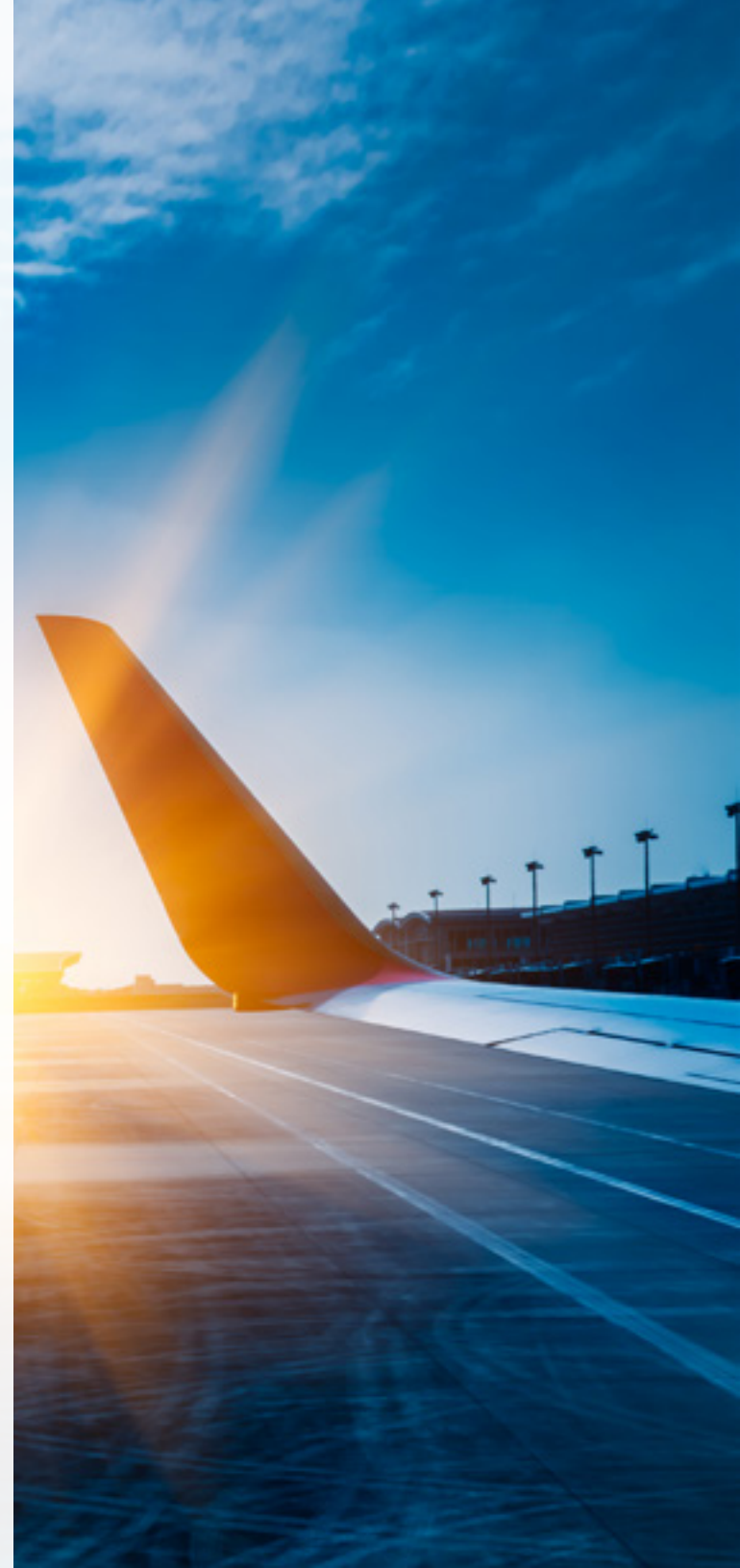




ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2022

Strengthening Our Commitment



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Message from Our CEO

In 2022, volatile geopolitics and financial markets challenged investment managers' ability to mitigate risks in their exposures and uncover opportunities to create value. The year underscored the degree to which externalities can affect financial returns and reinforced the importance of rigorous investment analysis and informed decision-making.



