



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2021

# Strengthening Our Commitment

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**“ We believe [ESG] is inseparable from our ability to serve our investor, employee and community stakeholders, and our ability to demonstrate that our core values are more than just words on a page but practically applied in our daily work.”**

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01

**A Message from  
Our CEO**

# A Message from Our CEO



## To our stakeholders,

Central to Castlelake's ethos is a deep commitment to continuous improvement and evolution to meet the needs of those who have entrusted us to manage capital on their behalf. Further, we as global citizens firmly believe we have a broader responsibility to do what is right and be a part of the solution. Over the last year, this commitment and sense of responsibility has motivated us to further our efforts related to environmental, social and governance (ESG) initiatives in our investment process and across our organization. We believe this work is inseparable from our ability to serve our investor, employee and community stakeholders, and our ability to demonstrate that our core values are more than just words on a page but practically applied in our daily work.

As stewards of long-term capital, we maintain a keen focus on shifts in the global macroeconomic environment that impact investment risk and opportunity. From an environmental perspective, one key development that Castlelake monitored

closely this year is the accelerating migration toward a decarbonized economy. We believe it is imperative to weave this knowledge into our investment philosophy and criteria, using it to help inform which opportunities we pursue, and leveraging it to generate value for our investors.

Greenhouse gas (GHG) emissions reduction commitments are clear evidence of the migration toward a decarbonized economy. We believe that measurement and reporting are foundational to enabling our own emissions reduction journey and supporting that of our investors, so these are high priorities for our firm. There are several frameworks and tools we are in various stages of evaluating, implementing, or using to enhance measurement and reporting of GHG emissions. For example, we are in the process of analyzing a carbon accounting tool to automate data collection across our diverse asset portfolio and calculate or credibly estimate the GHG emissions of

# “The journey ahead of us is long and there is much more to do. But we remain firmly committed to this path and hope this report demonstrates our fidelity to transparency and accountability along the way.”

our management company operations and the funds we manage, enabling Castlelake to better understand its baseline and set realistic milestones for emissions reduction as well as informing our go-forward investment strategy and potential reduction commitments. This work is incremental to the systematic approach to acquiring data about the environmental, social and governance impacts and risks associated with our existing portfolio that we have already implemented. While the diversity of our funds’ portfolios presents some challenges to the consistent measurement of this data, we are committed to leveraging the Task Force on Climate-Related Financial Disclosures (TCFD) frameworks to inform our approach and conforming to global standards.

We expect sovereign and corporate net zero commitments to cause significant infrastructure and asset replacement for decades to come and know that many decarbonization pathways require significant support from private capital. A recent analysis from the UN Climate Change Conference indicated that private finance could provide over two-thirds of the \$2.6 trillion of investment needed every year to put the world on a path to net zero by 2050. We will seek to do our part as investors who specialize in asset-rich opportunities.

At the same time, these trends are already having a meaningful impact on capital flows and are driving down the cost of capital in certain market segments that we find attractive. We’re following these developments closely as we work to contribute to positive change and have developed new capabilities to enable us to continue sourcing attractive opportunities to generate returns for investors that, in certain circumstances, are aligned with our mutual desire to have a positive impact.

From a social perspective, 2021 was a year in which we focused on developing sustainable programming and measurement mechanisms that help us maintain efforts to enhance diversity, equity and inclusion on a consistent and long-term basis. As we communicated to our stakeholders in 2020, this work is ongoing, and we believe we must maintain a high degree of awareness and vigilance to have a lasting impact.

Our belief that diversity of thought drives better investment and operational outcomes remains as strong as ever and supporting diverse voices and opinions remains an important emphasis. At Castlelake we regard social and governance initiatives as closely intertwined. In our efforts to improve governance, we work to ensure that our key decision-makers at the firm represent a variety of functions, experiences, tenures, and backgrounds.

In addition, we’re focused on pairing informal and formal feedback loops, as well as grassroots-style programming, with structured trainings to increase accountability internally.

In 2020, I acknowledged that Castlelake’s ESG journey was in its foundational years. I hope last year’s inaugural ESG Report underscored our firm commitment to making steady progress in these areas. Here in our second annual ESG Report, we hope to highlight some of that progress and provide an update on where we stand in our journey. Some of the year’s accomplishments that I’m particularly proud of include the meaningful advances we’ve made on measurement, reporting and engagement priorities. We’ve collected and analyzed ESG-related data across our portfolio; more deeply embedded ESG considerations and KPIs into our investment underwriting and management process; and further built out our ESG, DE&I and Social Responsibility programs—some of which I alluded to above.

Over the longer term, we’re considering several ESG-related initiatives that we believe will position us as responsible and active participants in this critical period for our world and industry, and I look forward to keeping you updated on our progress.

The journey ahead of us is long and there is much more to do. But we remain firmly committed to this path and hope this report demonstrates our fidelity to transparency and accountability along the way. As we proceed, we encourage our partners to continue this conversation with us as we advance together toward a more sustainable investing future.

## Rory O’Neill

CHIEF EXECUTIVE OFFICER  
& MANAGING PARTNER



# **Our Commitment to ESG**

## 2021 ESG MILESTONES

- 01 Signed the United Nations Principles for Responsible Investment (UN PRI) in early 2021 to demonstrate our commitment to integrating ESG principles in our investment decision-making and commit to accountability and transparency.
- 02 Broadened ESG due diligence procedures in the underwriting process, creating more in-depth guidance for the analysis of ESG risks and merits of investment opportunities, and aligning our procedures with globally recognized standards and reporting frameworks. Additionally, provided training and guidance for the integration of ESG KPIs and action plans in our investment management process.
- 03 Updated our ESG/Responsible Investment Policy to reflect our expanded ESG due diligence and investment management process and initiated the development of an investment exclusions list.
- 04 Furthered efforts to increase collaboration among our ESG; Diversity, Equity and Inclusion (DE&I); and Employee Engagement & Community Committees through partnership on programming and increased communication.
- 05 Evaluated tools and methodologies for estimating greenhouse gas (GHG) emissions and acquiring key diversity statistics across our portfolios.

*Please review the [Legal Disclaimers](#) for additional information regarding Castlelake's investment strategies and our commitment to ESG principles.*

# Our Commitment to ESG



## Building on progress in 2020, Castlelake focused on expanding and deepening our commitment to environmental, social and governance (ESG) initiatives across our organization.

We have worked diligently to make ESG a more consistent part of our culture and our daily work: training our global team, integrating ESG as a core component of our firm's strategic plans, and elevating accountability to CEO Rory O'Neill as the executive sponsor of our ESG Committee. Our 2021 report discusses these

and other examples of our commitment coming to life over the course of the year.

As we look ahead to 2022 and beyond, we are focused on continuing to apply ESG principles in our investment activity and firm operations.



