2024

TCFD Report

Introduction

At Ares Management Corporation ("Ares" or the "Firm"), our climate initiatives are grounded in value creation and management of commercial risks for our firm and investments. While the market in 2024 saw increasingly polarized views on the appropriate role of asset managers in responding to risks from climate change, our foundational focus remained consistent: **As a leading alternative investment manager, we recognize the opportunity to support our portfolio companies and assets in navigating the overall global trend toward a lower-carbon economy.**

For our investments, 2024 was characterized by evolving customer and regulatory expectations on climate. Nearly 40% of global companies by market capitalization have set or have committed to setting a science-based target, which has steadily increased over the past five years.[1] Many companies are now passing those commitments on to suppliers with more rigorous requirements for disclosure and target-setting. This may place substantial revenue at risk for suppliers that fail to respond. On the regulatory front, new climate disclosure regulations were announced or clarified in 2024 (e.g., current and planned state-level climate disclosure rules in the U.S., phased-in climate reporting for companies listed on the Hong Kong Stock Exchange, Singapore Exchange Regulation incorporating IFRS Sustainability Disclosure Standards), while others were altered or walked back (e.g., the SEC Climate Rule and EU Corporate Sustainability Reporting Disclosure).

To navigate these pressures, **a key focus for Ares in 2024 was supporting portfolio companies in managing evolving requirements and, where possible, identifying and accelerating competitive advantage through their climate efforts**.

We seek to take a pragmatic and data-driven approach to our climate work**.** We leverage the increasing availability of climate data—along with careful consideration of commercial risk and opportunity—to prioritize our efforts. Based on our assessment, we engage select portfolio companies and assets on business-relevant climate topics, which can include energy efficiency, renewable energy, supply chain management, regulatory compliance and product development.

In alignment with the recommendations of the Task Force for Climate-related Financial Disclosures ("TCFD"), **Ares is pleased to publish our fourth TCFD Report to highlight our value-driven approach to climate.** The activities and data discussed cover calendar year 2024, unless otherwise noted. For more information on climate and other sustainability-related topics, please see our annual Sustainability Report, which can be found on the ESG page on our corporate website.

2024 was a year of sharpening our focus on the climate initiatives best positioned to drive long-term value. As market and regulatory expectations on climate become more diverse across geographies, we believe that a practical and data-driven approach to climate is the right course.

Adam Heltzer
Partner, Head of ESG

Note: For the applicable pages, please see the End Notes for additional important information.

2024 Highlights and 2025 Goals[2]

GOVERNANCE

2024 PROGRESS

- Continued to engage with the Ares Enterprise Risk Committee ("ERC") and members of senior leadership on our climate strategy
- Held regular meetings of the global Climate Action Group ("CAG") and formed an emissions measurement working group with members from each of Ares' asset classes
- Staffed a dedicated climate team to scale our emissions measurement and portfolio engagement efforts
- Conducted climate trainings for internal stakeholders, focusing on market trends and climate-related risks

2025 LOOK AHEAD

- Continue to deliver periodic updates to the ERC and members of senior leadership on our climate strategy, including notable trends in climate risk monitoring
- Consider forming issue-specific working groups on topics that may include climate risk and value creation opportunities from portfolio decarbonization
- Build climate literacy through continued trainings on both technical and strategic topics for the CAG, key employees and climate-engaged portfolio companies

STRATEGY

2024 PROGRESS

- Launched the Ares Climate Transition ("ACT") Program, our global engagement framework to support select portfolio companies and assets on value-accretive decarbonization and climate risk management
- Invited portfolio companies participating in Ares' annual ESG data survey to request climate strategy engagement with Ares' ESG Team, enabling greater insight into material climate considerations
- Scaled climate engagements with select portfolio companies through webinars, playbooks, vendor introductions and 1:1 conversations with portfolio company leaders

2025 LOOK AHEAD

- Sharpen the focus of the ACT Program to the most impactful topics identified by our participating portfolio companies, such as supply chain emissions and targets
- Provide regular webinars, in-person events and resources on in-demand topics
- Hold ongoing 1:1 climate engagements with select portfolio companies and evaluate other methods to protect the value of our investments
- Continue to work with external initiatives on emerging climate tools and best practices for private markets

RISK MANAGEMENT

2024 PROGRESS

- Continued implementation of climate risk management strategies, including integration into due diligence where relevant
- Designed an approach for a portfolio climate risk "heat mapping" exercise to identify the sectors, regions and scenarios over which our investments are most exposed to climate related physical and transition risks
- Developed a method to support risk mitigation during due diligence by identifying companies in high-emitting industries and scoring the credibility of decarbonization plans—currently used for select investments facing commercial pressure to decarbonize

2025 LOOK AHEAD

- Conduct climate risk "heat mapping" exercise and leverage the results to improve due diligence and portfolio monitoring where needed
- Continue to use sustainability ratchets where appropriate to manage portfolio company climate risk
- Develop a process to better assess and track instances of portfolio companies subject to emissions reporting or decarbonization targets mandated by their customers
- Continue to implement scorecard system to assess credibility of decarbonization plans as a risk mitigation tool during due diligence, as applicable to certain funds and investments

2024 Highlights and 2025 Goals[2]

METRICS & TARGETS

2024 PROGRESS

- Expanded coverage of financed emissions footprint from 82% of invested assets in 2023 to 88% in 2024, with the inclusion of Alternative Credit
- Tripled the number of portfolio companies surveyed for climate data, increasing the quality financed emissions data
- Measured and worked to manage our operational emissions at the management company level, including offsetting these emissions for the fifth consecutive year and locking in a multi-year energy attribute certificate ("EAC") purchase

2025 LOOK AHEAD

- Work with select portfolio companies to build capacity for improved emissions measurement
- Consider expanding the financed emissions footprint to cover additional strategies and funds

