

2023

Sustainability Report

About This Report



The 2023 Ares Sustainability Report documents progress and near-term objectives in each of our eight material environmental, social, and governance topics. We believe that the companies and assets in which we invest can adopt the same lens to protect and grow value.

In a year of more diverse views on the purpose and value of ESG integration, we reaffirmed our focus on investment value, portfolio company value creation and risk mitigation opportunities, and ESG data analytics.

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IMPACT AT ARES

At Ares our impact-related efforts are focused around two key pillars: 1) An Inclusive and Equitable Economy and 2) A Just Transition. Driven by our Philanthropy, DEI, and ESG teams, Ares continues to document and measure our progress through our annual reporting.

You can learn more at the links below:

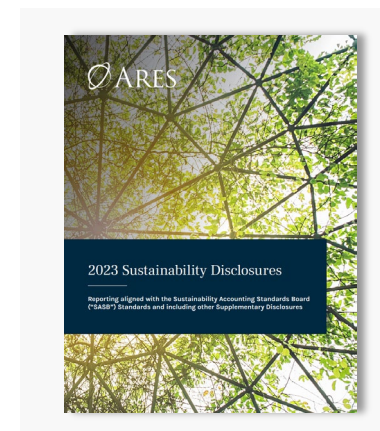
PHILANTHROPY



DIVERSITY, EQUITY & INCLUSION



SUSTAINABILITY DISCLOSURES



CLIMATE CHANGE



Note: Please see the General Terms Glossary and Disclaimer for additional important information. For the applicable pages, please see the End Notes for additional important information in the Appendix.



Corporate Sustainability

CYBERSECURITY

We more than doubled the number of investigated cyber-related events to 19,542 (154% year-over-year increase) while reducing the average time it takes to investigate, contain, and/or close such events.



DIVERSITY, EQUITY & INCLUSION



Our firmwide mentorship program engaged ~300 employees; an additional 165 employees participated in the Beyond Barriers and McKinsey Connected Leaders Academy professional development programs.

Responsible Investment

PRIVATE EQUITY

8 portfolio companies estimated their bottom-up Scope 1 and 2 emissions for the first time.¹



INFRASTRUCTURE



Ares Infrastructure Opportunities executed its first ESG-linked preferred equity investment to incentivize progress on that company's material ESG objectives.

PHILANTHROPY

More than 58% of Ares team members volunteered at least once – a 91% increase from 2022 – and collectively donated over 6,800 hours of volunteer service at 47 locations across the world.



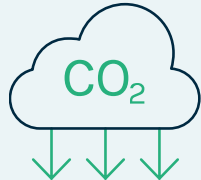
GLOBAL DIRECT LENDING

Ares' Direct Lending team launched a formal engagement program with selected borrowers, aiming to share industry-leading ESG practices and support efforts by these borrowers to enhance their own ESG practices. As part of this effort, in 2023, Ares' European Direct Lending team held its inaugural ESG roundtable, bringing together 25 portfolio companies



CLIMATE CHANGE

We increased our firmwide portfolio carbon footprint coverage from 35% in 2022 to over 75% in 2023.



TALENT



Ares employees completed ~1,480 self-paced e-learning courses in 2023.

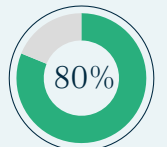
REAL ESTATE EQUITY

Real Estate Equity completed Paris-aligned decarbonization assessments and carbon footprints for ~90% of invested AUM.



SECONDARIES

Distributed the General Partner ESG Survey to 300+ investment managers and achieved a response rate of over ~80% as measured by 'Total Value' across the entire Secondaries portfolio.²



From our founding over 25 years ago we built Ares to operate in a variety of market environments. In 2023, this resilience applied just as much to sustainability as our ability to raise and deploy capital.

An ever-evolving and increasingly complex set of stakeholder priorities around sustainability prompted a re-affirmation of our core investment principles across our industry: focus on the connection to investment value, partner shoulder-to-shoulder with portfolio companies and assets to support value enhancement opportunities and risk mitigation tactics, and strive to capture the right data points to measure and help enable progress.

BUILDING A RESILIENT PROGRAM

In 2023, we observed a dramatically different discourse around ESG integration in the alternatives industry relative to the prior few years. This served as an important reminder that to thrive over the long term, people, companies, and industries must be able to adapt to wide swings in external sentiment and conditions

In short, the exuberance of the 2020-2022 period, often in the form of ever greater ESG ambitions and claims, provoked two primary forms of pushback: a range of regulations designed to close “say/do” gaps, and an emerging set of asset owners seeking reassurance that ESG objectives would not come at the expense of financial objectives.

In this context, we returned to our stakeholders to reaffirm our commitment to their priorities through a refreshed materiality analysis. The results of that assessment come through in the pages of this report, which focus on the shortlist of ESG factors that we believe most affect Ares’ financial performance and the outcomes for our investments. We aim to bring this same sensibility to our portfolio companies and assets as they navigate the current season, guided by a few principles.

On behalf of our investors, we believe our portfolio companies should focus on the ESG factors that most affect their business.

Whether driven by customer demand, competitive pressures, regulations, employee engagement and retention, or a combination of each, we have observed portfolio companies improve their sustainability programs to create value and manage risk. Our aim is to support our investments in these efforts, whether they’re focused on health & safety, cybersecurity, human capital management, or decarbonization.

As a leading global alternative asset manager, we believe that engaging directly with our portfolio companies and assets – where possible – is the best way to support their efforts.

We often hear from portfolio company management teams that they are overwhelmed by the fast-evolving stakeholder expectations around sustainability. Our goal is to work closely with these teams on these issues in our equity strategies and to then scale our learnings to our lending platforms.

For example, in late 2023 we held our first portfolio company roundtable in London, bringing together 25 direct lending portfolio companies to learn from industry experts – and each other – on how to approach and implement sustainability programs designed to be ever more effective.

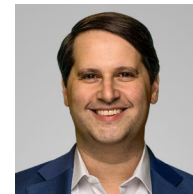
We believe that ESG data collection and analysis continues to be a critical enabler of this effort, though maintaining scale and actionability remains a long-term project.

The gradual convergence of ESG data requests to portfolio companies has led to increased – and more consistent – reporting and disclosure. The shared industry challenge will be to ensure the time and effort spent is not simply for disclosure’s sake, but to inform the first two principles outlined above.

Even as the external environment continues to evolve, we will consistently show our work in this annual report. We use a simple formula of identifying our most material topics, summarizing our key achievements and outlining focus areas for the year ahead. We hope you enjoy reading as much as we have enjoyed implementing!



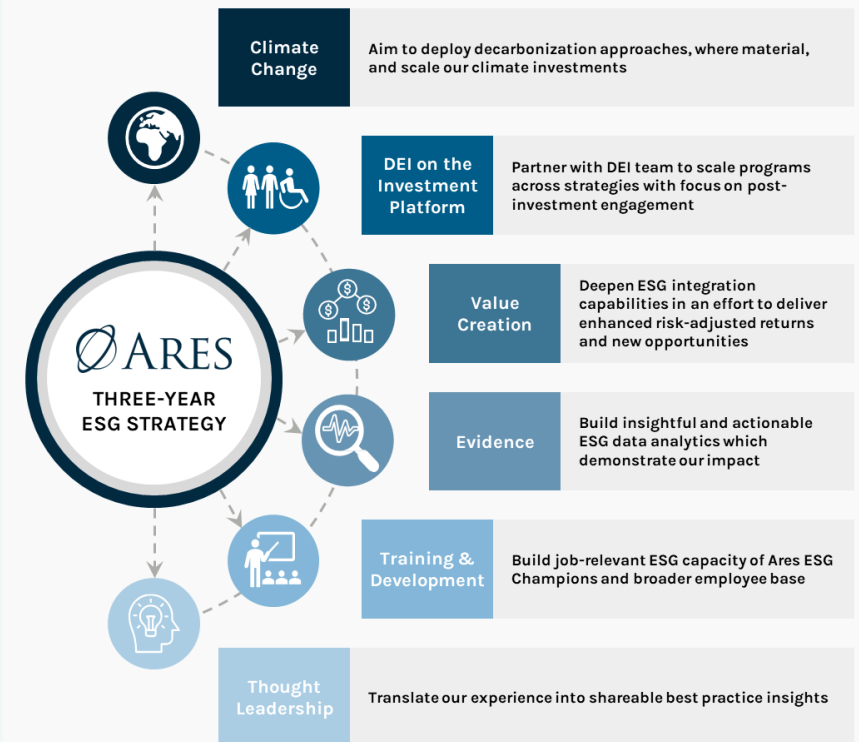
Michael Arougheti
Co-Founder, CEO and President



Adam Heltzer
Partner, Head of ESG

THREE-YEAR PLAN: SIX INITIATIVES TO DRIVE IMPACT

Our interactions with key stakeholders in 2023 – from shareholders to limited partners and Ares colleagues – reaffirmed the six focus areas of our ESG strategic plan.



Note: Not all elements of the ESG strategy will apply to all strategies or investments.



We believe engaging with industry leaders can help practitioners address common challenges with greater efficiency and impact. We have served as a founding member of several key industry initiatives and currently chair the United Nations Principles for Responsible Investment’s Private Debt Advisory Committee (“UNPRI PDAC”).

In 2023, the PDAC published a landmark framework to provide guidance and insights on best practice for general and limited partners investing in private debt.

UNPRI PRIVATE DEBT ADVISORY COMMITTEE

In 2022, Ares was asked to chair the UNPRI’s inaugural PDAC, which focuses on the role of private lenders in addressing climate change. The committee comprises prominent investors and managers within private debt.

COMMITTEE MEMBERS

Note: Ares is the current committee chair and the chair may change in the future.

ADDITIONAL INDUSTRY ENGAGEMENTS³

In addition to chairing the PDAC, Ares engages with a number of industry frameworks and initiatives focused on developing and driving evidence-based outcomes.

ESG DATA



CLIMATE

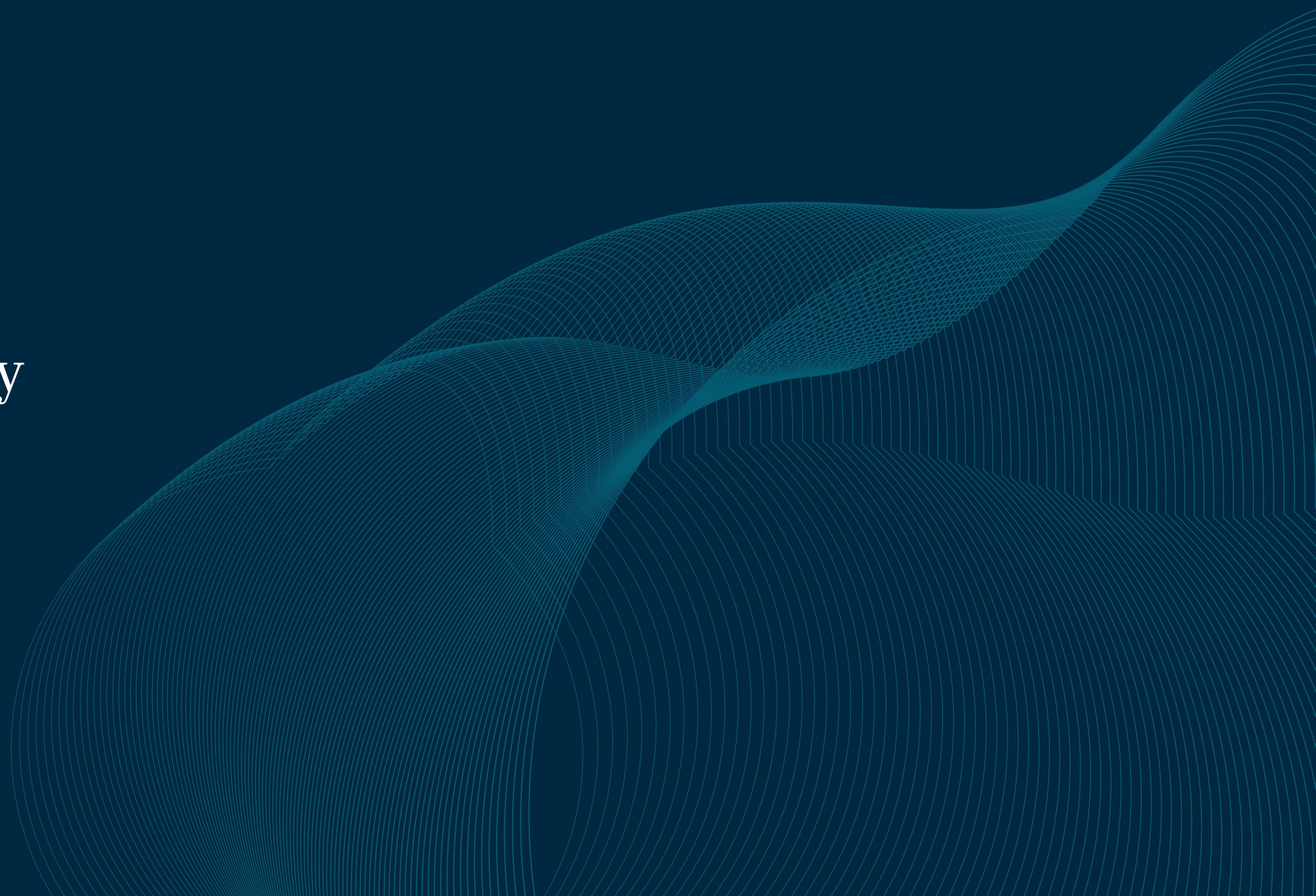


EMPLOYEE OWNERSHIP





Corporate Sustainability





Ares' talent strategy focuses on ensuring the right people, processes, and programs are in place to meet current and future business needs.