# ESG at Work in Our Investment Strategies



# ESG at Work in Our Investment Strategies

At Castlelake, ESG is integrated into our investment process well before we deploy capital. We apply an ESG lens to our diverse investment strategies and structures, identifying and analyzing ESG risk and merits as part of our underwriting and due diligence process. Beginning in 2021, we conducted specialized training for each of our investment teams (Real Assets, Specialty Finance and Aviation) to educate our professionals about evaluating ESG as part of the due diligence and underwriting process and how to use industry-recognized benchmarks and frameworks to assist in this process.

Some of the accepted frameworks we use include the Sustainability Accounting Standards Board Materiality Matrix and the Principles for Responsible Investing, as well as vendor products such as the global ESG business intelligence platform RepRisk for the screening, reporting, assessment and scoring of material ESG risks. We believe these steps, combined with Castlelake's deep asset expertise, result in a comprehensive view of material ESG factors within

our core investment strategies. Risks and merits are recorded in our investment memoranda and actively discussed and debated with investment team leaders and risk management team members in advance of an investment decision. We believe these pre-investment steps result in a stronger understanding of ESG risks and merits within the investments we ultimately make and help to inform our investment strategy going forward as we continually seek to evolve in response to the investment landscape.

As part of our underwriting process, we are also working to ensure ESG risks and merits also translate to action plans and measurable performance indicators established in partnership with operating and joint venture partners, to lay the groundwork for ESG impact.

Below, we discuss ESG at work in our investment strategies—Real Assets, Specialty Finance and Aviation—in more detail.



# Real Assets

Castlelake's Real Assets portfolio encompasses investments and investment opportunities in asset types across North America, South America, Europe, and Asia. These include but are not limited to renewable energy projects, digital infrastructure, transitional real estate, and non-performing or sub-performing loans backed by assets. The diversity of these assets presents unique opportunities and challenges to drive ESG impact. In 2021, we focused on formalizing the ESG underwriting process that our investment teams use to evaluate these opportunities and challenges across the many unique assets they analyzed, striving to create a more programmatic approach while accounting for the unique complexity that Castlelake targets.

We have made steady progress in this journey. ESG risks and merits involving climate change and GHG emissions, ecological considerations and water use, community development, and health and safety are considerations that our investment teams address in the underwriting stage as applicable. Upon investment, such considerations are also increasingly incorporated in investment management plans and tracked by our investment operations teams. We highlight how our efforts to date have come to life through our role in the optimizing assets, directing capital and guiding strategy segments within the "ESG Integration in Action" section that follows.





# Specialty Finance

An area of focus within Castlelake's Specialty Finance investment strategy is financing for consumer credit and small- and medium-sized enterprises. Castlelake believes this form of financing offers compelling investment opportunities that intersect with a critical social and economic need. With analytics on more than 30 million credit accounts, we have insight into the persistent need for alternative credit solutions among underbanked individuals and enterprises as banks continue to step back from esoteric risk assets. ESG considerations—particularly of social nature—have and continue to play an important role in our approach to investment in this sector. We complete detailed evaluations of counterparties' sourcing and marketing practices, product offerings and customer service interactions to seek to deploy capital to experienced, reputable operators. In one example of this detailed in the "ESG Integration in Action" section, Castlelake partnered with a UK-based loan provider to help non-prime individuals working to rebuild their credit.

Our team also conducts considerable governance and compliance due diligence on new operating partners related to responsible lending, data security and privacy standards as we pursue opportunities to invest in consumer credit receivables and small- and medium-sized enterprise finance. We are committed to evaluating opportunities that enable financial access across the income spectrum even after the pandemic subsidies.



