



Product names ("Fund")	LEI number
Ares Corporate Opportunities Fund VII Parallel (Lux Foreign) SCSp	N/A

Version history	Date
V.1	June 27, 2023

This disclosure is made in respect of the Fund pursuant to Article 10 of Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 ("**SFDR**") as supplemented by the Commission Delegated Regulation 2022/1288 of 6 April 2022. This disclosure should not be used as a basis for a decision to invest in the Fund. Such a decision should be based on the Fund's Confidential Private Placement Memorandum (as amended, supplemented and/or restated from time to time, the "**PPM**") and amended and restated limited partnership agreement (as amended and/or restated from time to time, the "**Partnership Agreement**" and collectively with the PPM, the "**Offering Documents**"). In case of discrepancy between this disclosure and the Offering Documents, the Offering Documents shall prevail. This disclosure has been prepared in good faith, but the matters referred to within do not reflect binding aspects of the management of the Fund except to the extent that they are such under the Offering Documents. Capitalized terms used but not otherwise defined herein shall have the meaning given to them in the Offering Documents.

Summary

No sustainable investment objective	The Fund promotes environmental and social characteristics but does not have as its objective sustainable investment.
Environmental or social characteristics of the financial product	The Fund promotes some environmental, social and governance characteristics through ACOF Investment Management LLC's (the " Portfolio Manager ") post-acquisition interactions with its portfolio companies where the Fund has a majority equity position (" Control Companies ") and majority board appointment rights (a " Qualifying Investment "), and the collection and reporting of data on those Control Companies and Qualifying Investments to investors. The Fund will attain its promoted characteristics by seeking to (i) increase the diversity of the managing board of its Qualifying Investments, (ii) engage with its Control Companies over their DEI strategy, creating a safe work environment for employees, or developing paths for non-senior management to participate in equity linked rewards in the Control Company, and (iii) engage with Control Companies to assess their carbon footprint.
Investment Strategy	The Fund will seek to invest in high-quality middle market companies in the core industries of healthcare, services, industrials and consumer across North America and Europe. The Fund will seek to invest in growth buyouts and also has the ability to flex into distressed investing during periods of volatility and dislocation.
Proportion of investments	There is no minimum proportion of investments which will meet the promoted characteristics of the Fund. However, the Fund expects that the majority of its investments will be categorized under "#1 Aligned with E/S characteristics". This is on the basis that (i) with regards to Qualifying Investments, the Portfolio Manager

	will be in a position to make relevant adjustments to the diversity of the board, and (ii) the Portfolio Manager expects that, post-acquisition, a significant proportion of its investments will be able to meet one of the metrics in Promoted Characteristic 2 (Social Engagement and Reporting) or measure their carbon footprint in line with Promoted Characteristic 3 (Carbon Footprint Assessment).
Monitoring of environmental or social characteristics	Once investments are made, the Portfolio Manager continues to periodically monitor the promoted characteristics of the Fund through the Fund's sustainability indicators and a combination of internal and external controls.
Methodologies	The Portfolio Manager will measure the attainment of the promoted characteristics as part of its post-acquisition engagement process and will leverage its position as a majority equity investor or through board appointment rights. For Promoted Characteristic 1 (Improving Board Diversity), the Portfolio Manager will assess the percentage of Qualifying Investments with 2 diverse board directors after 1 year of ownership by the Fund. For Promoted Characteristics 2 (Social Engagement and Reporting) and 3 (Carbon Footprint Assessment) the Portfolio Manager will measure the success of its engagement with the Control Companies and subsequent attainment of the promoted characteristic by reference to the percentage of Control Companies that meet one of the relevant indicators or which are measuring their carbon footprint.
Data sources and processing	The data sources used to attain the environmental and social characteristics typically include but are not limited to one or more of the following: public sources such as company reports or disclosures, reports from the boards of the Control Companies and Qualifying Investments, and industry averages sourced from the Bureau of Labor Statistics. Data obtained is incorporated into a cloud-based software solution that enables up to date and ongoing reporting of ESG and is subject to a sense check by the investment team.
Limitations to methodologies and data	The primary limitations on the above-mentioned data relate to the reliance on self-reported and publicly available data and the use of estimates in some cases. Where estimated data is used it will be based upon reasonable assumptions and appropriate comparators.
Due diligence	Prior to making portfolio investments, the Portfolio Manager will typically conduct due diligence that it deems reasonable and appropriate based on the facts and circumstances applicable to each investment. Due diligence typically focused on the industry of the relevant portfolio company, the target portfolio company and potential areas for growth. Due diligence may entail evaluation of important and complex business, financial, tax, accounting, environmental and legal issues. Outside consultants, legal advisors, accountants, investment banks and other third parties may be involved in the due diligence process to varying degrees depending on the type of investment. The Portfolio Manager will also rely on information provided by the target of the investment and, in some circumstances, third-party investigations.
Engagement policies	Post-close engagement is a fundamental element of the Fund's promoted characteristics of the Fund. The Portfolio Manager has periodic meetings to discuss the performance (including performance by reference to the promoted characteristics) of Control Companies and Qualifying Investments.
No designated reference benchmark	No index has been designated as a reference benchmark for the purpose of attaining the environmental or social characteristics promoted by the financial product.