In 2023, we delivered an array of programs and processes aimed at optimizing teams, nurturing employee growth, and encouraging continuity and retention. We were thoughtful and deliberate in adding nearly 300 net new employees to Ares, bringing our total headcount to approximately 2,850+ at year end.

ACTION AND PROGRESS

In 2023, we continued our significant investment in tools and resources aimed at creating an industry-leading employee experience, while maintaining our focus on operational excellence. In 2023, our accomplishments included:

PIPELINE

- The global expansion of our Internship Program, with our first ever U.K. class. In total, our 2023 program attracted 149 interns and achieved a 92% acceptance rate. In 2024, we aim to expand our two-year Analyst Program to include our U.K. class.
- Our Talent Acquisition team directly sourced 47% of new hires, reducing our reliance on agencies and resulting in significant cost savings for the firm.

RETENTION

- Ares achieved our lowest "regrettable" voluntary turnover of the past three years at 6.6%, down from a high of 10.3% in 2022 and 9.7% in 2021. We believe this decline is a result of our continued focus on cultivating Ares' distinct culture and values.

DEVELOPMENT

- Our Talent Development team **designed and delivered 41 bespoke training sessions** focused on technical and professional skills for employees. The team also delivered 11 installments of the "Ares Leadership Speaker Series" - interactive and livestreamed sessions where leaders across the organization share their experience at Ares, provide high-level business overviews, and engage in Q&A.
- Following the implementation of education platforms BlueOceanBrain and Coursera within Workday Learning in 2022, **Ares employees completed 1,273 self-paced e-learning courses in 2023.**
- We increased the number of training programs available to our **India employee base, including delivering 14 leadership programs in 2023** specifically designed for people managers.
- Our India employee base has **grown 93% over the past three years and 331% over the past five.**

OUR FUTURE

We will continue to invest in our employees and leaders, taking a data-driven approach to talent management. In 2024, we aim to:

- **Launch our Global Management Development Program**, a multi-year initiative designed to assist managers in enhancing the skills and competencies essential for effective performance in leadership roles.
- **Pilot "Management Essentials"**, an in-person workshop for new managers with the long-term goal of delivering tailored programs for all levels of management at the firm.
- Strengthen our **holistic performance management process** by introducing rating scales, direct evaluation of managers, and talent assessment reviews focused on long-term and leadership potential.
- Advance our approach to strategic workforce planning, **including launching a new business tool that summarizes key metrics across performance, headcount and compensation expense.**

SPOTLIGHT

INCREASED FOCUS ON GROWTH AND DEVELOPMENT IN INDIA

In 2023, 21% of total Ares new hires globally were made in India. We welcomed 125 new employees to our Mumbai office, 10 of whom hailed from our new graduate program designed to "grow our own" in the region. As we have expanded our presence in India, our focus has been on curating an industry-leading employee experience. We introduced family days and festival celebrations, implemented a new compensation approach, and launched mobility and employee recognition programs. We actively invested in developing our people with workshops for new managers as well as specific courses for new hires and interns. Additionally, in order to prepare our new Administrative Assistant staff to support professionals in the U.S. and U.K., we initiated a skills development and networking program for this population.

As a critical capability center for the firm, we will continue to strategically grow our footprint in India while simultaneously investing in programs and initiatives aimed at retaining and developing our most important asset, our people.

2023 HIGHLIGHTS

	2022 HEADCOUNT	2023 HEADCOUNT	YOY GROWTH
APAC	471	613	+30%
EMEA	348	384	+10%
U.S.	1,744	1,860	+7%
TOTAL	2,563	2,857	+11%

Diversity, Equity, & Inclusion



ACTION AND PROGRESS

Across our three pillars, our 2023 accomplishments included:

PEOPLE & CULTURE

- We enhanced and expanded our employee self-identification process in both the U.S. and in the U.K.
- We developed and delivered diversity and inclusion trainings focused on allyship and gender identity; these trainings were also made available to selected portfolio companies.
- Our mentorship program engaged ~300 employees and an additional 165 employees participated in the Beyond Barriers and McKinsey Connected Leaders Academy professional development programs.
- In partnership with our Employee Resource Groups (“ERGs”), we held over 90 events focused on education and employee engagement, with 47% of the firm engaged in at least one ERG.
- We donated over \$200,000 through the ERG Charitable Giving program.

BUSINESS & INVESTMENT PROCESS

- Our team continued the integration of customized DEI plans into the investment process across asset classes; this included collecting our first set of longitudinal data related to inclusion practices across selected U.S. Private Equity portfolio companies.
- Completed five ESG-linked financings with DEI-related KPIs across various investment verticals.
- Achieved all KPIs in the Ares’ Corporate Revolver related to certain DEI-related goals.⁴
- Launched a program where we supported two self-identifying diverse suppliers to become formally certified by official certification organizations.

COMMUNITIES

- Achieved a 100 score on Human Rights Campaign’s 2023-2024 Corporate Equality Index, demonstrating our ongoing commitment to LGBTQ+ equality and inclusion.
- Recognized as a Best Place to Work by several industry groups, including 1st Place by Pensions & Investments and as a 100 Best Company by DEI Seramount.

OUR FUTURE

DEI continues to be a strategic priority for Ares. In 2024, we aim to:

PEOPLE & CULTURE

- Implement inclusive interview training for hiring managers across business units.
- Introduce DEI Learning Pathways across titles leveraging Ares’ digital learning partner BlueOceanBrain in parallel with virtual and/or in-person firmwide inclusion training.

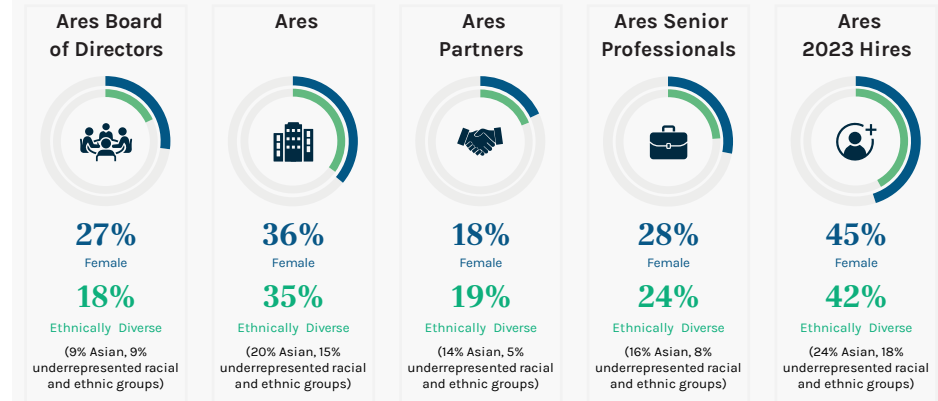
BUSINESS & INVESTMENT PROCESS

- Continue to implement bespoke DEI plans across asset classes, as applicable, in an effort to deepen reach and help companies make advancements in DEI.
- Scale and leverage our DEI data collection efforts to pilot different DEI engagements across the investment platform.
- Continue to build on our Supplier Diversity Program by developing Tier 2 reporting capabilities.

Our DEI strategy is rooted in data and focuses on building inclusive communities across our workplace and industry more broadly.

At Ares, we strive to harness the power of difference to be a force for good and to contribute to the long-term success of our firm, the companies in which we invest, and the communities in which we operate. To effectively enable these outcomes, we focus on three pillars: People & Culture. Business & Investment Process. and Communities.

2023 DIVERSE REPRESENTATION⁵

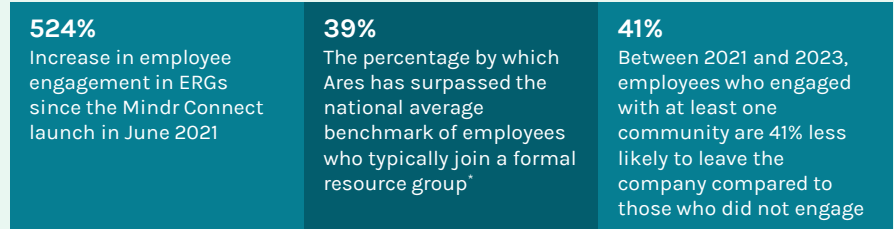


With the exception of Board representation, which remained flat, we are proud to report year-over-year increases in both female and ethnically diverse representation across all of the above compared to 2022.

SPOTLIGHT

WORKFORCE BELONGING: THE HUMAN AND BUSINESS BENEFITS OF BELONGING

Mindr Connect is an industry-leading digital ecosystem for building belonging in the workplace. Since 2019, we’ve leveraged Mindr to support a culture of belonging across Ares and elevate our internal communities, equipping leaders with the proper tools to connect, organize events, and manage ERGs. Read [Mindr’s Workforce Belonging: The Human & Business Benefits report](#) to learn more about this partnership.



*The national average is 8% as cited in Mindr’s Workforce Belonging: The Human & Business Benefits report.



ACTION AND PROGRESS

In 2023, our accomplishments included:

ARES FOUNDATION

- We awarded **\$1.8 million to five organizations** in the U.S. and Asia through our employee-directed grants to support initiatives that, for example, help devise equitable workplace wealth-building strategies, analyze success drivers for Black and women real estate developers, and prepare less advantaged young people for IT careers.
- Our Climate-Resilient Employees for a Sustainable Tomorrow (“CREST”) initiative funded the launch of **Jobs for the Future’s Quality Green Jobs Regional Challenge**. The initiative aims to prepare 25,000 individuals for quality green jobs over five years.
- CREST also supported **World Resources Institute’s efforts to begin reskilling 1,000 micro, small, and medium enterprise (“MSME”) workers** in India’s automotive and textile industries in sustainability best practices. In addition, the organization is examining how worker reskilling can help drive corporate sustainability targets.

Ares strives to be a force for good in the communities where we live, work and do business, and to make meaningful progress toward a more inclusive and equitable world.

Our philanthropic programs – the Ares Charitable Foundation (“Ares Foundation”), Ares in Motion (“AIM”), and Ares Pathfinder family of funds’ philanthropic initiatives – provide the funds for initiatives that aim to advance economic equity, provide opportunities for Ares employees to engage in meaningful service and giving, and support organizations that champion global health and education.

- We supported **ALT Finance Corporation’s third fellowship cohort** of Historically Black Colleges and University students. 58 of 72 (81%) students within Cohorts 1 and 2 interned or committed to full-time roles at various alternative investment or investment banking firms.
- Ares Philanthropy programs, including our CREST initiative, gender-focused grantmaking, storytelling through video, and 2022 Ares Foundation annual report, each **received individual awards for excellence**.

ARES IN MOTION

- **More than 58% of Ares team members volunteered at least once** – a 91% increase from 2022 – and collectively donated over 6,800 hours of volunteer service at 47 locations across the world.
- We released **“Philanthropy, Purpose and Professional Development: The Importance of Workplace Volunteer Programs,”** a white paper co-authored with [Edge Research](#).
- **Six team members joined boards of directors** through our nonprofit board training and placement program.
- Ares **donated \$1 million to eight organizations** delivering humanitarian aid in response to the Israel – Hamas war.

- Our corporate matching program **contributed nearly \$1 million** to Ares employees’ charitable donations.
- **Ares received its first-ever recognition on The Civic 50 List**, which recognizes the 50 most civic-minded companies in the U.S.

OUR FUTURE

In 2024, we intend to:

ADVANCE THOUGHT LEADERSHIP

- **Collaborate with the University of Oxford** to explore which skills U.K. financial firms deem most critical to support a just transition.
- **Partner with the Brookings Institution to examine the state of U.S. Latino entrepreneurs** and founders to better support their needs.

EXPANDED ENGAGEMENT EFFORTS

- **Launch a peer learning community comprising Ares Foundation grantees** to identify opportunities for collaboration and exchange knowledge, increasing the grantees’ capacity for social good.

SPOTLIGHT

WHY WORKPLACE VOLUNTEER PROGRAMS MATTER

In 2023 Ares released a whitepaper: **“Philanthropy, Purpose and Professional Development: The Importance of Workplace Volunteer Programs.”** In conjunction with Edge Research, Ares commissioned a study to understand the transformative effects that workplace volunteer programs have on employees. We hypothesized that everyone wins when employees volunteer their time and expertise: nonprofits receive needed assistance, employees enhance professional and personal skills, and organizations gain more skilled – and engaged – team members.

What We Found:

1. Employees who participate in volunteer programs are more satisfied with their professional life and twice as likely to recommend their organization to job seekers.
2. Workplace volunteer programs offer pathways to develop skills that both employees and employers want.
3. Employees are more motivated when workplace volunteer programs lead with purpose, have executive buy-in, and allow voice and choice.



“Philanthropy, in so many respects, is just as important than any work that we do at the firm because it binds us all together and gives our work deep meaning.”

Michael Arougheti
Co-Founder, CEO and President



At Ares, we believe climate change is a global challenge that requires thoughtful risk management, deployment of new climate solutions at scale, and business-relevant decarbonization plans, where material.

In 2023, we developed the Ares Climate Transition Program (“ACT Program”) to help portfolio companies drive emissions reductions, where material, manage risks and unlock value creation opportunities. Spearheaded by our firmwide Climate Action Group and new ESG Climate Strategy Lead, we engaged portfolio companies, developed new partnerships, and deployed expanded carbon accounting.

