



2022 Sustainability Disclosures

Disclosures specific to Ares Commercial Real Estate Corporation (ACRE) and other relevant disclosures pertaining to Ares Management

About Ares Commercial Real Estate Corporation

Ares Commercial Real Estate Corporation (NYSE: ACRE) (the "Company" or "ACRE") is a specialty finance company primarily engaged in originating and investing in commercial real estate loans and related investments.

ACRE is externally managed by Ares Commercial Real Estate Management LLC, a subsidiary of Ares Management Corporation (NYSE: ARES) ("Ares Management"), a publicly traded, leading global alternative investment manager, pursuant to a management agreement. As an externally managed investment, ACRE does not have any employees and relies on Ares Management for investment advisory services.

Through its national direct origination platform, ACRE provides a broad offering of flexible and reliable financing solutions for commercial real estate owners and operators. ACRE originates senior mortgage loans, as well as subordinate financings, mezzanine debt and preferred equity, with an emphasis on providing value added financing on a variety of properties located in liquid markets across the United States. Ares Commercial Real Estate Corporation elected and qualified to be taxed as a real estate investment trust. For more information, please visit www.arescre.com.

About these Sustainability Disclosures

Because Ares Commercial Real Estate Corporation is externally managed by a subsidiary of Ares Management, we believe the policies, procedures, systems, staffing and additional disclosures pertaining to Ares Management are relevant for Ares Commercial Real Estate Corporation. To that end, there are two types of disclosures included herein:

- 1) Disclosures specific to Ares Commercial Real Estate considering input from stakeholders
- 2) Links to disclosures by Ares Management that we believe are relevant to ACRE as well. These include reporting in accordance with SASB Standards and considering input from our stakeholders and GRI Standards

Relevant ESG Topics

Ares Commercial Real Estate (ACRE) Specific Disclosures	Reference
Corporate Governance Highlights	Page 4
Diversity, Equity & Inclusion	Page 4
Responsible Investment	Page 5
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Ares Management Disclosures That May Be Relevant to ACRE	Relevant Section of Ares Management's 2022 Sustainability Disclosures
Human Resources <ul style="list-style-type: none"> • Supporting & Developing Talent • Diversity, Equity & Inclusion • Philanthropy • Relevant Human Resources Policies 	Page 4 Page 9 Page 17 Page 19
Climate Change - See TCFD Report	Link
Responsible Investment Across Ares Management	Page 22
Compliance & Ethics	Page 31
Data Privacy & Security	Page 36
Enterprise Risk Management	Page 38

ACRE Corporate Governance Highlights

Key Links: [ACRE 2023 Proxy Statement](#) and [Corporate Governance webpage](#)

We believe that effective corporate governance includes regular and constructive communication with our stakeholders to understand their perspectives and answer their inquiries. Throughout the year, we engage with a significant portion of our stakeholders, including our top institutional investors. Through these outreach efforts, we discuss a variety of topics of interest to our stakeholders, including, among other things, our financial performance, strategy and corporate governance policies and practices.

We reexamine our corporate governance policies on a periodic basis to ensure that they continue to meet our needs and those of our stakeholders. As a result of such reexamination and in consideration of the feedback received from our stakeholders, we have implemented the following changes:

- We established a Lead Independent Director and appointed Caroline E. Blakely in this role;
- We adopted Stock Ownership Guidelines applicable to our directors and our Chief Executive Officer and Chief Financial Officer;
- We adopted, as part of our insider trading policy, prohibitions against the use of margin accounts, pledging, hedging and speculative trading with respect to Company securities;
- We adopted a director majority vote policy as part of our Corporate Governance Guidelines; and
- We appointed an additional independent director to the Board in 2021, resulting in 75% of our Board being comprised of independent directors.

ACRE Diversity, Equity & Inclusion

Ares is committed to fostering an inclusive environment. While ACRE does not have any employees and relies on Ares Management for investment advisory services, information on Ares Management's employees is available on p. 16 of Ares Management's [2022 Sustainability Disclosures](#).

