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Baron Capital Statement on Climate Change

Baron Capital believes that climate change is one of the most significant and defining challenges of our age. There is a growing global consensus among scientists, politicians, regulators, companies, and society in general that climate change, resulting from rising levels of carbon dioxide and other greenhouse gases (GHG) in our atmosphere, is reaching a critical level. The continued rise in GHG concentrations in our atmosphere risk causing global temperatures to rise to levels that could have catastrophic ramifications for humanity and millions of other species around the globe.

The impacts on the natural environment from rising sea levels, higher surface tempesavratures, increased frequency and strength of violent weather events including floods, cyclones, wildfires, and droughts among others are primary risks related to climate change. However, these primary risks, which, in and of themselves, have the potential to cause human suffering and major negative effects on all species across the globe, also have significant secondary and tertiary impacts on human health, food supply, biodiversity, population displacement, and government stability. The primary, secondary, and tertiary effects from a changing global climate will impact nearly every business in one way or another, affecting customers, employees, suppliers, raw material sources, critical infrastructure, and much more.

Looming changes in global climate represents a significant investment risk for nearly every business in the world, ranging from physical asset risks to transition risks to cost risks. However, solving the climate crisis will also require massive increases in investment and innovation, potentially creating historic investment opportunities as well. Based on forecasts from the International Energy Agency and The Energy Transitions Commission, the potential incremental investment necessary to achieve a goal of net zero carbon emissions by 2050 is expected to range between $80 trillion and $110 trillion between 2025 and 2050. Much of that money will be invested in low carbon power generation and distribution, transportation infrastructure, industrial decarbonization, carbon capture & storage, and energy efficiency.

The challenge of climate change will not only spur significant investment directly in the areas mentioned above, but will also spur significant innovation in food production, waste and water systems, packaging, health care, and building products. It will also be one of the forces accelerating the digital transformation of businesses and economies around the world. That being said, the digital transformation, which is accelerating due to the rapid growth in artificial intelligence capabilities and applications also represents a significant challenge to reducing carbon emissions because of the substantial expected increase in power demand for data centers around the world and the likelihood that fossil fuels will represent a significant share of future power output. Balanced against the surging demand for power that AI represents could be significant increases in our ability to utilize AI to enhance our knowledge of climate change, curb the impacts of higher power usage, and create solutions to mitigate climate risks. Therefore, investors will play a critical role in helping to solve the climate crisis as we seek to allocate capital in our portfolios to mitigate climate risks and support investments in artificial intelligence and climate-related solutions. We believe that this presents long-term investors with significant opportunities to allocate capital and generate returns.

We view climate change as both an investment risk and a potential investment opportunity. Since these risks and opportunities are so significant and pervasive, we believe that companies need to formulate and

be able to articulate a clear strategy to meet the challenges climate change poses to their businesses over the long term, as well as communicate the steps they are taking to meet these challenges. We also are excited about the many interesting long-term investment opportunities that will likely flow from the quest to mitigate and solve a global problem of this magnitude. We encourage companies to enhance their disclosures related to climate impacts and risks and believe that The Taskforce for Climate-Related Disclosures (TCFD) and International Sustainability Standards Board (ISSB) offer useful frameworks for facilitating the examination of these risks and for enhancing disclosure. In doing so, companies will be key contributors in achieving the prescribed global goals of reaching net-zero emissions of CO2 by 2050, and limiting global temperature increases to less than 1.5°C by 2100 (relative to pre-industrial levels). These goals are consistent with the 2018 recommendations of the Intergovernmental Panel on Climate Change (IPCC), as well as with the goals laid out in the Paris Agreement, which was adopted by 196 countries in December 2015.

As an asset manager, we recognize that the way in which we position our funds and allocate capital is perhaps the biggest contribution we can make in the effort to fight climate change. In concert with a third-party provider, we routinely analyze our holdings' and our funds' climate impact by looking at metrics such as carbon emission intensity, low carbon transition risks, and climate scenario analysis. We also will continue to engage with portfolio companies to understand how they are managing (where material) issues related to climate change such as carbon emissions, power and water consumption, facility risks, and transition risks or how they can potentially capitalize on the aforementioned climate-related capital investment cycle.

Ron Baron

CEO, Chairman of the Board