ACTION AND PROGRESS

In 2023, our accomplishments included:

CLIMATE ACTION GROUP (“CAG”)

- Ares hired our first dedicated ESG Climate Strategy Lead, Joe Indvik, to drive climate action across the organization.
- We continued to expand the scope of our CAG, adding 30+ Climate Champions and other participants representing all asset classes and corporate functions.
- In December, the CAG gathered in NYC for Ares’ third-annual Climate Summit, the theme of which was “Decarbonizing at Speed and Scale.”

CARBON ACCOUNTING

- We increased our portfolio footprint coverage from 35% in 2022 to over 75% in 2023.
- We partnered with a leading third-party carbon accounting provider and a consulting firm, SLR Global Limited, which is also an Ares Corporate Opportunities portfolio company, to provide more accurate emissions, advanced analytics and improved data coverage.

CLIMATE ENGAGEMENT

We developed the ACT Program, the firm’s flagship climate initiative to help create value by empowering portfolio companies to develop a decarbonization approach. The program focuses on three themes:

- **Driven by data** – targeting and tracking engagements to maximize impact.
- **“Power of the platform”** – toolkits, vendor partnerships, training, and direct support from the Ares ESG team.
- **Built on a vision for a just transition** – embracing the long-term challenge of decarbonization while driving action now.
- We piloted engagements with portfolio companies in select sectors and asset classes, developing methods that we intend to scale as appropriate in 2024 and beyond.

CORPORATE ACTION AT ARES

- We continued to estimate and work to reduce our annual operational emissions at the management company level. As a complement to our efforts to reduce our emissions, we also purchased high-quality carbon credits and energy attribute certificates.⁶

- We eliminated plastic disposables in firm offices while enhancing our waste recycling and composting programs.
- For new Ares corporate office leases, we prioritized LEED/ BREEAM certified buildings while installing energy efficient systems including LED lighting and selecting sustainable materials wherever possible. In 2023, 28% of all new leases were in certified buildings.
- Travel volumes and associated emissions continued their post-COVID rise in 2023, and we continued to explore ways to educate staff on the carbon impact of business trips while encouraging preferred hotel providers to follow sustainable practices.

OUR FUTURE

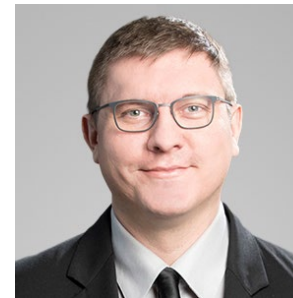
In 2024, we aim to:

ACCELERATE DECARBONIZATION

- Improve emissions measurement to reduce our reliance on estimated data and identify material decarbonization opportunities.
- Expand the Ares Climate Transition Program through the development of new tools, partnerships, and initiatives.

GROW OUR BUSINESS SUSTAINABLY

- Promote sustainable operations by providing education, offering sustainability-driven benefits, operating our offices in as sustainable a manner as practicable, and continuing our commitment to measure and address our corporate emissions.
- Improve the climate and sustainability performance of our current and future office space, including expanding composting and recycling programs and collaborating with landlords and suppliers to incorporate green elements (e.g., locally sourced materials).



“By deploying innovative investments in climate solutions and working with our portfolio companies to respond to climate change we are helping to position our portfolio for both risk reduction and commercial success as the world moves toward a low-carbon economy.”

Joe Indvik
Climate Strategy Lead

SPOTLIGHT

INTRODUCING: THE ACT PROGRAM

The ACT Program is driven by a core idea: while the pathways to decarbonization for a diverse portfolio, such as ours, are still coming into focus, Ares and our companies can take short-term action to move the needle now. The ACT Program provides a unified platform to engage our portfolio companies, sponsors, borrowers, and partners—meeting them where they are and helping them advance along their climate journey. We aim to include all major asset classes and regions, though our approach is materiality based and will be tailored based on sector, geography, and relationship with each company. For example, we may engage majority-owned companies more intensively with customized support, whereas we may take a more systematized approach—such as webinars or working groups—to engage borrowers in the direct lending portfolio.



Ares Climate Transition Program

To learn more about this program, please refer to our 2023 TCFD Climate Action Report.



A consistent commitment to employing high ethical standards and a focus on a risk mitigation culture forms the foundation of our governance approach.

Trust and integrity are fundamental, and our foundational approach includes strong ethical leadership, rigorous policies, and a collaborative team focused on risk mitigation. That is why Ares continues to enhance its culture of compliance and governance practices to support its responsible investing framework.

ACTION AND PROGRESS

In 2023, our accomplishments included:

LEGAL AND COMPLIANCE TRAINING

- Ares commenced various initiatives to enhance its governance approach, including initiatives designed to support validation efforts, enhance documentation and procedures, provide targeted training, and reinforce applicable policy requirements. Training emphasized substantiation for our responsible investment processes. This oversight helps enhance our internal reporting and external investor communications.

EARLY ENGAGEMENT

- We strengthened our program by further integrating members of the Legal and Compliance Department into the development of new ESG activities. Having an initial conversation to provide guidance and input to the investment and ESG teams helps mitigate potential issues in the development of new strategies, ESG-related programs and engagement with our portfolio companies. By further standardizing our practices and scrutinizing our activities we aim to scale approaches that work globally to meet our goals and stated expectations.

EXTERNAL ENGAGEMENT

- We engaged certain industry participants in an effort to develop a baseline understanding of best practices and learn from innovative approaches. This engagement enhanced transparency regarding stakeholder expectations and improved accountability across the firm.

OUR FUTURE

In 2024, we aim to:

CONTINUE MONITORING

- New regulations from the SEC including the Climate-Related Disclosure Rule. Also anticipated implementation for CSRD and potential updates to SFDR in Europe and various state regulations will require evaluation, new policies and ongoing monitoring of these regulations to enhance existing procedures to implement tailored approaches across each business line.
- With new regulatory changes and increasing expectations from stakeholders, come new areas to monitor. This requires communication between the ESG, investment, legal, and compliance teams to determine potential risks and how new activities will be supported, documented and monitored.

BUILD DEDICATED EXPERTISE

- Dedicated expertise is the focus of the integration of Legal and Compliance departments. Enabling teams to focus on specific areas allows Ares to consistently assess current practices against new regulation, across the multiple strategies in partnership with external counsel. Building a team with deep knowledge of the subject and a fulsome understanding of the business is essential to the long-term success and proper execution to create better outcomes.

ENHANCE UNDERSTANDING OF EMERGING ESG TOPICS

- Artificial intelligence (“AI”) is a topic that we believe will become a new ESG area related to governance. AI has the potential to enhance monitoring and testing, enable consistent approaches and provide valuable information, but we also believe that in-person assessment and experience are invaluable and will remain for the foreseeable future.

ARES COMMITMENT TO ONGOING GLOBAL COMPLIANCE

We will continue to refresh policies and procedures to incorporate changes to regulations as well as account for the introduction of new laws, guidance, and proposed regulation, as appropriate. We combine required changes with an earnest evaluation of new and expanded business activities to determine if enhancements to our policies are required. This is vital to sustaining our culture of compliance, maintaining strong governance practices and ensuring appropriate, and ethical business activities throughout Ares.

SPOTLIGHT

INTEGRATION OF LEGAL AND COMPLIANCE FUNCTIONS

The Legal and Compliance departments were combined at the end of 2023 to create a more cohesive and collaborative team. The integration brought refined responsibilities to the Compliance team, along with the introduction of new roles including Chief Regulatory Officer.

Following this change, the Legal team remains centered around business lines and core functions while the Compliance team will concentrate on subject matter responsibilities with dedicated personnel acting as firm resources with the aim of providing consistent guidance across the business lines. This structure, with the ability to evaluate regulatory developments and develop policy considerations across the firm based on dedicated expertise, is designed to allow policies, procedures, and training to be holistically designed, implementing a risk-based approach to supporting the various business groups, while mitigating conflicts.

The Legal and Compliance Department, along with Internal Audit, which now fall into a centralized Legal and Compliance reporting line, are part of a governance framework committed to meeting the needs of our business, stakeholders and regulatory obligations. It is integrated into the Ares Responsible Investment program’s framework, implementation, material creation and related activities in order to maintain uniform standards.



“Responsibility for our ESG activities and responsible investing approach is shared throughout Ares, with clear communication and engagement being a concerted team duty.

John Spinola
Corporate Compliance



Ares continues to invest in its cybersecurity program as well as its cyber-related portfolio company outreach.

Throughout 2023, the firm continued its investment in cybersecurity awareness, controls, and incident response capabilities including the further promotion of cross-business line engagement and increasing our cyber-related outreach to certain strategy portfolio companies. These investments have enhanced program maturity and we have achieved improvements in key performance indicators of our cyber operations teams.



“Recognizing that cybersecurity risk extends far beyond our own physical and digital footprint, we have extended our expertise in cybersecurity to the portfolio.”

Jared Nussbaum
Chief Information Security Officer

ACTION AND PROGRESS

In 2023 our multi-year cybersecurity maturity roadmap continued to pay great dividends, especially in areas of incident detection and response, which in some cases have reduced operational KPIs by more than half. Our accomplishments in 2023 include:

CONTINUOUS IMPROVEMENT

- We doubled the number of investigated cyber-related events while still managing to reduce the average time it takes to investigate, contain, and/or close such events by more than 65% year-over-year, and 88% from our 2020 baseline.
- In 2023 we created a dedicated cyber-threat intelligence function. This information source has aided us in staying ahead of commodity attacks while maintaining focus on priority threats.
- We implemented new automated response capabilities which have allowed us to apply human capital to the most critical parts of the detection and investigatory process. This development has allowed us to scale our cybersecurity team while improving employee retention and job satisfaction.

PORTFOLIO COMPANY OUTREACH AND RISK ASSESSMENT

- In 2023 we launched the **Portfolio Cyber-Risk Assessment program**. In partnership with members of the Corporate PE Value Creation team, we helped a selection of U.S. and E.U. portfolio companies to identify near-term cyber-related risk and to establish multi-year risk reduction programs of their own.
- We continued to engage with these portfolio companies through periodic roundtable discussions designed to share cybersecurity best practices and pertinent threat intelligence.

RESILIENCY THROUGH PARTNERSHIPS, PROCESS IMPROVEMENT, AND PRACTICE

- Continued collaboration with key external third parties and internal teams including Enterprise Risk Management (“ERM”), Finance & Accounting, and others teams to further refine our business continuity and disaster recovery processes.
- Joint business continuity and technical resiliency tabletop exercises were held throughout the year by ERM and Cybersecurity with the aim of reducing recovery times and improving overall business resiliency.

OUR FUTURE

The rapidly changing threat and regulatory landscape, coupled with recent availability of generative AI technologies, will require a fluid and innovative program to manage cyber-related risk.

In 2024, we aim to:

EXPAND SHARING OF THREAT INTELLIGENCE

- We plan to expand the distribution of relevant cyber threat information across Ares as well as in-scope portfolio companies.

AUTOMATE, AUTOMATE, AUTOMATE

- Significantly expand the application and use of our automated detection and response platform (which was launched in late 2023). This expansion should further scale our cybersecurity incident response human resources allowing us to maintain, if not reduce, our response-related KPIs.

ARTIFICIAL INTELLIGENCE IN PRACTICE

- We expect 2024 will be a year of exploration and application of AI technologies into business processes across the industry broadly. We similarly anticipate investing in cyber-related applications of AI while simultaneously looking for innovative ways to mitigate the risks associated with use of AI.

2023 HIGHLIGHTS

	2023 TARGET	2023 ACTUAL	2024 TARGET
YOY REDUCTION IN SIMULATED PHISH “FAILURE RATE”	30%	24%	n/a*
SIMULATED PHISHING E-MAILS DELIVERED	>18,000	35,856 (>25% incr. YoY)	39,000
CYBER EVENTS INVESTIGATED	>6,000	19,542 (154% incr. YoY)	>12,000**

*As our failure rate is within industry targets, we will be replacing this metric in future reports. Note: Results in the above table are inclusive of higher difficulty “tests” added throughout 2022.

**We expect this number may trend downward in 2024, as we believe continuous improvements in our controls will drive down the rate of false positive events.



Strong risk culture, discipline, and platform resilience enable Ares’ response and momentum amidst an increase in the volume and dynamism of disruptions around the globe.

We continue to partner internally across the globe to evolve and embed leading risk practices, reinforce mitigation strategies, and strengthen the firm’s ability to respond to uncertainty.

ACTION AND PROGRESS

In 2023, Ares continued to monitor and respond to risks, disruptions, and opportunities across an evolving business landscape. This year, our key accomplishments included:

DRIVING RISK DISCIPLINE

- We formally operationalized our Key Risk Indicators (“KRI”) framework within the broader ERM program – the number of KRIs we designed increased by nearly 20% year-over-year while the number of indicators we actively monitor approximately tripled. This continued rollout of KRIs helped improve risk dialogue with our stakeholders and sharpen discussions with leadership.
- Additionally, our enhanced risk capabilities and data collection supported our ability to identify risk trends early (e.g., increasing counterparty credit risk) and to maintain discipline across risk domains.
- Our improved risk monitoring aided our response to the banking failures in early 2023, and under the leadership of our new Counterparty Risk Forum, we continue to evolve our risk identification, mitigation, monitoring and reporting capabilities to deliver meaningful insights across the platform.

A RISK-BASED APPROACH TO RESILIENCE

- We continued to strengthen our Business Continuity / Disaster Recovery program through innovative, risk-based testing and exercises. This includes conducting tabletop exercises with a subset of the firm’s critical third parties.
- As we integrated new businesses and locations this year, we embedded scenario planning of localized and regional disruptions into our enterprise risk framework.