Ares Denver Office, CO, USA

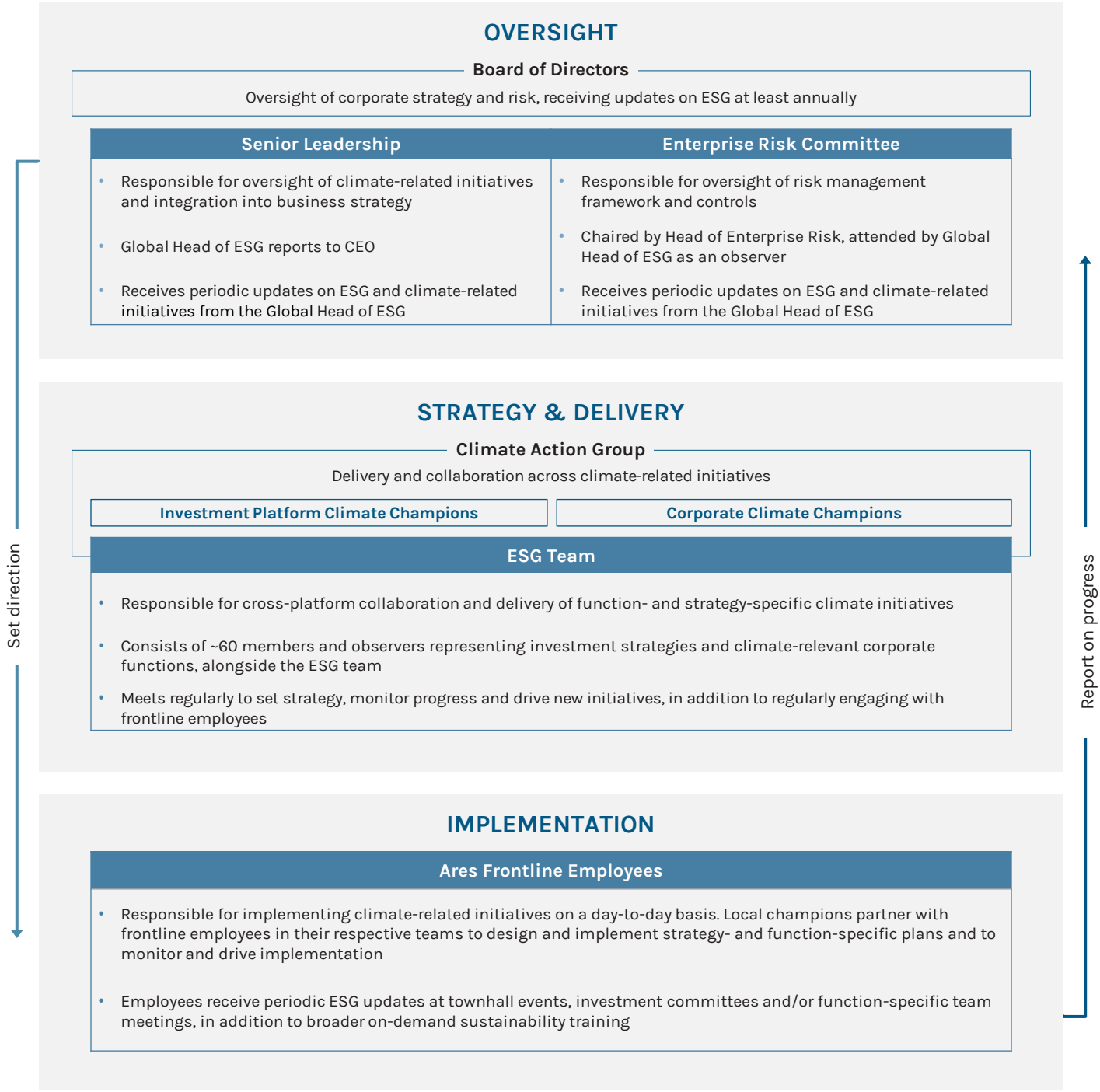
Governance

Through our approach to climate governance, Ares aims to prioritize the most value-accretive workstreams, provide executive oversight, promote collaboration across asset classes and operations and empower frontline employees most responsible for day-to-day execution.

OVERVIEW

Ares believes that effective management of climate initiatives requires clarity on roles and responsibilities. To that end, we have established the three-tiered approach in **Figure 1.**

Figure 1: Governance of climate initiatives



KEY DEVELOPMENTS

Throughout 2024, Ares enhanced our climate governance in the following ways:

- **Onboarded a climate specialist:** Ares hired a climate specialist to scale our carbon inventory, portfolio engagement and other climate efforts.
- **Activated our Climate Action Group:** The CAG—composed of ~60 climate champions and observers—draws from employees across investment strategies and corporate functions to create a forum for collaboration and implementation of climate initiatives. The members of the CAG hold regular meetings and drive various climate workstreams at the strategy, regional and firmwide level. In 2024, CAG members stepped up to drive progress on efforts including carbon accounting, portfolio decarbonization and climate risk management.
- **Focused on education and capacity-building:** Over the last several years, Ares has taken steps to extend the understanding of climate issues beyond our dedicated ESG Team. In 2024, we held trainings for CAG members and frontline employees including: (1) carbon accounting, (2) a talk on "Dispelling 5 Climate Misconceptions" open to all employees and (3) a presentation on "Everything You Need to Know about Emissions at Ares in 10 Graphs." In addition, we hosted an Environmental Defense Fund ("EDF") Climate Corps fellow for the third year in a row, helping develop an emerging climate leader while accelerating our work on emissions reductions.

LOOKING AHEAD

We believe Ares has established a strong foundation for governance by embedding climate responsibilities among key stakeholders at the Firm. We expect future efforts to focus on continued transparency, standardization of approach and more extensive collaboration on specific climate issues.

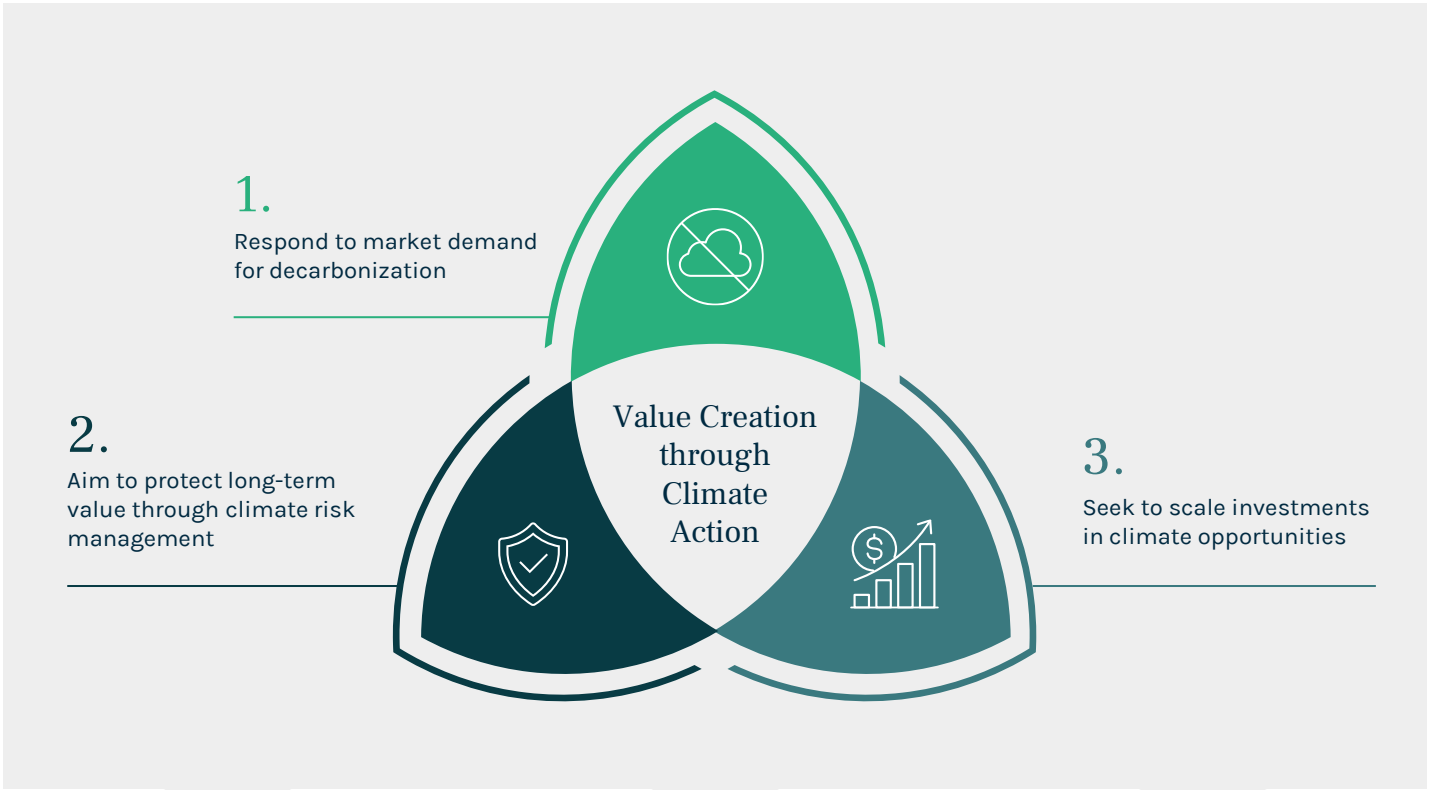
- **Oversight of climate risks:** We plan to engage the ERC on possible improvements to climate risk assessment and monitoring resulting from the climate risk "heat mapping" exercise described in the Risk Management section.
- **Expanded working groups:** To support our investment goals, we are considering organizing the CAG into additional issue-specific working groups. Topics may include:
  - *Climate risk assessment*: Evaluating firmwide climate risks—including physical and transition—and integrating into due diligence as appropriate
  - *Portfolio decarbonization*: Developing a scalable approach to engage select portfolio companies facing market pressure to track and reduce emissions
- **Continued trainings:** As market expectations on climate become more complex, we believe that building climate literacy among our employees will become more critical. We plan to continue training staff on the connection between climate performance and value, including topics such as decarbonization methods, regulatory compliance and data quality and verification.

U.S. Sustainability Summit breakout session

Strategy

We continued to organize our climate efforts and engagements around the pillars of our strategic framework throughout 2024. **Figure 2** describes desired outcomes and enablers to our approach. While we have high conviction behind this framework, we expect to adapt it as needed moving forward.