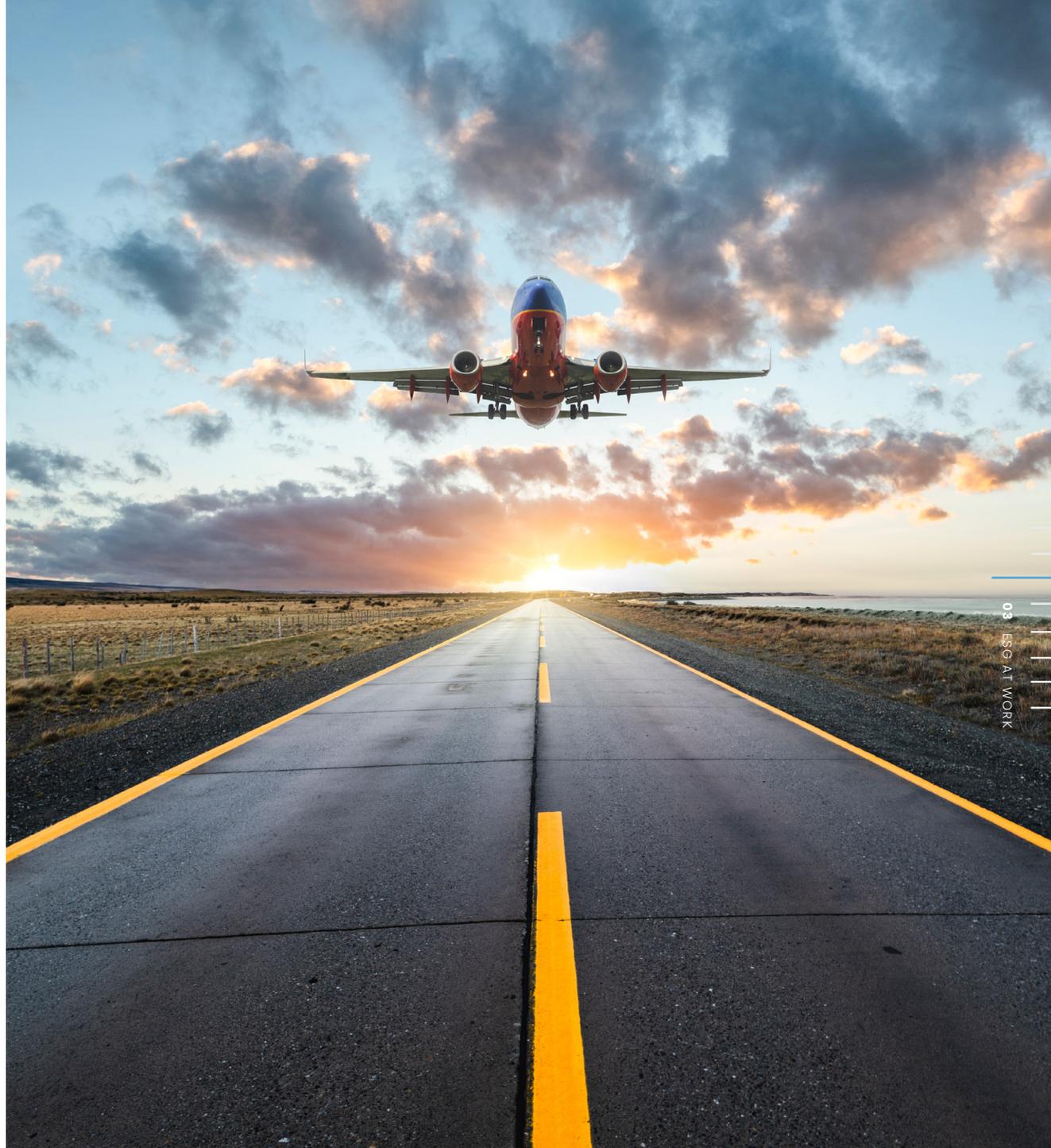


# Aviation

We believe Castlelake's extensive experience in aviation investing affords it an opportunity to bring positive ESG impacts to bear. In 2021, we believe we played an active role in the sector's recovery from the COVID-19 pandemic, helping to sustain the social benefits of global mobility and connection as a liquidity provider, and supporting the industry's ability to measure and shrink GHG emissions.

This year we were proud to participate in the launch of the [Aviation Working Group's carbon calculator](#), which has helped to provide the industry with a foundational methodology for measuring carbon impact. We believe that measurement is a foundational step in enabling the industry to reach its goals and we look forward to building on this early work in an effort to support the International Air Transport Association's (IATA) resolution to achieve net-zero carbon emissions by 2050.

We also believe we provided critical liquidity to commercial aviation businesses globally over the past year, helping airlines stabilize their business strategies and take delivery of newer, more fuel-efficient aircraft, enabling key industry participants to chart a course toward a more sustainable recovery. Many of our airline partners are passionate about being a part of the environmental solution by minimizing the carbon footprint of global aviation but were capital constrained as a result of the pandemic and unable to move forward with their plans to migrate fleets toward newer technology. We believe our ability to provide capital solutions helped several airlines advance their goals in that regard. We expect our position in this context to only grow as persistent industry dislocation continues to drive demand for alternative financing. Castlelake expects to leverage this demand to prioritize opportunities to finance the delivery of new, more fuel-efficient aircraft within our investment mandate, which will also further ESG initiatives.





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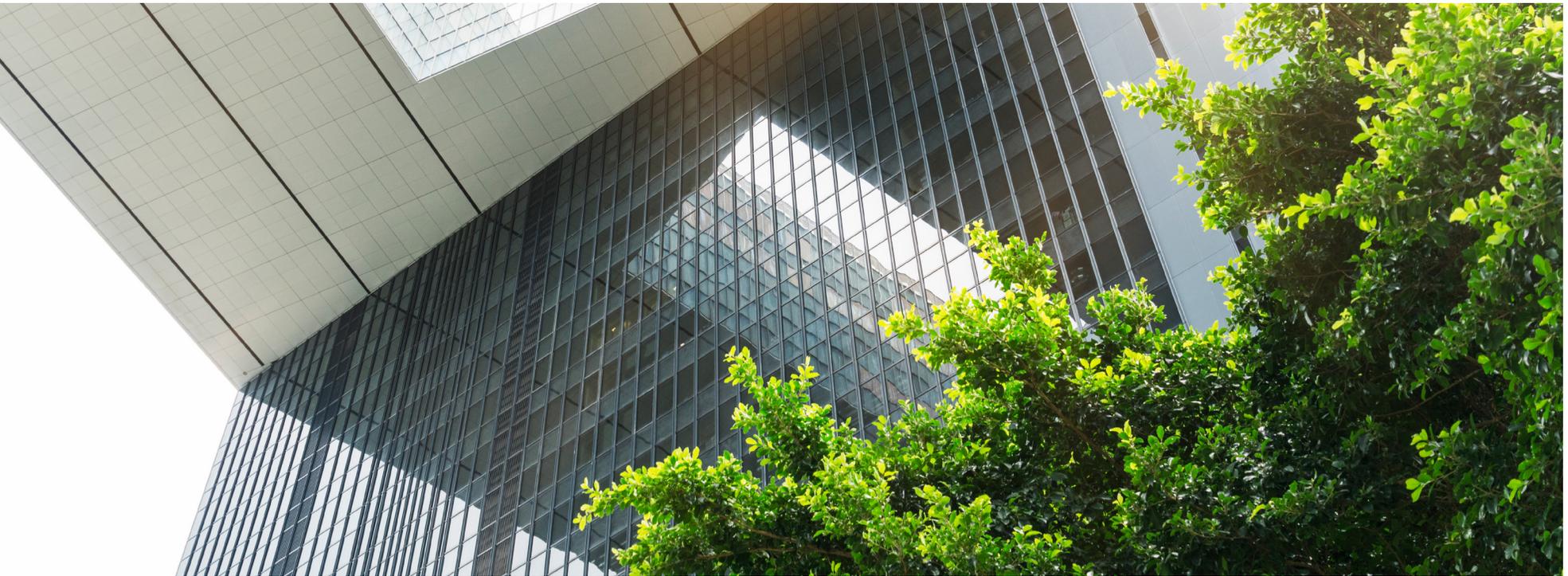
## ESG Integration in Action

# ESG Integration in Action

In 2021, we believe that Castlelake investment teams and operating partners successfully integrated several ESG principles across its investment processes. Here, we focused on select investments within our Real Assets strategy that demonstrate how we are able to generate positive ESG results at various stages of the investment and ownership cycle, from improving or facilitating ESG transformations via our asset expertise to steering management teams toward strategically

integrating ESG in their long-term business strategies.

We strive to integrate ESG principles into our Real Assets investment practices in ways that balance the highest possible impact with the highest possible value to our stakeholders. As examples of this work, we highlight Castlelake's efforts to optimize assets, direct capital toward more sustainable initiatives, and guide ESG strategy.





# Optimizing Assets

Castlelake's significant asset experience is central to our value proposition for stakeholders, including both counterparties and investors. Leveraging this throughout 2021, we continued the evolution of a gas-to-liquids and specialty chemicals producer in our portfolio. We allocated funding to expand the producer's operations and its facilities' ability to process major pollution sources such as flare gas, methane and industrial carbon dioxide into sustainable specialty chemicals. Enhancements completed in 2021 encompassed both additional environmental controls on existing assets as well as design and engineering for large-scale future assets with carbon capture; this opens the door to the potential future creation of carbon negative products. We are proud to help further the producer's vision of introducing products that enable a broad range of customers to reach their sustainability goals.