OUR FUTURE

The ERM team is looking to build on its 2023 momentum and will continue to enhance our risk approaches and capabilities. In 2024 we aim to:

- Augment our enterprise governance and risk frameworks to include new businesses added through recent inorganic opportunities. This will help consistency, coverage, and oversight across the platform.
- Further bolster our resilience by implementing robust practices across governance, critical services, and third-party oversight that are designed to strengthen the firm’s ability to sustain operations during times of disruption.

- As Ares prepares to adopt generative AI capabilities in identified processes, we will partner with leadership to assess risks and implement governance as part of the firm’s responsible AI framework.

“In a complex business environment defined by geopolitical shifts, economic uncertainty, emerging technologies and regulatory change, strong risk practices are a key differentiator for the firm.”



Kelly Young
Head of Enterprise Risk Management

2023 HIGHLIGHTS

	2022 ACTUAL	2023 ACTUAL	2024 TARGET
% OF ENTERPRISE RISKS WITH KEY RISK INDICATORS (“KRI”) ESTABLISHED	39%	70%	80%
% OF KRIs MONITORED BY ERM*	23%	88%	>85%
% OF ASSESSED ENTERPRISE RISKS WITH LIMITED RESIDUAL RISK LEVELS OVER A 1-YEAR PERIOD**	93%	92%	>80%

*Typically defined as metrics that have at least three measurement periods of data (e.g., months).
**Includes the lowest 3 ratings on our five-point scale.

SPOTLIGHT

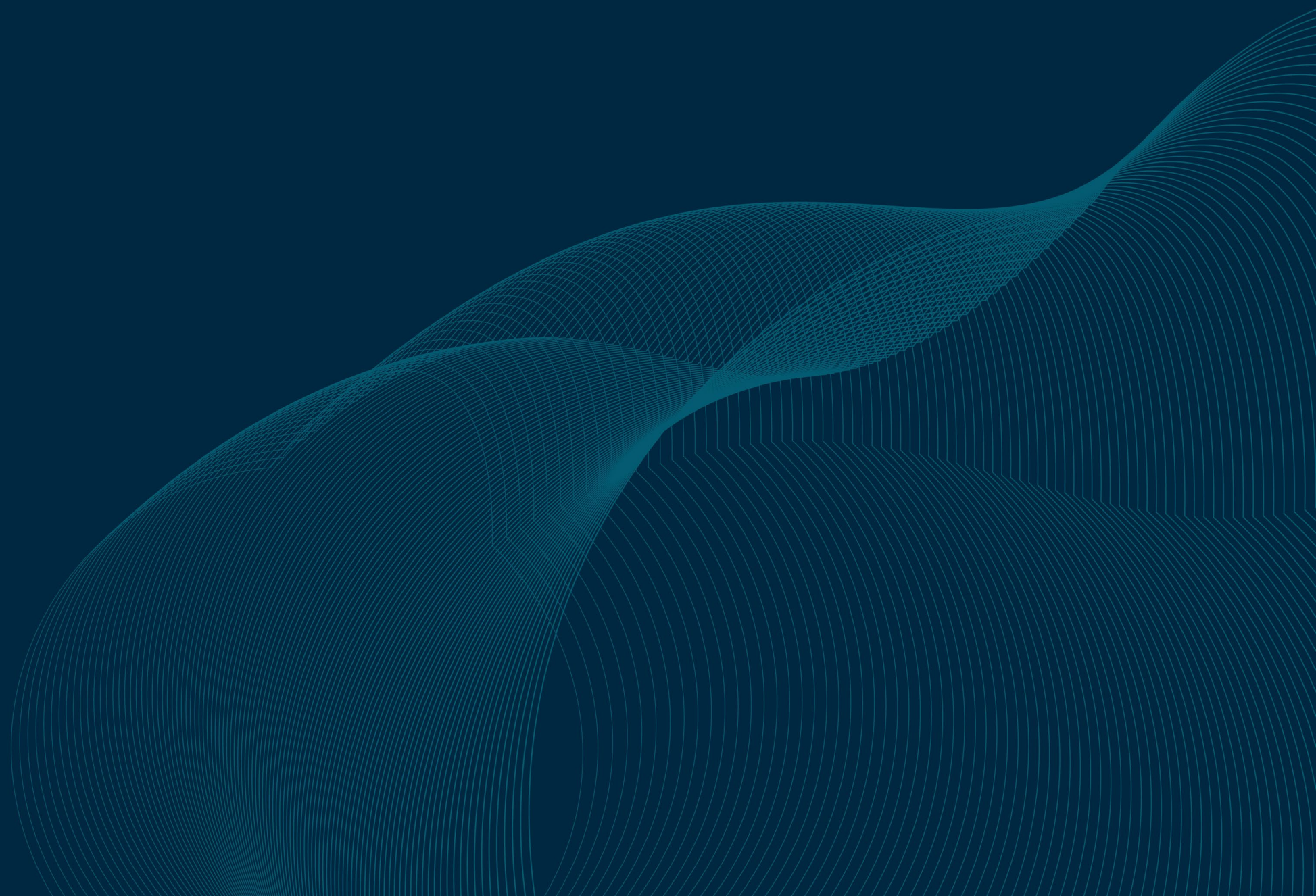
ARES’ BUSINESS CONTINUITY PLANNING (“BCP”) AND THIRD-PARTY RISK MANAGEMENT (“TPRM”) FRAMEWORKS ARE COVERED WITHIN OUR GLOBAL RESILIENCE PROGRAM



Our BCP strategy prepares us to respond to and recover from disruptions, while our TPRM framework governs and oversees key risks from third parties.



Responsible Investment





In 2023, the U.S. and European Credit teams continued to scale our ESG efforts. We extended ESG data collection to our entire European Direct Lending business, expanded our carbon footprinting work by piloting our first fund footprint in the U.S., and increased the number of ESG-linked financing engagements.

The Ares Credit Group is one of the largest non-bank lenders to middle market and large cap companies in the alternatives industry. We aim to utilize this scale to influence and lead through innovation and adoption of leading ESG practices.

CREDIT'S APPROACH TO ESG

The Ares Credit platform tailors an approach by strategy and the consideration of relevant ESG factors is embedded throughout the investment process. Driven largely by our network of 45+ ESG Champions within Direct Lending, Alternative Credit and Liquid Credit, we have expanded ESG data collection coverage, scaled key KPI collection efforts with our partners, and further developed ESG integration into our investment process.

INTEGRATING SUSTAINABILITY INTO LENDING PRACTICES

- The U.S. and European Direct Lending businesses continued to progress our ESG-linked financing engagement, issuing a cumulative total of 18 loans as of December 31, 2023.² Additionally, we developed a toolkit for sponsors explaining the practice and a set of recommended KPIs linked to sustainability performance targets ("SPTs").

INDUSTRY LEADERSHIP

- In 2023, Ares assisted with the publication of the UNPRI Private Debt Advisory Committee's paper on ESG incorporation in

Direct Lending. This report highlights this progression through ESG data, ESG-linked financing, climate risks and targets, and collaboration amongst lenders and sponsors in the private debt industry.

DELIVERING ON OUR ESG STRATEGY IN 2023

Ares' Credit platform continued to engage with portfolio companies, sponsors, and industry third parties regarding ESG initiatives including, but not limited to, ESG-linked financing and strategic data collection efforts.

- In Direct Lending, we continued to improve our ESG data collection process, engagement efforts, and ESG-linked financing loan offerings.
- In Liquid Credit, we achieved our annual portfolio company ESG engagement goal of 25% having engaged with over 300+ companies on topics such as climate change mitigation, worker safety and gender pay parity.
- In Alternative Credit, we explored new mechanisms to increase data coverage for specific financial products.

CREDIT OVERVIEW

The Ares Credit Group managed **\$284.8 billion of AUM and 460+ investment professionals** across strategies.

	GLOBAL DIRECT LENDING**	GLOBAL LIQUID CREDIT	ALTERNATIVE CREDIT	OPPORTUNISTIC CREDIT***
AUM	\$191.3 billion	\$47.2 billion	\$34 billion	\$14.6 billion
TARGETED INVESTMENTS	Cash Flow Loans, Project Finance	Leveraged Loans, High Yield Bonds	Illiquid Alternative Credit (private directly-originated investments) and Liquid Alternative Credit (CLOs, rated private ABS)	Non-Control Oriented Corporate Investments Including Credit-like Investments in Companies Undergoing Transformational Change
NUMBER OF INVESTMENT PROFESSIONALS	250+	45+	65+	30+
NUMBER OF OFFICES*	14	4	7	3

*Number of offices overlaps between teams.

**Global direct lending includes U.S., European and Asia direct lending strategies.

*** Opportunistic Credit was previously designated as the "Special Opportunities strategy" within the Private Equity Group and transferred in 1Q24.

Note: As of December 31, 2023.

SPOTLIGHT

EUROPEAN DIRECT LENDING ESG ROUNDTABLE WITH BORROWERS

Ares' European Direct Lending team held its inaugural ESG Roundtable, bringing together 25 portfolio companies in London to discuss best practices across a range of ESG topics. The event provided space for the companies to connect, share learnings and challenges, and ultimately help support ESG efforts aimed at risk mitigation and value creation for both the businesses and their stakeholders.





Ares' Global Direct Lending actively engages with middle market and large cap companies on material ESG risks and opportunities as a means of supporting our investments.

As our largest asset class, Global Direct Lending has leveraged its scale and influence in order to help establish and adopt leading ESG integration practices such as expanded ESG data collection, ESG-linked financing, and improved engagement tracking.

ACTION AND PROGRESS

Global Direct Lending's 31 ESG Champions have worked closely with the dedicated ESG team to accomplish the following in 2023:

DATA COLLECTION & REPORTING

- In 2023, Ares launched an enhanced ESG data collection and reporting program. Following the review of 300+ KPIs across 10 industry standards (TCFD, EDGI and SASB amongst others) the team selected ~30+ metrics for collection across our borrowers in our U.S. and European Direct Lending businesses.
- The team launched a formal engagement program with our borrowers with the aim of sharing industry leading ESG practices and supporting efforts by our borrowers to enhance their own ESG practices.

EMBEDDING ESG IN OUR CULTURE

- Over the course of the year, we conducted over 15 training sessions across the U.S. and Europe to enhance broad understanding of and alignment with ESG trends, ESG-linked financings and global ESG regulations.

ESG-LINKED FINANCING

- In 2023, Ares executed multiple new ESG-linked financings across our global credit businesses. Various SPTs were tailored to tie KPIs to the unique ESG issues relevant to the credit and included, but were not limited to, quality of care, employee engagement and workforce safety, emissions reductions, and waste management.

OUR FUTURE

In 2024, we plan to:

DATA COLLECTION & REPORTING

- Continue our work with our selected third-party provider on ESG data collection and private market benchmarking.
- Onboard our new third-party carbon accounting vendor Watershed and create visual dashboards to highlight key opportunities for engagement.
- Scale our carbon footprinting efforts to including 100% of the Direct Lending portfolio and determine the key areas for Ares to engage.

EXPAND ESG ENGAGEMENT

- Broaden our ESG engagement approach to offer our borrowers DEI- and climate-focused 'playbooks'.

INCREASE ESG-LINKED FINANCING

- Continue to increase the volume of ESG-linked financings issued globally with a focus on developing meaningful and impactful SPTs tailored to the industry and geography.

COLLABORATING ACROSS THE PRIVATE CREDIT INDUSTRY

- Share innovative and thoughtful approaches to ESG with peers including collaborating on decarbonization initiatives for minority- controlled assets.

EDUCATION

- Actively update our annual ESG training program as a means of Enhancing our ESG Champions' knowledge base.

CASE STUDY

U.S. DIRECT LENDING PARTNERED WITH ELEVATE TO ENHANCE ITS ESG PROGRAM VIA ESG-LINKED FINANCING

Elevate Outdoor Collective ("EOC" or "Elevate"), an Ares U.S. Direct Lending portfolio company backed by Kohlberg & Company, manages a leading portfolio of 10 brands across winter sport equipment and other outdoor products with a specialized focus on skiing, snowboarding, and snowshoeing. As the sustainability coordinator, Ares worked with Kohlberg's ESG team and key members of Elevate to help drive value and promote increased change through ESG-linked financing.

Elevate engaged an environmental consultant to help evaluate and assess historical levels of greenhouse gas emissions ("GHG") and waste generation to establish an appropriate baseline across the company's operations. In addition, the consultant helped to assess future reduction targets based on efficiency projects in the pipeline.

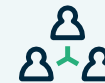
The ESG-linked financing included three SPTs centered around (i) reducing GHG emissions within their factories, (ii) engaging diverse employees, and (iii) reducing traditional waste disposal. We believe ESG-linked financing will position Elevate for continued strong performance in future years to come.

GREENHOUSE GAS EMISSIONS REDUCTION



GHG reduction targets from 2024 to 2026 based on average 2021/2022 baseline consumption data

DEI STRATEGY ENHANCEMENT AND CREATION OF ERGs

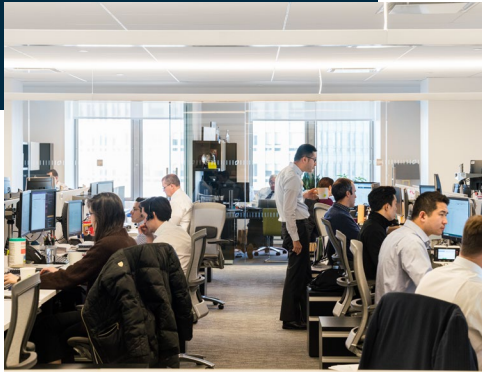


Engage diverse employees by establishing a DEI Strategy & Framework and launching ERGs

REDUCTION IN TRADITIONAL WASTE DISPOSAL



Traditional waste disposal reduction targets from 2024 to 2026 based on average 2021/2022 baseline data



GLOBAL LIQUID CREDIT

Ares' Global Liquid Credit platform of nearly 900 held issuers enables us to engage with ESG issues across a vast array of sectors and geographies.

