

2021 Sustainability & Responsible Investing Report

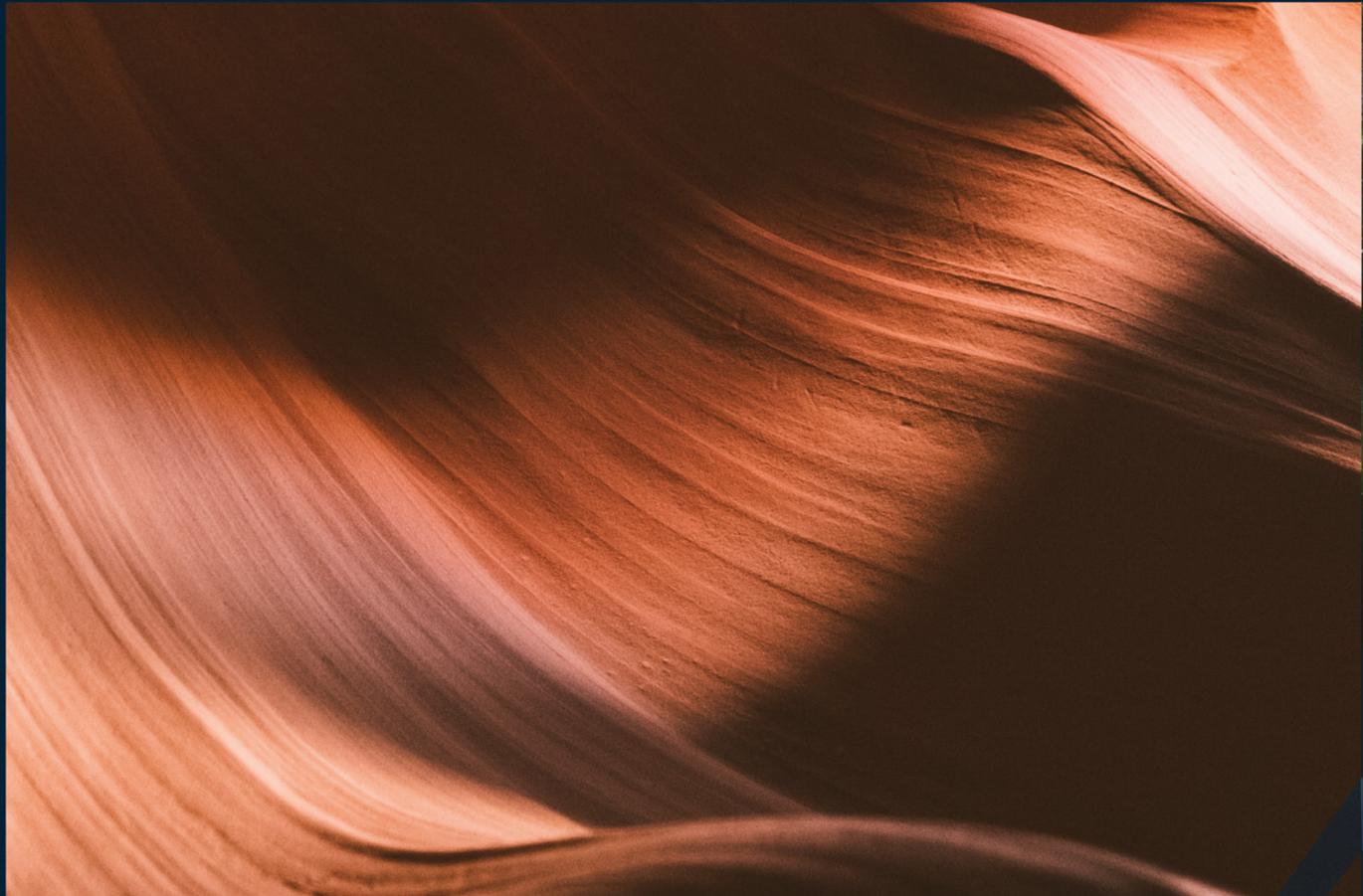


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Letter from the Co-Founders

“
We believe that corporate success can be achieved alongside positive social contributions and engagements that are responsive to local and global community needs.”

Since founding Canyon over 30 years ago, we have aimed to operate our firm in a way that is consistent with our values as individuals. Looking ahead, we have made a commitment to expand our approach to integrating social responsibility with business risk and opportunity. We believe that corporate success can be achieved alongside positive social contributions and engagements that are responsive to local and global community needs.

These longstanding values informed our 2021 Environmental, Social, and Governance (ESG) policy, which established the foundation necessary to formalize ESG assessments within our investment analysis across our strategies. They also served as the foundation of our formal Diversity, Equity, and Inclusion (DEI) policy.

We are pleased to publish our inaugural Sustainability and Responsible Investing Report, which notes the firm’s progress in this space. Our recent achievements include launching an ESG-focused fund in 2020, constructing the necessary internal systems and procedures to integrate ESG investment analysis across the firm, and establishing Canyon’s formal

ESG and DEI committees. In 2021, Canyon became a signatory to the Principles for Responsible Investment, supported by the United Nations.

Our investors trust us to act in their best interests — a responsibility that has always defined our mission and philosophy. We view our approach to ESG as the natural next phase in Canyon’s evolution, and this report highlights our journey to this point. However, we recognize there is more work to be done. As we move forward, we seek to deepen our understanding through conversations around ESG — with our colleagues, clients, and peers.



A handwritten signature in black ink that reads "Joshua S. Friedman".

Joshua S. Friedman
Co-Founder,
Canyon Partners



A handwritten signature in black ink that reads "Mitchell R. Julis".

Mitchell R. Julis
Co-Founder,
Canyon Partners

Canyon in Brief



About the Firm

Canyon Partners, LLC (“Canyon”), is a leading global alternative asset management firm, with offices in the U.S., UK, China, Hong Kong, Japan, and South Korea. Partner-owned since its inception in 1990, Canyon specializes in value-oriented investments across a broad spectrum of asset classes, including public and private corporate securities, structured products, Collateralized Loan Obligations (CLOs), and real estate debt and equity. Canyon’s investment platform sources opportunities characterized by complexity, transitioning buyer bases, events, restructurings, and other forms of disruption.