In the theme of optimizing assets, we also point to an investment in a California-based wind farm. This repowering project involved decommissioning and removing a small-scale wind turbine farm near San Francisco and replacing it with more powerful and energy-efficient large-scale turbines. In addition to creating a source of clean renewable energy for California, the project sought to provide greater protection for the area's Golden Eagle population through the removal of the older turbines and strategic site design. Our team also worked with a local Native American tribe to address concerns around traditional cultural property and hired several local tribesmen to serve as cultural monitors to the project. We were pleased to exit this investment in 2021 to a local utility company. In the years ahead, we look forward to continuing to play a role in providing strategic capital to finance the energy transition through new investments across geographies.



# Directing Capital

We recognize that investment managers can play a critical role in directing capital to opportunities that can have a positive ESG impact on our society. At Castlelake, we believe we can marry this role with investment and return objectives by preferring opportunities that generate compelling risk-adjusted rates of return and have a positive ESG impact rather than opportunities without a positive ESG impact. Our investment activity in the hospitality sector in 2021 stands as an example of this. The COVID-19 pandemic has had an outsized impact on the hospitality sector due to ongoing travel restrictions and limited appetite for travel and socialization given health and safety concerns. With little to no revenue coming in from travelers and traditional sources of capital adopting risk-off appetites, hotel operators have become increasingly capital constrained. Our experience investing in real estate assets across the U.S. and Europe, and our experience underwriting global travel via our aviation investment strategy enabled us to act as a liquidity provider in this sector.

With an ESG lens in place, we directed some of our capital to two opportunities that offer distinct environmental and social advantages. The first was an investment in a real estate investment company specializing in high-quality hotels in Spain and Portugal. The company's strategy is to acquire and reposition hotel assets, breathing new life into existing assets and optimizing operations to maximize their value. Additionally, the company actively targets LEED v4 Gold certification for all assets and supports the revitalization of the affected urban areas by attracting tourism to these areas and enhancing the value of other adjacent properties. The company

also has a stated goal of information transparency, clear governance and compliance with legal and contractual obligations. When evaluating the myriad of opportunities to potentially achieve compelling returns in this dislocated sector, we viewed this particular company as also having a higher potential to drive positive ESG impact in the regions where its assets are located and in Europe more broadly.

Similarly, Castlelake identified an opportunity to direct capital to a hotel operator in the U.S. with a strong focus on the wellbeing of guests and positive social and environmental impacts. Through a joint venture agreement with the operator, Castlelake is acquiring and reimagining assets in the west and northwest regions of the U.S. into attractive destinations for the socially and environmentally conscious traveler. Features of the hotels include the use of environmentally-friendly design and construction materials; the use of earth-friendly cleaning products; locally sourced food, supplies, and services; solar arrays, low-energy and low-flow fixtures, and water-efficient native landscaping; and limited use of plastics. Additionally, the operator seeks to give back to the community through partnerships with regional organizations. With each reservation made at any of the operator's hotels, the operator provides a donation to further the missions of these organizations, which range from seaside restoration to adolescent mental health training. These examples demonstrate the intersection of our investment mandate and ability to drive positive ESG impact. We are excited to explore similar opportunities in other markets in the years ahead.



# Guiding Strategy

Similar to Castlelake's significant asset experience, a commitment to seeking control within our investment criteria often enables us to influence the strategic direction of our investments. Castlelake was pleased to support two green bond projects through its majority shareholder positions in a large Spanish homebuilder and a Greek real estate investment company in 2021. We believe these projects enabled us to help influence the strategic direction of these sizable companies toward efforts to improve environmental impact.

According to S&P Global Ratings, the Spanish homebuilder's green financing framework aligns with the four components of both the Green Bond Principles and the Green Loan Principles. These include a commitment by the borrower to allocate the full amount of the net proceeds of loans and bonds to eligible green projects; to use clear green criteria to select projects for funding; to manage and track proceeds; and to report regularly on the environmental impact and use of proceeds. Ultimately, we believe Castlelake's influence on the direction of the company and support for ESG principles, coupled

with the company's position as one of the largest homebuilders in Spain, will help contribute to the transition of housing developers and real estate companies to a low-carbon economy through measures that reduce natural resource consumption and shrink environmental footprints.

In the past year, Castlelake also expanded its partnership with a real estate company with the largest Class A commercial office property portfolios in Greece and a longstanding commitment to positively impacting the environment and community through its work. Since 2016, the real estate company has undertaken a campaign to improve infrastructure and upgrade important socially-oriented properties within its portfolio. In 2021, it issued a green bond to finance or refinance a portfolio of projects focused on enhancing energy efficiency within the Greek real estate market. Castlelake's role as a majority shareholder in the company enabled us to provide support for the issuance of the green bond and the company's plans for executing on these ESG-oriented projects.



## Case Studies

In this year's ESG report, we're showcasing projects that demonstrate how Castllake integrated ESG in its Specialty Finance and Aviation investment strategies. These case studies show how we helped underbanked consumers and small businesses in the UK access credit and provided liquidity to a large commercial airline to transform its fleet with newer and more fuel-efficient aircraft.

# Providing Consumers with Access to Credit in a Conscientious Manner

Access to credit for individual consumers in the UK had narrowed following the Global Financial Crisis (GFC), as high street banks tightened their credit card-eligibility requirements. According to a report by PwC, the percentage of UK consumers who were ineligible for a bank card had increased to as much as 25% in 2015 from 5% before 2008<sup>1</sup>. In addition, the UK population that falls into the near-prime bracket grew even more as a result of the COVID-19 pandemic.

These trends created a dislocated market where alternative capital can fill the gap. Drawing from our experience underwriting and managing revolving credit cards for non- and near-prime consumers in the U.S., Castllake found opportunities to address this need while generating attractive risk-adjusted returns for investors.

Castllake identified a credit solutions provider and experienced management team focused on the near-prime UK consumer, a cohort with credit ratings generally found in the fair to poor category depending on the credit bureau. This provider helps consumers build their credit over a period of a few years under what we believe to be manageable terms that position the borrowers for credit card eligibility. Castllake provided two financing facilities totaling \$68 million to the provider to help it provide loans and cards to these UK borrowers.

Responsible lending is paramount to this project, so our deal team—working with consumer credit due diligence specialists—reviewed the provider's efforts to ensure loan

affordability through borrowers' income and expense verification. We determined that, with no fees, significant transparency and a manageable interest rate, this was an affordable and suitable product for UK's near-prime borrowers that would be accretive to their credit story.

Before investing in a lender, Castllake performs ESG-focused due diligence to ensure compliance with our standards across the credit card life cycle. We require data demonstrating positive borrower outcomes and set a bar for measuring credit suitability and affordability. As an example, before and after investment, we strictly manage how lenders define affordability—or how much debt a consumer can reasonably bear.

