

Clearlake Credit Europe

Sustainability Risk Policy

Scope and Application

This Policy describes how Sustainability Risks¹ are integrated into investment decision-making across Clearlake Credit Europe, and constitutes its disclosure under Article 3 of Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on Sustainability-related disclosures in the financial services sector ("SFDR").

It applies to Clearlake Capital (Lux) S.à r.l and Clearlake Capital (UK) LLP, together ("Clearlake Credit Europe"). The two entities are subject to different regulatory regimes, and the basis on which this Policy applies to each is set out below.

Clearlake Capital (Lux) S.à r.l. is an alternative investment fund manager authorised by the Commission de Surveillance du Secteur Financier. It is a financial market participant for the purposes of SFDR.

Clearlake Capital (UK) LLP is authorised and regulated by the Financial Conduct Authority. It is not directly subject to SFDR by virtue of its UK authorisation. The portfolio management is delegated by Clearlake Capital (Lux) S.à r.l. to Clearlake Capital (UK) LLP, as such, the investment process described in this Policy is applied by the delegate.

Clearlake Capital (Lux) S.à r.l. remains responsible for oversight of that process and for its own compliance with SFDR.

Clearlake Credit Europe's Investment Philosophy

Clearlake Credit Europe is a private debt manager, offering a suite of capital solutions across European senior direct lending, subordinated debt and semi-liquid Solutions strategies.

The investment approach is built on rigorous credit analysis and active portfolio management. Assessment of Sustainability Risks is embedded in the investment process for all prospective investments and continues over the life of each investment, as described further below.

The firm's risk assessment approach is based on the following investment principles:

- a buy-and-maintain strategy, with positions typically held to maturity;
- a credit-driven approach focused on less cyclical industries;
- investment concentrated in Western Europe, where the team has established sector experience;
- structured due diligence conducted on every prospective investment;
- origination predominantly alongside established private equity sponsors, supporting access to borrower information at origination and during the life of the investment; and
- construction of diversified portfolios.

¹ Sustainability Risk means an environmental, social or governance event or condition that, if it occurs, could cause an actual or potential material negative impact on the value of an investment.

Clearlake Credit Europe's Regulatory Framework

Clearlake Credit Europe's Sustainability Risks integration measures comply with relevant provisions of the EU Sustainable Finance Framework, e.g.:

- AIFM² Delegated Acts: provisions to integrate Sustainability Risks in investment due diligence, internal procedures, risk management policies and governance structures; and
- MIFID³ II Delegated Acts: provisions to integrate client sustainability preferences and environmental, social, and governance (ESG⁴) risks into suitability assessments and product governance.

In addition, Clearlake Credit Europe complies with United Kingdom's and Luxembourg's national frameworks and laws, as these jurisdictions have set their own requirements for incorporating Sustainability Risks in investment, risk processes, internal organisation and reporting of asset managers.

Consideration of Sustainability Risks in Clearlake Credit Europe's Investment Process

Clearlake Credit Europe integrates Sustainability Risks into its investment decision-making process. Sustainability Risks are identified and assessed as part of Clearlake Credit Europe's pre-investment due diligence and are monitored on an ongoing basis over the life of an investment. Where a Sustainability Risk is assessed as material, it is considered alongside other relevant risk factors in the investment decision. Clearlake Credit Europe considers that environmental, social and governance events or conditions may materially affect an investee company's financial performance and its ability to meet its financial obligations over the term of an investment. Integrating Sustainability Risks into investment analysis is therefore consistent with Clearlake Credit Europe's duty to act in the best interests of investors in the funds it manages.

Clearlake Credit Europe's Investment Team assesses the materiality of these risks for investment decision across all prospective investments, which are defined in the firm's Sustainability Investment Procedures.

The below briefly outlines how Clearlake Credit Europe integrates Sustainability Risks into its investment analysis:

- i. **Negative Screening:** specific sectors, issuers or themes are excluded from the firm's investment universe, as it deems these to have adverse environmental or social impacts, to not align with the firm's values, investor preferences or for regulatory purposes. This is supplemented by a controversy analysis, to ensure that no incident involving the company has been missed, which could have a negative impact on the parties involved, the environment or the operations of the company. This could harm its reputation and ultimately its financial profile. The analysis also performs a verification of alignment with international standards (United Nations Global Compact, ILO⁵, and OECD⁶);
- ii. **Due Diligence Assessment:** investing in companies that demonstrate positive or low Sustainability Risk, and / or companies that are well situated to deliver sustainable growth. This is conducted by adopting a bespoke risk materiality approach whilst simultaneously utilising an ESG DD checklist, proprietary to Clearlake Credit Europe, comprising a set of Environmental, Social, Governance and Stakeholders' Key Performance Indicators ("KPI"). Whilst the ESG DD checklist ensures consistency across all issuers and over time throughout the life of the investment, the materiality approach ensures that all relevant Sustainability Risks not captured by the ESG DD checklist are not omitted; and
- iii. **Investment proposal:** the inclusion of Sustainability Risks analysis alongside traditional financial analysis to be presented to the Investment Committee⁷ for investment decision.