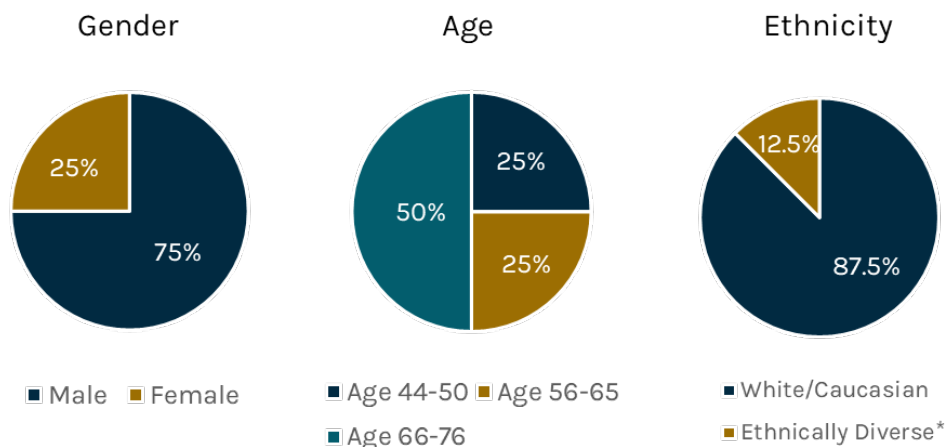
Diversity, equity and inclusion, in all its forms, is key to Ares Management's culture and long-term success. We believe our performance is directly attributable to the talent that Ares Management can attract and retain. To support this diverse workforce and enrich our work environment, Ares Management offers a multitude of initiatives, programs and policies that reflect our values-driven culture. For more information on Diversity Equity and Inclusion at Ares Management, please see the Diversity, Equity & Inclusion section starting on p. 9 of Ares Management's [2022 Sustainability Disclosures](#), Ares Management's [2022 Sustainability Report](#) (p. 11) and Ares Management's [2022 DEI Annual Report](#).

ACRE Officer and Board Diversity

Of Ares Commercial Real Estate's officers, 28.6% are diverse as 14.3% are female and 14.3% are ethnically diverse.¹ When only considering ACRE's Board of Directors, 25% are female and 12.5% are ethnically diverse. For more information on ACRE's current officers and ACRE's Board of Directors, please see [ACRE's Team](#) and [ACRE's 2023 Proxy Statement](#).

¹ As of December 31, 2022.

ACRE's Board of Directors



Ares Commercial Real Estate's Board Diversity Total of 8 Board Members

* 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.

ACRE Supplier Diversity

In addition to ACRE's own diversity, we aim to increase the representation of women and ethnically diverse groups among our suppliers. To that end, we have commenced measuring supplier spend to assess for diversity and have implemented a centralized tracking process for diverse spending for 2023 and beyond. Additionally, we have expanded our sponsor diligence process to include DEI related questions. Finally, we partnered with two minority-owned firms² as co-managers on our offering of common shares of approximately \$100 million in May 2022.

ACRE Responsible Investment

Through Ares' tailored approach to Responsible Investment, Ares strives to create better investment outcomes and leave a lasting positive impact on our portfolio companies, their underlying assets and ultimately their stakeholders. Given the scale of potential impact, integrating ESG into our investment platform, including ACRE, is our most material sustainability objective.

In recognition of the importance of integrating ESG factors throughout our investment platform, Ares first adopted a Responsible Investment program across the Firm in 2012. Over the last several years, Ares' team has continued to update its policy as our objectives and practices have evolved over time. Ares believes that by integrating ESG factors into the investment and portfolio management processes across our platform, it not only enables us to generate attractive and differentiated risk adjusted returns across our investment strategies, but also drives positive change in its local communities across the globe.

² Participating minority-owned firms included R. Seelaus & Co., LLC and Siebert Williams Shank.

In 2020, Ares further enhanced its Responsible Investment program to explicitly convey its objectives for ESG governance. The objectives include detail on oversight responsibilities, defined implementation requirements and accountability frameworks to help ensure continuous improvement throughout the investment lifecycle.