Castllake also monitors borrowers' ongoing financial status and works with the provider's management team to manage credit limits dynamically based on real-time feedback, helping to ensure that struggling borrowers do not carry persistent debt and are guided to pay down their outstanding balances.

We view these types of credit opportunities as critical to helping underbanked consumers gain access to financing, particularly during a time of hardship, and look forward to uncovering more opportunities globally to participate in these solutions while seeking to generate compelling risk-adjusted returns for our investors.

<sup>1</sup> PwC "Banking the under-banked: the growing demand for near-prime credit"



# Enabling Access to Financing for UK SMEs

Castlelake's specialty finance expertise also includes underwriting loans for commercial and industrial uses. Since 2005, we have invested nearly \$3 billion in small balance loans across the spectrum from non-performing to criticized. Leveraging this expertise, we provided financing to small- and medium-sized enterprises (SMEs) in the UK, an initiative informed by a recognition that these businesses have been disproportionately affected by COVID-19. The pandemic's continuation had compelled local and national governments in the country to impose strict regulations that have negatively impacted small enterprises such as pubs and restaurants.

According to the National Federation of Self Employed & Small Businesses, SMEs account for 60% of all private sector employment in the UK<sup>2</sup>. Despite this large economic share, Castlelake has observed that SMEs have faced challenges in obtaining debt financing ever since banks restricted their lending to the space following the GFC. To address this capital shortfall through a viable investment opportunity, we originated approximately \$30 million in merchant cash advances to help approximately 4,500 businesses secure crucial financing, in partnership with a UK-based SME loan originator.

Castlelake engaged with the originator with an eye to its differentiated product. The originator offers short-term loans to SMEs through a revenue-sharing model that draws directly from borrowers' revenues for repayment. Unlike conventional debt, businesses are not required to repay their debt if they are not generating enough revenue. Borrowers pay a share of what they earn, and if they were forced to close their doors in a lockdown, they could generally wait until they were allowed to reopen before resuming payments. Additionally, the product was originated using real-time data, enabling loans to be originated even during lockdowns, when some businesses, such as small convenience stores, used loans to stock up on inventory.

Through our due diligence process, which involved probing for borrower complaints and reputation weaknesses beyond traditional compliance, legal, and financial audits, Castlelake found this revenue-sharing model favorable and affordable for borrowers while also enabling us to achieve predicted cash flow. Restaurants, bars, and pubs in the UK have been equally underserved during the pandemic. Castlelake has helped fund these establishments at a time of limited credit availability.

<sup>2</sup> National Federation of Self Employed & Small Businesses Limited, UK Small Business Statistics, 2022.



# Promoting Fuel-Efficient Aircraft Through Aviation Lending

Within our aviation strategy, we remain committed to lowering emissions and measuring the carbon footprint of our aviation fleet, as well as enhancing resource efficiency and operational technology both within our firm and across the industry. Castlelake's aviation lending strategy, which we launched in November 2020, plays an important role in this overall effort.

We have conducted a granular analysis of the pandemic's impact on the world's airlines and their fleets, as well as its effect on airlines' plans to retire older aircraft and bring in newer, more fuel-efficient models. While pandemic-induced capacity rationalization helped airlines in this effort, COVID-19 also created a significant capital dislocation. We believe that traditional sources of financing are no longer lending at affordable levels, leaving many airlines with insufficient capital to take delivery of new aircraft.

Through our lending strategy, Castlelake has stepped in to help address the shortage and facilitate the transition to more fuel-efficient aircraft. As an example, we recently reached an agreement to provide a loan to one of the world's largest airlines, enabling it to take delivery of four newer Boeing 787-9 aircraft, a more fuel-efficient model that the airline intends to purchase in the near-term.

Despite leading the world by traffic and overall fleet size, the airline had seen a severe reduction in passenger demand since the beginning of the global pandemic, resulting in a 65% year-over-year loss of revenue, or about \$7 billion as of Q1 2021. Castlelake believed the airline would pull through the crisis, however, due to its strong balance sheet and market position. We recognized that the 787-9 aircraft represented a key aircraft for the airline's future fleet plans, serving as a critical asset for its popular long-haul routes while also helping the airline transition to lower GHG emissions.

Our loan to the airline demonstrates how we integrated ESG principles into our investments while continuing to deliver on our mission to generate risk-adjusted returns for our investors. By offering competitive financing solutions that helped airlines acquire newer and more fuel-efficient aircraft in a period of disruption rather than delay these efforts, we believe we have played an important role in accelerating the transition to lower emissions while supporting an industry that offers economic and social benefits worldwide.



## **Broadening and Deepening Diversity, Equity and Inclusion at Castlelake**

In 2021, we continued to work toward making Castlelake a more diverse and inclusive firm and to further embed diversity, equity and inclusion (DEI) principles into our culture, operations, hiring practices and investment processes. In our efforts to weave DEI principles through our daily fabric, we focused on employee work-life benefits, sourcing and hiring practices, employee engagement programming and third-party partnerships.

## SOURCING AND HIRING PRACTICES

Castlelake widened our talent sourcing efforts and reviewed our recruitment partners to ensure we are finding top-tier talent in non-traditional areas of the industry as well as individuals with diverse backgrounds and experiences. We forged a partnership with 10,000 Black Interns—a UK-based initiative committed to placing Black students and recent graduates into internships at investment management firms—providing high-caliber young professionals with opportunities to complete summer internships in Castlelake’s London office.

We also conducted training among our hiring managers to enhance the objectivity of our interview evaluations. In addition, the HR team continues to review compensation data across the firm to ensure pay parity by gender and ethnicity.

This year, Castlelake launched a mentoring program that lets junior talent learn from senior professionals and vice versa, by pairing individuals at different seniority levels for regular conversations and meetings. We also hold employees accountable for creating an inclusive environment during our Annual Performance Review process, asking each individual to memorialize the ways in which they contributed to inclusion across the firm.

## PARTNERSHIPS

Beyond policies, we’re thinking about partnerships in new ways. Across the firm, employees are encouraged to contribute to organizations aimed at improving diverse representation within the private equity industry. We provide opportunities to support and engage with organizations such as Level 20, Gender Ideal, Women’s Association of Venture & Equity (WAVE) and Private Equity Women Investor Network (PEWIN), 10,000 Black Interns and OUT Investors.

In addition, in 2021 we partnered with an external consultant on a substantial culture research project that included an in-depth, third-party study of Castlelake employees’ unfiltered thoughts on the firm’s culture. Nearly 80% of our team participated in the survey, ensuring a broad perspective. Our leadership team, and subsequently all employees, reviewed and analyzed the results, which informed adjustments we are now making to help us sustain our culture and all that it might offer from a DEI perspective, with greater intentionality.