Figure 2: The Ares climate framework



A People-first Approach

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

Industry Action & Engagement

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

Data & Measurements

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

RESPOND TO MARKET DEMAND FOR DECARBONIZATION

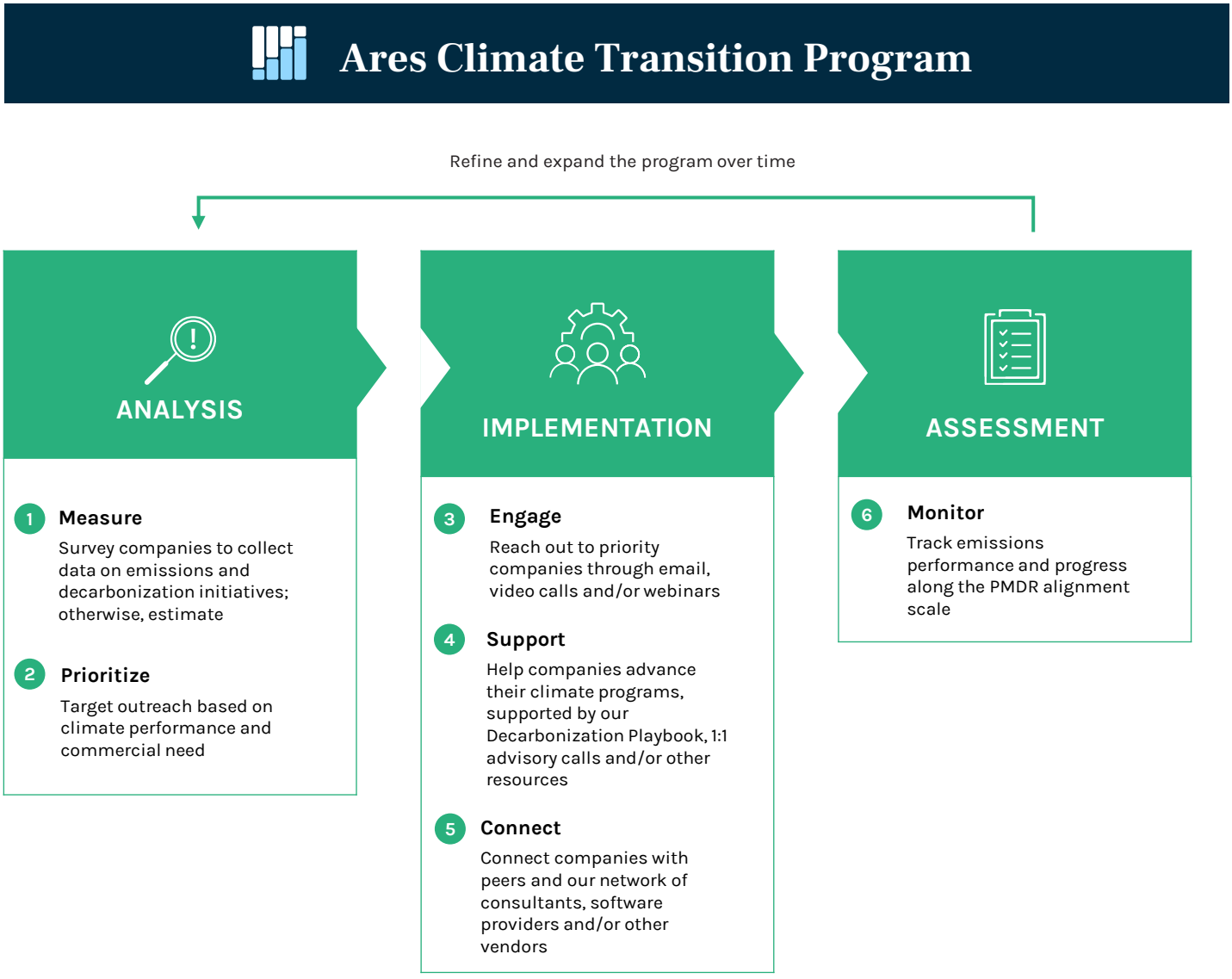
We work to enable emissions reductions through targeted, tangible actions that can generate and preserve value for Ares and our investors. This approach has two major elements: strategic portfolio engagement and integration of climate considerations into our day-to-day work across investment strategies. This requires a balance between addressing the unique realities of each asset class while maintaining a cohesive vision and systemized approach to climate at Ares.

Portfolio engagement

In 2024, we launched the ACT Program, which provides a global framework for engaging with select portfolio companies on value-accretive decarbonization strategies and climate risk management. The program is driven by a core idea: While the pathways to decarbonization for a diverse portfolio are still coming into focus, Ares and our portfolio companies, sponsors and assets can take meaningful, short-term action now to respond to market pressure for emissions measurement and reduction. Taking these actions can position our investments for long-term success in a world where climate performance is increasingly linked to competitive advantage.

Through materiality-based approaches tailored to sector, geography and relationship with each company, we aim to meet our investments where they are on their climate journeys. For example, we may engage majority-owned companies more intensively with customized support, whereas we may take a more scalable approach—through webinars or working groups—to support borrowers in the direct lending portfolio. As shown in **Figure 3**, the ACT Program follows a consistent firmwide process for portfolio engagement, which can be adapted as necessary:

Figure 3: ACT Program implementation plan



To support these objectives, the ACT Program is:

- **Driven by data and process,** allowing us to prioritize engagements where we see the greatest financial risk and potential for value creation as well as engage with companies who proactively requested climate strategy engagement with Ares
- **Backed by the Ares platform of resources,** including toolkits, vendor partnerships, training and direct support from the Ares ESG Team
- **Aligned to the Private Markets Decarbonization Roadmap ("PMDR"),**[3] enabling us to consistently monitor surveyed portfolio company progress along the PMDR alignment scale as well as our internal Decarbonization Score, both of which help summarize a company's climate maturity
- **Focused on value creation,** recognizing that building capacity for climate performance at our portfolio companies can protect value in the short-term while positioning them for long-term success as the world progresses through an energy transition

We plan to focus on scaling the program in 2025 and beyond. See the spotlight on page 10 for a summary of activities in 2024.

Considering climate integration throughout the investment platform

Our ESG Team works with investment teams to determine where climate goals could be incorporated into the annual planning process.

Climate goals naturally vary from strategy to strategy, but a common theme in 2024 was going beyond emissions measurement to systematically engage certain companies on climate, where relevant. These included:

1. Helping companies under direct customer pressure to establish appropriate climate targets and decarbonization plans
2. Categorizing companies' climate maturity using the PMDR scale
3. Connecting portfolio companies with guidance and vendors tailored to their needs

U.S. Sustainability Summit

SPOTLIGHT **ACT Program: 2024 Highlights**

Objective: Create value and mitigate risk by helping select portfolio companies improve their climate programs, in response to market demand and regulatory requirements

WEBINARS

ACT Program launch webinar and live survey for participating portfolio companies

"Dispelling 5 misconceptions about climate" firmwide education session

"Ares portfolio emissions in 10 graphs" presentation for internal champions

KEY TOPICS OF INTEREST

as voted by participating portfolio companies

1. Supply chain decarbonization
2. Carbon accounting
3. Customer pressure to set climate targets

IN-DEMAND RESOURCES

requested by participating portfolio companies

1. Playbooks
2. 1:1 engagements & workshops
3. Peer networking opportunities

ENGAGEMENT HIGHLIGHTS

Helped a cruise line in our Private Equity and Special Opportunities portfolio create a decarbonization plan—supporting their net-zero target while preparing for upcoming regulations.

Facilitated a vendor proposal to help a label printing company in our Private Equity portfolio modernize its carbon footprint software—responding to disclosure and science-based target setting requirements from a key customer.

Delivered a workshop in Europe on "Building the Business Case for Decarbonization," attended in-person by 30+ portfolio companies from across investment strategies.

STATS

50+
Portfolio companies reached

20+
Direct 1:1 engagement

LOOKING AHEAD

1. Plan and execute webinar series targeting key topics of interest, as indicated by participating portfolio companies
2. Develop playbooks and reference materials on topics like setting emissions reduction targets
3. Expand tailored 1:1 engagements as feasible

CASE STUDY

Advancing Renewable Energy in Digital Infrastructure

Funds managed by Ares have invested in Prime Data Centers ("Prime"), a global data center developer and operator that specializes in building, acquiring and operating large-scale data center facilities for enterprises, hyperscalers and service providers.