Canyon Capital Advisors, Canyon CLO Advisors, Canyon Partners Real Estate, and River Canyon Fund Management are registered as investment advisers with the Securities and Exchange Commission (SEC).

Our Mission

Cultivating long-term partnerships through alignment, collaboration, and investment rigor.

Our Values



Learning: We approach our work with curiosity, humility, and diligence.



Insight: Complexity is an opportunity.



Judgement: The alignment of objectives and incentives guides decision-making.



Collaboration: Delivering value through partnership, teamwork, and creativity.



Engagement: We seek to provide leadership and support to our community.

Canyon’s mission statement and values guide our investment approach and how we operate as a firm.

What Responsible Investing Means at Canyon

Our approach to ESG integration is rooted in value creation driven by improved risk management. Incorporating ESG factors into our investment process, where appropriate and where data is available, helps us develop a holistic understanding of the drivers of risk and return across our portfolios. Canyon's integration of ESG into our investment process seeks to combine our investment discipline and multiple decades of credit experience with an analysis of ESG risks and opportunities in sustainability, to benefit our investors as well as our investments.

As discussed in this report, ESG integration holds unique benefits and challenges for value-oriented investment strategies. Industry research provides evidence that addressing ESG risks has increased relevancy for high-yield issuers, since they have more risk exposure than investment grade issuers. As a result, there is more opportunity for improvement and more potential upside when ESG management and performance improve.



Firm Ethics and Governance

Business Ethics and Compliance Oversight

Canyon is committed to operating at the highest ethical standards. Canyon's code of ethics is available online to all employees who must certify compliance on a quarterly basis. Our in-house compliance team monitors the firm's adherence to Canyon's policies and procedures, and conducts periodic reviews to assess their adequacy in light of ongoing legal and regulatory changes as well as business developments. The compliance team, led by our Chief Compliance Officer, conducts regular reviews of various aspects of Canyon's operations and prepares a formal quarterly report for senior management.

All employees are required to attend an annual compliance training, which is tailored to each department. The compliance department also utilizes a compliance monitoring program that details the daily, weekly, monthly, quarterly, and semi-annual compliance reviews performed by the compliance department. Documentation of the reviews and any findings are maintained by the compliance department.

Canyon monitors employee trading, including pre-clearance, holding period requirements, and blackouts, using compliance software. Investments are checked against the firm's restricted list on a pre-trade basis. All employee reporting (investment holdings, certifications, gifts, business entertainment, political contributions, and outside business activities) is done through the compliance software.

Governance

An executive committee and a management committee are responsible for oversight of Canyon's operations.

The executive committee typically meets monthly to review firm-wide business as well as operations and planning for each business unit. Any issues noted by the executive committee are reported to senior management. Committee members include the Chief Compliance Officer, Chief Financial Officer, Chief Operating Officer, Chief Information Officer, Head of Business Development and Client Relations, Head of Investor Relations, and a Business Development representative.

Our management committee meets regularly to consider major operational and strategic decisions for the firm. The committee consists of the Founding Partners, the Chief Investment Officer, Chief Operating Officer, Chief Strategy Officer, and Head of Business Development and Client Relations. The Founding Partners retain ultimate decision-making power over committee matters.

Cybersecurity

Canyon's cybersecurity program is built on the tenets of confidentiality, integrity, and availability. To safeguard our clients' information and prevent cyberattacks, we adopted an IT security control framework aligned with the President's Executive Order for Protecting the Nation's Critical Infrastructures. These controls follow the guidance found in National Institute of Standards and Technology (NIST) Special Publication 800-53 Rev. 4 and risk alerts published by the SEC Office of Compliance Inspections and Examinations (OCIE). This framework guides our policies and procedures which cover, but are not limited to, firewalls, intrusion detection devices, network segmentation, network and role-based access controls, administrative access restrictions, password policies, code review, logging, annual cybersecurity awareness training, encryption, anti-virus, anti-malware, and monitoring by third-party security operation centers.

“Because human factors are generally considered the weakest link in the information security chain, Canyon leverages industry experts to provide ongoing employee awareness training and due diligence services. We monitor the completion of training courses and review their effectiveness.”

FIRM ETHICS AND GOVERNANCE

Because human factors are generally considered the weakest link in the information security chain, Canyon leverages industry experts to provide ongoing employee awareness training and due diligence services. We monitor the completion of training courses and review their effectiveness by performing periodic phishing campaigns to help employees maintain a sense of awareness. The firm also conducts quarterly internal vulnerability assessments and penetration testing by an external firm.

A key component of the approach is vendor management, and Canyon periodically reviews service levels across vendors to compare their performance against our expectations. Critical vendors undergo a detailed review of information security controls conducted by an external firm, and an additional level of review may include site visits. Canyon maintains diligence results and risk-management reports for our current inventory of critical vendors.

Canyon's cybersecurity committee typically meets monthly to discuss standards and techniques to prevent cybersecurity attacks, and reports its findings and recommendations to the firm's Founding Partners on an annual basis.

About this report

As our first Sustainability and Responsible Investing Report, this publication details how Canyon incorporates environmental, social, and governance issues into our investment processes and engages in related dialogues with the companies and affiliated sponsors in our portfolio. We cover our current ESG

investing philosophy, how we align ESG integration with our investment philosophy, and chart our progress to date.

Going forward, our annual report will communicate our efforts toward continuous improvement on ESG.



The background features a close-up of water ripples, creating a textured, blue-toned surface. Overlaid on this are several diagonal, semi-transparent bands in varying shades of blue and grey, creating a modern, layered aesthetic.

Our Approach to Corporate Citizenship and DEI

Community, Engagement, and Philanthropy

Our activities focus on supporting partner organizations whose causes are aligned with our values as a firm. We believe not only are we making a positive impact through these efforts, but that Canyon's culture is strengthened by our employees' deep commitment to contributing their time and energy towards these critical causes.

Formalizing Philanthropic Efforts

Canyon's corporate social responsibility (CSR) efforts are rooted in the philanthropic and community-focused activities of our Founders. Since its founding, Canyon has maintained a strong internal culture of volunteerism and charitable giving. Canyon formalized these efforts into a CSR program in 2020, focused on the four strategic areas that define our community-giving strategy: education and research; equity through access; underserved communities; and sustainability and the environment.

