



2023 REPORT

**RESPONSIBLE INVESTMENT
AND SUSTAINABILITY**



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ABOUT THIS REPORT

Cultivating long-term partnerships calls for accountability through transparency. Canyon's commitment to transparency is reinforced in our annual Responsible Investment and Sustainability Reports and our adherence to the PRI principles.

In the third edition of Canyon's annual Responsible Investment and Sustainability Report, we outline our approach for ongoing improvement in responsible investment practices. The 2023 enhancements highlighted in this report advance our holistic approach to investment analysis and to creating long-term value.

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Canyon In Brief

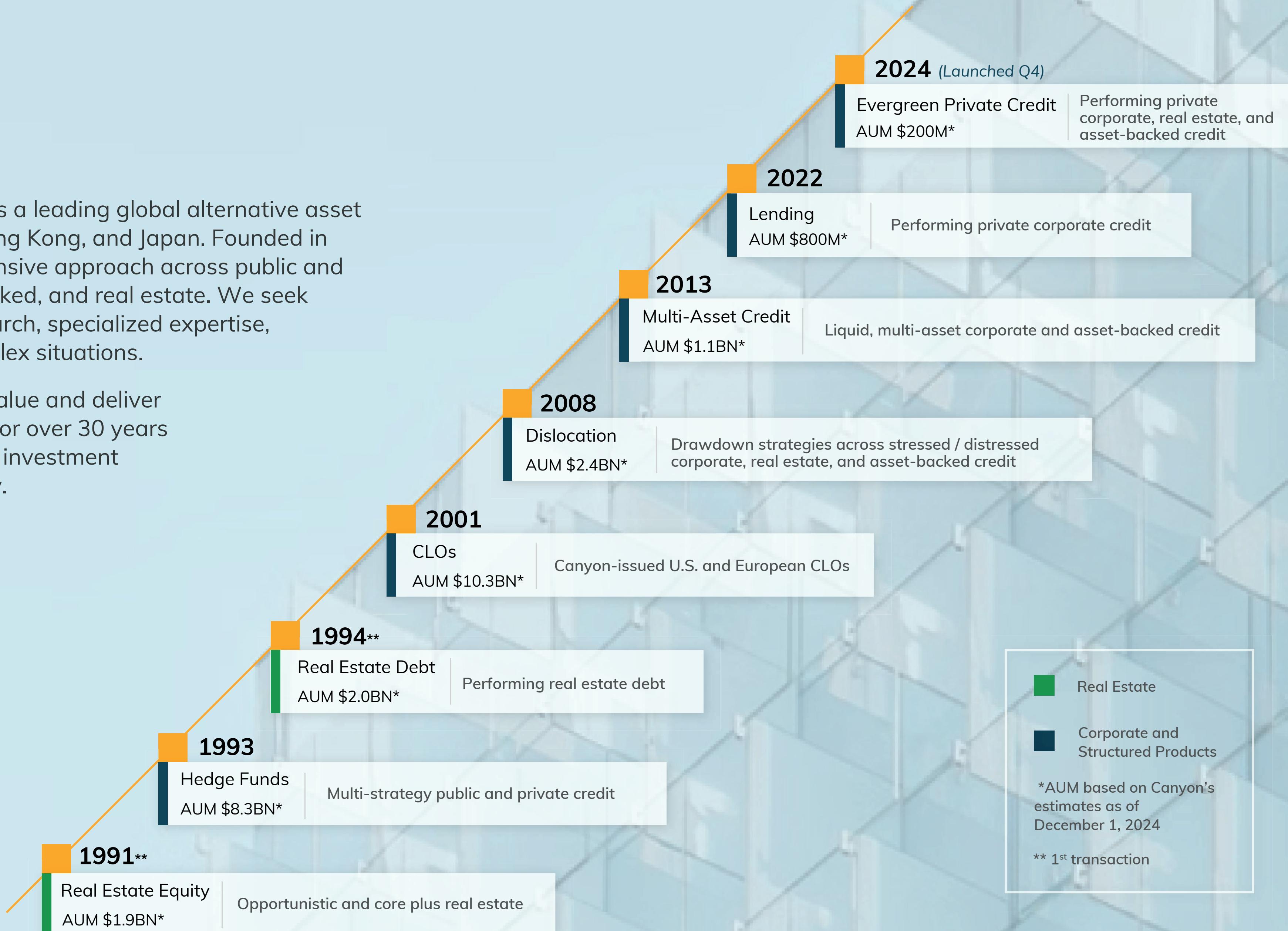
- About the Firm
- Corporate Governance



ABOUT THE FIRM

Canyon Partners, LLC (“Canyon,” or the “firm”), is a leading global alternative asset management firm with offices in the US, UK, Hong Kong, and Japan. Founded in 1990, Canyon employs a deep value, credit-intensive approach across public and private markets, including corporates, asset-backed, and real estate. We seek to capture excess returns through rigorous research, specialized expertise, and the ability to navigate and underwrite complex situations.

Canyon has employed this approach to create value and deliver attractive risk-adjusted returns for its investors for over 30 years and offers a suite of products designed to fit the investment objectives of a broad range of investors, globally.



By the numbers

1990

Founded by
Josh Friedman and Mitch Julis

225+

Employees

\$26+BN

Assets Under
Management

6

Offices
Worldwide

Defining Responsible Investment at Canyon

Canyon's responsible investment practices are a means through which to expand our analytical insights of embedded risks and opportunities in the investment universe. Congruent with our value investing lens, we pursue a holistic understanding of the drivers of risk and return by expanding our viewpoint beyond traditional underwriting. We accomplish this by assessing the financial implications of potentially material non-financial factors, including human capital, governance concerns, and environmental risks.