The rapid growth of digitalization and adoption of AI is driving a tremendous increase in data center demand in the U.S.—and as a result, a surge in the need for electricity.*

To address these challenges, Prime is focused on two key areas in their growth: enhancing energy efficiency and securing sustainable energy sources. Notable efforts the company undertook in 2024 include:

- **Completed a full inventory of Scope 1, 2, and 3 GHG emissions** and began developing a decarbonization roadmap, with the aim of setting GHG emissions reduction targets in 2025
- **Stopped purchasing traditional diesel as the main fuel source for U.S. backup generators** in favor of hydrotreated vegetable oil ("HVO")
- **Achieved a 1.20 Design Power Usage Effectiveness ("PUE") ** ratio**, driven by their commitment to data centers with energy efficiency in mind

* McKinsey & Company. September 2024. How data centers and the energy sector can sate AI's hunger for power.

** PUE is an industry metric used to calculate data center efficiency. It is measured by dividing total data center power consumption by the power used by customer IT equipment. The goal is to be as close to 1.0 as possible.

SEEK TO SCALE INVESTMENTS INTO ENERGY TRANSITION OPPORTUNITIES

The energy transition continues to create opportunities for Ares to invest in businesses and assets that are supporting the trend toward a lower-carbon economy.

Throughout 2024, Ares' real assets teams deployed capital across a number of key energy transition subsectors, including renewable power, waste-to-energy solutions, renewable natural gas, sustainable building development, green digital and nuclear.

Several examples are highlighted in our 2024 Sustainability Report, including:

- **Ares Infrastructure Opportunities ("AIO")** invested in a portfolio of operating renewable assets totaling 2.7 GW owned and operated by ENGIE, a global leader in low-carbon energy and services. The transaction represented the largest operating portfolio selldown for ENGIE in the U.S. and is one of the largest sales in the renewables sector. The portfolio includes 15 utility-scale renewable projects across four power markets and six states that is further diversified by generation technologies across wind, solar and storage. AIO's investment will enable redeployment of capital into new renewables growth in North America. Globally, ENGIE aims to add 4 GW per year through 2025, with North America as a material contributor to that growth.
- **Ares Infrastructure Debt** committed capital to Nordic Ferry Infrastructure ("NFI"), a leading private ferry transportation company in the Nordic region. NFI provides essential transport infrastructure across its route network of "floating bridges." The company was formed by EQT through the combination of the local ferry and express boat operators in Denmark and Norway. In addition to connecting goods, cargo and passengers efficiently, NFI operates a sustainability strategy with two main goals of emissions reduction and incident reduction. NFI has set a goal reach net-zero GHG emissions by 2040 across its value chain, which was approved by the Science Based Target initiative. One pathway the company is taking is an ambitious investment program toward fleet electrification on a number of its key routes. Such investment toward a renewed fleet of efficient electric vessels is expected to deliver significant decarbonization progress as well as improved economics and profitability for NFI.
- **Ares Real Estate** provided preferred equity to New York's first all-electric skyscraper (located at 505 State Street, Brooklyn, NY, USA), future-proofing the asset for upcoming regulations, energy costs and GHG emission reduction requirements. Key features include (1) Green Building Certification: Achieved Gold accreditation for LEED Communities (2) Building Analytics: Building management software tied to smart thermostats and digital meters for efficient operation and (3) Efficient Design: Triple glazed windows, energy efficient appliances etc.

We believe transition-supportive infrastructure and real estate will continue to represent a significant, multi-decade investment opportunity for Ares going forward.

PROTECT LONG-TERM VALUE THROUGH CLIMATE RISK

We view climate risk management as a critical tool to protect and promote long-term value across our business and certain investments. We have evaluated the TCFD transition risk groups—Policy & Legal, Technology, Market and Reputation—at both the Firm and investment levels and identified what we believe are the most salient risks. Similarly, we have also evaluated potential opportunities which may arise from a transition to a lower-carbon economy. Examples of these risks and opportunities may be found in **Figure 4**. We aim to incorporate these types of climate-related risks and opportunities into our business and investment decision-making where relevant.

In 2024, we began designing a more detailed climate risk "heat mapping" exercise on our portfolio, which we expect will help us identify the sectors, regions and timeframes in which our investments are most exposed to physical and transition risk from climate. See the Risk Management section for more details.

Assessment of Climate Transition Risks

Following our consideration of various drivers of corporate and investment risks, the Ares ESG Team determined that the Policy & Legal and Market risk groups have the highest potential for material risks as climate-related regulations continue to proliferate across the globe.

- **Policy & Legal**: The specificity of certain climate requirements that could impact our investments grew in 2024 (e.g., current and planned state-level climate disclosure requirement in the U.S.) while simultaneously we saw increased volatility as some regulations that could impact Ares corporate were altered or walked back (e.g., the SEC Climate Rule and EU Corporate Sustainability Reporting Directive).
- **Market:** Changing conditions have required the Ares ESG and investments teams to stay ahead of market expectations to mitigate risk. Customer expectations for suppliers continue to increase, along with resourcing requirements to respond to these requests.
- **Technology:** New solutions continue to proliferate through asset classes, presenting potential increased opportunities rather than solely risks.
- **Reputation:** Through proper governance and our value-driven approach to climate programs, we believe Ares is equipped to mitigate reputational risk.

Assessment of Climate Opportunities

With respect to potential climate opportunities for our corporate actions and investments, the most relevant opportunities for Ares have been identified in the Products & Services and Energy Source groups, with Resource Efficiency, Resilience and Markets all presenting smaller opportunities. Ares continues to investigate these opportunities through our investment activities and seeks to improve our corporate opportunities consistent with our fiduciary duty.

Figure 4: Examples of climate risk drivers and opportunities

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

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

Risk Management

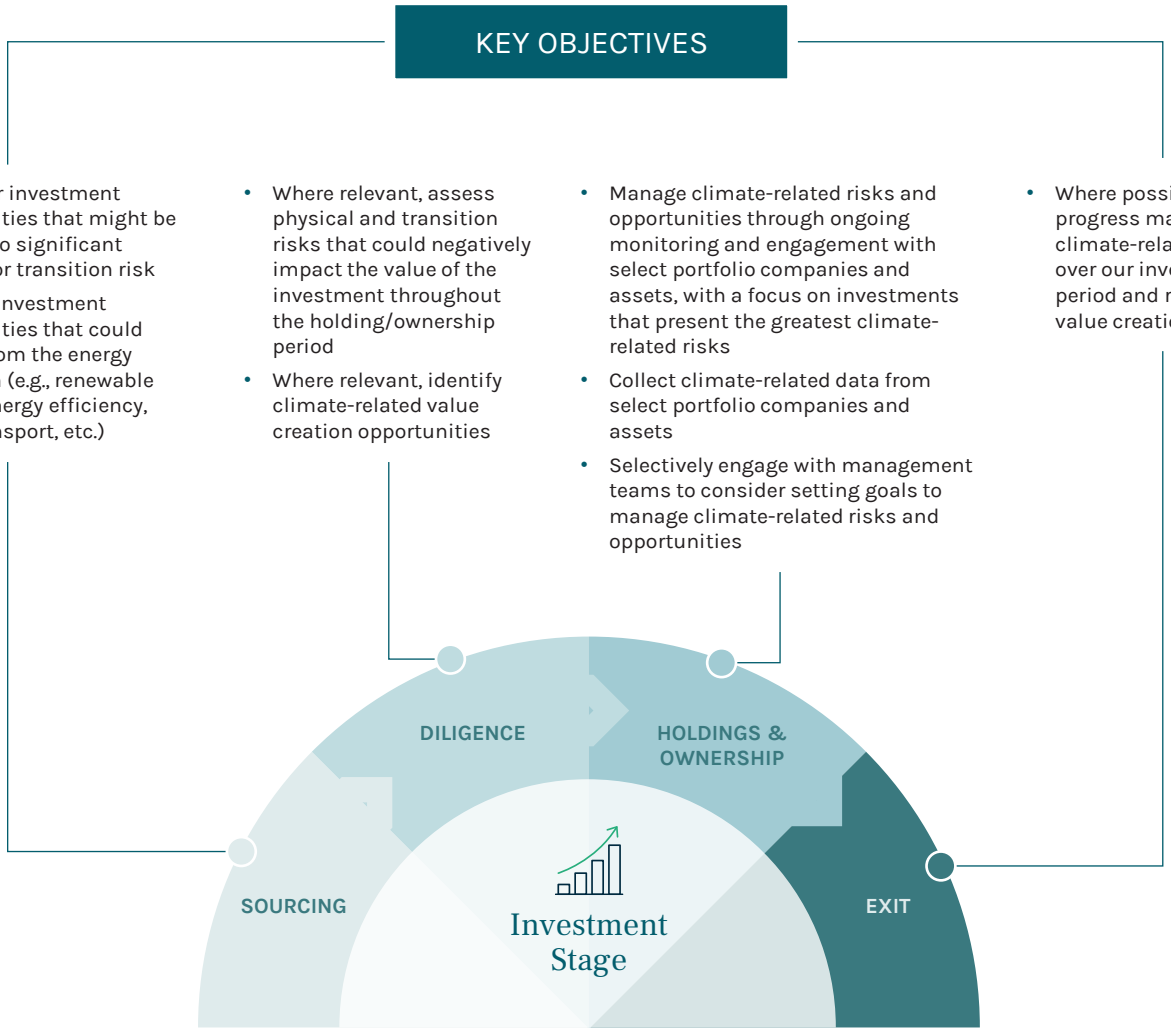
At Ares, we view addressing climate risk as part of our responsibility for prudent risk management on behalf of our investors and other stakeholders. As part of the Ares Responsible Investing Program, we have outlined a framework for managing climate risk during the investment cycle, from deal sourcing through realization.