a) No sustainable investment objective

This Fund promotes environmental or social characteristics but does not have as its objective sustainable investment.

b) Environmental or social characteristics of the financial product

The environmental and social characteristic (the "**Characteristics**") promoted by the Fund are:

1. **Improving Board Diversity** - After one year of ownership, for Control Companies and Qualifying Investments, the Fund will seek to adjust the portfolio company's board to have at least two diverse board directors. Dimensions of diversity include gender, ethnicity/ race, and sexual orientation.
2. **Social Engagement and Reporting** - The Fund seeks to engage with Control Companies, on one or more of the following social themes:
 - a) Assessing diversity, equity, and inclusion (DEI) and developing a measurable DEI strategy;
 - b) Creating safe work environments for employees; or
 - c) Providing or developing mechanisms that provide a path for a material proportion (in the Portfolio Manager's reasonable opinion) of non-senior management employees to participate in equity-linked rewards in the company.
3. **Carbon Footprint Assessment** - The Fund seeks to engage with Control Companies, to assess their carbon emissions footprint (scope 1 and 2).

c) *Investment strategy*

The investment strategy used to meet the environmental and social characteristics promoted by the Fund

The Fund will seek to invest in high-quality middle market companies in the core industries of healthcare, services, industrials and consumer across North America and Europe. The Fund will seek to invest in growth buyouts and also has the ability to flex into distressed investing during periods of volatility and dislocation.

The Fund's detailed investment strategy is as set out in the body of the Fund's Offering Documents, as amended and/or restated from time to time. The foregoing is intended only as a summary and in case of discrepancy between this summary and the PPM or the Partnership Agreement, those other documents shall prevail.

The policy to assess good governance practices of investee companies

The Fund's investment due diligence process will include consideration of relevant governance factors. Governance factors will be included in the Investment Team's wider ESG assessment which will feed into final Investment Committee papers.

Upon closing an investment, the Investment Team will continue to monitor governance related practices via periodic interaction with key stakeholders.

d) *Proportion of investments*

The Fund does not commit to making a minimum proportion of investments which qualify as environmentally sustainable under Article 3 of the Commission Regulation (EU) 2020/852 (the "Taxonomy Regulation") Taxonomy Regulation and therefore the minimum proportion of investments aligned with Article 3 of the Taxonomy Regulation is 0%.

To the extent that the Fund may report that a proportion of investments are Taxonomy-aligned those figures may be derived from public disclosures and/or equivalent information directly obtained from investee companies. In some circumstances complementary assessments and estimates based on information from other sources may also be used. None of these figures are expected to be assured by one or more auditors or reviewed by one or more third parties.