Our responsible investing framework, applicable to pre-investment processes and investment decisions across certain strategies, is designed to emphasize economic performance, risk mitigation, and financial durability. Our sustainability-oriented fund also seeks to invest across relevant themes, such as environmental sustainability and social responsibility.



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.

Judgment
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.

CORPORATE GOVERNANCE

Business Ethics and Compliance Oversight

Canyon upholds its commitment to the highest ethical standards through a comprehensive compliance program. Led by the Chief Compliance Officer, the in-house compliance team regularly evaluates operations to assess whether Canyon's policies and procedures remain aligned with evolving legal, regulatory, and business requirements. The firm's daily, weekly, monthly, and quarterly operational reviews inform the compliance team's formal quarterly report for senior management. The quarterly reports then form the basis of Canyon's annual compliance assessment.

Annual Compliance Training

Each department participates in targeted annual compliance training focused on the compliance obligations most pertinent to the team's roles and responsibilities, and all employees are required to certify compliance with the code of ethics on a quarterly basis.

Trade Management Controls

Canyon's proprietary order management system is designed to monitor adherence to fund guidelines and regulatory requirements. Certain rules and regulations, such as the restricted list, are monitored on a pre-trade basis—for example, the system cross-checks trades against Canyon's restricted list before execution—while others are reviewed during pre-allocation or overnight stages.

Employee Trading Oversight

Employee trading is monitored for compliance with pre-clearance, holding period requirements, and blackout periods. Employee reporting encompasses investment holdings, certifications, gifts, business entertainment, political contributions, and outside business activities.





Board Oversight and Committee Responsibilities

Governance Enhancements

Canyon established a Board of Directors in 2024 to reinforce governance and strategic oversight as part of its partnership with Dai-Ichi. The Board is comprised of three representatives from Canyon—Co-Founding Partners Josh Friedman and Mitch Julis, and Canyon's Chief Operating Officer, Jonathan Kaplan—and two Dai-ichi-appointed members.

This partnership lays a robust foundation for Canyon's future by equipping our seasoned next-generation leadership—17 partners with an average tenure of 16 years—with the capital and strategic resources to drive long-term value for LPs while under the continued mentorship of our Co-Founders. The new Board of Directors further enhances governance, ensuring effective oversight remains in Canyon's hands.

Committee Oversight

Oversight for Canyon's daily operations is the responsibility of both an Executive Committee and a Management Committee.

The Executive Committee meets monthly to review the firm's business performance and assess the operations

and planning of each business unit. Significant issues identified in these meetings are escalated to the Management Committee for further consideration. The Executive Committee is comprised of key senior leaders such as the Chief Operating Officer, Chief Compliance Officer, Chief Financial Officer, Chief Information Officer, and the Head of Client Relations and Business Development, as well as other senior leadership from across the firm's business units including Risk, Legal, Investor Relations, Real Estate, and Human Resources.

Strategic and major operational decisions are addressed in the Management Committee. Members include the Founding Partners, Chief Investment Officer, Chief Operating Officer, Chief Strategy Officer, and the Head of Client Relations and Business Development. The Founding Partners have guided the firm's decision making since inception, and today, the Management Committee plays a critical role in guiding the firm's strategic direction.

Cybersecurity

At Canyon Partners, we prioritize robust data security and privacy through a comprehensive cybersecurity program focused on confidentiality, integrity, and availability. Our approach is grounded in an IT security control framework informed by the National Institute of Standards and Technology (NIST) Special Publication 800-53 Rev. 4 and aligned with risk alerts from the U.S. Securities and Exchange Commission (SEC) Division of Examinations. These standards guide our policies and procedures, which are further strengthened through annual cybersecurity training and continuous third-party monitoring.

A key pillar of our cybersecurity efforts is enhancing and maintaining employee awareness. Led by industry experts, our training programs focus on safeguarding

information and mitigating the risk of cyberattacks. We proactively implement measures such as regular phishing simulations, internal and external security assessments, and directed trainings to address human factors that can influence security vulnerabilities.

Additionally, we monitor vendor performance through external security reviews and conduct assessments as necessary. These efforts are documented in our internal risk-management reports.

Canyon's Cybersecurity Committee meets monthly to oversee the program and develop strategies to prevent cyberattacks. Insights and recommendations are presented annually to the founding partners for review.

Adapting Cybersecurity for a Cloud and AI-Driven Future

Canyon evaluates its security framework to align with the rigorous standards of the cybersecurity program as it accelerates the adoption of cloud technologies. We implement controls that are strategically designed to match our defined risk tolerance.

Each year, Canyon undergoes an independent, external audit to confirm compliance with Society for Worldwide

Interbank Financial Telecommunications (SWIFT) standards, safeguarding the secure transmission and receipt of financial transaction messages.

The adoption of emerging AI technologies at Canyon is accompanied by proactive risk assessments and controls designed to mitigate vulnerabilities, to strive for responsible and secure innovation.



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Responsible Investment and Stewardship

- Timeline: Evolution of Responsible Investing at Canyon
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- Goals for 2024



TIMELINE: EVOLUTION OF RESPONSIBLE INVESTMENT AT CANYON

2001

- Launched a series of funds on real estate development in densely populated and diverse communities

2012

- Canyon Catalyst Funds created with California Public Employees' Retirement System (CalPERS) to invest in joint ventures with emerging real estate managers

2013

- Launched the Canyon Multifamily Impact Funds series to invest in workforce multifamily assets in low-to-moderate income census tracts

2019

- Formalized approach to responsible investing
- Launched Canyon Opportunity Zone Fund series focused on multifamily assets

2020

- Established Canyon's Responsible Investment Committee
- Launched Canyon Sustainability-Oriented Fund, an SFDR Article 8 sustainable investment fund

2021

- Became a signatory of the Principles for Responsible Investment (PRI)
- Adopted Canyon's Responsible Investment Policy
- Launched Canyon's responsible investment integration strategy
- Became a signatory of Institutional Limited Partners Association (ILPA) Diversity in Action initiative
- Updated the sustainability-oriented fund's requirements
- Established an Investment Review Subcommittee of the Responsible Investment Committee
- Joined the SBAI Responsible Investment Working Group
- Completed PRI reporting under grace period
- Expanded Canyon's Responsible Investment Committee
- Advanced approach to integrating responsible investment practices within CLO strategies
- Created scoring system to assess sustainability data from vendors for CLO-linked leveraged loans

2022

Recognizing the importance of ongoing improvement in responsible investment practices, in 2023 we built upon previous efforts and sought to refine our approach.