## DIVERSITY IN THE INVESTMENT PROCESS

Castlelake is also implementing DEI principles into our investment strategy, believing that adding people with diverse backgrounds and ways of thinking to management teams leads to better investment outcomes. To establish baselines and track progress on this front, we’ve developed a standardized diversity measurement dataset and embedded it within the accounting and reporting systems that Castlelake’s operating partners use to provide certain data to our firm. Leveraging the Brook Graham scoring system, an industry-recognized framework for measuring statistical information about employees, we are asking our operating partners about the number of employees including the gender identity of employees, the ethnic makeup of the employee base and the stratification of management. Although one standard approach is likely not sufficient to address the myriad of investments within our broader portfolio, we expect this reporting process to provide us with more clarity around the challenges and opportunities we face as an investment manager.



## COMMITTING TO DIVERSITY IN ACTION

Castlelake has signed the private equity trade association Institutional Limited Partners Association's (ILPA's) Diversity in Action initiative, which brings together limited partners and general partners focused on improving DEI across the industry. In signing, we're committed to collaborating on and using a framework to advance DEI principles at our firm and throughout the private equity space. More specifically, this initiative commits Castlelake to undertake actions drawn from ILPA's diversity and inclusion roadmap that are designed to cover such spheres as talent and investment management and industry engagement. We expect these best practices to help us enhance our own DEI efforts and programs and look forward to adhering to consistent reporting frameworks to disclose them.

Castlelake remains committed to finding and developing new and effective ways to become a more diverse and inclusive firm that actively seeks out and welcomes talented individuals with different backgrounds, experiences and perspectives. We know our work on this front will be ongoing and we strive each year to improve on these efforts.

## EMPLOYEE ENGAGEMENT

Castlelake gives members of our global team the opportunity to drive change by participating in various committees, including our ESG Committee, DEI Committee and Employee Engagement and Community Committee (EECC). In 2021, these committees partnered to design programming that allowed our broader team to enact positive change in entertaining and enjoyable ways. Through formal and informal collaboration, we developed a robust agenda of activities and events that encouraged employee participation across office locations, experiences, and backgrounds. Our agenda included book clubs, focus groups, communications campaigns, social events, philanthropic drives and new partnerships with third-party organizations.

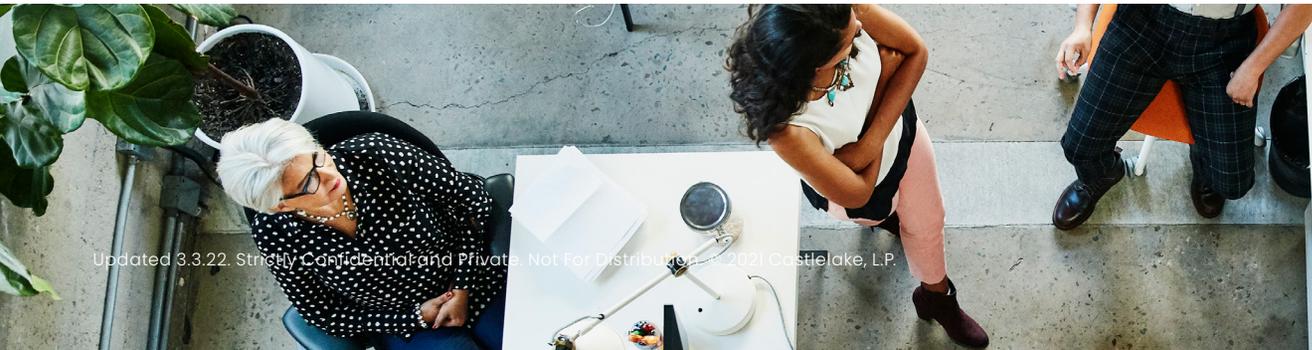
One event, a panel of female team members held in honor of International Women's Day, focused on women's experiences at Castlelake and as working professionals more broadly. More than 110 individuals attended the panel, which included an engaging conversation on the issues, obstacles, and opportunities women face. Building on this experience, we are conducting focus groups to dive deeper into the challenges

the discussion revealed and how we can address them in an inclusive manner.

Other activities included a book club featuring Black authors in recognition of Black History Month and a webinar led by the group OUT Investors.

## WORK-LIFE BENEFITS

In addition to robust benefits, Castlelake has looked for new ways to enhance the employee experience in light of the ongoing COVID-19 pandemic and as we deepen our understanding of employers' roles in the lives of our team members. As an example, we have identified opportunities to strengthen our support for families by increasing paid parental leave. We also believe that enabling our team members to spend time away from the office is essential to ensuring their work at Castlelake is conducive to cultivating healthy, balanced whole selves. For this reason, we encouraged employees to take additional paid days off during the year and use volunteer time off allotments to give back to the community.





# Corporate Social Responsibility and Philanthropy

Our Employee Engagement and Community Committee (EECC) in 2021 continued to form meaningful partnerships with organizations across the U.S., Europe and Asia in its effort to support social good initiatives that aligned with Castlelake's founding principles. Here are some of the highlights.

# Event Participation

## PIETA HOUSE DARKNESS INTO LIGHT WALK

Castlelake team members participated virtually in the Pieta House Darkness into Light Walk on May 8, jumpstarting our programming for Mental Health Awareness Week. The 5-kilometer walk raised funds for Pieta, an Irish charity that helps people suffering from suicidal distress or engaging in self-harm.

## LITTLE LUMPY CYCLING SPORTIVE

Last August, Castlelake team members cycled up to 100 miles across England's countryside to complete this inaugural bicycle event. The nonprofit ride raised money for the Haslemere Festival and the Haslewey Community Centre, which provide community services and essential items to local individuals in need.

## MATTER BOX PACKING EVENTS

Castlelake's EECC hosted a series of box-packing activities in Minneapolis over the course of the year with our partner, MATTER, a Minneapolis-based nonprofit organization. In 2021, Castlelake packed kits of healthy and nutritious non-perishable foods in snack boxes equating to 3,400 meals for the community.

## FIRM DONATIONS

### Magnolia Cup Horse Sponsorship

Castlelake donated £25,000 and sponsored a horse in the Magnolia Cup Ladies' Day race, an event hosted by The Goodwood Group and Markel International which brought together 10 remarkable women. The race raised more than £230,000, a record-breaking amount, for Smart Works Charity.

### Orbis/Airlink Partnership

Castlelake in 2021 donated \$30,000 to the aviation and logistics charity Airlink, which helps organize transport for relief workers and emergency supplies to disasters and other humanitarian crises around the globe. In addition, we donated \$5,000 to Orbis, an organization that works to prevent and treat blindness, and \$3,000 to Airlink for COVID-19 relief efforts.

### Footprint Project

Castlelake supports Footprint Project, a solar generator non-profit organization working to provide cleaner energy for communities in crisis. In 2021, Castlelake donated \$20,000 to help Footprint Project gain momentum and provide financial backing for the founder to focus on this 501(c)(3) full-time.