INTEGRATION INTO THE INVESTMENT PROCESS

We currently take a case-by-case approach to considering the materiality of climate risk within the investment process, recognizing that methodologies for evaluating climate risk are still evolving. Our approaches to climate risk vary by asset class depending on the level of control, access to data, hold periods and other factors. To help support investment professionals in performing these risk assessments, the ESG Team, in partnership with our climate champions, have implemented several initiatives, including providing general and strategy-specific training, frameworks and data tools.

Figure 5 outlines each stage of the investment process and Ares' objectives when considering climate risk. Investment teams are responsible for identifying the specific risk management steps that are most relevant to their respective strategy, based on level of influence, anticipated investment period and other factors.

Figure 5: Managing climate risks across the investment lifecycle



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

Understanding portfolio climate risks

In 2024, we partnered with a consultant to design a climate risk "heat mapping" assessment to better understand our portfolio exposure to physical and transition risk from climate change. These risks may have short-term and long-term effects on the commercial performance of certain portfolio companies and assets. The purpose of the "heat map" is to provide a top-down view of the sectors, regions, investment types and hold periods likely to have the highest concentration of risk. We intend to use the insights to target improvements to our due diligence and portfolio monitoring process by identifying areas where we believe action will have the greatest benefit. These additional insights can supplement the case-by-case assessment of climate risks we already perform across the investment lifecycle. The spotlight below summarizes the methodology and scenario selection of this assessment.

SPOTLIGHT **Building a portfolio-wide climate risk "heat map"**

METHODOLOGY

1. Identified the list of industries and regions represented by Ares portfolio companies and assets across most investment strategies
2. Characterized severity of physical and transition risk using a variety of climatological, economic, and policy datasets plus custom analysis
3. Mapped the Ares portfolio to these risks in terms of hazard, vulnerability, and exposure per the Intergovernmental Panel on Climate Change ("IPCC") guidelines

RISK TYPES INCLUDED

We identified multiple climate scenarios with differing projections of physical climate hazards and transition risks. We expect this scenario analysis will assist in more targeted identification of relevant risks during due diligence and portfolio monitoring.

Physical	Transition
• Heat and Water Stress • Floods • Wildfires • Hurricanes & Typhoons • Sea Level Rise	• Regulation & Carbon Taxes • Supply Chain Disruption • Consumer Preferences • Energy Transition • Insurance Price & Availability

TRANSITION RISK FOR EMISSIONS-INTENSIVE ASSETS

We developed a framework in 2024 for evaluating climate-related risks relevant to companies in carbon-intensive industries during due diligence. This includes two main components:

- **Emissions Estimator:** An online tool developed in partnership with Watershed, an enterprise sustainability platform, that enables ESG or deal team members to quickly estimate Scope 1, 2 and 3 emissions and associated intensities based on sector, revenue and other known data about the company.
- **Decarbonization Plan Scorecard:** A scoring system that allows ESG or deal team members to evaluate the quality and credibility of a company's existing decarbonization plans and the extent to which they may mitigate transition risk—including elements such as short-term and long-term targets, emissions measurement, reduction pathways and governance.

These tools are available for the investment strategies and funds that wish to better characterize the potential emissions risks associated with new deal prospects and understand the extent to which those risks may be mitigated by existing decarbonization plans. They are currently being piloted by select investment strategies and may be rolled out more widely as applicable.

LOOKING AHEAD

At Ares, measurement and management of the climate risk from our investments is conducted on a materiality basis, guided by the key objectives outlined in **Figure 5** on page 13 and targeted at the parts of the portfolio expected to experience the most material risks. In 2025 we plan to evaluate ways to improve climate risk assessments as part of due diligence and portfolio monitoring. This may include:

- **Diligence Enhancement**: The implementation of additional questions or checks for sectors, geographies, investment types and hold periods with elevated climate risk.
- **Customer Risk:** Exploring ways to better assess and track "revenue at risk" for portfolio companies subject to emissions reporting or decarbonization targets mandated by their customers. These targets are becoming more common and rigorous among some of the largest customers in the world, implying that climate performance can be a commercial differentiator (and source of revenue risk) for many of our portfolio companies.
- **Sustainability Ratchets:** Where appropriate and where climate is a material issue, incorporate climate related KPIs into deal terms to align incentives between Ares and portfolio companies.[4]

Midway Industrial Center, MD, USA

SPOTLIGHT

A programmatic approach to climate risk assessments in real estate

OVERVIEW

Real estate assets face a unique set of risks related to climate change, often with more direct exposure to physical risk than corporate investments and subject to more stringent local regulations on emissions measurement, energy performance and decarbonization.

Therefore, we have developed a programmatic approach to conducting physical and transition risk assessments across both new and existing equity investments in our real estate portfolio throughout the investment lifecycle:

Pre-Acquisition	• Conduct third-party physical and transition risk assessment • Review climate hazards and building performance standards to identify potential exposure and assess mitigation options
Investment Committee	• Include risk assessment results and risk-specific mitigation measures in Investment Committee memos • Underwrite energy efficiency upgrades as needed
Standing Investments	• Evaluate portfolio to inform future energy/water efficiency measures and decarbonization opportunities to reduce utility usage and regulatory risk

RISK ASSESSMENT IN PRACTICE

The following examples illustrate actual risk assessment results for recent acquisitions in Nevada and California.

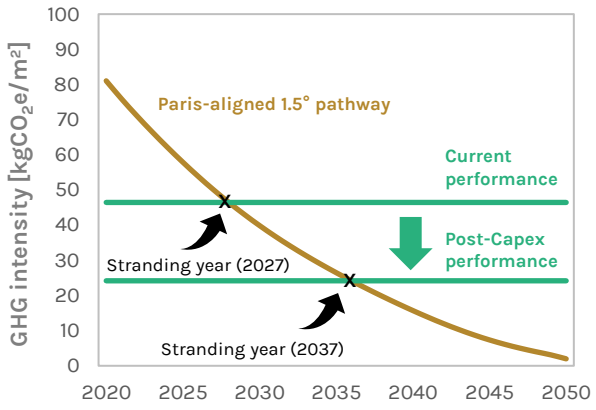
Physical Risk

Facility Risk Exposure Summary

Climate Hazard	2030	2040	2050	2080
Floods	1	0	1	0
Heat Stress	0	2	11	37
Hurricanes & Typhoons	0	0	0	0
Sea Level Rise	0	0	0	0
Water Stress	100	100	100	100
Wildfires	29	29	29	29
Earthquakes	51	51	51	51

Transition Risk

Effect of Potential Capex on Emissions Intensity



Metrics & Targets

At Ares, data provides the foundation for our climate program. While we do not have a firmwide net-zero target, data collection allows us to prioritize a series of initiatives that are aimed at enabling shorter-term, real-world emissions reductions. We believe this ultimately allows us to better manage climate-related risks and opportunities at our firm and throughout the portfolio. In 2024, we continued to expand the collection of climate data while implementing process improvements to collection, quality assurance and reporting.