As part of this initiative, Ares established eight principles to guide its ESG integration approach: (i) engage stakeholders, (ii) focus on materiality, (iii) implement systematically, (iv) tailor programs to each strategy, (v) avoid harm, (vi) improve ESG performance, (vii) provide industry leadership and (viii) disclose tangible data, where possible, to drive transparency and adoption. Furthermore, the list below includes items that Ares considers to be the hallmarks of our ESG integration plan across each of our business lines:

- **Local Ownership:** Mobilize “ESG Champions” within each of our investment teams to adapt and tailor platform-wide objectives toward each investment group's strategy and culture.
- **Canvas Your Strategy:** Define each strategy's ESG landscape to identify levers of potential influence and promote ESG objectives in the companies and/or assets Ares invests in.
- **Set Defined Objectives:** Based on these levers, define clear goals that speak to the different dynamics and needs of each investment strategy.
- **Build Your Process:** With these objectives defined, build out a consistent, repeatable and detailed ESG integration roadmap across the investment lifecycle.
- **Focus on Data-Based Results:** Aim to create measurable results and generate data (where possible) so that internal and external stakeholders can tangibly distinguish the impact of our implementation programs and scope of ESG-focused activities.

Ares believes that the effective management of material environmental, social and governance factors can lead to both enhanced long-term value creation, mitigated risk, and minimized negative impact on stakeholders.

At ACRE, ESG-related risks are taken into account throughout the investment process:

- Implement ESG screening across opportunities, aligned with Ares' Responsible Investment screening framework
- Incorporate ESG screening as part of due diligence and the Investment Committee approval process, including an ESG assessment across assets
- Engage with borrowers to assess ESG risks
- Track ESG scores of our loans with the aim to build long- standing lender relationships with responsible asset owners

Overall, we believe our assessment of ESG considerations through Ares' Responsible Investment framework within our Real Estate investments will support our ability to create value for stakeholders.

ESG Considerations in Underwriting and Due Diligence

As part of the Ares Real Estate Debt team's underwriting and due diligence process, the underwriting, asset management, legal, and compliance teams work closely together to appropriately integrate and apply relevant ESG considerations into the investment process. A variety of ESG factors are incorporated into Ares Real Estate Debt's comprehensive evaluation of each investment. As part of the standard underwriting and due diligence process, the Ares Real Estate Debt team requests the borrower to complete a questionnaire and uses that response to prepare an initial ESG assessment, rating each of the Environmental ("E"), Social ("S"), and Governance ("G") components. Within Ares Real Estate Debt, ESG-specific considerations that are factored into the overall conclusion score (which is then presented to our Investment Committee) may include:

- **Environmental:** Climate change related risks; GHG emissions / management; environmental compliance / liabilities; water usage / scarcity / contamination; waste processes / reduction
- **Social:** Borrower workplace health & safety; employee benefits; labor-management relations; affordable housing; tenant engagement
- **Governance:** ESG policies, borrower structure and composition; executive compensation; risk management / internal controls and reporting frameworks; screen for bribery & corruption

With regard to environmental factors, Ares Real Estate Debt's due diligence process includes a Phase I Environmental Site Assessment ("ESA"), which is completed for each investment in order to assess whether the current or historical property uses have impacted the soil, groundwater, or other site conditions of the property securing the loan. The Phase I ESA is designed to meet the requirements of the American Society for Testing and Materials ("ASTM") and United States Environmental Protection Agency ("USEPA"), and the overall purpose is to identify potential or existing environmental contamination liabilities and provide liability protections to the lender.

In addition to the Phase I ESA, the Ares Real Estate Debt team also completes a number of other studies when conducting due diligence on an asset, including a Property Condition Assessment, which is meant to inspect and evaluate a property's improvements and building systems, as well as a Zoning Report, which diligences the property's compliance with the applicable building and zoning ordinances, including usage, parking, setbacks, height, density, and more. Additionally, the Ares Real Estate Debt team will assess physical climate-related risks, such as flooding, hurricanes, or earthquakes. These findings are then summarized and included in the Investment Committee memo within the E component of the ESG assessment.

