



CASTLELAKE

# Environmental, Social and Governance Report

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# 01

## Letter from CEO

Over the last few years, we've seen the conversation around ESG in investment management shift substantially. Increasingly, we are hearing of managers taking a big step back from ESG initiatives altogether.



To our stakeholders,

Over the last few years, we’ve seen the conversation around ESG in investment management shift substantially. Increasingly, we are hearing of managers taking a big step back from ESG initiatives altogether.

But at Castlelake, our beliefs and approach to ESG as a practical component of good investment management remain steadfast. We don’t regard, nor have we ever viewed, ESG as a trend; rather, the consideration of ESG factors and risks has and continues to be a part of Castlelake’s strategy and investment process.

We consider ESG factors and weigh ESG risks because we believe they can have a meaningful impact on capital flows, asset values, and liquidity, and therefore, investment outcomes. Today, we continue to refine the ways in which we integrate ESG into our investment processes so that we can enhance their consistency and integrity.

We are also keenly aware of investors’ increasing interest in asset-based exposure and the capital being formed around the opportunity set. As active participants in the asset-based markets for nearly 20 years, we believe the practical consideration of ESG effects on assets will contribute to differentiation among investment managers over time.

Real assets have a variety of environmental and social impacts, and so we recognize both of those components in our underwriting approach. For example, as a longstanding and experienced aviation investor, we recognize the environmental impact of air travel on a granular level, and we also deeply understand the social benefits it offers to our society. As stewards of our investors’ capital, we believe it is our responsibility to acknowledge both of those dynamics in our underwriting analysis, weighing their risks and opportunities, and pursue investment approaches that strive to balance them.

**“We consider ESG factors and weigh ESG risks because we believe they can have a meaningful impact on capital flows, asset values, and liquidity, and therefore, investment outcomes.”**

—Evan Carruthers

More broadly, we believe sentiment around ESG factors will continue to evolve in the market, but our experience and asset expertise lead us to conclude that continuing our ESG approach remains appropriate for our investment strategies. With that conviction, we remain committed to a practical approach and continuous refinement.

**Evan Carruthers,**  
**Managing Partner, Chief Executive Officer and Chief Investment Officer**





# 02

## Overview of Castlelake

Castlelake is a global alternative investment firm with approximately \$22 billion in assets under management. We are a relationship-oriented, experienced liquidity provider in asset-based investment opportunities.

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**\$22 billion**

in assets under management



**230 employees**

including more than 80 investment professionals

Castlelake has extensive experience, data, and relationships within the specialty finance, real assets, and aviation private markets that we bring to bear as we provide asset-based private credit and other forms of capital solutions. We believe that Castlelake offers differentiated exposure to investors across the private markets and aspires to generate attractive risk-adjusted returns with low correlation and less volatility than the public markets.

The Castlelake team has more than two decades of specialized asset structuring expertise, in-market experience, and long-standing sourcing relationships. Our global footprint includes more than 220 employees — including more than 80 investment professionals — spread across seven offices in the U.S. and Europe.



# 03

## Governance

Castlelake regards ESG review and management as central components of our investment underwriting and portfolio management processes. Accordingly, Castlelake's ESG Committee (the "Committee") functions as a core element of our governance structure.

# Governance

## FIRM LEVEL

### ESG Committee

Castlelake regards ESG review and management as central components of our investment underwriting and portfolio management processes. Accordingly, Castlelake's ESG Committee (the "Committee") functions as a core element of our governance structure. A dedicated ESG practitioner leads the Committee, which reports to the Portfolio Committee. The Portfolio Committee advises on recommendations from the ESG Committee, ESG Director, and Investment team.

The Committee, led by the ESG Director, provides the foundation for and guides our approach to implementing ESG principles. The Committee advances the consideration of ESG risks and opportunities throughout the investment lifecycle through coordination with investment professionals and operational teams and provides subject-matter expertise.

Moreover, the Committee works to ingrain the firm's ESG approach and the principles of responsible investing throughout Castlelake's culture. As part of this effort, the Committee continues to play a pivotal role in driving, optimizing, and reporting on Castlelake's ESG approach across the firm and to its investors and stakeholders.





In August 2023, Castlflake merged the firm’s ESG Committee and Aviation ESG Sub-committee, creating a more streamlined structure that allows for increased coordination and more efficient decision-making and makes it more action-oriented and productive. The single committee structure also drives consistency and facilitates knowledge-sharing across business lines.

The ESG Committee is responsible for integrating and embedding ESG practices and principles into Castlflake’s culture. The Committee accomplishes this through creating and disseminating materials that contribute to Castlflake’s governance, firm-wide and tailored trainings, and ongoing engagement with various departments and teams across the firm.