### Firefighters for Healing

Since 2019, Castlelake has partnered with Firefighters for Healing, an organization that supports burn survivor patients and helps firefighters and other first responders suffering from line-of-duty injuries or medical diagnoses. In 2021, Castlelake donated \$15,000 to their cause.



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All statistics are as of September 30, 2021, unless otherwise indicated.

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therein will not be afforded the protections thereof. Potential investors are required to inform themselves of, and to observe, any legal restrictions on their involvement in the offering. Further, this Presentation has not been approved by the SEC, the Financial Industry Regulatory Authority, the Commodity Futures Trading Commission or any other regulatory authority or securities commission in the United States or elsewhere. This Presentation contains opinions, which are expressed as of the date recorded and may change as subsequent conditions vary.

Investors should read the Confidential Private Placement Memorandum (as amended and/or supplemented from time to time, the “PPM,” and together with the Operative Agreements, the “Offering Materials”) and the Operative Agreements in their entirety for the relevant Castlelake Fund before making an investment therein. In particular, the PPM contains important information related to the relevant Castlelake Fund and Castlelake’s organization, investment strategies and history as well as detailed risks of investing in such Castlelake Fund and potential conflicts of interest associated therewith. The statements in this Presentation are not intended to be complete or final and are qualified in their entirety by

reference to the Offering Materials. To the extent of any conflict between the information contained in any of such Offering Materials and the information herein, the information in such Offering Materials will control and supersede this Presentation. Investors should also review the Form ADV Part 2 of Castlelake.

This Presentation contains only a high-level summary and does not contain all material information pertinent to an investment decision. This Presentation is not intended to be used as the primary basis for investment decisions, nor should it be construed as advice designed to meet the particular needs of an individual investor. Each recipient of this Presentation should conduct its own inquiries as to the adequacy, accuracy or completeness and reliability of any information, whether such information is contained in this Presentation or not, and should consult its own attorney, business adviser and tax adviser as to legal, business, tax and related matters concerning the information contained herein and to the advisability of any investment in a Castlelake Fund, such as a particular investor’s investment objectives or tolerance for risk. Nothing herein is intended to constitute legal, tax or investment advice from Castlelake nor should the contents of this Presentation

be construed as such. Neither Castlelake nor the relevant Castlelake Fund shall have any liability to the recipient, the recipient’s affiliates or to any of the recipient’s, it affiliates or their respective representatives relating to or resulting from the recipient’s use or consideration of this Presentation or any errors or inaccuracies therein or omissions therefrom. Furthermore, the recipient should not rely (and should not claim reliance) upon any representations made (whether oral or written) by the relevant Castlelake Fund or Castlelake in connection with the recipient’s investigation of the accuracy of the information contained herein or in making the recipient’s investment decision, other than as provided in the Offering Materials.

All historical statements concerning past investment activities, experience and performance contained in this Presentation refer to the Castlelake Funds referenced within such statement. Information specific to a Castlelake Fund or account managed by Castlelake is available upon request. The market analysis, any targeted returns, estimates and similar information including all statements of opinion and/or belief contained herein are subject to inherent uncertainties and qualifications and are based on a

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statements of opinion and/or belief contained herein are subject to inherent uncertainties and qualifications and are based on a number of assumptions, and no assurances are made that such targeted returns can or will be realized. Any case studies or sample transactions contained in this Presentation are for illustrative purposes only, and they are not intended to present a comprehensive synopsis or a representative sample of past performance results achieved by current members of the Castllake team and may not be relied upon as a promise, prediction or projection of future performance. There is no representation that such investment or similar investment is currently held or will continue to be held by any Castllake Fund or that such position is, was or will be profitable. Past performance is not necessarily indicative of future results, and no assurance can be given that investment objectives will be achieved. The composition of past performance for various Castllake Funds differ significantly and any returns are provided for reference information only. The full impact of COVID-19 is particularly uncertain and difficult to predict, but it may have an adverse effect on the future aggregate investment performance of each Castllake Fund and will likely have

an adverse effect on certain of the individual investments therein. Please refer also to additional documents contained in the Fund Data Room (or available upon reasonable request) for more detailed information relating to the performance and cash flows of individual investments contained within each of the Castllake Funds.

In considering any performance data, you should bear in mind that past or targeted performance is not indicative of future results, and there can be no assurance that any Castllake Fund will achieve comparable results or that target returns will be met. You should also bear in mind that past or targeted portfolio characteristics are not indicative of future portfolio characteristics and there can be no assurance that any Castllake Fund will have comparable portfolio characteristics or that target portfolio characteristics will be achieved. In addition, there can be no assurance that unrealized investments will be realized at the valuations shown as actual realized returns will depend on, among other factors, future operating results, the value of the assets and market conditions at the time of disposition, any related transaction costs, and the timing and manner of sale, all of which may differ from the assumptions on

which the valuations contained herein are based. Performance data may be estimated and based on unaudited financials thereafter.

All statements concerning investments by Castllake, capital deployment, investing or related activities refer to that which has been conducted on behalf of Castllake Funds or vehicles for which Castllake serves as investment manager or servicer.

Currently, COVID-19 has become an endemic threat to global public health. As a result, COVID-19's continued presence has diminished global economic production and activity of all kinds and has contributed to volatility in all financial markets. The ultimate impact of COVID-19 is impossible to predict as global efforts to reduce the spread of new viral variants persist. However, it is possible that further global or regional economic downturns (including a recession) of indeterminate duration and severity, are possible. Public health emergencies going forward (including the effects of COVID-19) could have a significant adverse impact and result in significant losses to Castllake and/or the Castllake Funds. In addition, the operations of Castllake, the Castllake Funds, portfolio companies, and their affiliates may be

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significantly impacted, or even temporarily or permanently halted, as a result of government quarantine measures, restrictions on travel and movement, remote-working requirements and other factors related to a public health emergency. These measures may also hinder such entities' ability to conduct their affairs and activities as they normally would, including by impairing usual communication channels and methods, hampering the performance of administrative functions such as processing payments and invoices, and diminishing their ability to make accurate and timely projections of financial performance.