“As stewards of our investors’ capital and a team guided by shared values, we understand that ESG analysis is central to our investment decision-making duty.”
– Rory O’Neill

To our stakeholders,

In 2022, volatile geopolitics and financial markets challenged investment managers’ ability to mitigate risks in their exposures and uncover opportunities to create value. The year underscored the degree to which externalities can affect financial returns and reinforced the importance of rigorous investment analysis and informed decision-making.

Amid this backdrop, many investment managers reexamined their approach to environmental, social, and governance (ESG) risks with a more critical eye. In our view, the industry has reached a point where investors want more than earnest language and good intentions, and they understand that generating ever more datasets



“By consistently integrating ESG into our underwriting and investing work, we believe our firm can gain deeper insight into the impact of certain factors on investment outcomes over time and make more informed and effective investment decisions.”
– Evan Carruthers

and systems of measurement doesn't necessarily produce material results. We believe the time has come for investment managers to more effectively demonstrate how they assess and manage ESG risks in their investments and how such activity aligns with their professed missions.

Ahead of this shift, Castllake detected an opportunity early in the year to hone, strengthen and clarify our approach to ESG in our investment process. We reason that adopting a more intentional and analytical approach to our processes around ESG has the potential to produce more significant results in our investments and organization over the long term.

In 2022, we took steps to enhance our processes for evaluating ESG factors across the investment lifecycle with the goal of incorporating them more reliably and efficiently. We standardized due diligence steps; introduced a formal escalation policy for significant ESG factors discovered during underwriting; and created a dedicated ESG Director role to implement ESG strategy at the firm.

We believe that our focus on fortifying our strong foundation can help ensure consistent and excellent execution and potentially enable Castllake to make more informed and effective investment decisions. To be sure, Castllake's fiduciary duty sits foremost in our minds, and we maintain the belief that analyzing ESG risk is a component of that duty. Moreover, it is our view that ESG risk analysis and management can help preserve invested capital and investment returns.

The markets will always shift and challenge our assumptions. Having clarity of purpose will guide us as we continue along this journey toward a more informed and thoughtful investing future. We're glad you're joining us.

Rory O'Neill,
Managing Partner, Executive Chair & Co-Chief Executive Officer

Evan Carruthers,
Managing Partner, Chief Investment Officer & Co-Chief Executive Officer

02

Our ESG Philosophy and Integration Approach

In 2022, Castllake explored how we analyze and address the environmental, social, and governance (ESG) risks in our investments and our broader business. We wanted to better understand how our thought process around ESG affects our investment portfolio over time.



Philosophy: Evaluating Our Progress

In 2022, Castlelake explored how we analyze and address the environmental, social, and governance (ESG) risks in our investments and our broader business. We wanted to better understand how our thought process around ESG affects our investment portfolio over time.

We have observed that investors and other stakeholders have increasingly raised questions about the efficacy of various ESG integration practices throughout the investment industry.

Our approach in 2022 anticipated these calls for the broader industry to sharpen its focus on delivering meaningful, measurable ESG results in their investments, sectors and businesses.

We welcome the discipline that this attention encourages and concluded early in the year that we wanted to hone our approach to ESG integration to produce more reliable insights and measurements, which we could then use to inform and strengthen our investment strategy. We assessed what motivates our ESG actions and what outcomes we want to achieve for our investors, community and team. As part of this examination, we gained more clarity around our ESG purpose as managers, and how that aligns with our mission to be exceptional stewards of invested capital.

Having more clarity of purpose at this stage of Castlelake's journey has leveled our focus on fortifying the foundation of our approach, which we believe will enable us to analyze ESG risks more effectively over the long term. We started by reviewing and refreshing our ESG policies and protocols to close gaps, strengthen collective understanding and drive action. Understanding that investment performance risks are not purely financial in nature, we also worked to codify ESG analysis to reinforce consistent implementation.

We are incorporating material ESG factors into our underwriting and investment review and approval processes in a more institutional and effective way, and have better defined how we approach, engage in and document this work. Consistent internal training and coaching keeps our investment team more deeply involved with and educated on these factors and our expectations for ESG integration.

Integration Approach: Fortifying Our Processes

We at Castlelake believe that ESG factors can be material to investment performance and therefore require analysis as part of the investment process and as a component of our fiduciary duty. The next section demonstrates how we evaluate ESG factors throughout our investment lifecycle and how we capture this evaluation in investment procedures.