Global Liquid Credit utilizes a standardized ESG scoring methodology across our portfolio of syndicated loans, high-yield bonds, and multi-asset credit products. This scoring directs our portfolio engagement efforts and, we believe, reduces potential risks to our investments and can improve investment outcomes.

ACTION AND PROGRESS

This past year, Ares' Global Liquid Credit team surpassed its portfolio engagement objectives. In 2023, our accomplishments included:

REPORTING AND MONITORING ESG RISKS

- Global Liquid Credit scored 99% of its portfolio utilizing our standardized ESG scoring methodology. This score looks at key ESG metrics while providing an evaluation of the overall ESG risks and growth opportunities for each underlying borrower.
- Our Quantitative Risk and Research team continued to source third-party ESG ratings alongside our own internal scores to create comprehensive ESG reviews across our portfolio. These scores are reviewed for the applicable Liquid Credit portfolio, as appropriate, on a quarterly basis.

ENGAGEMENT EFFORTS

- Global Liquid Credit developed core ESG engagement themes to inform our outreach, including climate change risk mitigation and adaptation.

- We launched sector-specific engagement toolkits in order to facilitate scalability and consistency across the group's engagements.
- The team surpassed its annual engagement goal for the third consecutive year by engaging with over 30% of the portfolio, translating to 300+ total engagements including multiple engagements with certain portfolio companies.

OUR FUTURE

In 2024, we plan to:

- Increase efforts on climate data collection and engagement, where appropriate, to mitigate climate-related risks.
- Evaluate additional data coverage providers to identify potential additional data sets and broader overall coverage than our current resources offer.

SPOTLIGHT

In 2023, Ares' Global Liquid Credit team engaged with over 30% of its portfolio companies on environmental, social, and governance issues in an effort to promote transparency, reduce potential risks and improve investment outcomes.



~253 ENGAGEMENTS

- Climate Change
- Pollution & Waste
- Environmental Opportunities
- Natural Capital



~243 ENGAGEMENTS

- Human Capital
- Product Liability
- Stakeholder Opposition
- Social Opportunities



~127 ENGAGEMENTS

- Corporate Governance
- Corporate Behavior

ALTERNATIVE CREDIT

Ares' Alternative Credit platform consists of large, diversified portfolios of liquid (tradeable) and illiquid (directly originated) cash-generating credit investments.

Alternative Credit revised its ESG framework while continuing to expand coverage across the strategy. The group also, through multiple illiquid Alternative Credit vehicles, donated meaningful contributions to causes focused on supporting an inclusive and equitable economy.

ACTION AND PROGRESS

In 2023, our accomplishments included:

REPORTING AND MONITORING ESG RISKS

- Alternative Credit collected ESG KPIs for 32% of its portfolio.
- Launched a trial carbon footprinting effort alongside our data and research teams to increase coverage of a select portfolio of our securitized assets.

OUR FUTURE

In 2024, we plan to:

- Evaluate frameworks to increase our carbon footprint coverage across select assets.
- Continue the rollout of our ESG KPI collection process. We intend to consult and incorporate developing ESG credit frameworks as part of this process.
- Seek opportunities for cross-asset class connectivity in an effort to increase ESG data quality for structured products.

SPOTLIGHT

ARES PATHFINDER FUNDS

For our Alternative Credit team's Pathfinder family of funds, Ares and Pathfinder's portfolio managers pledged to donate at least 5-10% of the earned carried interest profits from the funds to global health and educational charities.

Charity Spotlights to Date²





The Ares Corporate Opportunities team targets control-oriented investments in high-quality middle market companies with a focus on mitigating material ESG risks and helping drive long-term value.

Given its level of influence and control, the Corporate Opportunities team is distinctly positioned to partner with management teams and support select portfolio companies on both company-specific and cross-portfolio themes, including: (i) Climate Change, (ii) Shared Prosperity, (iii) Cybersecurity, (iv) Employee Health and Safety and (v) Diversity, Equity and Inclusion (“DEI”).

CASE STUDY



LOCKWOOD: SETTING A SCIENCE-BASED TARGET

The Lockwood Group (“Lockwood”), a leading provider of medical communication and commercialization services to pharmaceutical companies, recently began its climate change journey. In 2023, Lockwood engaged SLR Global Limited (“SLR”) – a leading ESG consulting firm and current Ares Private Equity portfolio company – to measure its Scope 1 and 2 emissions for the first time and to start the process of setting a science-based target for reducing emissions. With support from Ares and through its work with SLR, Lockwood has outlined an approach to reduce emissions and submit an official target for validation by the Science Based Targets initiative (“SBTi”), a global body enabling best practices in science-based target setting.

PRIVATE EQUITY OVERVIEW

The Ares Corporate Opportunities Group managed **\$20.0 billion of AUM** and **55+ investment professionals** across the strategy.

CORPORATE OPPORTUNITIES*	
AUM	\$20 billion
TARGETED INVESTMENTS	Control Oriented Corporate Investments with a Focus on High-Quality Middle Market Companies
NUMBER OF INVESTMENT PROFESSIONALS	55+
NUMBER OF OFFICES*	4

* Opportunistic Credit was previously designated as the “Special Opportunities strategy” within the Private Equity Group. Ares APAC PE was acquired at the end of 2023 and is not part of this report.
Note: As of December 31, 2023.

ACTION AND PROGRESS

In 2023, our accomplishments included:

CLIMATE CHANGE

- **Emissions Measurement:** The Corporate Opportunities team seeks to scale its climate change initiatives by measuring emissions and building engagement programs designed to mitigate risk and enhance value, including by working to accelerate decarbonization across its investments, where material. In 2023, the Corporate Opportunities team partnered with a leading ESG consulting firm and Corporate Opportunities portfolio company, SLR Global Limited, to support 8 portfolio companies in estimating their bottom-up Scope 1 and 2 emissions for the first time. Building on this progress, we anticipate a gradual replacement of our existing top-down sector-based estimates with bottom-up measurement across the portfolio over time.
- **Industry Engagement:** The Corporate Opportunities team continues to engage with external industry experts and organizations, such as the Initiative Climat International (“iCI”), to support the development of frameworks and

provide guidance on climate risk within the alternatives sector.

SHARED PROSPERITY

- **Advancing Shared Prosperity Plans:** Since 2020, Ares has distributed \$1.2+ billion to portfolio company employees, of which ~\$470 million was to non-C-suite members through broader employee profit sharing and ownership initiatives.²
- **Ownership Works (“OW”) Partnership:** In 2023, the Corporate Opportunities Team completed its first certified shared prosperity plan with a new shared control investment. Additionally, the Corporate Opportunities team joined an OW working group to help set the standard for designing ownership programs at human capital-intensive businesses. This enabled us to share learnings and insights with our peers and companies within our portfolio.

CYBERSECURITY

- **Cyber Assessments:** In 2023, the Corporate Opportunities team partnered with Ares’ Chief Information Security Officer and a third-party to analyze the cybersecurity maturity of 16 portfolio companies and develop

recommendations to increase resiliency. The assessment measured maturity against 25 key cyber metrics proven to reduce risk across 5 key areas, including: (i) ransomware, (ii) data breach, (iii) impersonation attack, (iv) business email compromise and (v) foundation security areas. The Corporate Opportunities team plans to use the results to identify key cyber gaps against these five areas and intends to develop roadmap mitigation approaches for each of the 16 portfolio companies in 2024.

HEALTH AND SAFETY

- **Safety Maturity Assessments:** The Corporate Opportunities team engaged with select portfolio companies and conducted safety program maturity assessments; we then evaluated their performance based on standard Occupational Safety and Health Administration (“OSHA”) metrics and versus industry benchmarks. 14/17 portfolio companies that participated in these assessments either performed better than the industry benchmark or improved year over year.



- **In-Person Summits:** In 2023, the Corporate Opportunities team launched in-person industry-specific health and safety summits to share best practices across its portfolio companies. We also engaged external experts to provide additional support and guidance on existing health and safety initiatives.

DIVERSITY, EQUITY AND INCLUSION

- **Board Diversity:** The Corporate Opportunities team believes that board diversity can benefit portfolio companies by helping to enhance decision-making, foster a more inclusive culture, and drive innovation. As such, the Corporate Opportunities team works to support diverse representation at companies where Ares-managed funds have majority board-appointment rights and majority equity ownership. From H1 2021 through December 2023, the Corporate Opportunities team has added over 35 diverse directors across 18 companies.¹⁰
- **DEI Strategy:** In 2023, the Corporate Opportunities team onboarded its second cohort of 14 portfolio companies to “Amplify DEI” (eight new and six returning companies), a program designed to support data-driven, accountability-based DEI strategies by deploying a three-part DEI assessment to measure (i) DEI functional maturity, (ii) talent pipeline representation across role and level and (iii) inclusion by diversity dimension. To learn more about the findings, please see the case study to the right.

OUR FUTURE

In 2024, we aim to:

ENHANCE DATA STRATEGY

- The Corporate Opportunities team plans to build on recent strides in collecting certain portfolio company ESG data by streamlining data collection and leveraging data analytics to demonstrate ties to long-term value creation.

CONTINUE OUR FOCUS ON MATERIALITY

- The Corporate Opportunities team aims to develop a “company-at-the-center” program. In addition to the group’s cross-portfolio themes, this means that ESG engagements will be tailored to key business-relevant topics.

MONITOR ESG POLICY AND REGULATION REQUIREMENTS

- In partnership with Ares’ Legal and Compliance teams, the Corporate Opportunities team will continue to monitor the evolving regulatory landscape and expects that European and climate-specific regulations, in particular, will increasingly impact how companies do business.

BUILD-OUT GLOBAL COORDINATION

- Following Ares’ expansion into APAC Private Equity with its 2023 acquisition of Crescent Point Capital, we seek to bring its ESG processes into alignment with Ares’ PE team, accelerating our systematic ESG approach to stay globally connected.

CASE STUDY

“AMPLIFY DEI” 2023 COHORT

In 2023, we completed our second DEI assessment, enabling us to gather our first set of time-series data and assess DEI progress across the portfolio. Since 2021, all “Refresh Companies” show improvement across all three DEI assessment areas:

1 Talent Pipeline Analysis

All “Refresh Companies” Increased in **at Least One Dimension of Diversity**¹¹

2 Maturity Assessment

All “Refresh Companies” Had **Increased Maturity Scores**¹²

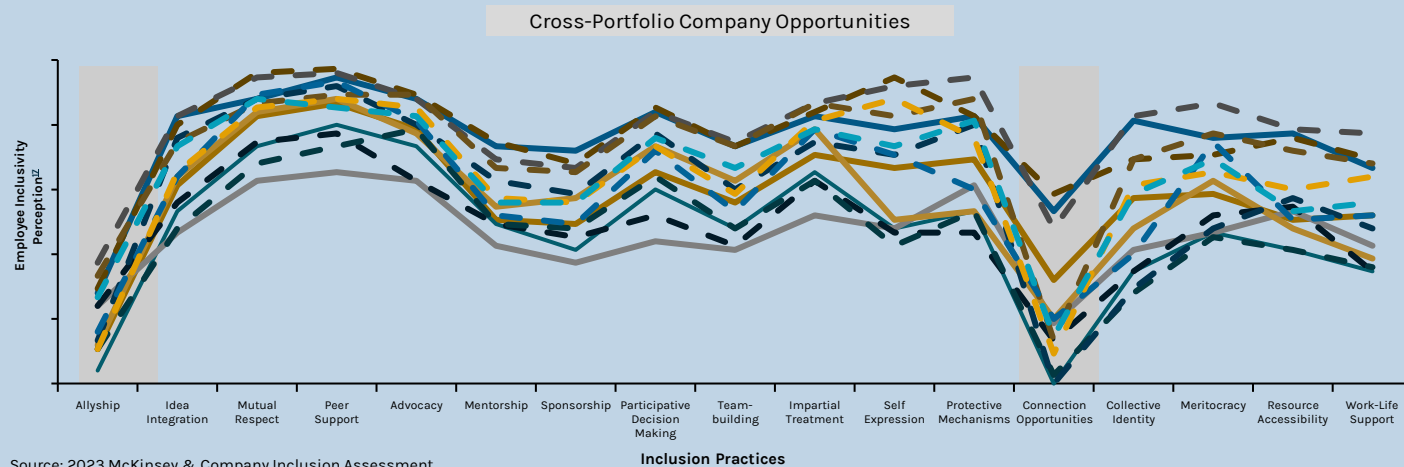
3 Inclusion Assessment

All “Refresh Companies” **Outperformed the Global Benchmark Average**¹³ in **Five of the Six Inclusion Outcomes**¹⁴ and in **14 of the 15 Inclusion Practices**¹⁵

Aggregated Portfolio View Informs Support Model

Each line represents a portfolio company and their score with respect to each inclusion practice. “Allyship” and “Connection Opportunities” were identified as shared areas for improvement across our portfolio companies¹⁶

2023 Portfolio Company Inclusion Practice Scores





Ares Real Estate seeks to drive attractive risk-adjusted returns and value to our stakeholders while building toward a more sustainable future.