All of the Fund's exposures to investee entities are expected to be direct exposures, meaning that the Fund will be providing direct equity in, or lending to, such entities; provided that Fund investments may be structured through subsidiary holding companies.

e) *Monitoring of environmental or social characteristics*

The Fund's environmental and social characteristics are monitored through the following sustainability indicators:

1. **Improving Board Diversity** - The percentage of Qualifying Investments with at least 2 diverse board directors after one year of ownership
2. **Social Engagement and Reporting** - The percentage of Control Companies that meet one of the following indicators:
 - a) retained, developed or introduced a DEI strategy and presented it to the board;
 - b) performed better than industry averages (using Bureau of Labor Statistics benchmark) or improved year over year on Days Away, Restricted, Transferred (DART) or Lost-Time Incident Rate. For non-US geographies, the Fund will use, in the Portfolio Manager's reasonable opinion, similar region specific metrics and benchmarks, where available (for example, Reporting of Injuries, Diseases and Dangerous Occurrences Regulations – RIDDOR - in UK); or
 - c) introduced or developed a mechanism that provides a path for a material proportion (in the Portfolio Manager's reasonable opinion) of non-senior management employees to participate in equity-linked rewards in the company.
3. **Carbon Footprint Assessment** - The percentage of Control Companies of the Fund that measure carbon footprint (scope 1 and 2).

The performance of the sustainability indicators is monitored through iLEVEL, a cloud-based software solution that automates the collection, review, approval and reporting of data, to scale its ability to track, monitor and disseminate information for internal and external reporting in a real-time and efficient manner across the Fund's portfolio. iLEVEL enables up-to-date and ongoing reporting of ESG KPIs and other data items needed by various stakeholders.

iLEVEL supports the regular meetings and updates between the Ares Private Equity Group which monitor the performance of the Fund's portfolio, including the Fund's performance by reference to the sustainability indicators.

f) *Methodologies*

The Portfolio Manager will measure the attainment of the promoted characteristics as part of its post-acquisition engagement process and will leverage its position as a majority equity investor or through board appointment rights.

Promoted Characteristic 1 (Improving Board Diversity)

The Portfolio Manager will assess the percentage of Qualifying Investments with 2 diverse board directors after 1 year of ownership by the Fund.

Promoted Characteristics 2 (Social Engagement and Reporting) and 3 (Carbon Footprint Assessment)

The Portfolio Manager will measure the success of its engagement with the Control Companies and subsequent attainment of the promoted characteristic by reference to the percentage of Control Companies that meet one of the relevant indicators or which are measuring their carbon footprint.

g) *Data sources and processing*

The data sources used to attain the environmental and social characteristics typically include but are not limited to one or more of the following: public sources such as company reports or disclosures, reports from the boards of the Control Companies and Qualifying Investments, and industry averages

sourced from the Bureau of Labor Statistics. Data obtained is incorporated into iLevel and subject to a sense check by the investment team.

h) Limitations to methodologies and data

The primary limitations on the above-mentioned data relate to the reliance on self-reported and publicly available data and the use of estimates in some cases.

Where estimated data is used it will be based upon reasonable assumptions and appropriate comparators.

i) Due diligence

Prior to making portfolio investments, the Portfolio Manager will typically conduct due diligence that it deems reasonable and appropriate based on the facts and circumstances applicable to each investment. Due diligence typically focus on the industry of the relevant portfolio company, the target portfolio company and potential areas for growth. Due diligence may entail evaluation of important and complex business, financial, tax, accounting, environmental and legal issues. Outside consultants, legal advisors, accountants, investment banks and other third parties may be involved in the due diligence process to varying degrees depending on the type of investment. The Portfolio Manager will also rely on information provided by the target of the investment and, in some circumstances, third-party investigations.

j) Engagement policies

Post-close engagement is a fundamental element of the Fund's promoted characteristics of the Fund. The Portfolio Manager has periodic meetings to discuss the performance (including performance by reference to the promoted characteristics) of Control Companies and Qualifying Investments.

k) No designated reference benchmark

No index has been designated as a reference benchmark for the purpose of attaining the environmental or social characteristics promoted by the Fund.