PRE-INVESTMENT

With new investment opportunities, we integrate ESG issues analysis into our broader due diligence processes as appropriate, which include company and/or asset research, country analysis, asset and operating manager selection and risk management.

In 2022, we enhanced our due diligence process with an eye toward systemizing data acquisition. We trained our Investment Operations teams to request that each potential operating partner—the companies or teams that manage investments on behalf of Castlelake and our funds/vehicles—complete our ESG due diligence questionnaire. We believe this step enables us to gather more consistent data that the Investment team can use for risk analysis. Within this questionnaire, we pose questions on material ESG issues including but not limited to greenhouse gas emissions; data security;

diversity and inclusion; regulatory issues; and governance structures.

Alongside operating partner due diligence, we also weigh governance; industry practices; regulatory; and external advisor considerations and involvement at the pre-investment stage. We continue to screen, assess, and score material ESG risks by leveraging frameworks such as the Sustainability Accounting Standards Board (SASB) Materiality Map and the Principles for Responsible Investing (PRI), in addition to ESG data products such as the global ESG business intelligence platform RepRisk.

This past year we also implemented an escalation policy that lays out a clearly defined set of steps for escalation and resolution of material ESG factors discovered during an investment's underwriting. This mechanism allows either the Investment team or ESG Director to invoke an escalation and start the process.

In 2022, the Castlelake ESG Committee fully implemented an ESG Risks and Mitigants Matrix as a tool to identify the full spectrum of ESG factors in an investment opportunity. The matrix now serves as a core component of the underwriting and documentation process across business lines, providing deal teams with a clear ESG review process as well as clarity around how we consider and incorporate ESG risks and merits.

INVESTMENT HOLDINGS

Castlelake monitors ongoing progress on material ESG issues that we identify during initial underwriting or ongoing investment and operational due diligence.

Where applicable, we aim to use governance structures at the investment level to provide an appropriate degree of oversight for ESG factors, believing that their prudent management can impact performance. These structures can include Castlelake Investment team engagement with an investment's management team to support our efforts to monitor ESG performance. Here, we may encourage governance policies around employee behavior, incident reporting and occupational health and safety.

We may also use external advisers or auditors in diligence and monitoring to help manage or mitigate material ESG issues in certain situations.

It is widely understood that a crucial piece of sustainability is decarbonization. So this year,

Castlelake looked to measure the carbon footprint of our management company. We evaluated several solutions and methodologies for carbon footprint measurement, seeking a viable program that could provide accurate and decision-useful information. We also assessed the inputs of actual and estimated data to help us identify where we have gaps in information.

Armed with more insight about carbon footprint measurement tools, methodologies and processes, we aim to continue advancing toward a carbon footprint measurement approach for our investment portfolios that can help inform investment management decisions. For instance, Castlelake's Aviation investment team measures the owned and financed emissions of our fleet on a dynamic basis, which helps us make decisions about fleet composition, evaluate prospective investments and assess risks and opportunities in our portfolio.

REPORTING

The Castlelake ESG Committee reports to the Portfolio Committee on its activities and issues or opportunities facing the firm and broader investment industry. The Portfolio Committee advises on recommendations from the ESG Committee, ESG Director and Investment team. Our Investment Review Committee memos capture ESG findings in due diligence assessments.

As a PRI signatory, we seek to incorporate ESG issues into investment management and underwriting

processes as consistent with our fiduciary responsibilities.

As we evaluate our progress, we also continue to assess the frameworks and data we use, focusing on metrics and information that are material, decision-useful and whose integrity we trust. By compiling more data and more comprehensively

documenting the ESG risk analysis in our underwriting and investment-management processes, we can better understand how these risks affect economics and improve our underwriting.

Below, we provide a flow chart that illustrates Castlelake's ESG risk analysis.

Key ESG Analysis & Management Steps



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2022 ESG Advancements at the Firm Level

This report has demonstrated that Castlelake has refined our ESG approach to focus on rigorous analysis, due diligence and consistency to maximize our programs' efficacy. In 2022, we also implemented our targeted ESG philosophy beyond the investment process, applying it across our organization and industry.