2021 Partnerships

We select partners whose activities create multiplier effects to promote long-lasting impact in underserved communities and, ideally, work at the intersection of social and environmental concerns. For example, Canyon is on the Water Council of DigDeep, which works to ensure access to clean, running water in the U.S. We also support Water.org, a global nonprofit organization focused on increasing access to safe water and sanitation.



CSR Strengthens Corporate Culture

Volunteer work is at the core of Canyon's CSR efforts, and employee participation is a cornerstone for team building and strengthening company culture and sense of community. Our employees are passionate about making a positive impact on society and are involved in our community engagement and philanthropic activities.

Canyon Gives Back

Our Canyon Gives Back program encourages community-focused volunteerism and charitable contributions via partnerships with reputable organizations. The program offers several ways through which all team members can contribute:

- Two days of paid leave per year to dedicate to volunteer work
- Employee donation matching for various campaigns responding to natural disasters and crisis events
- Quarterly opportunities for team members to volunteer with local charitable organizations

Canyon CSR Impact

400⁺

employee volunteer hours in 2021

\$137,500

donated in 2021

\$3.1⁺

million in charitable giving since 2008

“Our team’s active involvement with local communities unquestionably contributes to Canyon’s culture of participation, teamwork, and overall success. We take tremendous pride in being a good corporate citizen, and our history of engagement and outreach has made the firm what it is today.”

Josh Friedman,
Co-Founder of Canyon Partners

Diversity, Equity, and Inclusion

Canyon recognizes that a diversity of backgrounds and perspectives is critical to innovative thinking, which in turn is essential to generating differentiated returns in a highly competitive marketplace. This diversity can only be achieved by creating a culture that embraces all our differences.

Our efforts over the past year focused on embedding this philosophy in our day-to-day operations, by emphasizing the importance of diversity in our recruitment efforts, creating mentorship programs, reviewing our benefits and compensation structures, and providing training across the firm aimed at increasing inclusivity.



Canyon joined the Institutional Limited Partners Association's (ILPA) Diversity in Action initiative as a signatory in 2021. The initiative convenes limited partners and general partners committed to advancing DEI in the private equity industry.

2021 Diversity Partnerships

Rock the Street, Wall Street

A financial and investment literacy program designed for high-school girls

Canyon team members mentor students at the Marvin E. Robinson School of Business and Management in Dallas

Notre Dame Institute for Global Investing (NDIGI)

A global university-based investment management research and education program

Team members mentor students in the Investment Management Access Program

Robert Toigo Foundation

MBA fellowship program dedicated to increasing diversity in finance

- *Team members provide guidance and advice on careers in asset management*
- *Canyon Co-Founder Josh Friedman gave the keynote address at a 2021 foundation event*



DEI Governance and Oversight

Canyon’s vision for building and maintaining an inclusive company culture is set forth in our DEI policy. Established by Canyon’s top leadership, the firm’s DEI principles — eliminating discrimination in the workplace, promoting equality and justice, and encouraging an inclusive, diverse, and supportive culture — create the foundation for our policy and guide our work.

Our DEI committee is comprised of team members from across Canyon’s organization, representing varying roles, office locations, and levels of seniority. The committee sets the course for implementing and monitoring progress, while working closely with senior management to develop short- and long-term goals.

Developing an Intentional Approach to Recruiting

Canyon is taking steps to ensure that a diverse slate of candidates is given due consideration before hiring decisions are made. Canyon asks recruiters to include diverse applicants in job searches, and then works with these recruiters and managers throughout the hiring process to ensure consistent treatment of all applicants.

Canyon sponsors and participates in conferences that support diverse talent. We also partner with nonprofit organizations dedicated to increasing financial literacy and education in historically marginalized groups, including the Robert Toigo Foundation and the Notre Dame Institute for Global Investing, to cultivate a more diverse talent pipeline.

“Canyon’s DEI initiatives have proven to be a tremendous opportunity for employee engagement across teams and office locations — and an essential step toward creating an inclusive corporate culture where all voices can be heard and everyone feels like they belong.”

Hanan Dakhil,
Senior Vice President,
Diversity, Equity, and Inclusion

Mentorship: Developing Women Leaders

Increasing gender equity in senior leadership is a core goal of our DEI initiative. In 2021, we partnered with Beyond Barriers, a leadership coaching platform, to launch a formal women’s mentorship program.

Canyon sponsors and actively participates in events for women in the workforce, such as those organized by Women in Institutional Investor Networks (WIIIN) — a forum for women in institutional investing that focuses on leadership, education, and networking opportunities for women in finance.

Confirming Pay Equity

We aim for a culture that fairly rewards and recognizes the contributions of all our team members. In 2021, we retained a third-party consultancy firm to conduct a pay equity analysis, and the results showed no meaningful wage gap correlated to gender, race, or ethnicity.

Improving Parental Benefits to Support Working Parents

Canyon is committed to supporting working parents through parental leave programs and flexible work arrangements in many departments. Last year, we reviewed and enhanced our parental leave and family planning benefits.

Culture and Inclusion Awareness

In 2021, all team members, including senior leadership, went through a bespoke training program created for Canyon by an independent consultant to promote a culture of inclusivity within the firm. Topics such as allyship, code-switching, uniting around similarities, and celebrating differences were part of the curriculum.

Summer Internship Program

In 2021, Canyon revamped its 2022 summer internship program with the specific goal of recruiting a more diverse group of candidates than in previous years. As a result, nearly half of our 2022 interns are women, and over half have ethnically diverse backgrounds. Our summer interns participate in a six-week rotational program through various departments, to maximize exposure to the investment and operational functions of our firm.

Benefits	Details
Paid parental leave	Pregnancy and Childbirth Paid Leave: 12-14 weeks at 100% salary Paternity/Baby Bonding Paid Leave: 6 weeks of leave at 100% salary
Work-life benefits and supporting new parents	Phase Back (from leave) Program provides up to three months of remote work in order to transition back from leave Travel support for new and nursing mothers, including infant and caregiver travel expenses Breast milk storage and shipping during any business travel
Adoption and fertility support	US \$10,000 lifetime benefit which can be used toward reproductive and/or adoption assistance

Reducing Our Carbon Footprint

We are committed to mitigating Canyon's environmental impact across our offices and recognize the importance of reducing our carbon footprint. We consider energy- and waste-efficiency factors when selecting our office locations, and incorporate energy-efficiency features when completing renovations. For example, our Los Angeles office is in a LEED Gold® certified building.