SPOTLIGHT **Data quality in private markets**

While Ares prioritizes improvements to the quality and coverage of portfolio emissions data, investing primarily in private markets (where availability of emissions data is lower than in public markets) requires us to use some sector-based estimates. These can vary widely from actual emissions.

In 2024, Ares continued several ongoing initiatives to improve both the quality and coverage of emissions data, including:

- Expansion of the Ares annual ESG survey to cover more asset classes and more detailed climate-related questions
- Partnerships with vendors to collect publicly available reporting and provide proprietary datasets
- Select portfolio engagement efforts including training and vendor introductions to build capacity for emissions measurement
- Improvements to internal data systems to obtain more accurate, consistent and complete company and holdings information to aid in estimation—including sector reclassifications to improve mapping to emissions factors

We disclose our data quality scores in line with the Partnership for Carbon Accounting ("PCAF") guidance to track year-over-year progress. This scale ranges from 1 as the highest quality and most granular data available to 5 as the lowest quality data based on top-down estimates. The improvement in our 2024 portfolio data quality score of 3.6 reflects Ares' ongoing efforts to improve data quality while expanding coverage.

We are continuing to investigate the potential to improve data access and quality for hard-to-quantify emissions like third-party managed funds, including CLOs and our Secondaries business.

FINANCED EMISSIONS

Improvement and Expansion

Data plays a central role in our climate strategy, enabling an improved prioritization of our efforts and ongoing monitoring of their effectiveness. In 2024, we expanded our ESG Data Working group, with members drawn from select ESG, IT and Investment Operations functions. The ESG Data Working Group drove several process improvements for collecting, reviewing and analyzing climate-related data in 2024—including a widely expanded ESG survey to participating portfolio companies, technology integrations to improve the speed and transparency of our carbon footprint and a suite of internal dashboards for use by teams across Ares.

We have now calculated and disclosed our financed emissions footprint—categorized as Scope 3 – Category 15 under the Greenhouse Gas Protocol—for the third year in a row. In 2024, we expanded coverage of the footprint from 82% to 88% of our invested assets globally through the addition of the Alternative Credit portfolio.

Data quality was another notable improvement in 2024. Through a large ESG survey effort, we were able to increase the number of companies self-reporting emissions and other climate data, thus reducing our reliance on estimates. This resulted in tripling the number of companies reporting emissions data and an overall improvement in PCAF Data Quality Score from 3.7 to 3.6. The footprint now includes 900+ fund entities and separately managed accounts, 2,700+ portfolio companies and 1,300+ real asset investments from across the investment strategies detailed in **Figure 6** on page 18.[5]

We believe our efforts to expand data coverage and improve data quality enable us to better fulfill investor data requests and more strategically prioritize engagements.

Methodology

Consistent with industry standards, we calculated our financed emissions in line with the PCAF framework. Financed emissions represent Ares' attributable share of the Scope 1 and 2 and select Scope 3 emissions of our portfolio companies and assets. We contracted with an independent verifier and are in the process of obtaining limited assurance of Ares' 2024 Scope 3 financed emissions statement. A copy of the verification letter will be published separately, once issued.

Results

The results of our financed emissions footprint are shown in **Figure 6** and **Figure 7**. We include emissions from the following data sources, in order of priority:

1. Reported by the company publicly or to Ares in our annual ESG survey
2. Calculated or estimated via a specialized third-party software tool (for certain strategies)[6]
3. Estimated using a top-down sectoral method[7]

We feel it is important to calculate the Scope 3 emissions of portfolio companies as it often represents the largest portion of their emissions profile and therefore may provide insight to potentially relevant climate-related risks and opportunities. However, Scope 3 data tends to be less accurate due to the complexity of measurement and inconsistency across categories measured and included in company disclosures.[8] The combination of Scope 1 and 2 is often a more meaningful barometer of company emissions performance. Therefore, we separately disclose emissions by scope as recommended by PCAF and we report metrics for various combinations of scopes to improve transparency. When estimating Scope 3 emissions for companies that do not disclose them, we include upstream emissions (Categories 1-8) for all companies and certain downstream emissions (Categories 9-12) for the industries where reasonable assumptions are available. We do not estimate the remaining downstream sources (Categories 13-15).

Figure 6: Share of global invested capital covered by footprint (2024)

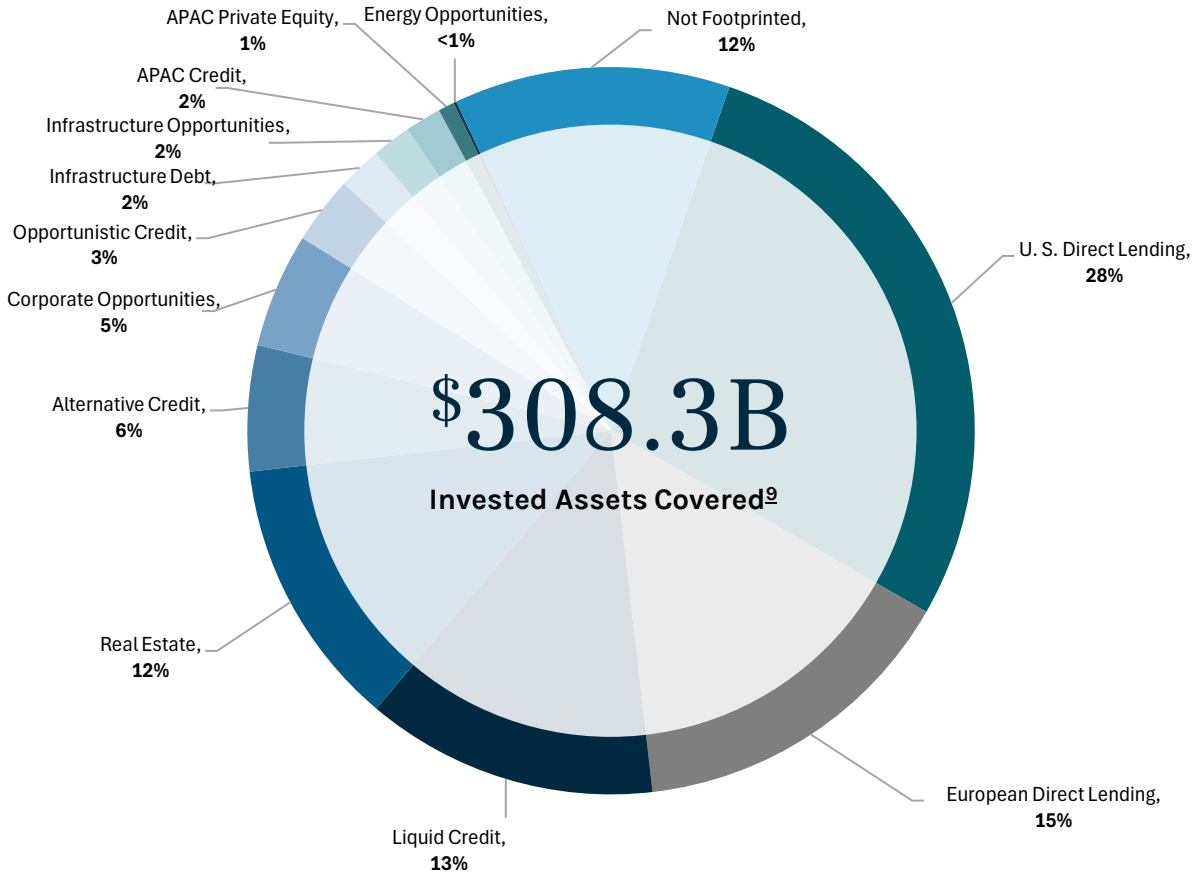


Figure 7: Financed emissions by strategy (2024)[10]