2023

RESPONSIBLE INVESTMENT GOVERNANCE AND OVERSIGHT

PRI Principle 1

Responsible Investment Policy

In 2021, Canyon adopted a policy to formalize our responsible investing practices, covering everything from pre-investment assessments to the training and educational initiatives provided to our research analysts. The policy was designed with flexibility in mind, allowing for updates as we enhance the integration of sustainability considerations into our investment and due diligence processes.

Updates in 2023 to Canyon's Responsible Investment Policy reflect our goal to continuously improve our investment toolkit. These updates, while not materially significant, refine the policy's content to enhance transparency by more closely aligning with our day-to-day practices. Consistent with our policy, Canyon revises these guidelines on an as-needed basis. This policy is publicly available [on our website](#).

Annual Responsible Investing Training

In 2023, Canyon conducted a mandatory responsible investing training for all investment professionals. The program focused on the core principles of the PRI, emphasizing responsible investing objectives and industry expectations for alignment. The primary

goal was to ensure the investment team not only understood the requirements but also the strategic importance of these principles as they evaluate potential investments.

PRI Principle 5

Industry Membership

Active participation in responsible investing initiatives provides Canyon with opportunities to learn about best practices, stay informed of industry trends, and engage in peer-to-peer knowledge sharing.

Signatory of:



In 2021, Canyon became a signatory to the Principles for Responsible Investment (PRI). The PRI, a global initiative, provides a framework for responsible investment through six principles that investors can voluntarily adopt to demonstrate their commitment.



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 2022, Canyon joined the Standards Board for Alternative Investments (SBai) Responsible Investment Working Group, which produces practical guidance on implementing and managing responsible investment processes.

Responsible Investment Committee Structure

Responsible Investment Committee

Meeting frequency: Quarterly

Investment Review Subcommittee*

Meeting frequency: Bimonthly

- Partner, Chief Strategy Officer, and Head of Sustainable Investing
- Partner and Chief Investment Officer of Canyon Capital Advisors
- Partner and Co-Head of Opportunistic Credit
- Partner and Co-Head of Opportunistic Credit
- Partner and Chief Compliance Officer
- Partner and Chief Operating Officer
- Partner and Chief Investment Officer of Canyon Partners Real Estate
- Partner and President
- Partner and Head of Client Solutions Group
- Senior Director of Canyon Partners Real Estate
- Senior Vice President of Corporate Affairs
- Senior Compliance Associate

*Composed of Responsible Investment Committee members. Formed in 2022 to review internal responsible investment assessments for corporate investments.

Oversight of Responsible Investment Practices

Our Responsible Investment Committee, established in 2020, oversees the implementation of responsible investment practices, as outlined in our policy.

Comprised of senior leaders representing various business units, the committee incorporates valuable perspectives and input from investment research, real estate, operations, legal, compliance, and business development, collaboratively steering relevant initiatives. Canyon's Head of Sustainable Investing serves on the committee and works closely with senior management to set the agenda and establish priorities to ensure a cohesive approach across the firm.

The committee also provides guidance for assessing non-traditional investment factors outside the scope of Canyon's Responsible Investment policy. The role of the committee can include, if needed, developing assessment frameworks for addressing emerging and/or more complex responsible investment considerations.

Our Approach

At Canyon, our approach to value investing is fundamentally anchored in a deep understanding of each investment. Since 2021, we have sought to expand our perspective on sustainability, which we believe complements the core principles of value investing. Having a broader view within our investment process allows us to evaluate risks or opportunities that may not yet be fully reflected in market prices. To this end, we employ a combination of both traditional financial tools and material non-financial factors to strengthen our ability to have a holistic view of our investments and the ultimate drivers of risk and reward.

 **Our responsible investment analysis is tailored to the specific asset class, sector, and industry, accounting for the various ways sustainability factors can impact an investment's performance."**

RANDY KO

Partner, Chief Strategy Officer, and
Head of Sustainable Investing

CANYON CAPITAL ADVISORS: RESPONSIBLE INVESTMENT PRACTICES IN CREDIT AND HEDGE FUND STRATEGIES

Responsible Investment Principles Within Value Investing Strategies

A value-oriented approach to credit and equity investing requires a multidimensional understanding of both risk management and the broader industry dynamics in which a business operates. For instance, understanding the operational or governance challenges facing a company can reveal potential areas for improvement, which may increase the durability of the investment once these issues are addressed.

Where data is available, we evaluate non-traditional factors such as human capital, governance, and environmental risks to assess the sustainability and durability of each investment. This method allows us to reduce potential losses while seeking opportunities for gains as market valuations change, creating long-term value for both our investors and the businesses we support.

Investment Insight: Navigating Economic Risks Driven By Governance And Social Performance

In our investment process, we seek to assess both financial and non-financial factors to develop a more holistic understanding of risk. Below are two examples from 2023 where we chose not to proceed with investments due to governance and social risks:

Example 1

A privately owned cruise ship operator was evaluated for investment by our team, but ultimately declined due to governance concerns. During due diligence, we identified significant governance risk, with the Founder and CEO exerting disproportionate influence over key committees, including audit and remuneration, which raised concerns about the issuer's long-term oversight and accountability.