ESG Leadership

Our ESG Committee plays a pivotal role in driving, optimizing and reporting on our ESG approach. This year, we also established a dedicated ESG Director role that serves as chair of the Committee and reports directly to the office of the Chief Investment Officer.

This Director implements the strategic direction of our ESG policies, as well as provides and maintains more consistent focus on integrating ESG risk into our investment strategy and portfolio management processes. This includes supporting Investment teams during the ESG due diligence process, engaging directly with Castlelake’s operating partners and working across the business to collect, analyze and report on ESG data.



Engaging with the ESG Community

This year we also deepened our engagement in the ESG community to learn from others and contribute to building solutions for across the industry.

This year, Castlelake became a founding member of the IMPACT on Sustainable Aviation Initiative, an alliance of financial institutions active in aviation finance that seeks to measure and drive the industry's transition to carbon-free energy. With this group, we aim to encourage increased transparency and emissions disclosures across the sector and ultimately foster innovation and strategic decision-making, aspiring to promote decoupling of aviation growth and emissions.

In addition, we engaged with our peers in private equity to further our learning and contribute to industry-wide knowledge around best practices and successful approaches to achieving ESG adoption and progress.



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DEI

As Castlelake strengthened our ESG philosophy in 2022, we also worked to refine and strengthen our approach to DEI.



As Castlelake strengthened our ESG philosophy in 2022, we also worked to refine and reinforce our approach to DEI.

Our DEI mission is to foster inclusivity as well as respect, embrace and leverage our diversity of backgrounds, experiences and thoughts. We believe that greater diversity can lead to smarter risk analysis, underwriting and asset management both at the management company level and within our investment portfolio. As such, we remain committed to enhancing the diversity of our team.

We also recognize that consistency and continuity of effort is as important to building inclusivity as adding new initiatives, so this year we continued prioritizing our existing programs around employee work-life benefits, sourcing and hiring practices, employee engagement programming and third-party partnerships. We also continued to leverage ILPA's Diversity in Action principles to guide our actions and focus our efforts within the Castlelake management company.

In addition, we established partnerships and implemented guiding values to promote diversity and inclusivity internally at Castlelake, within our networks, and across the industry.

DEI within Castlelake

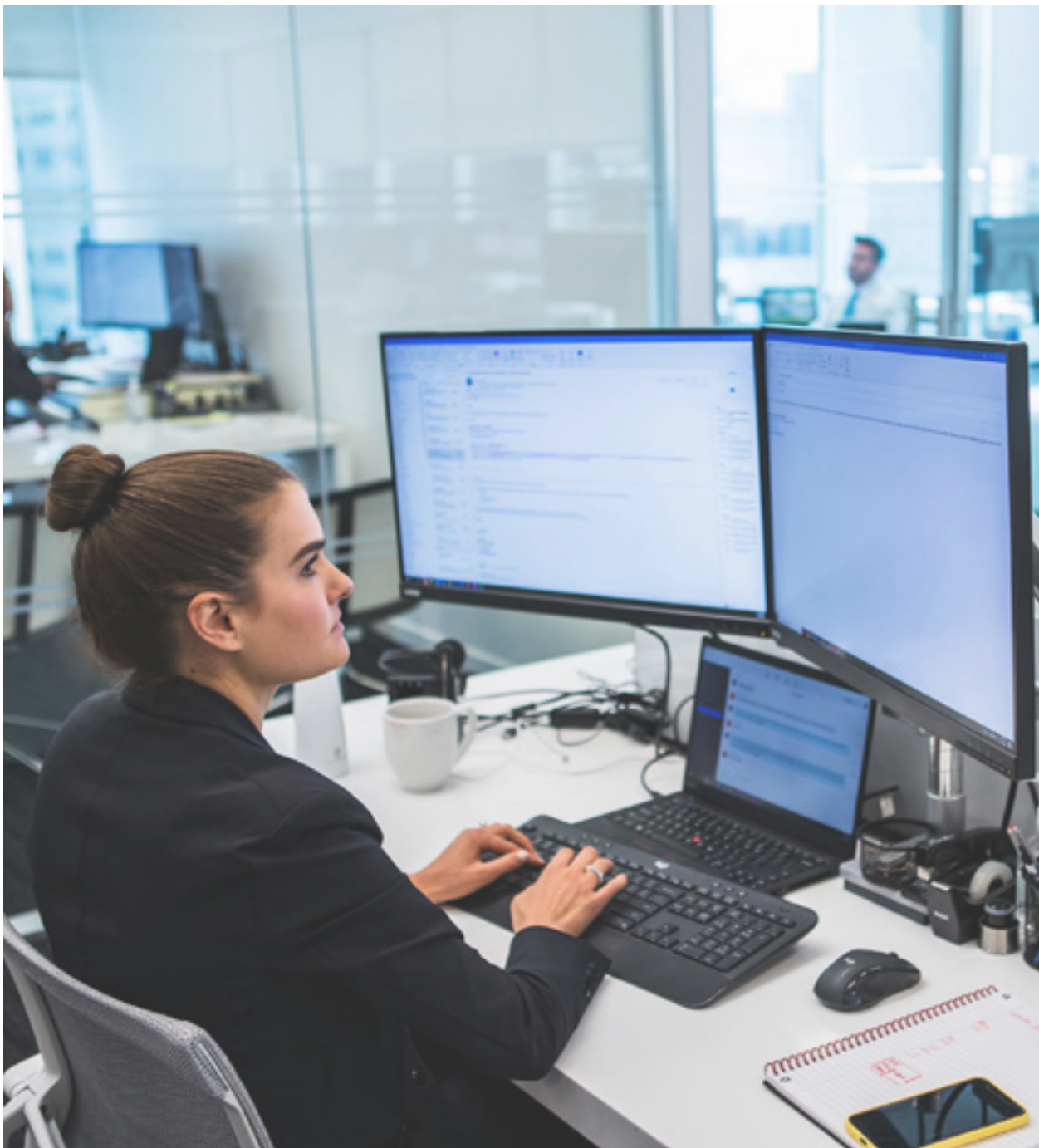
Castlelake's DEI committee is a key driver of our mission. This past year, we evolved our committee to accelerate decision-making by installing leaders assigned to guide and advance each DEI pillar, driving execution and implementation.