Strategy	Invested Assets Covered ($M)[9]	Financed Emissions (tCO2e)			Economic Intensity (tCO2e/$M Invested)		Weighted PCAF Data Quality Score (1-5)		
		Scopes 1-2	Scopes 3	Total	Scopes 1-2	Total	Scopes 1-2	Scope 3	Total
Credit									
U.S. Direct Lending	$98,724	3,994,122	11,815,560	15,809,672	40	160	3.4	3.6	3.6
European Direct Lending	$52,004	829,122	4,235,038	5,064,160	16	97	2.6	3.0	2.9
Alternative Credit	$19,635	123,665	3,502,503	3,626,167	6	185	4.8	4.8	4.8
Liquid Credit	$45,636	4,804,720	12,639,044	17,443,764	105	382	3.4	3.5	3.5
Opportunistic Credit	$10,799	335,543	2,193,568	2,529,111	31	234	3.3	3.7	3.6
APAC Credit	$5,651	1,397,838	1,245,898	2,643,736	248	469	4.3	4.4	4.4
Real Estate									
Real Estate Equity & Debt	$42,299	*Estimates tracked at whole building level*[11]		600,657	n/a	14	n/a	n/a	4.0
Private Equity									
Corporate Opportunities	$17,590	671,039	2,128,573	2,799,611	38	159	3.5	3.7	3.7
APAC Private Equity	$2,540	64,494	235,169	299,664	25	118	3.5	4.2	4.1
Energy Opportunities	$451	42,354	145,365	187,718	94	416	4.6	4.6	4.6
Infrastructure									
Infrastructure Opportunities	$6,123	6,621,118	721,413	7,342,531	1,081	1,199	2.5	3.1	2.7
Infrastructure Debt	$6,798	259,330	1,358,628	1,617,958	38	238	2.9	3.2	3.1
TOTAL	**$308,250**	**19,143,334**	**40,220,758**	**59,964,749**	**62**	**195**	**3.4**	**3.6**	**3.6**

CORPORATE EMISSIONS

Our climate strategy includes addressing emissions from our corporate operations. We view this as an opportunity to drive operational efficiency, cost savings and employee education across the Firm while demonstrating alignment with our portfolio companies.

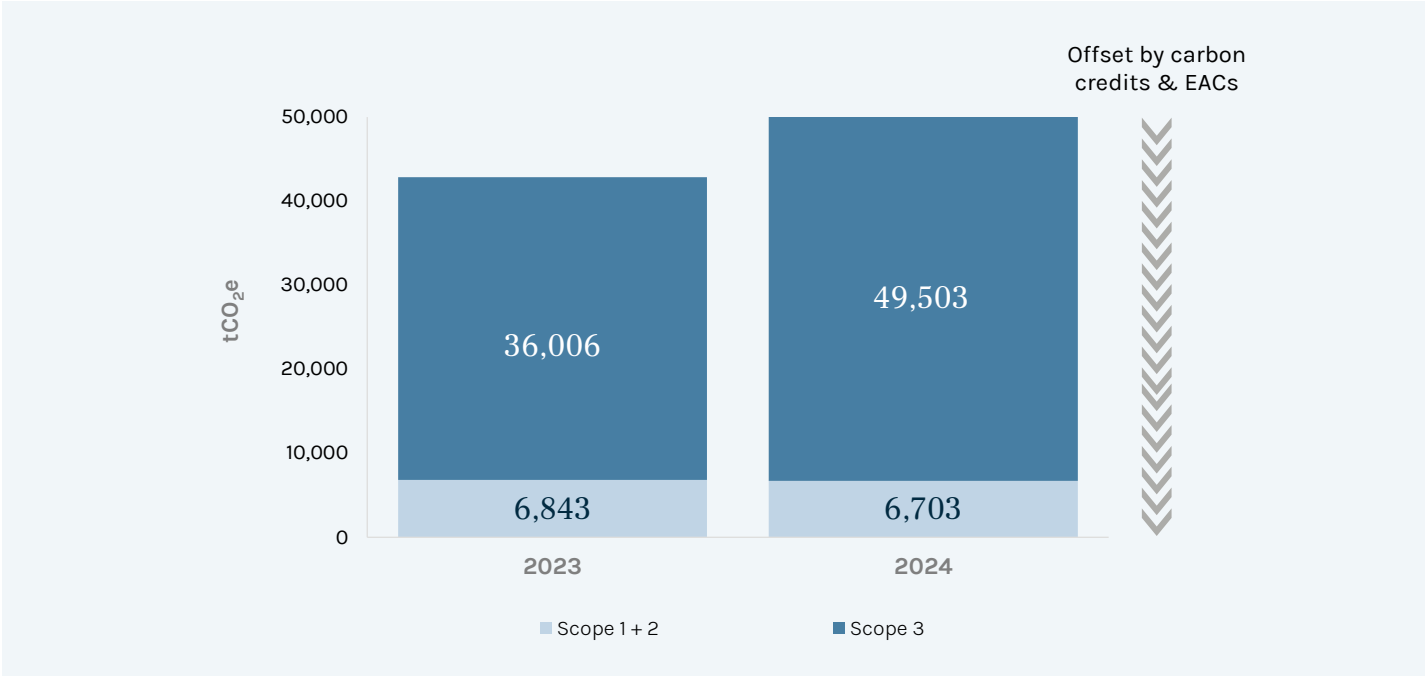
Operational Footprint Methodology and Results

Ares has measured, reported and offset our operational emissions at the management company level since 2020. These calculations are in alignment with the Greenhouse Gas Protocol Corporate Standard.

From 2020 to 2022 we saw significant changes in our annual emissions driven by the impacts of COVID-19. This impact was most pronounced in our business travel, which was initially reduced followed by several years of continued rebound. As our business travel policies have generally returned to normal, we feel it is most meaningful to present emissions for 2023 onwards due to the dwindling impact of COVID-19. See **Figure 8** on page 20 for details. While our absolute emissions continue to increase, this is in line with our growing headcount and occupied footprint. More on our approach to managing our operational emissions, and reducing them where practical and feasible, is discussed in the following section.

In 2024 we improved our corporate climate assessment by internalizing the preparation of our operational emissions statement. As we continue to evaluate opportunities to improve our data collection and reporting, we plan to pursue third-party verification of our corporate emissions.

Figure 8: Scope 1, 2, and 3 Operational Emissions[12]



Carbon Credits and EAC Purchases

We continued to purchase carbon credits and energy attribute certificates ("EACs") to cover our 2024 corporate emissions, as a complement to our efforts to manage these emissions. We procure carbon credits from nature-based carbon removal projects in partnership with Climate Impact Partners and evaluate them using the Core Carbon Principals of the Integrity Council for the Voluntary Carbon Market. The specific credits we purchased helped to support grassland restoration work and were validated by the Verified Carbon ("VCS") and Climate, Community and Biodiversity ("CCB") Standards. The VCS, set by Verra, is the world's most widely used voluntary program to ensure the credibility of emission reduction projects. The CCB Standards assess land use projects aimed at addressing climate change, benefiting local communities and smallholders and conserving biodiversity. We also prioritize projects with social co-benefits, such as job creation and skills development for local communities.

For the electricity portion of our emissions, we procure country-specific, non-hydropower, non-biomass EACs—also known as renewable energy certificates ("RECs") in the U.S.—proportional to our consumption patterns in each country. Starting in 2024, we locked in a three-year purchase contract for most EACs to reduce the risk of price volatility and support longer-term development of renewable energy capacity.

Corporate Sustainability Initiatives

As Ares expands its office footprint, sustainability remains a core priority. We seek office buildings certified with LEED, BREEAM or equivalent standards, equipped with energy-efficient upgrades and designed with sustainable tenant amenities, where possible.