Investing in industrial, residential, and other real estate related asset classes across the U.S. and Europe, Ares Real Estate has a distinct opportunity to create more sustainable places to live, work, and shop.



REAL ESTATE'S APPROACH TO ESG

In 2023, Ares Real Estate made demonstrable progress on our ESG initiatives, transitioning from setting the foundation to focusing on implementation across our global platform. This work spans the investment lifecycle starting with diligence and extending through development, operation, and ultimately exit. Key to this work was our over 50 ESG Champions – organized into six working groups. These professionals work hand-in-hand with our dedicated Real Estate ESG team. This structure enables us to embed ESG across our real estate platform, which we believe leads to improved investment outcomes and more successful engagement with operating partners, suppliers, borrowers, and tenants.

At the core of Ares Real Estate's ESG strategy, which is designed to help mitigate risk and preserve value, are four material topics:

- **Climate Change:** Evaluate and strive to reduce climate risk and seek opportunities for asset-level decarbonization, as appropriate.
- **Data Management & Disclosure:** Expand data quality and availability to enable transparent reporting and data-driven decision making.
- **"Green" Development:** Integrate ESG practices from the outset and support renewable energy deployment.¹⁸
- **Diversity, Equity & Inclusion:** Support an inclusive and equitable economy by measuring our impact on local communities, understanding the diversity of our supply chain, and where appropriate, developing affordable housing.

REAL ESTATE OVERVIEW

Ares Real Estate managed **\$49.7 billion of AUM** and **250+ investment professionals** across strategies.

	REAL ESTATE EQUITY	REAL ESTATE DEBT
AUM	\$36.1 billion	\$13.6 billion
TARGETED INVESTMENTS	U.S. and European Core/Core-Plus, Value-Add and Opportunistic Real Estate	U.S. and European Commercial Real Estate Lending
NUMBER OF INVESTMENT PROFESSIONALS	221	36
NUMBER OF OFFICES*	17	6

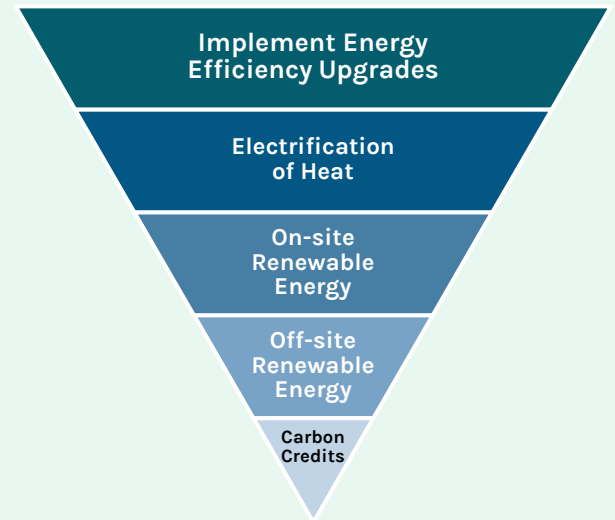
*Number of offices overlaps between teams.
Note: As of December 31, 2023.

SPOTLIGHT

DECARBONIZATION ASSESSMENTS ACROSS THE REAL ESTATE EQUITY PORTFOLIO

Ares Real Estate conducted desktop decarbonization assessments and carbon footprints for ~90% of our global real estate AUM (CY 2023) using a third-party software provider. By inputting key building characteristics, we calculated whole-building GHG emissions estimates and compared to 1.5°C Paris-aligned CRREM pathway. Going forward, where appropriate, we plan to conduct assessments on acquisitions, incorporate findings into Investment Committee memos, and assess energy efficiency measures, to help reduce expenses, mitigate risk, and create practical capital expenditure plans.

SAMPLE DECARBONIZATION HIERARCHY





Ares Real Estate Equity has worked to embed material ESG considerations throughout our processes – from due diligence and development to operation and exit – to help enhance the lifecycle of our assets during our hold period.

We believe that considering relevant ESG issues sets us up for improved outcomes by helping to mitigate risk, preserve the value of our assets, and aid in future-proofing our portfolio. Our strong network of over 50 ESG Champions provides the necessary support to achieve success and scale our impact.

ACTION AND PROGRESS

Ares' Real Estate Equity team continued to build upon past ESG implementation successes, facilitating the expansion of available data, and the commencement of climate transition risk assessments for most standing assets and new transactions. Accomplishments in 2023 included:

“GREEN” DEVELOPMENT

We undertook initiatives to expand green building certifications across our potential developments:

- Continued BREEAM focus in Europe and conducted BREEAM pilot tests in the U.S., while engaging with development partners to drive improvements in building performance during design and construction.
- Our U.S. industrial development prototype was accepted into the LEED Volume Program, and projects using those specifications are underway.

DECARBONIZATION PROGRAM

- We completed 1.5°C Paris-aligned decarbonization assessments and carbon footprints for the majority of our invested AUM.

ESG MEASUREMENT

- Submitted four responses to the 2023 GRESB survey. We're proud to report that all submissions achieved a three- or four-star ranking with year-over-year score improvements for all.

ASSET LIFECYCLE

We implemented a number of ESG enhancements across the asset lifecycle:

- **Due Diligence:** Updated our investment committee memos to include physical and transition climate risk assessments and potential mitigants.¹⁹
- **Operating:** Improved ESG performance through engaging with JV partners, conducting climate risk assessments, by implementing efficiency upgrades and installing renewable energy
- **Exit:** Measured ESG outcomes to assess overall performance, where possible

OUR FUTURE

In 2024 and beyond, the Real Estate Equity team will continue to focus ESG efforts on preserving or creating value and driving progress towards more sustainable and inclusive properties. We strive to:

DATA AGGREGATION

- Work to expand our data collection efforts to include a broader set of sustainable building features, KPIs related to vendors and partners, and comprehensive utility data.

FURTHER “GREEN” DEVELOPMENT

- Use the LEED Volume approved prototype across our industrial developments. All future U.S. industrial development projects will target LEED Silver.²⁰
- Continue to pursue BREEAM Very Good for our European developments, with a BREEAM gap analysis conducted during diligence.
- Re-assess assets for potential on-site renewable energy given the ever-changing renewable energy incentive programs.

CLIMATE CHANGE

- Continue conducting third-party desktop audits to calculate estimated emissions and identify material decarbonization opportunities in line with a 1.5°C Paris-aligned pathway to mitigate potential climate-related risks.
- Aim to formalize and provide further transparency on our approach to decarbonization.

SPOTLIGHT

DRIVING VALUE BY INCREASING EFFICIENCY

In Q1 2022 Ares acquired two 1970s-vintage apartment buildings in Frankfurt, Germany with a plan to conduct a complete overhaul of the buildings. The modernization program commenced in 2023 and included approximately \$12.5 million in capital expenditures. This upgrade will add tenant amenities, such as new lobbies and common areas, and drive energy efficiency through replacing existing windows, installing new roofs, recladding the building exteriors in insulated concrete panels, and installing efficient heating and water distribution appliances. The energy efficiency projects are estimated to reduce the overall energy use intensity and GHG intensity of the buildings by almost 50%, similarly reducing the tenants' utility expenses and helping drive an overall increase in the value of buildings. The buildings are also expected to achieve Gold level certification under DGNB, the leading German environmental assessment body for real estate focusing on the environmental and social qualities of the building.



Using Energy Efficiency Improvements to Drive Asset Value

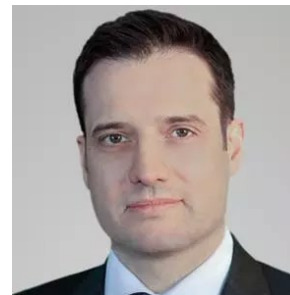
	ASSET VALUE*	ESTIMATED UTILITY EXPENSE*	CO ₂ e EMISSIONS*
CHANGE	+23%*	-49%	-49%

* Estimated figures based on predicted pre-construction energy modeling and current market conditions.



Ares Real Estate Debt has focused on standardizing ESG practices during both diligence and the loan period in an effort to better assess potential risks and evaluate the performance of our investments.

As borrowers continue to recognize the importance of addressing climate change and the sustainable development of properties, Ares Real Estate Debt is looking for new ways to engage in meaningful conversations and improve the ESG outcomes for our borrowers while mitigating risk.



“Integrating ESG considerations into our process gives us the opportunity to plan for potential risks, identify mitigants, and partner with our borrowers to potentially affect real change across the Real Estate industry.”

Philip Moore
Head of European Real Estate Debt

ACTION AND PROGRESS

In 2023, Ares Real Estate Debt expanded its ESG ambitions across our investments’ lifecycles. Thanks to the work of our ESG Champions, ESG topics have been further integrated into the debt investment process including by assessing physical and transition climate risk, working to collect more robust data, and aiming to increase stakeholder transparency. Some of our key achievements in 2023 include:

ESG IMPLEMENTATION

- **Expanding our ‘Borrower Questionnaire’**, adding a number of data points in an effort to better understand the assets we invest in and potential risks to Ares, including the ESG initiatives and policies of our borrowers.
- **Developed and commenced use of a new ESG risk scorecard in the U.S.** Focused on providing a more holistic view of potential risks, a scorecard summary is now typically included in Investment Committee memos for new investments.
- **We added third-party climate transition risk assessments** across our existing loans and updated our physical climate risk assessments scans of the portfolio.

OUR FUTURE

In 2024, we aim to further refine our scorecard and continue to implement ESG risk assessments, including both physical and transition climate risk assessments. Our focus will prioritize:

ESG-LINKED FINANCING

- We plan to **assess the potential to promote and include SPTs in certain of our loans**, similar to other Ares strategies. Through ESG-linked financing and associated pricing penalties and incentives, we hope to engage on material sustainability goals aligned with both the ESG strategies and business priorities.

ESG THROUGHOUT THE LIFE OF A LOAN

- We plan to continue refining our ESG scorecard in the U.S. and Europe. In 2024 we aim to **re-score all existing loans utilizing the new scorecard with the ultimate goal of tracking scores and loan risk over time**. Moving forward, data collection efforts are likely to expand and may include additional sustainability metrics.

SPOTLIGHT

REAL ESTATE DEBT ESG SCORECARD

As part of the standard underwriting and due diligence process, the Ares U.S. Real Estate Debt team prepares an initial ESG assessment, rating each of the Environmental (“E”), Social (“S”), and Governance (“G”) components with a risk rating ranging from high to low, neutral or beneficial. The loan diligence process includes overall risk scores for each of the E, S, and G components and an overall weighted ESG risk score. These results, are included in final Investment Committee memos. Post-closing, in addition to our regular ongoing asset management, we aim to rescore each loan for ESG risk annually.





Ares Infrastructure continues to strive to enable a just transition via investments in quality infrastructure companies and assets. Our infrastructure teams seek to deploy capital in a responsible manner to serve investors and stakeholders, including local communities and our portfolio companies.

Ares Infrastructure Opportunities and Infrastructure Debt strategies (collectively “Ares Infrastructure”) have a shared ambition to identify and support quality companies and assets that deliver critical services and to engage with those companies and assets post-close on material ESG topics. In the past year, Ares Infrastructure has invested in companies across numerous sectors including digital, transportation, logistics, and resource efficiency.

INFRASTRUCTURE’S APPROACH TO ESG

Ares Infrastructure continues to work on embedding ESG into our investment processes with the support of a broadening ESG champion base. 15+ investment professionals across the Infrastructure business co-pilot ESG-related workstreams alongside Ares’ dedicated ESG Lead for Infrastructure.

DILIGENCE

We consistently improve our focus on seeking to mitigate ESG risks and identifying ESG-related opportunities when evaluating potential investments.

ESG-LINKED FEATURES

We seek to incorporate ESG-linked features in our structured equity and debt investments to incentivize improvement on a company’s

material sustainability issues, when practicable.

DATA COLLECTION

We are onboarding new third-party ESG data platforms to streamline our ESG data collection efforts and generate actionable insights for our portfolio companies.

ENGAGEMENT ON MATERIAL ESG TOPICS

We aim to engage with select portfolio companies on their material sustainability topics.

We are accelerating our climate and DEI-related initiatives where material and appropriate, prioritizing Ares’ two key pillars – promoting a just transition and creating an inclusive and equitable economy – in our interactions with portfolio companies.

INFRASTRUCTURE OVERVIEW

Ares Infrastructure managed **\$15.8 billion of AUM** and **55 investment professionals** across strategies.

	INFRASTRUCTURE OPPORTUNITIES	INFRASTRUCTURE DEBT
AUM	\$6.3 billion	\$9.5 billion
TARGETED INVESTMENTS	Value-add, Flexible Approach, Climate Infrastructure	Subordinated Debt, Bespoke Credit Solutions, Diversified Infrastructure
NUMBER OF INVESTMENT PROFESSIONALS	30	28
NUMBER OF OFFICES*	2	4

*Number of offices overlaps between teams.
Note: As of December 31, 2023.

SPOTLIGHT

SCALING ESG DATA COLLECTION

In 2023, Ares Infrastructure onboarded Novata to enhance our ESG data collection efforts. Prior to onboarding Novata, the Ares Infrastructure teams piloted a manual ESG data collection process in 2022.

Like other teams at Ares that have previously onboarded Novata, we believe that leveraging a dedicated ESG data platform will allow us to more efficiently draw insights from the data we collect, thereby accelerating our portfolio engagement efforts.



