



Stewardship Code Disclosure Statement 2019

Introduction

Ares Management Corporation (“Ares”) is a publicly traded Los Angeles-based diversified global alternative asset manager with strategies focused on credit, private equity and real estate. Ares carries on business in the UK through its UK affiliates including, amongst others, Ares Management Limited (“AML”) and Ares Management UK Limited (“AMUKL”) (AML and AMUKL together referred to as the “UK entities”). The UK entities are authorised and regulated by the Financial Conduct Authority (“FCA”) in the United Kingdom. The UK entities are committed to a responsible approach to investment on behalf of their investors; however, given the UK entities’ investment focus is away from traditional equities (i.e. as asset owners and asset managers of equity holdings in listed companies), there is limited direct applicability of the UK Stewardship Code (the “Code”). Notwithstanding the above, the UK entities are supportive of the Code’s principles and have adopted this Disclosure Statement, applying the principles of the Code, where appropriate.

This statement is published on behalf of the UK entities, and references to “we” or “our” refer to both AML and AMUKL.

The Code

The Code is published and overseen by the Financial Reporting Council (“FRC”). The FRC is the UK’s independent regulator; responsible for overseeing financial reporting, accounting, auditing and corporate governance. The purpose of the Code is to promote more transparency about the way in which investors oversee the companies they own. The Code does this by setting out principles for effective stewardship as institutional investors in respect of their equity holdings in UK listed companies.

Code Disclosure

The following sets forth the seven principles of the Code and our approach to each.

Principle 1: Institutional investors should publicly disclose their policy on how they will discharge their stewardship responsibilities.

Stewardship activities include monitoring and engaging with companies on matters such as strategy, performance, risk, capital structure, and corporate governance with the aim of enhancing and protecting the value for the ultimate beneficiary or client.

We recognise the importance of our fiduciary and stewardship responsibilities as asset managers. The UK entities’ stewardship activities differ based on asset class, level of ownership or ability to influence, relative position in the capital structure of an asset or company, and considerations of issue materiality, prioritisation and associated risk-return outcomes. For example, control equity positions found mostly within the private equity investment group, a number of corporate credit investments and certain equity investments in real estate assets, provide more opportunities for and have resulted in a greater degree of engagement.

Principle 2: Institutional investors should have a robust policy on managing conflicts of interest in relation to stewardship, which should be publicly disclosed.

We have implemented robust policies with aligned systems and controls which identify and manage conflicts of interest, in order to treat our clients fairly and equitably. We seek to avoid conflicts of interest and take steps to consider potential conflicts when implementing policies and procedures. A copy of Ares' Conflict of Interest Policy is available upon a reasonable written request.

Principle 3: Institutional investors should monitor their investee companies.

The UK entities undertake comprehensive and on-going research and monitoring of investee companies' performance which includes but is not limited to knowledge and understanding of the factors that can affect their performance. Across all investment groups, relevant processes for pre-investment assessment and post-investment monitoring are in place, utilising research and support tools to meet this principle.

Principle 4: Institutional investors should establish clear guidelines on when and how they will escalate their stewardship activities.

Whilst our investment focus or strategy is not traditional equities, acting in the best interests of clients remains a priority. Therefore, stewardship activities will continue to be evaluated and escalated as is appropriate in accordance with Ares' escalation practices.

Principle 5: Institutional investors should be willing to act collectively with other investors where appropriate.

Given that our investment focus is not traditional equities, this principle has limited direct application; however, in certain circumstances, we may collaborate with other investors to exercise influence at companies, when we determine it to be appropriate.

Principle 6: Institutional investors should have a clear policy on voting and disclosure of voting activity.

Proxy voting is of limited applicability in the context of the UK entities non-equity-related strategy; however, in certain limited instances, asset owners may acquire voting securities and have the right to vote such securities via shareholder proxy. We recognise that proxy voting is an important shareholder right and that reasonable care and diligence must be undertaken to ensure such rights are properly and timely exercised.

Where AML and/or AMUKL has been granted discretion by an asset owner to exercise by proxy the voting rights of securities beneficially owned by such asset owner, AML and/or AMUKL will exercise the delegated voting rights. In determining how to vote, the interests of the asset owner as well as any potential conflicts of interest are considered. Proxies are voted in accordance with internally established general guidelines relating to such matters as election of directors, changes in capital structure, corporate restructurings, corporate governance, anti-takeover measures and social and corporate responsibility, unless the agreement with an asset owner requires otherwise. We retain records pertaining to proxy voting; however, the voting record is not a matter of public record.

Principle 7: Institutional investors should report periodically on their stewardship and voting activities.

As noted above, proxy voting is of limited applicability to our stewardship activities and therefore any reporting thereon will differ based on asset class and considerations of issue including: materiality, prioritization and associated risk-return outcomes, among other factors. Each AML and AMUKL provides reporting through all types of client communications (oral, written, formal etc.) which will necessarily vary in frequency, forum, and format.

The Amended Shareholder Rights Directive (“SRD II”)

SDR II amends the Shareholder Rights Directive to strengthen shareholder engagement and increase transparency requirements for asset managers and owners regarding stewardship. While SRD II is related by theme and substance to the Code, we recognise that it is a separate and distinct initiative.

Both AML and AMUKL are currently considering the obligations created by the implementation of SRD II and intend in due course to publish in full an appropriate disclosure regarding related policy, processes, and engagement with investee companies (as per FCA rules set out within COBS 2.2B.5R).