Within our offices, we are committed to reducing energy usage by taking the following actions, where possible and appropriate:

- Installing efficient mechanical systems
- Using LED lighting along with daylight and occupancy sensors
- Sourcing local materials to minimize environmental impact
- Collaborating with landlords to implement energy efficiency projects and promote sustainability

In addition, we have continued implementation of our waste management initiatives. These efforts are embedded into new office spaces and facilities, with an eye toward growing our business sustainably:

- Eliminating plastic water bottles provided by Ares
- Offering reusable crockery and utensils in our major offices
- Enhancing recycling and composting programs
- Providing responsible disposal programs for lightbulbs and batteries in key locations

ENVIRONMENTAL METRICS

Figure 9: Ares Environmental Metrics (2024)[13]

Absolute Emissions by Scope		2024
Scope 1		1,166 tCO_2e
Scope 2	Location-based	5,122 tCO_2e
	Market-based	4,595 tCO_2e
	Other (e.g., steam, district cooling, etc.)	415 tCO_2e
Scope 3		49,503 tCO_2e
Total Emissions (Market-based)		56,206 tCO_2e
Total FTE (Full-time Equivalents)		3,223
Scope 1 + 2 Emissions Intensity		1.79 tCO_2e / FTE
Operational Emissions Intensity		17.44 tCO_2e / FTE
Metric		**2024**
Energy Consumption		91,955 GJ
Energy Intensity		7.93 MWh of energy / FTE
Water Consumption		17,624 m^3
Water Consumption Intensity		5.47 m^3 of water / FTE

Note: Scope 3 here relates to operational emissions only and excludes category 15 Financed Emissions, which are disclosed separately in Figure 7. “Operational emissions” refers to the Scope 1, Scope 2 and applicable Scope 3 emissions attributed to operating our business.

FORWARD LOOKING STATEMENTS

This 2024 TCFD Report ("the Report") contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended which reflect our current views with respect to, among other things, future events, operations and financial performance. You can identify these forward-looking statements by the use of forward-looking words such as "believes," "expects," "potential," "continues," "may," "will," "seeks," "intends," "plans," "estimates," "anticipates," 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' responsible investment program, including incorporating relevant climate considerations across our corporate operations, strategies and/or funds. Such program is subject to Ares' fiduciary duties and applicable legal, regulatory and contractual requirements and is expected to change over time. Additionally, the act of selecting and evaluating material ESG factors, including those related to climate, 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 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 practices evolve.

While Ares intends to include climate risk as a component of its investment process, where relevant and certain corporate activities as described in this Report, there can be no assurance that Ares' climate initiatives, policies and procedures related to ESG integration or responsible investment or the application of ESG-related criteria or reviews to the investment process, as described herein will continue; such policies and procedures could change, even materially, or may not be applied to a particular investment. Ares is permitted to determine in its discretion that it is not feasible or practical to implement or complete certain of its climate-related initiatives, policies and procedures based on cost, timing, or other considerations; such climate related initiatives, policies and procedures are not necessarily (and are not purported to be) deployed in connection with each investment.

Statements about climate-related initiatives, outcomes or practices related to portfolio companies, assets or case studies do not apply in every instance and depend on factors including, among others, (i) the relevance or implementation status of a particular initiative to or within the portfolio company, (ii) the nature and extent of Ares' investment in, ownership of, or control with respect to the portfolio company and (iii) other factors as determined across teams, companies, investments and/or businesses on a case-by-case basis. Additionally, climate-related factors are only some of the many factors Ares may consider with respect to investments and there is no guarantee that Ares' implementation of its responsible investment program will enhance long-term value and financial returns for limited partners. To the extent Ares engages with portfolio companies on climate-related practices and potential enhancements thereto, there is no guarantee that such engagements will improve the performance or risk profile of the investment. Additionally, there can be no assurance that Ares or its investments will be able to achieve any climate-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 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, climate-related statistics and metrics may be estimates and subject to assumptions or developing standards (including Ares' internal standards and policies). There is no guarantee that Ares will remain a signatory, supporter, or member of any climate related initiatives or other similar industry groups or frameworks.

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 or climate-related 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' climate-related efforts may have been one of many factors—including such other factors as engagement by portfolio company management, advisors and other third parties—contributing to the success described in each of the selected case studies. It should not be assumed that investments made in the future will be comparable in quality or performance to the investments described herein. Further, references to particular portfolio companies or assets should not be considered a recommendation of any particular security, investment, or portfolio company or be used as an indication of the current or future performance of Ares' investments.

FORWARD LOOKING STATEMENTS

The receipt of any awards or accolades by Ares or the portfolio companies described herein is no assurance that Ares' investment objectives have been achieved or successful. Further, such awards or accolades are not and should not be deemed to be, a recommendation or evaluation of Ares's alternative asset management business. The awards noted herein relate only to selected funds or strategies and may not be representative of any given client's experience and should not be viewed as indicative of Ares' past performance or its funds' future performance. In gathering and reporting upon the 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 climate-related 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. 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 climate 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 documents activities and includes performance data and information for calendar year 2024, unless otherwise stated. This Report is dated as of September 2025 and speaks only as of such date, 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.

END NOTES

1. SBTi Monitoring Report 2023 (SBTi, 2023)
2. The "Looking Ahead" sections throughout this report represent initiatives and goals Ares plans to enact in the future. There is no assurance these stated activities are implemented or accomplished.
3. Developed by Bain on behalf of the Initiative Climate International ("iCI") and the Sustainable Markets Initiative's Private Equity Task Force, the PMDR seeks to help private equity firms accelerate progress on disclosing and reducing greenhouse gas emissions. See more at https://www.bain.com/howwe-help/private-markets-decarbonization-roadmap/
4. Sustainability Ratchets 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 ("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 Sustainability Ratchets and are required to be achieved over specified time periods.
5. We excluded the following portions of the portfolio from the footprint: (a) Secondaries and Insurance strategies, which are not covered under the PCAF Financed Emissions Standard. Ares seeks to participate in industry efforts to develop standards for these strategies; and (b) Assets where Ares does not have control or that are otherwise recommended for exclusion by PCAF (e.g., certain co-investments, pass-through transactions, short-term credit facilities, derivatives).
6. These include Helios for real estate and MSCI and FinDox for Liquid Credit.
7. Specifically, estimated top-down using the Watershed Estimation Engine, which estimates emissions for Scope 1, 2, and material Scope 3 categories using available inputs and is powered by the Comprehensive Environmental Data Archive (CEDA) multi-region input-output model. Most of these estimates incorporate company financials and other company information to improve accuracy.
8. The Scope 3 categories included in emission reporting to Ares by portfolio companies varies across companies. This is to be expected for a few reasons: (1) not all categories are material to all companies, (2) companies differ in how they determine materiality, and (3) companies are inconsistent in which Scope 3 categories they choose to disclose. This is a challenge across the investment industry and means that the Scope 3 portion of our financed emissions is sensitive to variance in which categories are reported. As carbon accounting standards and regulations continue to converge, we expect consistency of Scope 3 reporting to improve, which may result in a perceived increase in Scope 3 emissions over time as more categories are reported.
9. Ares' total AUM as of December 31, 2024 was $484.4B. Figure 6 includes the relative size of the $308.3B in investments assessed in our financed emissions statement in Figure 7, against our total $351.4B invested assets available for assessment. Holdings that either do not have meaningful emissions or are excluded from the inventory are included in the "Not Footprinted" sum. Available capital (e.g. dry powder and committed capital) is not included in Figure 6. AUM amounts include funds managed by Ivy Hill Asset Management, L.P., a wholly owned portfolio company of Ares Capital Corporation and registered investment adviser. Past performance is not indicative of future results.
10. Ares' estimated financed emissions calculations are verified annually by Apex, applying the ISO 14064-3 standard as part of a limited assurance statement. This verification covers all measured strategies except real estate. At the time of publication, financed emissions are presented in Figure 7 are under review by Apex. A copy of the verification letter will be published separately, once issued.
11. Estimated real estate emission represent whole building operational emissions and are not split into Scope 1 & 2 (landlord) and Scope 3 (tenant) emissions. Therefore, real estate is excluded from the breakout columns by scope in Figure 7. Net lease portfolios and ongoing property developments are included in invested assets covered and are not considered to generate operational emissions attributable to Ares.
12. The preparation of our 2024 operational emissions inventory includes estimated fuel combustion for space heating (Scope 1) and chartered air travel (Scope 3) that was not included in previous emissions statements. This methodological improvement is intended to reduce the chance of understating our emissions.
13. Our operational emissions include the following, aligned to the Greenhouse Gas Protocol: Scope 1; Scope 2; and Scope 3 Category 3 (Fuel and energy related activities including transmission and distribution losses), Category 5 (Waste generated), Category 6 (Business travel), and Category 7 (Employee commuting including homeworking) and Category 8 (Upstream leased assets including fugitive emissions).

ARES