In 2021, we adopted the following efficiency measures at certain corporate offices to support the reduction of carbon emissions and energy consumption:

- Recycled and certified renovation materials that adhere to high environmental standards, including ceiling paneling constructed from up to 87% recycled material, TacWall products constructed primarily from renewable plant sources, and tiles from a Climate Neutral Certified vendor
- Greenguard certified materials such as wood veneers, textiles for wallcoverings, and acoustic panels

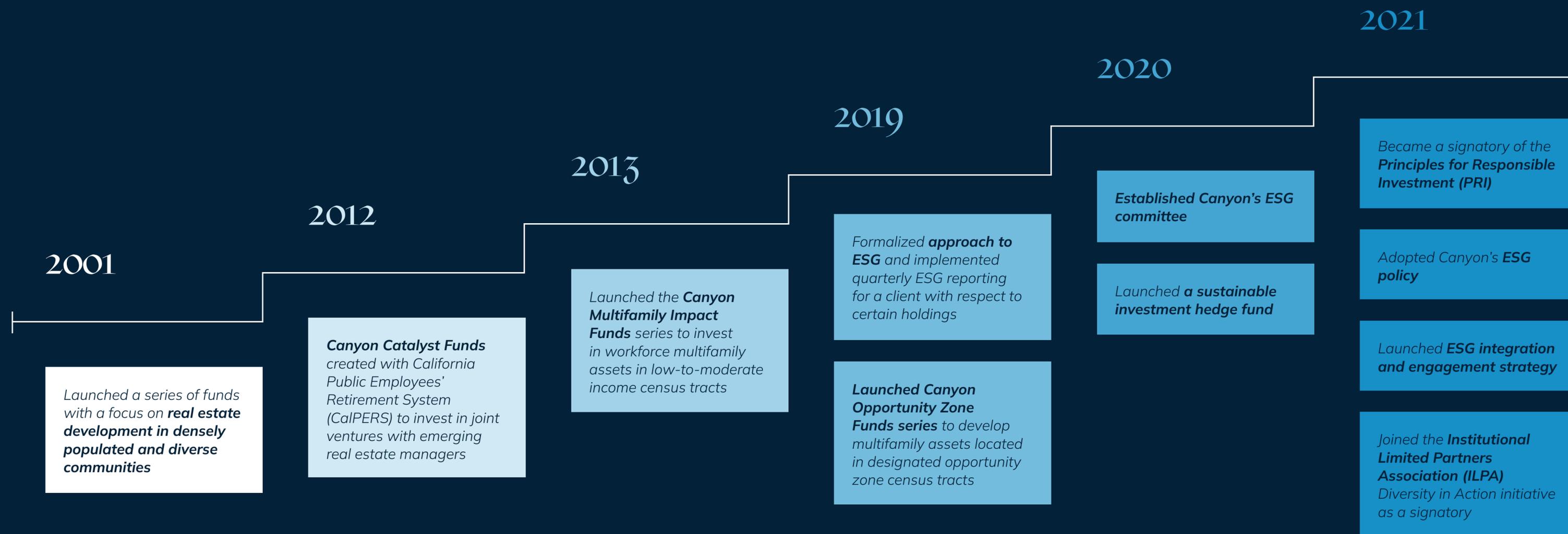
- Low VOC-emitting carpet, paint, and materials certified to CRI Green Label Plus, NSF/ANSI 140 Gold
- Energy efficiency measures:
 - Occupant-sensing controls for common area lighting projected to reduce energy consumption by at least 50%
 - 100% of pipes for space conditioning and water heaters are insulated
 - Automatic shut-off for space conditioning systems during off periods to further reduce consumption



ESG Integration and Stewardship

The background features a high-angle photograph of a rugged, rocky coastline. The rocks are dark and jagged, with some areas reflecting a golden-orange light, possibly from the sun. The sky above is a deep, vibrant teal color. Two large, semi-transparent diagonal overlays are present: one in a lighter teal shade and another in a darker teal shade, creating a layered, geometric effect across the right side of the image.

Timeline: Progression of ESG Investing at Canyon



Our Approach

We tailor our approach to ESG integration for each strategy based on asset class and investment philosophy.

Incorporating ESG analyses into the investment process drives a more holistic understanding of the potential overall risk and return profile of our investments. How Canyon integrates ESG considerations into our overall analysis varies across and within asset classes, sectors, and industries.

There is no singular approach to ESG integration if value creation and risk mitigation are the key goals. For each strategy and whenever possible, Canyon tailors the ESG integration processes to the asset class and investment philosophy. For example, ESG data and disclosure in private markets is less robust than what is available in public markets. When information is opaque, Canyon seeks to engage with companies, sponsors, or bankers to acquire more information (that may or may not become available). As a result, Canyon's ESG integration may reflect this limited information at the onset of an investment that we aim to evolve into a more comprehensive evaluation over time.

ESG FRAMEWORK: METHODS OF INTEGRATION

Corporate investments



Pre-investment

Goal: Integrate ESG analyses into the due diligence processes



Ownership

ESG monitoring and engagement

ESG EVALUATION

Due diligence questionnaires

Collect data and assess risk

Proprietary ESG dashboard

Leverage peer group selection to define the universe of potentially material ESG factors

ESG rating system

Summarize results of ESG analyses and provide insights for each potential credit and equity investment

TRACK PERFORMANCE

Proprietary ESG dashboard

Update ESG evaluations and benchmark issuers' performance against peers

ESG questionnaire

Collect information on ESG practices and performance from issuers

Track ESG metrics

Review MSCI ESG reports in conjunction with ESG survey responses to measure progress

STEWARDSHIP

Dialogues

Obtain ESG updates from management teams and encourage improved risk management

Proxy voting

Vote on ESG issues raised by management or shareholders

“One of Canyon’s guiding principles is that an investment’s ‘Earnings Power’ is predicated on its ‘Staying Power.’ ESG and sustainability considerations are important tools in enforcing this concept and understanding the embedded risks and opportunities across our portfolios.”