We also enhanced our annual mandatory unconscious bias training by adding a module focused on inclusivity in the workplace. We hoped this addition would help employees advance from increased awareness of their unconscious bias toward action that promotes a more inclusive culture.

On the recruitment side, we articulated guidelines for hiring managers to use as they lead diverse and equitable hiring processes in an attempt to ensure unbiased interviews and hiring decisions.

Throughout the year, Castlelake held internal events and discussions exploring the experiences of underrepresented groups. These events featured members of the Castlelake team and were designed to enhance empathy and heighten awareness of diverse cultures, backgrounds and experiences.





DEI in Our Operating Partners

In 2022, we launched a DEI template and process that facilitates data collection from operating partners on key DEI metrics.

We designed the template to gain insights into partners' DEI efforts so we can strategically engage with them to help accelerate their progress.

DEI Across the Industry

This past year, we evaluated our community partnerships to identify where we could have the strongest effect and organized our efforts around those strategic initiatives. Moving forward, we are focused on three organizations where we see the potential for meaningful, continued results—the University of St. Thomas Dougherty Family College partnership, 10,000 Black Interns and Smart Works.

We have selected these organizations because each focuses on expanding awareness of and access to careers in the investment management industry. We believe that, to achieve our mission of improving diversity within our firm and across the industry, we need to reach and encourage new entrants. These three organizations work to break down barriers to access, enable individuals in underserved communities to gain experience and mentorship in the industry, and seed a wider, more diverse next generation of talent.

These partnerships are also all designed to be multi-year engagements, with the potential to build on our work and form integrated relationships over time. This marks our fourth year working with 10,000 Black Interns, our second with the University of St. Thomas Dougherty Family College and our third with Smart Works. We believe these long-term partnerships will produce stronger results as we learn more from each engagement, determine the most effective initiatives, and can expand our roles.

“To achieve our mission of improving diversity within our firm and across the industry, we need to reach and encourage new entrants.”

Finally, these partnerships afford us the opportunity to engage the entire Castlelake community as our involvement grows. Beyond the financial support we provide, Castlelake team members participate in meaningful volunteer activities with our partners and nurture young careers through internships, mentorships and industry learning sessions.





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.



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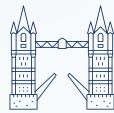
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