Example 2

A consumer product company producing a widely consumed tea brand was under consideration for LBO financing, however, we decided not to participate after reports emerged about poor working conditions for staff in Kenya. For a consumer-facing brand, such social negligence presented what we believed could be reputational risk that outweighed the potential upside of the investment.

Expanding Responsible Investing Practices into Historically Challenging Asset Classes

In 2023, Canyon Partners advanced its approach to integrating responsible investment practices within its CLO strategies, addressing unique challenges inherent to this asset class.



Diversified Composition

CLOs are comprised of a collateral pool with typically over 200 corporate loans across a range of sectors. The diverse collateral underlying a CLO necessitates assessing a large number of companies across a wide range of environmental and social criteria.



Universe Lacks ESG Ratings

The limited environmental and social information on the companies underpinning the collateral composition of CLOs poses a challenge for investors looking to further responsible investment strategies.

In 2023, Canyon developed a scoring framework for sustainability information provided by an external data provider when evaluating and rating the leveraged loans comprising a CLO. The resulting tool provides scoring and benchmarking for the individual loans in our CLO collateral pool, significantly enhancing our analysts' abilities to apply responsible investment analysis, given the large and diversified nature of CLOs.

Canyon Sustainability-Oriented Fund

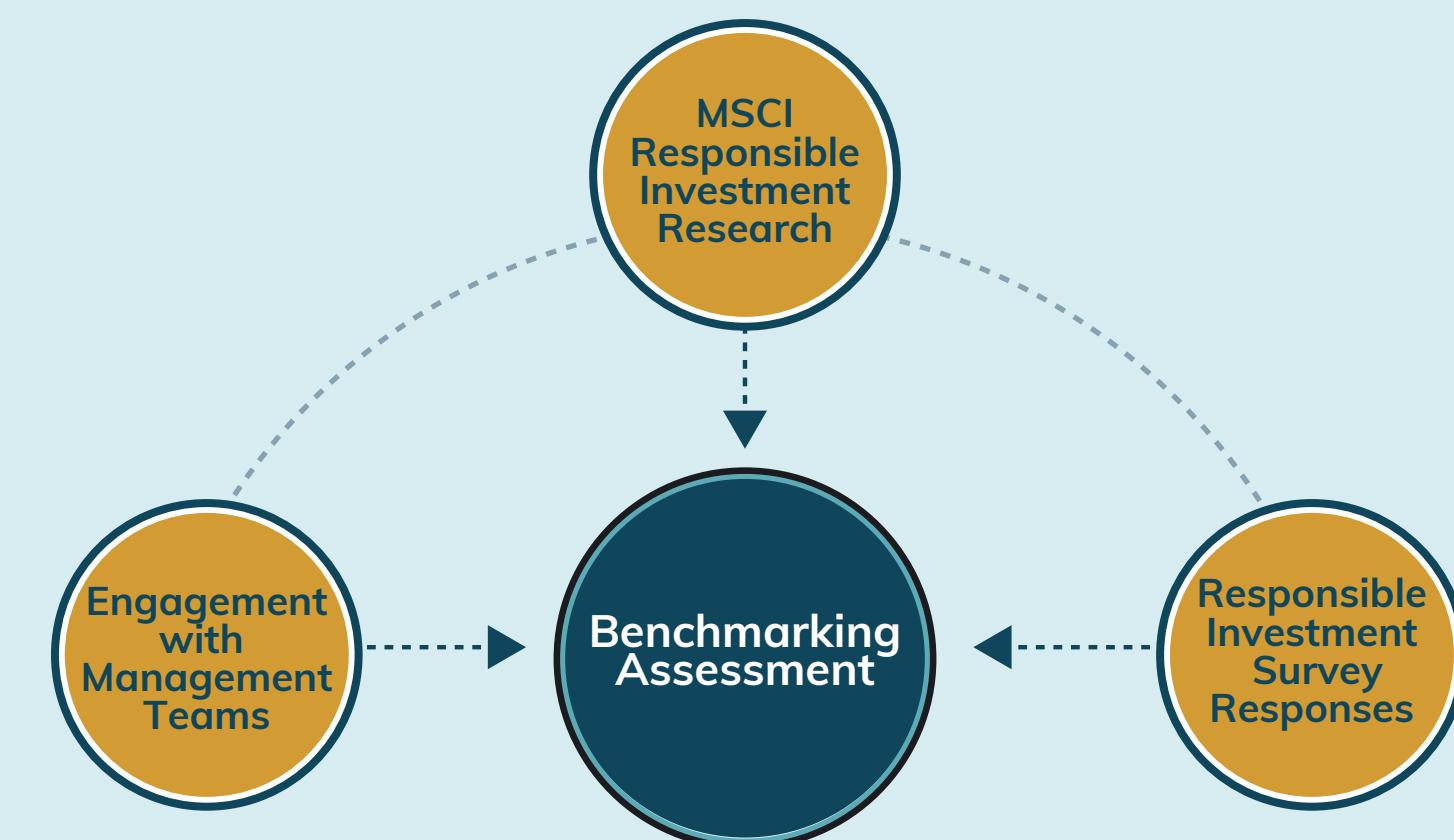
We consider a wide range of environmental, social, and governance factors to ensure that investments in our sustainability-oriented fund do not contribute to adverse sustainability outcomes as well as avoid material risks. Our assessment process factors in issues like climate change, waste management, and labor practices, as well as product safety, privacy, and data security, in addition to a review for controversies related to supply chain practices, business ethics, and corporate behavior.

Where data is available, we also classify each investment's responsible investing trajectory—whether trending positively, negatively, or remaining neutral—relative to its peer group. This evaluation leverages corporate disclosures to track specific key performance indicators, such as greenhouse gas emissions and board diversity. Currently, the data coverage within our investment universe is limited. We are building the infrastructure to prepare for a future with more comprehensive datasets to aggregate and report these KPIs—such as the portfolio's overall carbon footprint—and address limited data coverage.