25

current portfolio companies received our 2023 ESG survey

88%

of portfolio companies surveyed provided ESG data across Infrastructure Equity and Debt

Ares Infrastructure Opportunities (“AIO”) has established a near-exclusive focus on climate infrastructure and seeks to invest in sectors such as renewable energy, energy storage, electrification, resource efficiency, and green digital.

We believe AIO has emerged as one of the leading investors in the energy transition. We expect AIO portfolio companies will bring approximately 1.4 GW²¹ of renewable energy capacity online in 2024, representing ~5% of all U.S. renewables development.

ACTION AND PROGRESS

AIO strengthened its approach to ESG integration in 2023 in several key areas:

ESG-LINKED FINANCING

- Executed our first **ESG-linked preferred equity investment** to drive financial performance through incentivized progress on material ESG objectives including energy efficiency, water usage, renewable energy sourcing, and workplace safety.

DATA COLLECTION AND ENGAGEMENT

- We launched our second annual **ESG data collection process** in 2023 with 100% of surveyed AIO portfolio companies responding.
- Partnered with select portfolio companies** to complete a materiality assessment, launch climate planning efforts, and support the publication of an AIO portfolio company’s sustainability report.

CLIMATE – EMISSIONS BASELINING

- Disclosed **aggregate emissions (comprising Scopes 1, 2, and 3 emissions)** of AIO’s portfolio companies and assets for the first time publicly in Ares’ TCFD Climate Action Report published in July 2023.

- Completed our first **“bottom-up” carbon footprint pilot** for an AIO portfolio company in partnership with a leading sustainability-focused consultancy.

INDUSTRY LEADERSHIP

- Initiated engagement with the **American Council on Renewable Energy (“ACORE”) Accelerate Program** to help scale emerging women and minority-led renewable energy companies.
- AIO team members have spent **~70 hours** providing ACORE participants with business coaching, pro bono legal advice, and introductions to industry and policy leaders.

OUR FUTURE

In 2024, we plan to:

- Leverage the ESG data collected to date as the basis for more **systematic engagement**, including the dissemination of targeted tools and resources for portfolio companies.
- Provide opportunities for portfolio companies to **share ESG learnings and best practices** with one another.

SPOTLIGHT

ESG DATA COLLECTION

2023 ESG highlights from our surveyed AIO portfolio companies:



100% of companies responded to the survey requesting ESG data



77% of companies have requested support from Ares to bolster their climate strategies



92% of companies have workplace safety training programs in place



69% of companies embed diversity in their recruiting processes



85% of companies have a business Code of Conduct

CASE STUDY

CURRENT TRUCKING

In February 2023, AIO acquired a controlling stake and committed to invest up to \$250 million in Current Trucking (“Current”), a turnkey fleet electrification service provider. Medium and heavy-duty trucks help power the U.S. economy, but these vehicles only average roughly six MPG and account for over 6% of U.S. GHG emissions.²² While consumers are rapidly adopting electric passenger vehicles, trucking emissions have been classified as “hard-to-abate” due to multiple sticking points around vehicle procurement, charging infrastructure build-out, and higher upfront costs.

Current works to address these problems and “pulls green forward” through its innovative turnkey “trucks-as-a-service” electrification model, which delivers a complete end-to-end solution for customers, inclusive of EV truck procurement, charging infrastructure deployment, and ongoing O&M services. As of December 2023, Current has deployed its solutions across eight U.S. states, including a flagship project at the Port of Virginia in support of the Port’s 2040 carbon neutrality goal. Additionally, Current has collaborated with the Port of Indiana to create an EV pilot program, which will unlock a greener, more energy-resilient, and more sustainable port.



 [Click the image to watch Current Trucking in action](#)



As one of the world’s largest private infrastructure debt platforms, Ares Infrastructure Debt provides credit solutions to support the build out of essential services across the globe.

In addition to incorporating ESG considerations into diligence and monitoring processes, Ares Infrastructure Debt has also started including relevant ESG considerations in certain deal documentation. ESG-linked financings have become a key pillar of Ares Infrastructure Debt ESG integration, with ESG-linked features now embedded in certain deal structures with borrowers that span the team’s core focus areas of energy, transport, digital, and utilities.

ACTION AND PROGRESS

Ares Infrastructure Debt strengthened its approach to ESG integration in 2023 in several key areas:

DILIGENCE

- Developed a SASB-aligned diligence tool to streamline the identification of material ESG risks and opportunities.

ESG-LINKED FINANCING

- Completed five ESG-linked financings, totaling over \$2.5 billion to encourage progress on select sustainability topics.
- SPTs for these transactions included emissions reductions, renewable energy, workplace safety, and DEI initiatives.

DATA COLLECTION

- Distributed our second annual ESG survey, with 75% of portfolio companies participating.
- Onboarded a third-party provider to enhance our ability to benchmark our portfolio companies and assets against peers and identify key areas for improvement.

OUR FUTURE

In 2024, Ares Infrastructure Debt intends to deepen its ESG approach in several key focus areas:

DILIGENCE

- Onboard additional tools to further diligence prospective borrowers, including their carbon footprints.

CLIMATE

- Complete our first carbon footprint for the Ares Infrastructure Debt portfolio.

ESG-LINKED FINANCING

- Share insights across the Ares platform from completed ESG-linked financings and continue gathering performance data on existing SPTs to inform future deal structures.

ENGAGEMENT

- Utilize results from ESG data collection processes as the basis for systematic engagement and the scaled rollout of sustainability-related resources in the portfolio.

SPOTLIGHT

ESG-LINKED FINANCING

Ares Infrastructure Debt has successfully embedded ESG-links in five recent transactions.

Of those 5 deals:



2/5 transactions include emissions measurement and/or reduction targets



3/5 transactions incentivize increased procurement of renewable energy



3/5 transactions include a DEI-related objective



2/5 transactions include targets related to tracking employee health and safety metrics

CASE STUDY

TOOB

In May 2023, Ares Infrastructure Debt committed up to £300 million to toob, a fiber network provider in southern England. The Ares Infrastructure Debt facility is meant to enable toob to connect over 300,000 premises to full-fiber internet. In today’s increasingly digital society, toob offers customers reliable and affordable connectivity to the global economy.

In addition to delivering an essential service, toob is also committed to seeking solutions to reduce its impact on the environment. As toob builds out a large physical network, it leverages the existing physical broadband infrastructure, including ducts and poles, from Openreach, the incumbent network operator. This results in both cost savings for customers and ~70% lower emissions compared to trenching. Once built, fiber networks operate with up to approximately 37% lower emissions versus traditional copper cables, according to the European Commission.²³ In addition to toob’s environmental efforts, the company is also supporting local communities by targeting approximately 15% of its rollout for social housing developments to enable increased affordable housing.

To support toob’s progress on sustainability initiatives, we worked with toob and included margin ratchets in our facility related to reducing emissions, increasing the gender diversity of their Board and senior management team, and consuming more renewable energy over time.





As an investor across Limited Partner (“LP”) fund stakes, continuation vehicles, and structured liquidity solutions, Ares Secondaries focuses on the ESG policies, procedures, and overall program maturity of the General Partners (“GP”) with which we invest.

ESG was formally integrated into the investment process across the Secondaries platform in the second quarter of 2023. This past year Ares Secondaries invested in 157 partnership interests with 90 General Partners across private equity, real estate, infrastructure and private credit.

SECONDARIES OVERVIEW

Ares Secondaries managed **\$24.8 billion of AUM** and **85 investment professionals** across strategies.

	PRIVATE EQUITY	REAL ESTATE
AUM	\$13.1 billion	\$7.8 billion
NUMBER OF INVESTMENT PROFESSIONALS	38	26
NUMBER OF OFFICES*	7	4
	INFRASTRUCTURE	CREDIT
AUM	\$2.4 billion	\$1.4 billion
NUMBER OF INVESTMENT PROFESSIONALS	11	10
NUMBER OF OFFICES*	4	2

*Number of offices overlaps between teams.
Note: As of December 31, 2023.

ACTION AND PROGRESS

In 2023, our accomplishments included:

ESG INTEGRATION

- In Q2 2023, Ares Secondaries officially implemented its ESG investment process, including: sector and geographic screens, ESG GP survey distribution, and formal Investment Committee memo inclusion for those strategies and holding deemed appropriate.
- We distributed our annual ESG GP Survey to 300+ General Partners within our portfolio. Consisting of over 50 questions which concern ESG policies and processes as well as DEI and climate integration, we received responses from over ~80% of our portfolio as measured by December 31, 2023 Total Value.

ESG REPORTING

- In August 2023, Ares Secondaries released our first-ever ESG-focused LP reporting. Included as part of our Q2 reporting package, we highlighted underlying ESG portfolio characteristics across our investment verticals.

OUR FUTURE

Building on the successful implementation of our ESG investment process and first ever LP reporting, in 2024 we aim to:

INVESTMENT PROCESS

- Refine our investment process, including our screens, GP survey, and Investment Committee memo templates, to target the most material ESG data points for the underwriting and monitoring of our portfolio.

LP REPORTING

- Improve our LP reporting to focus on individual investment vehicles rather than overall strategy and to include additional and more specific data points both from both our GP survey as well as third-party data providers, where appropriate.

ESG ENGAGEMENT

- Establish a process of systematic engagement with General partners. Engagement will target both our most material financial positions as well as managers Ares identifies as having specific areas for improvement.

CARBON FOOTPRINTING

- Estimate our first ever carbon footprint for a subset of our private equity secondaries portfolio. Working with third-party data providers and Ares’ ESG climate lead, we intend to collect GHG emissions from underlying general partners, supplying estimates for those GPs that do not report.

SPOTLIGHT

ARES SECONDARIES 2023 ESG GP SURVEY

Distributed the General Partner ESG Survey to 300+ investment managers, achieving a response rate of over ~80% as measured by ‘Total Value’ across the entire Secondaries portfolio.²⁴

Private Equity



~195 General Partners

- with an ESG Policy
- without an ESG Policy
- No response

Real Estate



~110 General Partners

- with an ESG Policy
- without an ESG Policy
- No response

Infrastructure

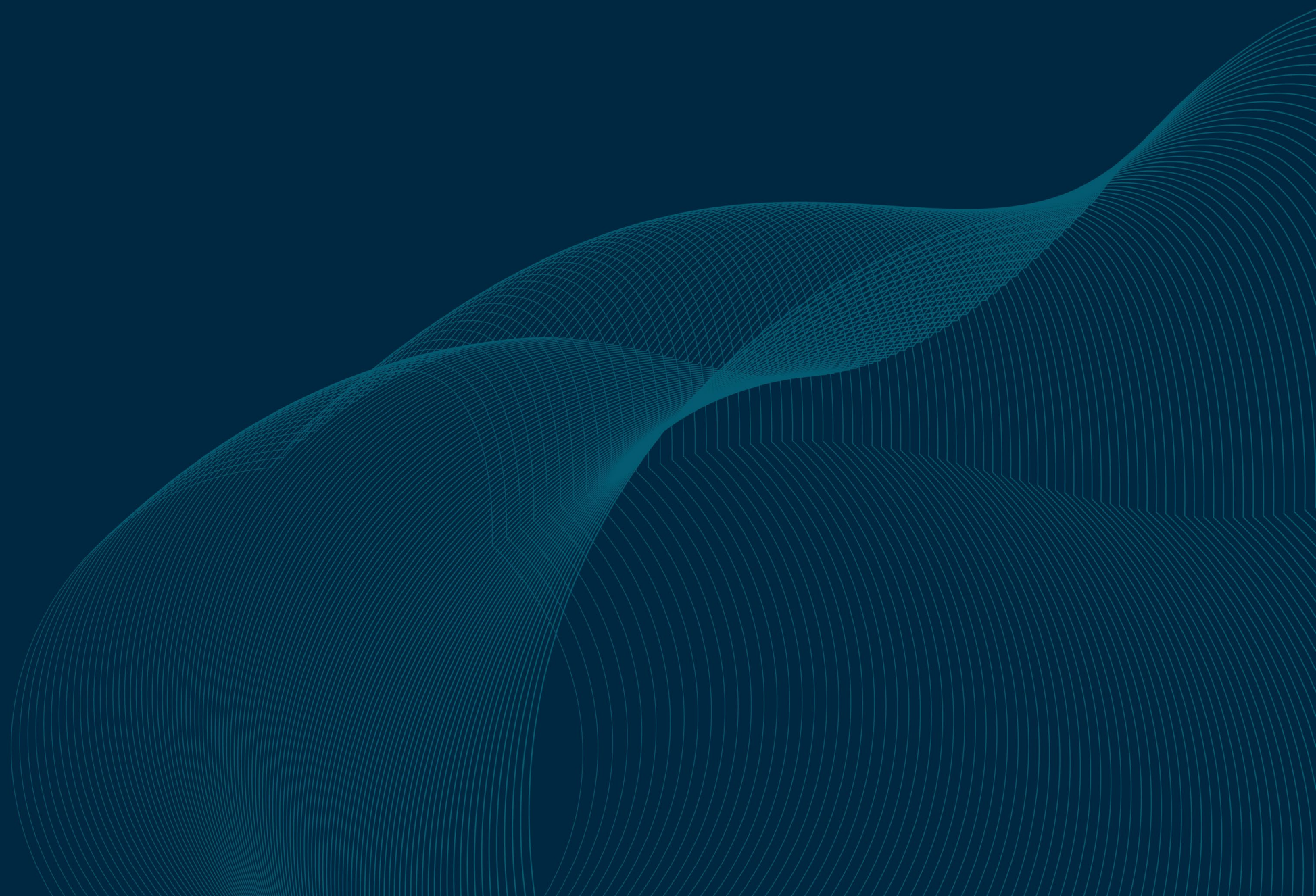


~35 General Partners

- with an ESG Policy
- without an ESG Policy
- No response



Further Information





GENERAL TERMS GLOSSARY

Material or Materiality

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.