Sustainability Risks are assessed on a bespoke basis, for the market, sector, geographies the company operates in, and ensure investments are complied with investors' expectations and regulatory constraints.

² Alternative Investment Fund Manager.

³ Markets in Financial Instruments Directive.

⁴ ESG stands for Environmental, Social, and Governance, a framework used to evaluate an organization's sustainability, ethical impact, and long-term risk management.

⁵ International Labour Organisation.

⁶ Organisation for Economic Co-operation and Development.

⁷ References to the "Investment Committee" in this Policy refer to the investment committee of the relevant fund managed by Clearlake Credit Europe. Each fund has its own Investment Committee, whose composition may differ from one fund to another and are set out in the relevant fund's offering memorandum documents.

Clearlake Capital (Lux) S.à.r.l.

51 Avenue John F. Kennedy
L-1855 Luxembourg

clearlake.com

Likely Impacts of Sustainability Risks on Returns

Where a Sustainability Risk materialises in respect of an investment, it may cause an actual or potential material negative impact on the value of that investment and, in turn, on the returns of the relevant Fund.

Given the nature of Clearlake Credit Europe's investment strategy, the Sustainability Risks considered most likely to be relevant include:

- Environmental risks, including the physical effects of climate change on an issuer's assets or operations, and transition risks arising from changes in law, regulation, carbon pricing, technology or customer preferences that may impair an issuer's business model or asset values;
- Social risks, including labour and health and safety practices, product safety, and community or customer relations, which may give rise to operational disruption, litigation, remediation costs or loss of revenue; and
- Governance risks, including deficiencies in management quality, board oversight, internal controls, financial reporting, or business ethics and compliance, which may result in financial loss, regulatory sanction or reputational damage.

The materialisation of any such risk may adversely affect an issuer's cash flows, its ability to service or refinance its indebtedness, the value of any collateral, and the price at which an investment can be realised. This may in turn reduce the returns of the relevant Fund.

The likelihood and magnitude of these impacts vary by issuer, sector, geography and instrument, and cannot be predicted with certainty. Clearlake Credit Europe therefore assesses the likely impact of Sustainability Risks on returns at the level of each individual investment as part of its due diligence and ongoing monitoring. As at the date of this document, Clearlake Credit Europe does not consider that Sustainability Risks are likely to have a material negative impact on the returns of the Funds, on the basis that identified material risks are assessed and, where appropriate, mitigated.

Governance

Oversight of Sustainability Risks

Responsibility for the integration and oversight of Sustainability Risks at Clearlake Credit Europe is shared between the Investment Team, the Investment Committee and the ESG Team, with ultimate accountability resting with the AIFM Board.

Investment Team

The identification and assessment of Sustainability Risks as part of investment due diligence is the responsibility of the Portfolio Managers and the Investment Team. Consideration of Sustainability Risks is a mandatory component of the due diligence process for all prospective investments. As with any other material due diligence finding, the Investment Team is responsible for summarising all material Sustainability Risks, together with any mitigating measures, and presenting them to the Investment Committee.

Investment Committee

The Investment Committee considers the Sustainability Risks presented to it alongside all other relevant risk factors when approving, declining or conditioning a prospective investment.

ESG Team

The ESG Team is independent of the Investment Team. Its responsibilities are to:

- develop, maintain and periodically review Clearlake Credit Europe's Sustainability Risk Policy, related investment procedures and underlying principles, and recommend changes to the AIFM Board for approval;
- review the application of those procedures across the investment process and report on their effectiveness;
- support the Investment Team in implementing Sustainability Investment procedures in both investment selection and ongoing portfolio monitoring;
- prepare Sustainability-related reporting, including regulatory disclosures, on at least an annual basis; and
- recommend to the AIFM Board the firm's tolerance for Sustainability Risks, monitor adherence to it, and escalate matters for deliberation where appropriate.

Clearlake Capital (Lux) S.à.r.l.

51 Avenue John F. Kennedy
L-1855 Luxembourg

clearlake.com

Governance Bodies and Policy Ownership

AIFM Board

The Board of Clearlake Capital (Lux) S.à r.l. approves this Policy and the firm's tolerance for Sustainability Risks, and retains ultimate responsibility for their effective implementation within the AIFM.

Conducting Officers

Day-to-day responsibility for implementation of this Policy is allocated to the Conducting Officers in accordance with the AIFM's internal allocation of responsibilities.