Important Notice / Disclaimer

This 2022 Sustainability Disclosures (“Report”) contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended which reflect our current views with respect to, among other things, future events, operations and financial performance. You can identify these forward-looking statements by the use of forward-looking words such as “outlook,” “believes,” “expects,” “potential,” “continues,” “may,” “will,” “should,” “seeks,” “predicts,” “intends,” “plans,” “estimates,” “anticipates,” “foresees” or negative versions of those words, other comparable words or other statements that do not relate to historical or factual matters. The forward-looking statements are based on our beliefs, assumptions and expectations of our future performance, taking into account all information currently available to us. Such forward-looking statements are subject to various risks and uncertainties and assumptions relating to our operations, financial results, financial condition, business prospects, growth strategy and liquidity. These factors include, but are not limited to, those set forth in this Report and in the Company’s and Ares Management’s 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 Ares or the Company. 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. The Company and Ares Management do 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 its 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, 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.

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, 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 of the investment. Additionally, there can be no assurance that Ares or its investments will be able to achieve any ESG-related objectives, that their actions will not result in outcomes that could be viewed as having a negative ESG effect, or that any historical trends will continue to occur. Actual results may be significantly different from the forward-looking statements herein.

Certain information contained herein relating to any goals, targets, intentions, or expectations, including with respect to climate targets and related timelines, is subject to change, and no assurance can be given that such goals, targets, intentions, or expectations will be met. Further, statistics and metrics relating to ESG matters may be estimates and subject to assumptions or developing standards (including Ares’ internal standards and

policies). There is no guarantee that Ares will remain a signatory, supporter, or member of any ESG initiatives or other similar industry groups or frameworks.

Statements about ESG 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. ESG factors are only some of the many factors Ares considers in making an investment, and there is no guarantee that Ares will make investments in companies or assets that create positive ESG impact or that consideration of ESG factors will enhance long-term value and financial returns for clients or investors. To the extent Ares engages with portfolio companies on ESG-related practices and potential related improvements, there is no guarantee that such engagements will improve the financial or ESG-related performance of the investment.

Certain investment examples described in this report may be owned by investment vehicles managed by Ares and by certain other third-party partners, and in connection therewith Ares may own less than a majority of the equity securities of such investment.

Case studies presented herein have been selected in order to provide illustrative examples of Ares' application of its ESG program with respect to its portfolio investments and do not purport to be a complete list thereof. Descriptions of any ESG achievements or improved practices or outcomes are not necessarily intended to indicate that Ares has substantially contributed to such achievements, practices, or outcomes. For instance, Ares' ESG efforts may have been one of many factors—including such other factors as engagement by portfolio company management, advisors, and other third parties—contributing to the success described in each of the selected case studies. It should not be assumed that investments made in the future will be comparable in quality or performance to the investments described herein. Further, references to particular portfolio companies or assets should not be considered a recommendation of any particular security, investment, or portfolio company or be used as an indication of the current or future performance of Ares' investments.

The receipt of any awards or accolades by Ares or the portfolio companies described herein is no assurance that Ares' investment objectives have been achieved or successful. Further, such awards or accolades are not, and should not be deemed to be, a recommendation or evaluation of Ares's alternative asset management business. The awards noted herein relate only to selected funds or strategies and may not be representative of any given client's experience and should not be viewed as indicative of Ares' past performance or its funds' future performance.

In gathering and reporting upon the ESG information contained herein, Ares may depend on data, analysis, or recommendations provided by investments of Ares or by third-party advisors or data sources, which may be incomplete, inaccurate, or out of date. Ares does not independently verify all ESG information it receives from investments or third-party advisors or data sources, and it may decide in its discretion not to use certain information or accept certain recommendations. While these third-party sources are believed to be reliable, Ares makes no representation or warranty, express or implied, with respect to the accuracy, fairness, reasonableness, fitness for use, or completeness of any of the information contained herein, and expressly disclaims any responsibility or liability therefor.

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.

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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