Randy Ko,
Head of ESG

OUR APPROACH

ESG Integration for Value Investors

As value-oriented investors, examining how ESG factors intersect with investment performance presents unique opportunities and challenges. Our investment universe is potentially more exposed to ESG-related risks than other asset classes — although there is also arguably a greater opportunity to achieve a higher upside when ESG management and performance do improve. Furthermore, value-oriented credit investors find there is limited robust ESG research covering their investment universe. See *Canyon Capital Advisors: ESG Integration and ESG-Oriented Strategy* (page 22) to learn how Canyon addresses this challenge.

ESG Governance and Oversight

Over the past three years, Canyon formalized the governance structure for how we oversee, monitor, and further our responsible investing practices. We have established a formal ESG policy, and its implementation is supported and guided by our ESG committee.

ESG POLICY

In 2021, Canyon adopted a formal ESG policy, building on our initial approach to ESG in 2019. The policy guides how we assess ESG factors in due diligence, how we engage with companies, the training and educational initiatives provided to our research analysts, and our commitment to reporting and transparency. Our ESG policy is intentionally designed to be amended and improved, as we seek new paths to integrate ESG analyses in our investment and due diligence process. Our ESG policy is made available to all clients.



ESG COMMITTEE

Our ESG committee, established in 2020, supports the implementation of ESG integration at Canyon. Canyon's dedicated Head of ESG serves on the ESG committee and helps set the ESG investing agenda and priorities for the firm in conjunction with the firm's senior management. The committee includes representation by senior leadership from across the firm's business units, including investment research, real estate, operations, legal, compliance, and business development.

PRI Signatory

In 2021, Canyon became a signatory to the Principles for Responsible Investment (PRI). Supported by the United Nations, the PRI is the world's leading proponent of responsible investment.

Canyon's participation aids our ESG integration efforts and strengthens our commitment to transparency.

Signatory of:



Canyon Capital Advisors: ESG Integration and ESG-Oriented Strategy

For our corporate credit and public equity investments, Canyon seeks to acquire information in order to conduct an ESG analysis that provides us with a more complete understanding of relevant risks and opportunities. Depending on the investment, this ESG analysis can incorporate Canyon's own research, an internal ESG score, and/or other third-party sources. In addition to ESG integration for our investments in public markets, Canyon manages an ESG-oriented fund, which applies a combination of responsible investing methods that may include risk assessment of ESG factors, corporate engagement, and exclusionary screening alongside assessment of traditional financial and non-financial risks.

ESG Integration: Pre-Investment ESG Analysis

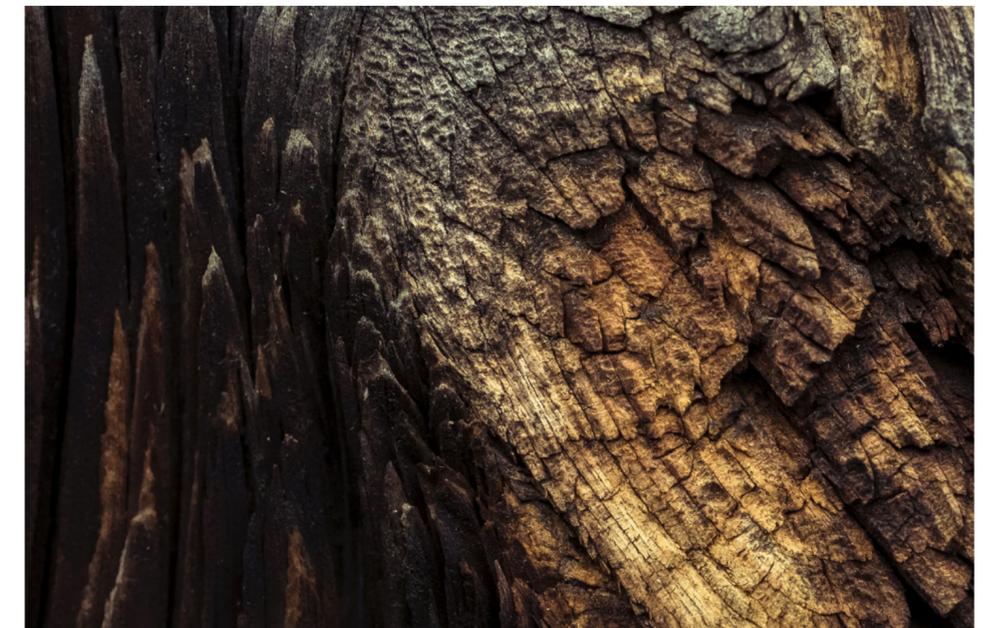
ESG integration into high-yield corporate bonds and leveraged loans presents a major challenge for investors: the lack of coverage from available ESG research and ratings providers. Currently, less than 25

percent of issuers in Canyon's hedge fund strategy are covered by MSCI's ESG ratings. To address this hurdle, our proprietary ESG analysis software system leverages peer-group selection to scope the universe of potentially material ESG factors for a particular investment.

Canyon then reviews potential investments in the context of these previously identified ESG issues. This evaluation is supported by a review of company disclosures, past and anticipated events, communication with the issuer's management and sponsors, and information from third-party sources. The investment team works closely with Canyon's dedicated Head of ESG to map out a list of potential sustainability risks, sensitivities, and areas for possible improvement. This information is then incorporated into the overall analysis of a potential investment using an internal ESG rating.

Canyon documents the analysis in an ESG report that is updated as new information or insights come to light. Our internal cloud-based ESG dashboard houses

these findings and the results of our ESG analysis. Analysts populate the database with relevant insights and documents gleaned from research and from conversations with the issuer. The resulting synopsis captures drivers of ESG-related financial risks and opportunities, peer-group benchmarking, and supporting data where available.





ESG Integration: Monitoring and Tracking

As part of our monitoring process, Canyon’s analysts use our ESG dashboard where possible to benchmark an issuer’s performance against its peers. Canyon reviews MSCI ESG reporting services, ESG survey responses and, when needed, we reach out to management teams for supplemental information.

To improve the ESG data available to our investment team over the long term, when applicable, Canyon uses the Loan Syndications and Trading Association’s ESG questionnaire to collect information on ESG practices and performance from corporate issuers. The number of companies that respond to the questionnaire has increased significantly over the past few years.