Sector and product/business-based exclusions include companies with operations in:

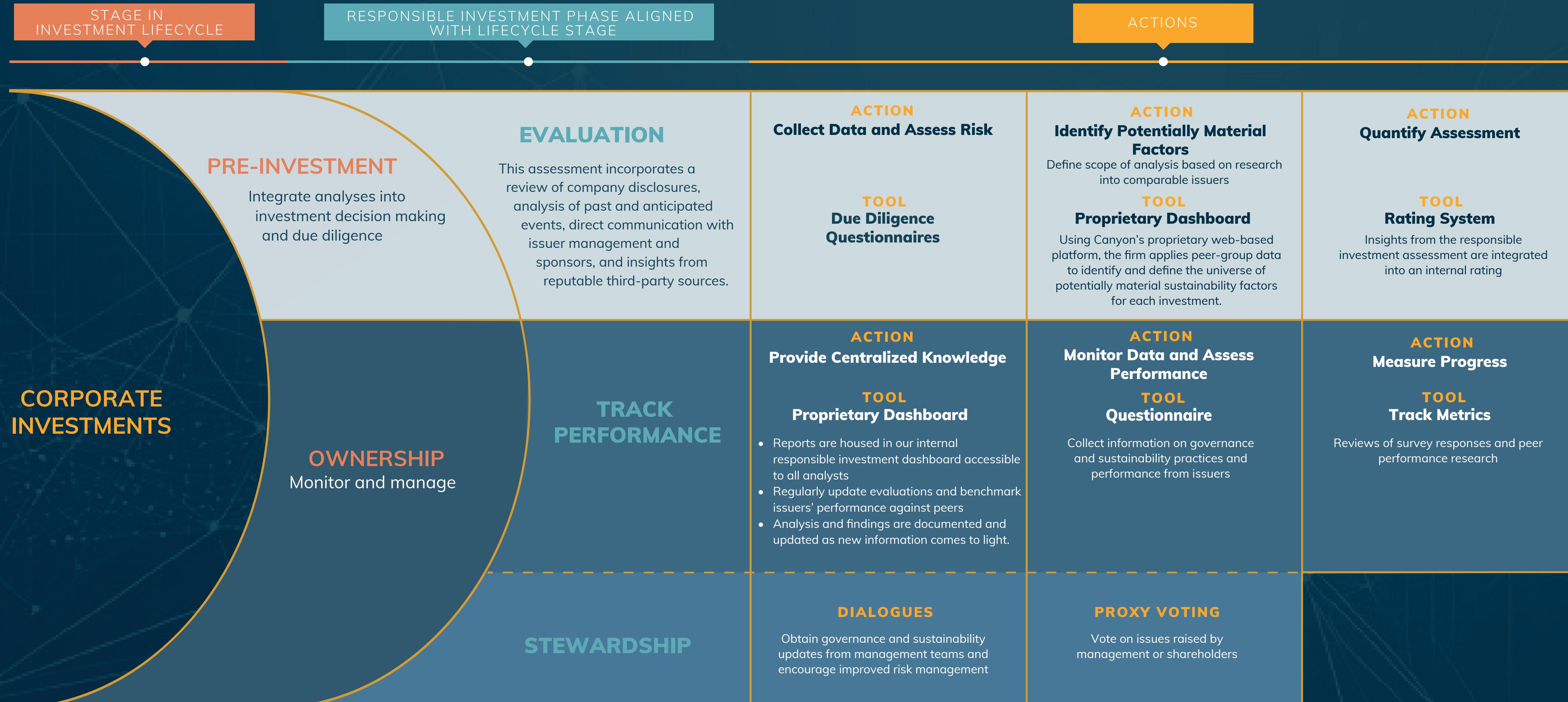
- Cluster munitions or antipersonnel mines production¹
- Tobacco
- Gaming
- Pure-play fossil fuel

Canyon Leverages Multiple Data Sources for Benchmarking Performance on Non-Traditional Factors



¹ Issuers that derive more than 10% of gross revenues from the production of cluster munitions or antipersonnel mines will not be acquired by the fund.