"Material" ESG issues, are defined as topics, factors and issues Ares, determines have, or believes could have a substantial impact on an asset's or portfolio companies' ability to create or preserve economic value or those factors that may reduce ESG or sustainability related risks. Ares engages with multiple organizations to assess various approaches when determining what is a material ESG issue for different types of assets and investments.

Emissions

Emissions are categorized into three scopes: Scope 1 – Direct emissions released from sources that are owned or controlled by the reporting organization. Scope 2 – Indirect emissions associated with off-site generation of purchased electricity, heat and steam and cooling. Scope 3 – All other indirect emissions sources not accounted for within Scope 1 and 2. Emissions calculations have been carried out in accordance with the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard.

Paris-aligned

Paris-aligned means consistent with the objectives of the Paris Agreement (2015), an international treaty that aims to limit the increase in global average temperature to well below 2°C above pre-industrial levels and pursue efforts to limit the temperature increase to 1.5°C above pre-industrial levels.

ESG Integration

In line with our Responsible Investment Program, "ESG Integration" as used herein refers to the consideration of business relevant ESG issues, risks, initiatives, and value creation opportunities throughout our investment and portfolio management process.

Global Direct Lending

Ares Global Direct Lending refers to U.S. Direct Lending and European Direct Lending strategies / teams. While many similar ESG initiatives are in pilot mode for Asia Direct Lending in 2024, they are not included when "Global Direct Lending" is referenced herein.

ESG-linked Financing (formerly Sustainability Linked Loans or SLLs)

Ares ESG-Linked Financings are defined as loan instruments for which Ares proposed and agreed to terms with the borrower that link the interest rate to ambitious, material, predetermined and quantifiable Sustainability Performance Targets ("SPTs"). Such terms may provide for potential decreases in the interest rate on the loan instrument where the borrower achieves the SPTs and/or potential increases in the interest rate if the SPTs are not achieved in the prescribed time period. Typically, the borrower is required to report annually and the borrower's performance against the SPTs is verified by an independent third party. Financial outcomes for the borrower can vary depending on whether the borrower achieves the SPTs.

Sustainability Performance Targets

Sustainability Performance Targets ("SPTs") are defined as the predetermined sustainability targets in respect of certain ESG-related key performance indicators (including activities, characteristics or outcomes) which are either proposed and/or negotiated with the borrower in Ares ESG-Linked Financings and are required to be achieved over specified time periods.

Ethnically Diverse (Diversity, Equity & Inclusion)

We define "ethnically diverse" as Asian, Hispanic or Latino, Black or African American, American Indian or Alaska Native, Native Hawaiian or other Pacific Islander or two or more races. Underrepresented Ethnic Minority can be defined as a group whose percentage of the population in a given group is lower than their percentage of the population in the country. At Ares, "underrepresented ethnic minorities" or "underrepresented racial/ethnic groups" refers to people who identify as Black or African American, Hispanic or Latino, Native American, Alaska Native, Native Hawaiian or other Pacific Islander and two or more races. We track and report on ethnicity only for U.S. employees, due to different regulatory and privacy frameworks in other countries. So, the ethnicity data here represents U.S. employees only, while gender data provided is on a global basis. Gender and ethnicity classifications are limited based on employees who self-identify. Not all employees may be represented. All statistics presented are as of December 31, 2023, with the exception of Ares' Board of Directors, partners and senior professionals metrics, which are as of January 1, 2023. "Senior Professionals" is defined here as leaders at the Partner, Managing Director and Principal levels. Please note that Administrative professionals are excluded from the statistics herein.

Green Development

"Green" Development as used herein refers to one of Ares Real Estate's four core ESG pillars, as well as the internal ESG Champions working group, that focus specifically on instituting sustainable building practices across the Real Estate portfolio. This includes initiatives such as pursuing green building certifications and both onsite and offsite renewable energy procurement.

Impact

As used herein, "impact" refers to the effect that our firm and our people have on each other, our external partners, other stakeholders, and the world around us.

Incident Response

A structured process that organizations utilize to detect and respond to potential cybersecurity events and / or incidents.

Regrettable Voluntary Turnover

Regrettable Voluntary Turnover = # Regrettable Voluntary Terminations/Average (starting and ending headcount).

Responsible Investment Program

Our approach for integrating ESG factors into our investment and portfolio management process, through which we aim to (i) identify incremental value creation opportunities and potential risks to make better investment decisions in an effort to enhance investment returns and (ii) enable responsible actions toward stakeholders.

Total Value (Secondaries survey response)

"Total Value" is defined herein as a general partner's portfolio's adjusted relative value and any outstanding unfunded commitment.



2023 HIGHLIGHTS

1. Bottom-up estimated emissions are based on actual activity data from companies, as opposed to top-down sector-based proxies.
2. Survey response rates are calculated as a percentage of portfolio 'Total Value' as of December 31, 2023. 'Total Value' is defined herein as a general partner's portfolio's adjusted relative value and any outstanding unfunded commitment. Ares Secondaries ESG Survey was administered in March 2024 and responses reflected herein include those that were collected through June 30, 2024.

INDUSTRY ENGAGEMENT AND LEADERSHIP

3. The logos represent a subset of Ares' partnerships and working relationships.

DIVERSITY, EQUITY, & INCLUSION

4. The revolver commitments were \$1.325 billion as of December 31, 2023. Ares Holdings is the borrower under the Credit Facility. The Credit Facility has a variable interest rate based on Secured Overnight Financing Rate ("SOFR") or a base rate plus an applicable margin, which is subject to adjustment based on the achievement of certain environmental, social and governance ("ESG")-related targets, with an unused commitment fee paid quarterly, which is subject to change with the Company's underlying credit agency rating. As of December 31, 2023, base rate loans bear interest

calculated based on the prime rate and the SOFR loans bear interest calculated based on SOFR plus 1.00%. The unused commitment fee is 0.10% per annum. There is a base rate and SOFR floor of zero. Due to the achievement of the ESG-related targets, the Company's base rate and unused commitment fee have been reduced by 0.05% and 0.01%, respectively, from July 2023 through June 2024.

5. Definitions for "underrepresented racial and ethnic groups", "ethnically diverse" and "Senior Professionals" are included in the glossary of terms. All metrics presented are as of December 31, 2023, with the exception of Ares Board of Directors, partners and senior professionals metrics, which are as of January 1, 2024. The ethnicity data for employees provided above represents U.S. employees only, while gender data provided is on a global basis. Gender and ethnicity classifications are limited based on employees who self-identify, thus not all employees may be represented. Please note that Administrative professionals are excluded from the statistics.

CLIMATE CHANGE

6. In 2023, we continued to purchase carbon offsets and energy attribute certificates (EACs) to cover our Scope 1, 2, and 3 emissions as we have since 2020. Ares evaluates 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 prioritizes projects with social co-benefits, such as job creation and skills development for local communities

CREDIT OVERVIEW

7. Includes 2 ESG-linked financing loans done with Infrastructure in 2023. Total also includes 1 ESG-linked financing from alternative credit.

GLOBAL ALTERNATIVE CREDIT

8. Note Ares is not endorsing the non-profit organization. Nor does this indicate whether Ares has donated to the highlighted charity at the time of this publication.

CORPORATE PRIVATE EQUITY

9. As of March 31, 2023. Distributions reflect pre-tax net cash proceeds, and include proceeds from other pre-sale transactions (e.g. dividend recaps). Does not include recent monetizations where 1) we did not exert significant influence or control or 2) the company exited via IPO; Non C-Suite employees consist of both non C-Suite MIP participants and IUP Participants; There is no known overlap between these two groups.
10. Refers to representation at the Board level at PE Corporate Opportunities companies in which we have majority board-appointment rights and majority equity ownership. Dimensions of diversity include gender (female, transgender male/man, transgender female/woman), ethnicity/race (American Indian or Alaska Native; Asian, Black or African American; Hispanic or Latino/Latina/Latinx; Middle Eastern or North African; Native Hawaiian or Other Pacific Islander; two or more races), and sexual orientation (gay, lesbian, or homosexual; bisexual or pansexual). As of December 31, 2023.
11. Dimensions of diversity assessed in the Talent Pipeline Analysis include race/ethnicity and gender. Race/ethnicity is inclusive of Asian, Black/African

American, Hispanic/Latino, Indigenous, Native Hawaiian or Pacific Islander, Multiple races/ethnicities, and/or, Race/ethnicity not listed. Undisclosed race/ethnicity are excluded from the results.

12. The Maturity Assessment examines and benchmarks maturity of an organization's DEI strategy to effectively align, prioritize, and advance progress.
13. The Global Benchmark Average is based on McKinsey & Company-sourced information covering companies participating in the Inclusion Assessment.
14. Inclusion outcomes refer to how effective a company is at creating an inclusive environment and are defined as: Authenticity, Belonging, Meaningful Work, Acceptance, Camaraderie, and Fairness.
15. Two new inclusion practices were added from the 2021 inclusion survey to the 2023 inclusion survey, accounting for the difference in the number of inclusion practices in the longitudinal data compared to the graphic of 2023 inclusion practice scores.
16. Applies to selected Corporate Opportunities portfolio companies.
17. Each line represents a portfolio company and their score with respect to each inclusion practice. Employees ranked how well their organization performed against a set of inclusion metrics.

REAL ESTATE OVERVIEW

18. "Green" Development as used herein refers to one of Ares Real Estate's four core ESG pillars, as well as the internal ESG Champions working group, that focus specifically on instituting sustainable building practices across the portfolio. This includes initiatives such as pursuing both onsite and offsite renewable energy

procurement.

REAL ESTATE EQUITY

19. Not all investment committee memos will include these assessments and will primarily be for new investments.
20. No assurance that the target LEED Silver certification will be achieved for all projects.

INFRASTRUCTURE OPPORTUNITIES

21. Projections and forward-looking statements are not reliable indicators of future events and there is no guarantee that such activities will occur as expected or at all.
22. <https://www.epa.gov/greenvehicles/fast-facts-transportation-greenhouse-gas-emissions>

INFRASTRUCTURE DEBT

23. <https://digital-strategy.ec.europa.eu/en/library/fibre-most-energy-efficient-broadband-technology>

SECONDARIES

24. Survey response rates are calculated as a percentage of portfolio 'Total Value' as of December 31, 2023. 'Total Value' is defined herein as a general partner's portfolio's adjusted relative value and any outstanding unfunded commitment. Ares Secondaries ESG GP Survey was administered in April 2024 and responses reflected herein include those that were collected through June 24, 2024.



DISCLAIMER

The Ares 2023 Sustainability Report ("Report") should be read as a companion piece to Ares 2023 Sustainability Disclosures report, which can be found on our website. This 2023 Sustainability 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 responsible investment. You can identify these forward-looking statements by the use of forward-looking words such as "believes," "expects," "potential," "continues," "may," "could," "will," "should," "seeks," "predicts," "strives," "intends," "plans," "estimates," "anticipates," "foreseeable" 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 ESG 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 ESG factors is subjective by nature, and the criteria utilized or judgment exercised by Ares may not align with the views, beliefs or values, internal policies, or preferred practices of any particular investor or other asset manager or with market trends. There are a variety of ESG 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 ESG practices evolve. Further, there can be no assurance that the operations and/or processes of Ares as described herein will continue, and such processes and operations may change, even materially.

While Ares intends to include ESG as a component of its investment process, and certain corporate activities as described in this Report, there can be no assurance that Ares' ESG 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 and the application of any ESG risk scorecard, 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 ESG initiatives, policies, and procedures based on cost, timing, or other considerations; such ESG 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 ESG 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, ESG 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 ESG-related practices and potential enhancements thereto, there is no guarantee that such engagements will improve the performance or the risk profile of the investment. Additionally, there can be no assurance that Ares or its investments will be able to achieve any ESG-related objectives or that any historical trends will continue to occur.

Certain information contained herein relating to any goals, targets, intentions, or expectations, including with respect to climate targets, decarbonization initiatives and related timelines, is subject to change, and no assurance can be given that such goals, targets, intentions, or expectations will be met. These statements are subject to numerous uncertainties, risks and assumptions. 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 ESG initiatives or other similar industry groups or frameworks.

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.

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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. None of the figures included in this document were audited, assured, or independently verified by auditors or third-party assurance providers, unless otherwise stated. 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. "Material" ESG issues are defined as those issues that Ares, in its sole discretion, determines to have – or have the potential to have – a substantial effect on an organization's ability to create or preserve economic value. Any discussion of climate-related topics that are potentially material to a portfolio company refers only to the materiality of such topic to a portfolio company and does not imply or indicate that such topic is material to Ares Management Corporation. "Material" ESG issues, are defined as topics, factors and issues Ares, determines have, or believes could have a substantial impact on an asset's or portfolio companies' ability to create or preserve economic value or those factors that may reduce ESG or sustainability related risks. Ares engages with multiple organizations to assess various approaches when determining what is a material ESG issue for different types of assets and investments.

The inclusion of any third-party firm and/or company names, brands, and/or logos does not imply any affiliation with these firms or companies. None of these firms or companies have endorsed Ares, Ares funds, or any respective affiliates. This Report is dated as of August 2024 and speaks only as of such date, unless otherwise stated. This Report documents activities and includes performance data and information for calendar year 2023, unless otherwise stated.

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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