In addition to and in a complementary fashion, Castlflake maintains several policies that govern the behavior of its team and the way in which it operates. Two such policies include its Code of Ethics and its Privacy & Information Security Policy.



## Streamlined structure

In August 2023, Castlflake merged the firm’s ESG Committee and Aviation ESG Sub-committee

establish standards for Castlflake to maintain the security and confidentiality of non-public information that Castlflake has collected from investors or other third parties, to protect against anticipated threats or hazards to the security or integrity of personally identifiable information, to protect against unauthorized access to or use of PII in a manner that creates a substantial risk of identity theft or fraud and to dispose of the PII in a secure manner. The policy is based upon SEC Regulation S-P, the European Union’s General Data Protection Regulation (“GDPR”), with additional guidance from the California Consumer Privacy Act (“CCPA”) and New York’s Stop Hacks and Improve Electronic Data Security Act (“SHIELD Act”).

Castlflake’s approach to cybersecurity is governed by its Privacy & Information Security Policy. The Privacy & Information Security Policy provides and identifies administrative, technical and physical safeguards that

Finally, we continue to embed ESG throughout our culture, as reflected in the firm’s approach to human capital management. In 2023, we mandated firmwide ESG training, recording a 100% completion rate.



Castlflake’s Code of Ethics sets for the standards of conduct expected of all partners, members, officers, and employees of Castlflake, as well as certain independent contractors (“Covered Persons”). It addresses gifts, entertainment, outside business activities, and third-party relationships, as well as assists Covered Persons in fulfilling its obligations to comply with federal securities laws. We believe that adherence to the code is critical to maintaining the integrity, reputation, and performance of Castlflake. Beyond the specific examples and situations outlined in the code, all Covered Persons are expected to comply with the spirit of the code and the principles articulated within it. Enhancements and alterations to the code are made periodically to reflect regulatory changes and developments in Castlflake’s business.

## INVESTMENT INTEGRATION LEVEL

Within our investment underwriting process, Castlelake designed a structured approach to considering material ESG risks and assessing their potential financial impacts for the Investment Review Committee's consideration. We thoughtfully built this process to allow for its incorporation into our existing underwriting process and ongoing investment monitoring and management.

Where applicable, we may use governance or reporting rights at the investment level to provide insight into relevant ESG factors after the initial closing, believing that prudent management can affect performance. These structures may include Castlelake investment professionals within the management teams or boards managing invested assets. They may also include encouraging governance policies around ESG factors from incident reporting to occupational health and safety, as relevant to the investment opportunity.

Our middle office team and investment professionals regularly engage with the management teams of assets within our portfolios and other operating partners to provide insight into relevant ESG matters as part of the investment management process. Each investment receives dedicated and consistent oversight from a team of Castlelake investment professionals throughout the hold period.





# 04

## Strategy and Risk Management

We believe a focused and robust ESG approach at the firm level — as opposed to a broad or far-reaching, but less rigorous one — is aligned with our investors' interests. We also believe that deeply integrating that ESG approach into our firm's governance and culture creates an environment conducive to our core mission of providing attractive risk-adjusted returns.



## FIRM LEVEL

We believe a focused and robust ESG approach at the firm level – as opposed to a broad or far-reaching, but less rigorous one – is aligned with our investors’ interests. We also believe that deeply integrating that ESG approach into our firm’s governance and culture creates an environment conducive to our core mission of providing attractive risk-adjusted returns.

To enhance integration, we put a strong focus on data integrity and process rigor.

We are also committed to reassessing, focusing, and strengthening our ESG protocols and practices, to enhance their overall integrity and utility within our investment and risk management approach. Accordingly, we are committed to reviewing our ESG governance and firmwide strategy and approach on an annual basis. As part of this review, we evaluate the functions within our ESG Committee, the Committee’s positioning within our broader governance structure, and its strategic priorities. Castlelake assesses the external business and macro environments and the needs of our investors to help guide future focus areas. We also evaluate challenges and gaps in our existing program and devise plans for addressing these.

## INVESTMENT INTEGRATION LEVEL

Castlelake believes that ESG factors can be material to investment performance, particularly as they potentially impact exit liquidity and sponsorship appeal in today’s environment. Therefore, we aim to analyze any material, relevant ESG factors to each investment as part of the investment underwriting process and on an ongoing basis as part of our portfolio management. The next section demonstrates how we evaluate ESG factors throughout our investment lifecycle.

### Pre-Investment

Castlelake deal teams integrate assessment of relevant, material ESG issues analysis into our broader due diligence processes for all new investment opportunities. These due diligence processes include company and/or asset research, country analysis, asset and operating manager selection, and risk management.

### ESG Underwriting Tool

Castlelake implemented a proprietary ESG Underwriting Tool to help streamline and organize our pre-investment ESG practices. Investment professionals underwriting investment opportunities initially use the tool, which we designed to adapt dynamically with each input.