Canyon Sustainable Investment Hedge Fund: Investment Selection

When assessing potential investments for the ESG-oriented fund, we identify whether Canyon’s participation could cause, compound, or be directly linked to negative or potentially material sustainability outcomes. The factors we assess span environmental, social, and governance issues, including but not

limited to climate change, waste management, labor management and standards, product safety, privacy and data security, controversial supply chain and sourcing, business ethics, and corporate behavior.

Canyon Sustainable Investment Hedge Fund: Forward-Looking Monitoring to Understand ESG Momentum

In the ESG-oriented fund, where possible, we monitor ESG momentum to identify potential inflection points in an issuer’s ESG performance. Canyon then categorizes the ESG trajectory of the investment as trending positive, negative, or neutral within the context of the investment’s peer group. We also track individual company key performance indicators (KPIs) including GHG emissions and board diversity through corporate disclosures. However, data coverage for our investment universe is currently sparse. In preparation for increased data availability, we have built the infrastructure to report these KPIs on an aggregate basis (e.g., the portfolio’s carbon footprint).

Investment Stewardship at Canyon Capital Advisors

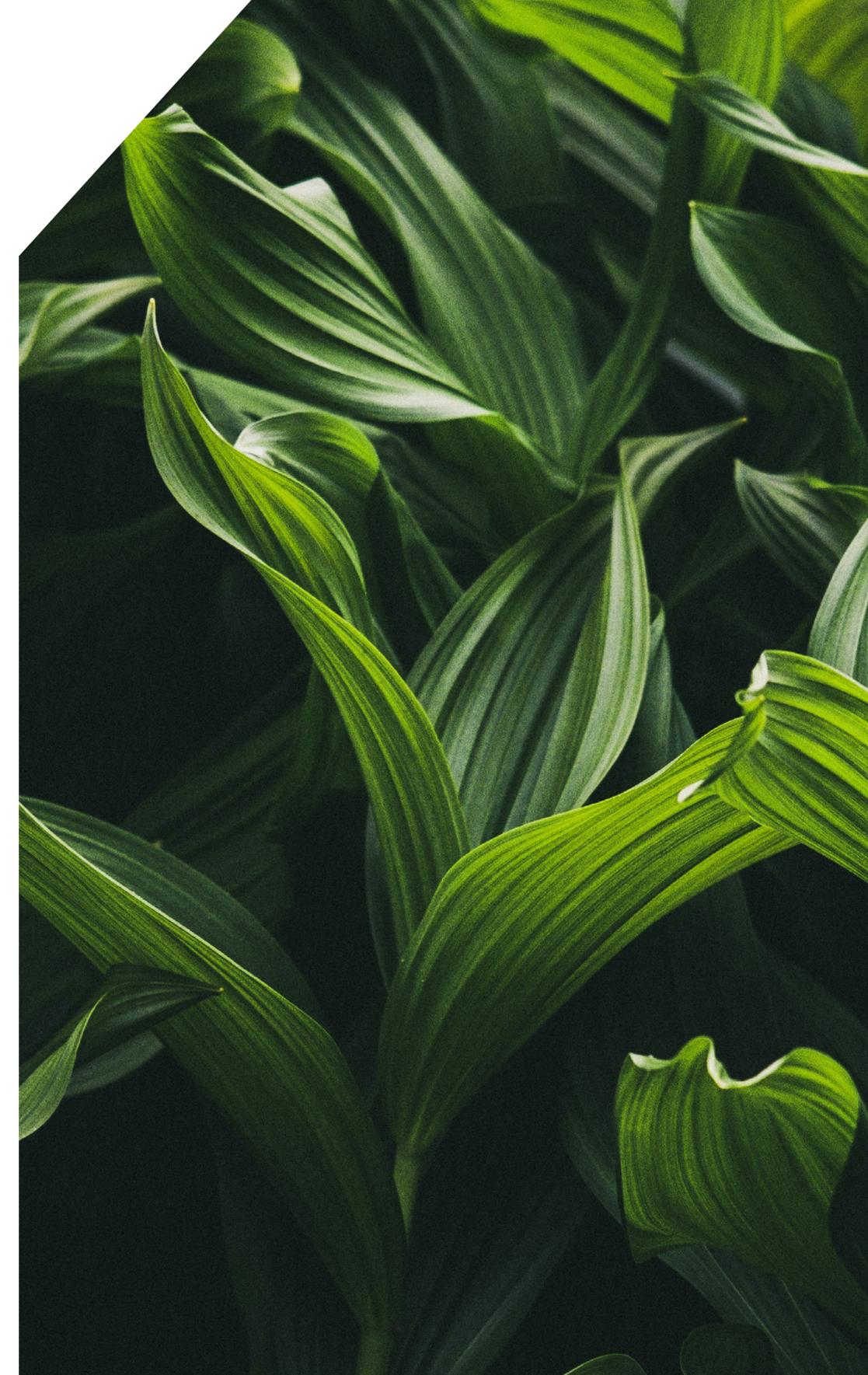
Our engagements with issuers across both debt and equity investments are based on a philosophy of partnership. Canyon wishes to see demonstrable improvement by issuers in a number of areas, especially risk management. At times, we proactively engage with an issuer to encourage or suggest areas for improvement in their ESG practices. Past dialogues with company management have covered a wide range of ESG performance concerns, including product waste and recycling, phasing out of chemicals of concern, labor relations, and opioid litigation.

For distressed assets, these conversations may take place in the context of both restructuring and non-restructuring situations. Active engagement while resolving an issuer's capital needs can provide an opportunity to address ESG risks and promote sustainability. Restructuring can be a forum to address and improve material ESG factors that may drive long-term value creation for a post-bankruptcy company. For example, as the largest creditor in a mall REIT

