of a third-party specialist, whereby all projects are independently verified to external standards, examples of which include the Verified Carbon Standard (VCS), Gold Standard, the American Carbon Registry (ACR), and the Climate Action Reserve (CAR). We also prioritise projects with social co-benefits, such as job creation and skills development for local communities.

19. Our operational emissions includes the following emissions, aligned to the Greenhouse Gas Protocol: Scope 1, Scope 2 and Scope 3 Category 1 (Purchased goods and services), Category 2 (Capital goods), Category 3 (Fuel and energy related activities including Transmission and Distribution losses), Category 5 (Waste Generated), Category 6 (Business Travel), Category 7 (Employee commuting including homeworking), Category 8 (upstream leased assets including fugitive emissions).

Forward-Looking Statements

This 2022 Climate Action 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.

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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.

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