The utility then helps Castlelake increase internal collaboration by integrating our middle office teams and ESG Committee at various inflection points, including at the initial stages of investment memo creation and circulation. The tool facilitates information-sharing and enables different teams to work collaboratively to incorporate ESG into the investment underwriting process.

The tool also serves as a self-contained utility which incorporates Sustainability Accounting Standards Board (SASB) factors and proprietary business line guidance. It generates a tailored ESG assessment plan based on inputs that include recommended next steps, available resources, and additional variables to consider. Using inputted data, the tool automatically generates an ESG output for incorporation into the final Investment Review Committee (IRC) memo, and also flags elevated ESG risks to give IRC members greater visibility.

Once completed, the tool serves as documentation for ESG underwriting, future reference and comparison for other investment opportunities, and fulfilling record-keeping obligations.

The utility also prompts investment professionals to request and deliver ESG-related data and considerations to other



### The tool incorporates relevant ESG data and analysis at multiple levels of detail:

1. Basic investment information, such as asset category and industry
2. Castlelake Exclusions List screening
3. SASB Factor review
4. Castlelake proprietary ESG guidance review based on business line/asset type and/or industry
5. Investment professional analysis and commentary on ESG risks and opportunities

internal teams, as necessary. These prompts help the team complete particularly relevant ESG underwriting tasks such as RepRisk scoring, Watch List updates, operating partner ESG due diligence or operational risk

assessments, or further collaborate with Castlelake's ESG Director.

This comprehensive, proprietary tool guides our ESG pre-investment process and, in our view, significantly improves efficiency, internal governance, and consistency in ESG underwriting.

### Operational Due Diligence and Escalation Processes

In addition to our ESG underwriting process, Castlelake employs an ongoing due diligence process that focuses on systemizing data acquisition. We believe this creates a strong ESG data foundation for managing risk and enhancing enterprise- and investment-level ESG strategies and processes. Our standard ESG procedures require members of our middle office teams to request each operating partner – the companies or teams involved in servicing the assets that Castlelake funds/vehicles have invested in – to complete our proprietary ESG due diligence questionnaire annually.

Additionally, Castlelake employs a standardized ESG Escalation Process, which is part of our ESG Policy. The Process provides a clearly defined set of steps for the escalation and resolution of material ESG factors discovered during an investment's underwriting or due diligence. We designed

the Escalation Process to facilitate enhanced diligence in the event of material ESG exposures. Once the investment team or ESG Director invokes an escalation, Castlelake conducts, documents, and delivers an analysis of ESG risk and mitigation recommendations to our IRC as part of the investment decision-making process.

### Reporting

In addition to publishing a publicly available ESG report annually, Castlelake regularly reports its ESG strategy and activities to its internal and external stakeholders. Our reporting approach uses qualitative commentaries and quantitative reporting tools and systems.

Led by the ESG Director, our ESG Committee provides annual internal reports to Castlelake's Portfolio Committee, which is comprised of members of firm's senior leadership. These reports include an evaluation of ESG Committee activities, the state of ESG integration and its effectiveness within Castlelake, and any pertinent ESG challenges or opportunities facing the firm and the broader investment industry. This qualitative review lets Castlelake continuously refine its ESG strategy.

In addition, Castlelake aims to respond to any particular inquiries from its investors regarding its ESG strategy and processes.

**Castlelake assesses the third-party quantitative frameworks and systems with an eye toward metrics and information that are material, decision-useful, and whose integrity and utility we trust. In the asset-based private markets, we continue to see meaningful gaps in the quality and complexity of data available for benchmarking and measurement through third parties. As we gather more data and more comprehensively document the ESG risk analysis in our own underwriting and investment-management processes, we continue to hone our approach to internal data and external/quantitative data sources and systems.**

Finally, we continue to adhere to the reporting requirements of our various industry memberships, including the United Nation's Principles for Responsible Investment (PRI). Castlelake completed our first mandatory reporting cycle in 2024.



# 05

## Progress

This report strives to convey how Castlelake's ESG approach focuses on rigorous analysis, due diligence, and consistency to maximize efficacy. In 2023, Castlelake's continuous effort to enhance and refine this approach included implementing systems-based integrations to collect and use ESG-related data more efficiently, as well as increasing information-sharing and collaboration throughout the investment lifecycle.

# Progress

## FIRM LEVEL

This report strives to convey how Castlelake's ESG approach focuses on rigorous analysis, due diligence, and consistency to maximize efficacy. In 2023, Castlelake's continuous effort to enhance and refine this approach included implementing systems-based integrations to collect and use ESG-related data more efficiently, as well as increasing information-sharing and collaboration throughout the investment lifecycle. Integrations included connecting due diligence questionnaires with investment processing and tracking systems and launching Castlelake's ESG Underwriting Tool to bring relevant information and automation into a single interface. We also refined our use of training systems to better distribute ESG training modules to relevant parties and track and enforce training completion.