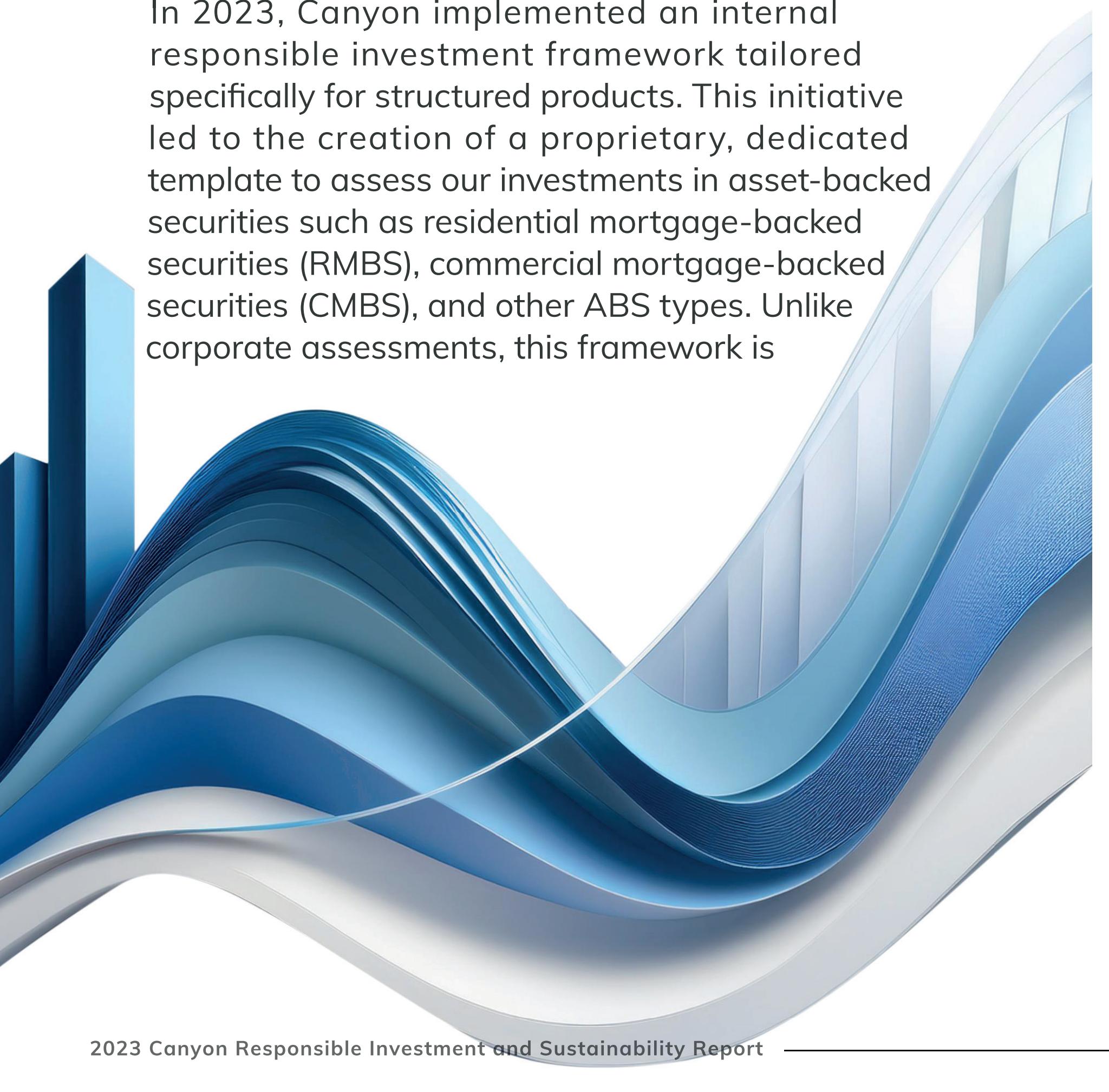
Corporate and Asset Backed Investments: Responsible Investment Metrics and Tools



Structured Products

Refining ESG Rating Systems for Structured Products

In 2023, Canyon implemented an internal responsible investment framework tailored specifically for structured products. This initiative led to the creation of a proprietary, dedicated template to assess our investments in asset-backed securities such as residential mortgage-backed securities (RMBS), commercial mortgage-backed securities (CMBS), and other ABS types. Unlike corporate assessments, this framework is



designed to address the unique complexities of evaluating pools of loans, often non-corporate, which require bespoke evaluation metrics.

This collaborative effort involved close coordination between the structured product team and the responsible investment team. Together, they developed a template that not only aligns with the structured product team's investment strategy, but also effectively integrates responsible investing considerations. This specialized framework facilitates a nuanced approach to rating asset-backed securities, ensuring that our investment decisions are both informed and aligned with our commitment to responsible investment practices.

Sample Assessment Criteria

Environmental Factors

Questions are designed to assess risks such as geographic concentration of the underlying assets to gauge exposure to natural disasters, and, in the case of auto loans, vehicle fuel efficiency to evaluate compliance with environmental regulations.

Social Factors

For auto loans, the focus is on the origination process, clarity of terms, policy on ancillary products, dealer onboarding, and servicing practices. The template requests information to help assess compliance with fair lending practices and evaluates the credit outcome for borrowers.

Governance Factors

Queries aim to ensure compliance with interest rate limits, quality control of underwriting decisions, and responsiveness to customer complaints.

Investments in the Renewable Sector

Cross-Pollination of Responsible Investing Ideas at Canyon

The dislocation in the capital markets in 2023 created opportunities for Canyon to expand its financing of renewable and energy efficiency projects.

Canyon addressed the unmet need left by traditional lenders, delivering crucial support to environmental solutions when banks began reducing their exposure.

One such opportunity arose when a solar loan originator, familiar to Canyon, diversified into home efficiency and improvement loans, creating a need for a financing partner to help offset potential balance sheet risks. Canyon's participation in the junior tranches of securitizations proved vital for the originator by effectively distributing the financial risk, which stabilized their loan portfolio and bolstered

investor confidence. This foundational support was crucial as the originator shifted from isolated transactions to a regular cadence of issuances, particularly within the renewable and home efficiency sectors. This approach highlights Canyon's capability to not only adapt to market disruptions but also to develop enduring, scalable solutions that extend beyond mere short-term opportunities.





Strengthening Cybersecurity and Human Capital Management in Healthcare

PRI Principle 5

In Q4 2021, Canyon became a top ten shareholder of a multinational healthcare services company listed on the S&P 500. This position enabled Canyon to engage with the company's management on essential operational issues following a 2022 cybersecurity attack.

In April 2022, the healthcare company faced a severe data breach that disrupted operations, delayed care services, and impacted patient volumes. Hospitals, particularly vulnerable due to legacy IT systems and valuable patient data, are prime targets for cyberattacks. Canyon leveraged its position as a significant shareholder to advocate for enhanced cybersecurity measures, reducing the risk of future incidents.

Canyon advocated for robust improvements across the company's cybersecurity and labor management practices. We encouraged the company to overhaul its electronic medical record (EMR) systems and upgrade its enterprise resource planning (ERP) platforms, thereby fortifying its defenses against cyber threats. The company also recognized the sector-wide challenge of attracting skilled IT professionals to healthcare, and set priorities to expand its hiring of specialized personnel in its IT security team.