Risk Management Function

The AIFM's permanent risk management function, which is functionally and hierarchically separate from portfolio management, incorporates Sustainability Risks into the AIFM's risk management policy and risk limit framework, and monitors adherence to the tolerance approved by the Board.

ESG Team

The ESG Team is the owner of this Policy and is responsible for maintaining it, preparing proposed amendments for Board approval.

Evolving Policy

The integration of our Sustainability Risk measures is outlined in this policy. However, Sustainability Risks are evolving according to the investors' expectations and regulatory requirements. Therefore, Clearlake Credit Europe will review its Sustainability Risks policy to be fully compliant with its requirements on an annual basis.

Use of Data, Tools and Third Parties

Clearlake Credit is supported by a third-party ESG specialist, across all the stages of the life cycle of an investment (pre-investment and post-investment), who provides further expertise, objectivity, verification and ensures the procedures and tools are aligned with market practices.

Clearlake Credit Europe has defined a proprietary ESG DD checklist and conducts controversies analysis (performed by a third-party) to ensure the Sustainability's alignment of a prospective investment during its due diligence process.

Post-investment and on an annual basis, Clearlake Credit Europe works with the third-party ESG specialist to collect, aggregate and analyse ESG data for its portfolio companies, as well as to update controversies analysis for all the portfolio companies.

Related Policies

Clearlake Credit Europe has adopted several complementary and related policies which provide an overview of its approach. These include, but are not necessarily limited to:

- Sustainability Statement
- Sustainability Investment Procedures
- Exclusion List
- Engagement Policy
- Portfolio Management Procedures
- Risk Management Policy
- UK Stewardship Code Disclosure Statement
- UK Modern Slavery and Human Trafficking Statement
- Personal Account Policy
- Whistleblowing Policy
- Inducement Policy
- Anti-Bribery and Corruption Policy
- Conflicts of Interest Policy
- AML/CFT Policy/Sanctions
- Code of Conduct/Ethics
- Data Protection Policy

Clearlake Capital (Lux) S.à r.l.

51 Avenue John F. Kennedy
L-1855 Luxembourg

clearlake.com

Transparency and Reporting

Clearlake Credit Europe is a signatory to the UN Principles for Responsible Investment (UNPRI) and fulfils the reporting requirements that being a PRI signatory entails. UNPRI website: www.unpri.org.

Clearlake Credit Europe supports the transparency on governance and strategy recommended by the Task Force on Climate related Financial Disclosure ("TCFD"). TCFD website: <https://www.fsb-tcf.org>.

Clearlake Credit Europe calculates its carbon footprint on an annual basis, covering its office in London and the office of its wholly owned subsidiary in Luxembourg. For this exercise, Clearlake Credit Europe works with a third-party consultant, which is also covering the calculation of the firm's portfolio financed emissions.

Remuneration Policy

Clearlake Credit Europe has reviewed its Remuneration Policy in accordance with the requirements of Article 5 of SFDR to ensure consistency with Clearlake Credit Europe's integration of Sustainability Risks as described above. The relevant details incorporated in that respect are featured below:

- Central to Clearlake Credit Europe's remuneration policy is the promotion of sound and effective risk management and this has now been extended beyond financial risks to encompass Sustainability Risks. In summary, relevant individuals who are involved in implementing and/or overseeing Clearlake Credit Europe's Sustainability Risks Policy will be assessed in this respect as part of the determination of variable remuneration awards by reference to their risk-adjusted performance. Clearlake Credit Europe does not have any quantitative Sustainability-focused performance targets at either a portfolio or issuer's level and therefore this is a qualitative assessment in respect of adherence to Clearlake Credit Europe's internal procedures for integration of Sustainability Risks as outlined above.
- Further, another key aspect of Clearlake Credit Europe's remuneration policy is to avoid creating an environment which rewards or encourages excessive risk-taking. This principle has been extended beyond financial risk to incorporate Sustainability Risks; and for those individuals who have a role in ensuring or overseeing that Clearlake Credit Europe's Sustainability Risks policy is adhered to, this is factored into decisions in respect of variable remuneration awards.

Principal Adverse Impacts

In addition to assessing Sustainability Risks, Clearlake Credit Europe considers the adverse impacts that its investment decisions may have on sustainability factors. These are referred to as principal adverse impacts, and may relate to environmental matters, social and employee matters, respect for human rights, and anti-corruption and anti-bribery matters.

Clearlake Credit Europe's disclosure under Article 4 of SFDR, setting out how it considers the principal adverse impacts of its investment decisions on sustainability factors, is published in a dedicated section of its website.

Last updated: September 2026

Clearlake Capital (Lux) S.à.r.l.

51 Avenue John F. Kennedy
L-1855 Luxembourg

clearlake.com