Castlelake also continues to engage in what we believe are high-quality ESG initiatives relevant to its investment strategies and focus on the organizations that we think offer the best opportunities to provide and extract valuable insights. In 2023, these included trade associations and other financial institution-related networks and affiliations, such as PRI

and Aircraft Leasing Ireland's sustainability initiative. We also continue to focus on identifying those opportunities which are most relevant to Castlelake's asset-based investment strategies (Specialty Finance, Aviation, and Real Assets), where we can contribute asset expertise and experience and learn about sector-specific ESG topics.

In 2023, Castlelake refined its investment review process to create an independent ESG review step. For this step, we place the ESG Director within the investment review workflow to evaluate every investment memo through an ESG lens. We also integrate our ESG Escalation Process into this review, which empowers the ESG Director to independently escalate an ESG exposure and submit a document to the IRC that details the findings and recommendations.

In 2023, we also encouraged deeper collaboration between Castlelake's ESG Committee and Client Management teams. We believe that a combination of individual responses to investors' requests and a systematic reporting approach (including through this report) is warranted and most useful for our investors, given their unique needs and expectations and the nuances of Castlelake's asset-based investment strategy.



## INVESTMENT INTEGRATION LEVEL

At the investment level, we saw progress throughout 2023 in implementing Castlelake's ESG approach across our firm. We measure this by several factors, including:

1. Castlelake's ESG training
2. Operating Partner ESG Due Diligence Questionnaires
3. The ESG component in all investment review memos

## 2024 AND BEYOND

Looking forward, we expect our ESG approach to continue prioritizing materiality, rigor, and efficiency. In our view, these characteristics achieve effective ESG risk management and reporting and ultimately help create the risk-adjusted returns that investors seek.



**ALL STATISTICS ARE AS OF MARCH 31, 2024, UNLESS OTHERWISE INDICATED.**

The information contained herein (this "Report") is proprietary, is provided to the recipient for information purposes only, and is solely intended to summarize the current ESG policies and processes of Castlelake, LP. This Report should not be relied upon for any other purpose. This report may not be reproduced in whole or in part or used for any other matter absent express written permission from Castlelake, LP. or its affiliates (collectively, "Castlelake"). Neither Castlelake nor any of its subsidiaries, affiliates, agents or representatives makes any representation or warranty, express or implied, as to the accuracy or completeness of the information contained herein.

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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 Report 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 Report. Investors should also review the Form ADV Part 2 of Castlelake.

This Report contains only a high-level summary and does not contain all material information pertinent to an investment decision. This Report 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 Report should conduct its own inquiries as to the adequacy, accuracy or completeness and reliability of any information, whether such information is contained in this Report 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 Report 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, its affiliates or their respective representatives relating to or resulting from the recipient's use or consideration of this Report 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 Report 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 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 number of assumptions, and no assurances are made that such objectives can or will be realized. Any case studies or sample transactions contained in this Report 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 Castlelake team and may not be relied upon as a promise, prediction or projection of future performance. Past performance is not necessarily indicative of future results, and no assurance can be given that investment objectives will be achieved.

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 Castlelake 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 Castlelake Fund will have comparable portfolio characteristics or that target portfolio characteristics will be achieved.

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

Castlelake commenced investment management operations in 2005. Certain historical statements concerning past investment activities, experience and performance contained in this Report 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.

Certain information contained in this Report 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 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 Report 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 Report. 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 neither (i) assumes responsibility for the accuracy or completeness of any forward-looking statements, nor (ii) undertakes any obligation to update or revise any forward-looking statements for any reason after the date of this Report. Investors in the relevant Castlelake Fund should not rely on these forward-looking statements in deciding whether to invest in such fund. Neither the delivery of this Report at any time nor any sale of interests in a Castlelake Fund shall under any circumstances create an implication that the information contained herein is correct as of any time after the earlier of the relevant date specified herein and the date of this Report.

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/allocation 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 any Castlelake 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 impact Castlelake's or its affiliates' execution its ESG initiatives. For avoidance of doubt, Castlelake does not expect to subordinate any Castlelake Fund's investment returns or increase any Castlelake 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 Report, 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.

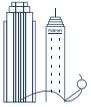
References to external consultants are to individuals who are engaged, as consultants, to assist Castlelake with sourcing or developing ESG investment ideas and a variety of other matters. These individuals are not employees of Castlelake. The portion of the compensation paid to these external consultants 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, and is not the equivalent of regulatory AUM. 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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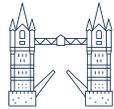
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