The company's swift and comprehensive response to the cybersecurity incident included suspending user access to compromised applications and launching an in-depth investigation. These immediate actions, coupled with strategic long-term measures, effectively

minimized the company's exposure to future cyber incidents and enhanced overall operational stability.

Concurrently, the company sought to address a significant challenge in human resources due to a tight labor market characterized by high turnover rates, especially among nursing staff. To combat this labor management concern, the company revamped its human resources practices, emphasizing the attraction and retention of permanent nurses. Strategies such as offering sign-on bonuses, retention bonuses, and mentorship programs were implemented. These initiatives not only improved employee retention but also reduced operational costs by diminishing the company's dependence on expensive temporary labor.

Through Canyon's active engagement and strategic stewardship, the company not only mitigated risks but also improved its resilience and secured its position in the evolving healthcare landscape. This case study highlights Canyon's ability to leverage its shareholder influence to drive significant operational improvements, reinforcing the importance of proactive risk management in safeguarding the future of healthcare organizations.



CBL Properties: Mall del Norte - Laredo, Texas

CBL Properties

Founded in 1978, CBL Properties, a real estate investment trust (REIT), manages 94 properties, including 56 malls, outlets, and lifestyle centers, as well as 20 open-air centers, located across the U.S. Southeast and Midwest.

Canyon acquired CBL's debt several years ago, which converted to an equity stake and allowed Canyon to have an employee join the CBL board in 2021, following CBL's emergence from bankruptcy. Through its board position and role on the Compensation and Governance Committee, Canyon supported the company's efforts to advance sustainability performance, including linking executive remuneration to sustainability outcomes. This alignment of financial incentives with sustainability

objectives fostered accountability while encouraging continuous improvement.

The resulting efforts contributed to an increase in CBL's MSCI ESG rating by two letter grades, to BBB, in 2023.

Market and Operational Benefits of Sustainable Efficiency and Resilience Enhancements

CBL's environmental initiatives are closely aligned with its strategic business objectives, including enhancing tenant value, extending the lifespan of assets, and exploring new avenues for income generation.

PRI Principle 5

CBL's Progress on Sustainability in 2023

- Hired first Director of ESG
- Adopted firm-wide Sustainable Development Policy: commitment to redeveloping existing properties with a focus on sustainability, including the integration of green technologies and materials, community engagement, efficient use of resources, and minimizing environmental impact through strategic waste, water, and energy management practices
- Revised human rights statement to align with the United Nations Guiding Principles on Business and Human Rights
- Improved Non-Retaliation Policy to strengthen protections for those disclosing alleged wrongful conduct
- Published ESG Update Progress Report: inaugural sustainability report and first Task Force on Climate-related Financial Disclosures (TCFD) report
- Year-over-year improvement in the firm's MSCI ESG score

CBL Properties

Efficiency and Cost Management:

CBL's LED lighting initiatives and advanced energy management systems increase operational efficiency and reduce energy consumption, providing tangible savings that directly benefit tenants by decreasing their overhead.

Resilient Landscaping Practices:

CBL plants native species adapted to local climates, minimizing water usage, enhancing the building's resilience to extreme temperatures, and reducing both its environmental footprint and maintenance costs. CBL also identifies landscaping opportunities to mitigate erosion of the building facades from rainwater.

Sustainability Amenities and Revenue Opportunities:

CBL tapped into the growing demand for electric vehicles by introducing EV charging stations. This initiative not only enhances the attractiveness of its properties to tenants and visitors, but also opens up additional revenue streams through new leasing or sales opportunities related to the installation of these chargers.

Building Equity into Vendor Opportunities:

CBL's Black-owned expos offer opportunities to smaller vendors that might not otherwise conduct business in a shopping center. This initiative increased business sales at CBL's properties and benefited existing vendors. These efforts have also been well-received by employees who appreciate the company's efforts to implement these programs.

Human Capital:

CBL established a diversity and inclusion program to create a diverse workforce across the company. The firm's employee-led resource group, CBL Community, defines DEI goals which are then reviewed by the Diversity, Equity, Inclusion, and Belonging Steering Committee.

CBL Executive Compensation includes incentives for improved corporate culture. CBL's focus on talent retention resulted in an employee turnover rate of 8%, with 95% of employees rating CBL as a great place to work, earning the company the Great Place to Work Certification.

CBL advances workforce diversity through strategic partnerships and targeted outreach with organizations serving diverse communities. This includes recruiting at Historically Black Colleges and Universities (HBCUs) and local universities, as well as collaborations with veteran-focused nonprofits, and initiatives like Project Destined, Step Up Chattanooga, and Transition Overwatch.

CANYON PARTNERS REAL ESTATE: RESPONSIBLE INVESTMENT PRACTICES

Progress in 2023: Strengthening Responsible Investment Practices

In 2023, Canyon Partners Real Estate's responsible investment practices continued to evolve across all levels of our real estate investment processes. Our progress this past year focused on refining our due diligence procedures and enhancing our monitoring and data collection capabilities, thereby laying a robust foundation for future developments.

Due Diligence Enhancements

Canyon has further integrated responsible investment considerations into both equity and debt investment decisions. In 2023, our sustainability and governance checklist were subjected to an external review aimed at improving alignment with key industry standards. The checklist was reviewed against TCFD indicators and sub-indicators, revealing notable alignment. For all current real estate funds, the due diligence checklist is utilized at closing, completed by the acquisition team.

Monitoring

Established Quarterly Responsible Investing Assessments

In March 2023, we began quarterly monitoring of assets in four funds to identify any changes since the initial due diligence. The Asset Management team systematically updates asset-level metrics to track and document relevant changes in sustainability and social performance indicators.

Broadened Data Collection

In 2023, we expanded the use of Measurabl to include all operational properties in our equity portfolio. This platform facilitates the systematic collection of data on energy, water, gas usage, and waste management.