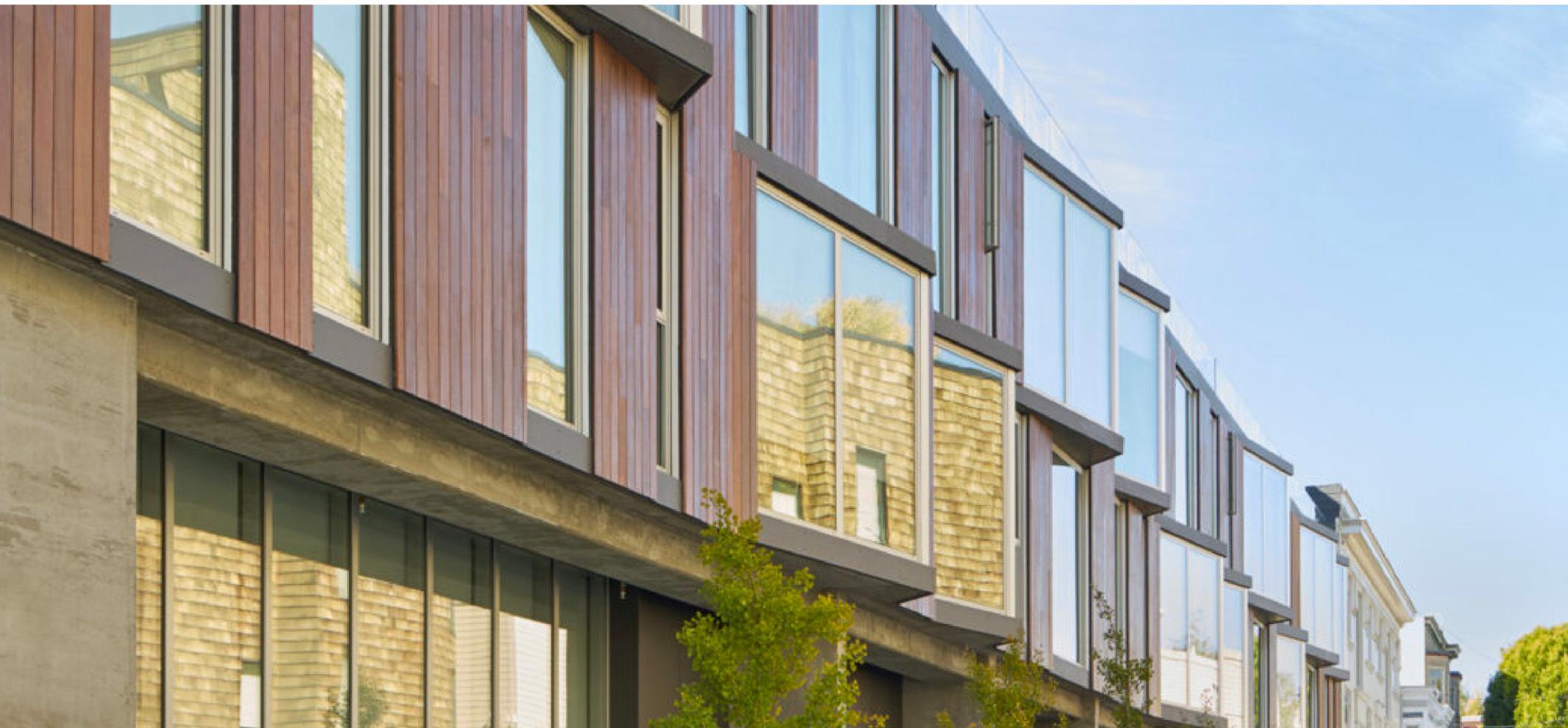
bankruptcy, we actively interviewed board members through a selection process geared toward appointing a diverse slate. Diversity is a key component of strong board governance, which in turn can guide a company toward stable long-term performance. We believe the market will compensate companies for improved governance.

PROXY VOTING

We inform our proxy voting decisions with external corporate governance research that covers rote items as well as shareholder proposals at upcoming annual general meetings (AGMs). Last year, only two shareholder proposals — both covering corporate governance issues — came to vote at AGMs for our equity holdings. Canyon voted with the shareholder proponent on one of the proposals, as part of our efforts to reduce risk management and improve governance within our holdings.



Canyon Partners Real Estate: ESG Integration



When Canyon Partners Real Estate (CPRE) formalized its ESG practices, it built upon 30 years of in-depth diligence across a wide variety of environmental, social, and governance principles, which are pivotal in driving value and, critically, to mitigating risks within the commercial real estate space.*

Canyon incorporates ESG analyses into key decision points during the assessment and ownership processes for equity real estate investments covered by our ESG policy. Key findings identified through our ESG due diligence checklist are documented in the Investment Committee memoranda, which is reviewed and approved by the committee. If certain ESG concerns or deficiencies are uncovered during due diligence, Canyon evaluates those concerns to determine whether the opportunity exists to improve these deficiencies and/or mitigate the ESG risks, and ultimately determines whether it makes sense to proceed with the investment.

* Certain real estate platforms are excluded from the ESG policy, including separately managed accounts or affiliate advisors, such as AECOM-Canyon Partners.

Mitigating Environmental Impacts

The key ESG findings in each Investment Committee memorandum includes an environmental assessment summarizing impacts as well as potential energy efficiency measures and other environmental actions that can be implemented, while also addressing any potential need for environmental remediation.

After closing, Canyon tracks relevant environmental ESG metrics. To better identify efficiency opportunities, in 2021, Canyon began capturing energy usage through utility data for our equity investments by onboarding open and operating real estate assets onto Measurabl, an ESG software solution for data management. Canyon also monitors the implementation of any business plan initiatives related to environmental impacts while also routinely updating the status of any identified concerns. For example, if a construction project is planning to apply to become LEED®-certified upon completion, Canyon tracks whether that was achieved.

Leveraging Our Experience Meeting the Social and Market Need for Multifamily Housing

Multifamily investing is a significant focus for the CPRE team, across all of its platforms. Of the US\$2.2 billion of total capital that CPRE has invested across multifamily investments during the past decade, nearly one-third was allocated to affordable or workforce housing. This is driven by a variety of factors, including meeting market demand as well as, for certain platforms, implementing mandates that require specific workforce or affordable housing goals and initiatives.

Canyon has seen how impactful social considerations can be to driving value, specifically within its multifamily properties. For example, social considerations include proximity to public transportation, employment centers, and licensed daycares, as well as access to necessary services (retail, schools, medical care). Additionally, enhancing the onsite health and wellness benefits and/or social programming at a project have been meaningful drivers to improving tenant quality of life and ultimately tenant retention.

Investing in Overlooked Workforce Housing Needs

Canyon has a history of investing in workforce housing for underserved communities.