Castlelake commenced investment management operations in 2005; provided that certain of the information contained herein is presented commencing in 2010, where deemed appropriate by Castlelake, as a result of Castlelake's view that 2010 represented a material shift in its investment strategies to primarily private markets funds and reflects the commencement of the business as it is conducted today. Certain historical statements concerning past investment activities, experience and performance contained in this Presentation may refer to the past activities and experience of investment professionals at Castlelake during periods prior to their

employment with Castlelake and to the performance achieved by the firms with which they were then associated, with the exception of Castlelake Aviation I, L.P., Castlelake I, L.P., Castlelake Aviation II, L.P., Castlelake Aviation II Opportunities, LLC, Castlelake II, L.P. and Castlelake II Opportunities, L.P., Land Opportunities, L.P., Castlelake III, L.P., Castlelake IV, L.P., Castlelake Aviation III Stable Yield, L.P., Castlelake V, L.P., Castlelake Income Opportunities I A, L.P. and Castlelake Income Opportunities I B, L.P., Castlelake Aviation IV Stable Yield, L.P., Castlelake Aviation IV Stable Yield Opportunities, L.P., Castlelake Income Opportunities II, L.P., and Castlelake V Dislocated Opportunities, L.P. (collectively with any current or future funds or vehicles managed by Castlelake, "Castlelake Funds").

Information presented in relation to performance, track record and examples of prior investment strategy generally does not reflect the entire performance, track record and prior investment strategy of Castlelake, which specifically excludes (i) funds and vehicles not deemed to be private markets funds and (ii) certain co-investment vehicles; provided that further information with respect to those strategies may be made available upon request. The past performance of

investments with which Castlelake's team members were involved is not necessarily indicative of Castlelake's future results. While the investment professionals of Castlelake have previous experience making and managing investments at their predecessor firms, the Castlelake Funds' investments may differ from previous investments made by such personnel. Information contained herein regarding investments made and/or managed by one or more investment professionals of Castlelake is provided in order to illustrate the nature of such investments and the related investment strategy and process with respect to investments of the type to be made by the Castlelake Funds. In certain cases, other professionals and/or affiliates or other individuals had substantial involvement in, and made substantial contributions to, certain prior investments. Certain of such professionals, affiliates and individuals will not be involved in managing the Castlelake Funds or their investments.

Certain information contained in this Presentation has been obtained from third-party sources outside of Castlelake. While such information is believed to be reliable for the purposes used herein, neither Castlelake, nor any of its affiliates or partners, members

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or employees, assume any responsibility for the accuracy of such information or for the consequences of relying on such information. We have relied upon and assumed, without independent verification, the accuracy and completeness of all such information.

Certain information contained in this Presentation is not purely historical in nature but constitutes “forward-looking statements,” which can be identified by the use of forward-looking terminology such as “may,” “will,” “should,” “expect,” “anticipate,” “target,” “project,” “estimate,” “intend,” “continue” or “believe,” or the negatives thereof or other variations thereon or comparable terminology. These statements may include, among other things, projections, forecasts, estimates, view on the economy or markets, and specific trade ideas and investment strategies. These forward-looking statements are based upon certain assumptions and are necessarily speculative in nature. The assumptions upon which forward-looking statements are based may not be stated in this Presentation. Due to various risks and uncertainties, actual events or results or the actual performance of the relevant Castlelake Fund may differ materially from those reflected or contemplated in such forward-looking statements. All forward-

looking statements included are based on certain information available to Castlelake on the date of this letter and are subject to change without notice. Castlelake does not assume any duty to update any forward-looking statement. Investors in the relevant Castlelake Fund should not rely on these forward-looking statements in deciding whether to invest in such fund. All statements, including forward-looking statements and discussions of the business environment and investment strategy of Castlelake and the Castlelake Funds included herein, are subject to the impact of the ongoing COVID-19 outbreak, which may substantially and adversely impact Castlelake’s or the Castlelake Funds’ execution of their investment strategies and which has introduced a number of known and unknown risks and uncertainties into the business of Castlelake and the Castlelake Funds. Nothing contained herein is, or shall be relied upon as, a promise or representation as to the past or future. Past performance is not indicative of, or a guarantee for, future results.

An investment in any Castlelake Fund is speculative and involves significant risks and potential conflicts of interests due to, among other things, the nature of the Castlelake Funds’ investments. An investor should not

invest in any such Castlelake Fund unless it is prepared to lose all or a substantial portion of its investment. Further, each investor must be prepared to bear these risks for an indefinite period of time because there will be no public market for the securities of any Castlelake Fund. Such securities may only be transferred with the consent of the general partner of the relevant Castlelake Fund. The Castlelake Funds will employ leverage, which, among other investment techniques, can make investment performance volatile and lead to higher risk. The fees/allocations and expenses of the Castlelake Fund are material and may offset all or a material portion of profits. A substantial portion of the investments for such Castlelake Funds take place in foreign countries.

Although Castlelake will strive to consider and pursue certain environmental, social and governance (“ESG”) initiatives as set forth herein, there can be no assurance that its efforts will be successful or that any of its initiatives will ultimately be implemented. Castlelake’s ESG initiatives (and any related ESG considerations it takes into account with respect to the Fund’s portfolio) may change in the future and are subject to various factors within and outside of its control, all of which may substantially and adversely

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impact Castlelake's or its affiliates' execution of its ESG initiatives. For avoidance of doubt, Castlelake does not expect to subordinate the Fund's investment returns or increase the Fund's investment risks as a result of (or in connection with) the consideration of any ESG factors. Castlelake may change, or otherwise abandon, any ESG initiatives or other considerations set forth herein in its sole discretion. There can be no assurance that Castlelake will consider ESG factors in connection with making any investment.

In this Presentation, views and other statements regarding the impact of ESG initiatives in which Castlelake has been involved are based on Castlelake's internal analysis and information provided by the applicable portfolio company. Such views and statements are based on estimates regarding the impact of such ESG initiatives that have not been verified by a third party and are not based on any established standards or protocols. They can also reflect the influence of external factors, such as macroeconomic or industry trends, that are unrelated to the ESG initiative presented.

References to external consultants are to individuals who are engaged, as consultants, to assist Castlelake with sourcing or developing ESG investment ideas and a variety of other matters. These individuals are not employees of Castlelake. The portion of the compensation paid to these external consultants that is related to fund activities, such as sourcing investments or monitoring portfolio companies, may be borne by the relevant funds.

"Assets under management" or "AUM" refers to the assets that Castlelake manages or advises. Our AUM generally equals the sum of the following:

a) the aggregate fair value of the Castlelake Funds and separately managed accounts, plus the capital that Castlelake is entitled to call from investors in those funds and vehicles (including Castlelake's commitments to those funds and vehicles and those of senior Castlelake professionals and employees) pursuant to the terms of their capital commitments to those funds and vehicles;

b) the aggregate fair value of third-party equity held in co-investment, asset-backed securities, securitization, and lending vehicles; and

c) the aggregate fair value of external debt held in asset-backed securities, securitization, and lending vehicles.



Castlelake is committed to advancing our ESG journey over the coming years. We welcome the opportunity to discuss our efforts and learn from you. Please contact us at [investor.relations@castlelake.com](mailto:investor.relations@castlelake.com).



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