Canyon manages a platform that focuses on multifamily equity investing in underserved communities across the U.S. These investments are generally located in low- and moderate-income neighborhoods. Canyon's strategy includes actively supporting community development through physical upgrades and resident programming, to enhance tenant quality of life and drive value for the property.

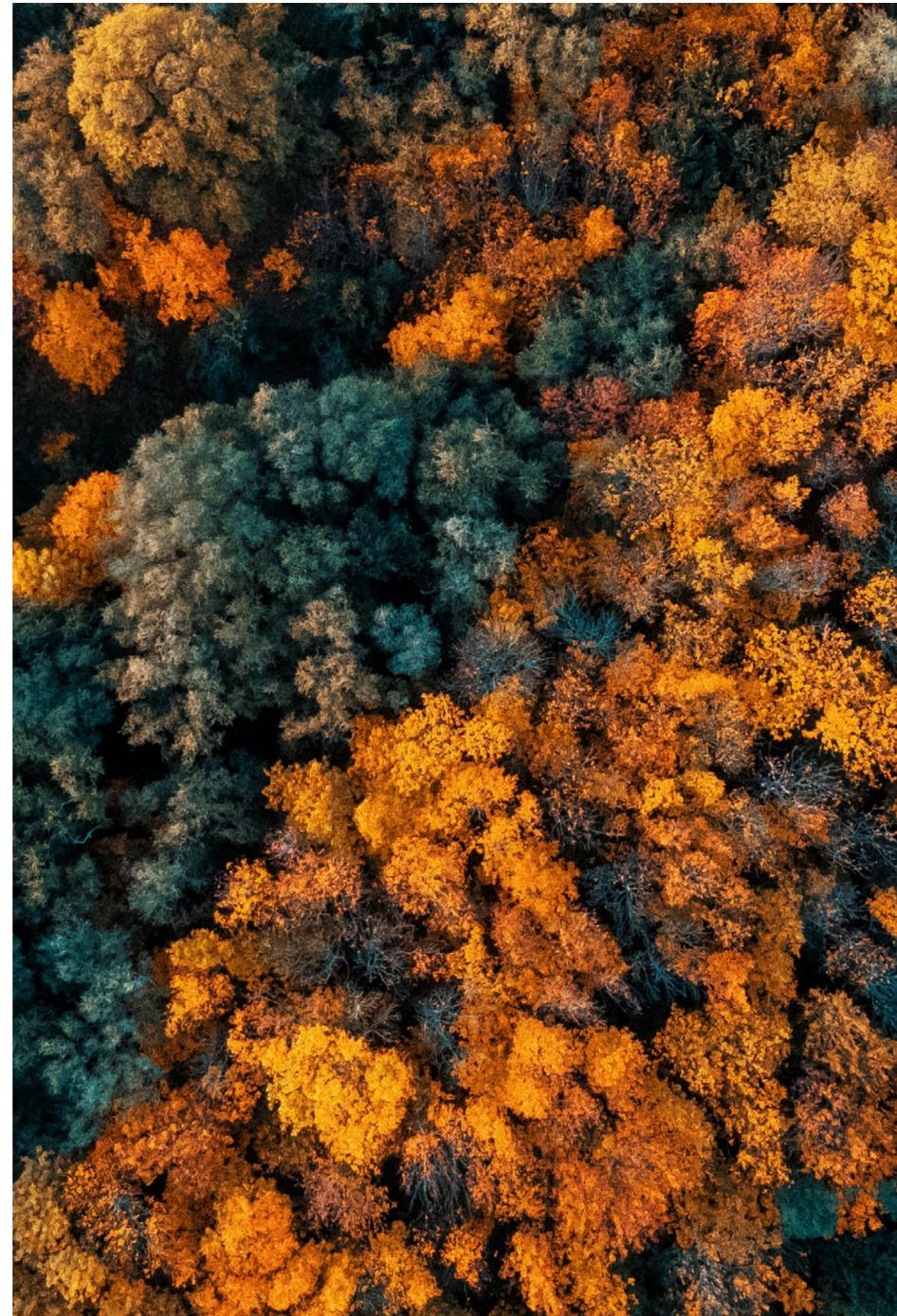
Implemented property upgrades have included a wide variety of safety and security enhancements and environmental efficiency upgrades. Additionally, Canyon has implemented a broad array of social programming, including afterschool programs, adult financial literacy classes, and a variety of health and wellness programming for its tenants.

We leverage the insights gained from our experience in workforce housing to identify opportunities for our investments across our multifamily platforms.

Cultivating Emerging Managers

The investment management industry has long been plagued with increasingly high barriers to entry for smaller firms, and there are few women and minorities in senior leadership roles. Emerging manager platforms can level the playing field for underrepresented groups. Canyon's real estate team is acutely aware of these dynamics and believes that diverse voices are important to have in the industry and investment process.

As an early provider of emerging manager advisory services, Canyon has built a platform to identify, select, and invest alongside high-performing emerging real estate managers. This platform is intended to cultivate the next generation of institutional real estate talent. In its capacity as investment manager, Canyon sources and manages talent, while also maintaining oversight of all platform investments. Canyon seeks to identify high-potential emerging managers with specialized expertise in multi-product asset classes, a demonstrated track record, and access to unique investment opportunities. Through programmatic joint ventures and mentorship, Canyon provides guidance and support to each emerging manager.



Canyon Catalyst Funds

The Canyon Catalyst Funds (CCF), managed by CPRE on behalf of the California Public Employees' Retirement System (CalPERS), invests in value-add equity opportunities in the western U.S. via programmatic joint venture partnerships with emerging managers. For this discretionary separate account, Canyon facilitates investments by identifying early-stage high-performing real estate owner/operators with niche strategies, a demonstrated track record, and strong potential to access investment opportunities otherwise difficult to access through traditional investment managers.

Although the CCF do not have a stated diversity objective, as of December 2021, 4 out of the 5 emerging managers in its CCF platform are diverse-owned asset management firms and these managers strive to emphasize diversity in the workplace. In aggregate, 30% of the emerging managers' employees are women, and approximately 40% of their employees identify as belonging to a minority group.

We are excited to share our first Sustainability and Responsible Investing Report. We will continue to release these reports on an annual basis, which we believe is crucial to creating transparency and accountability for our ESG program.

We are proud of the progress our team has made and look forward to sharing future updates with you.

Canyon Partners

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