Sharing Expectations with Property Managers

In 2023, we initiated an annual survey to understand how our property managers engage with tenants on sustainability issues. To further our understanding of property managers' sustainability performance we benchmarked our managers against key metrics. We also began to explore integrating text around CPRE's expectations for environmental and social performance into property management agreements.



Industry Benchmarking to Inform Strategy Expansion

In 2023, CPRE conducted a detailed review of practices of industry peers and property managers to better understand common industry approaches and standards. This examination focused on methods for monitoring responsible investing performance and identifying additional relevant metrics.

Canyon Real Estate Responsible Investment Policy

In 2024, CPRE formalized its commitment to integrating financial and business-relevant sustainability and ethical considerations into its investment strategy with the adoption of a comprehensive policy. The groundwork for this initiative was laid in 2023, resulting in the development of a dedicated Responsible Investment Policy for Canyon Real Estate.

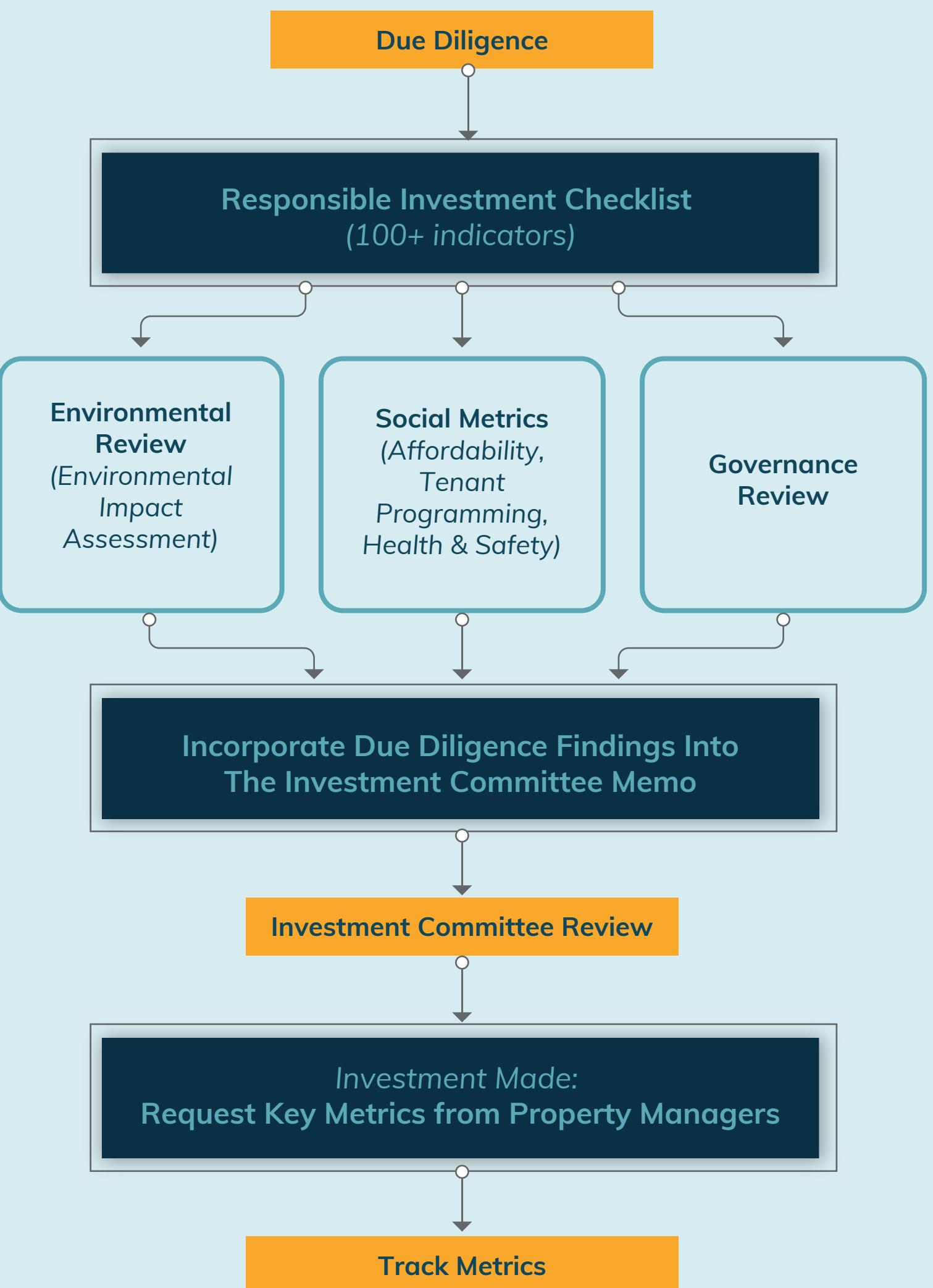
Codifying the Process in 2024

We are developing more detailed policies for Canyon's real estate holdings, transitioning from piecemeal processes to a cohesive framework. In addition, we are exploring integrating responsible investment metrics into contracts with property managers and plan to formalize this process.

PRE-INVESTMENT

OWNERSHIP

CPRE Responsible Investment Integration



Leveraging Real Estate Investment Expertise to Drive Measurable Social and Environmental Outcomes

Canyon Multifamily Impact Fund III focuses on acquiring and revitalizing workforce housing properties in underserved communities. The fund aims to address the growing demand for quality and affordable housing, enhance property performance, and deliver social impact through initiatives like affordable rent programs, community services, and sustainability improvements.



GOALS FOR 2024



Leveraging technology for sustainable investing



Advancing renewable investments



Fostering future talent



Building upon solid responsible investment foundation

3

Culture and Corporate Citizenship

- Corporate Culture
- Community, Engagement, and Philanthropy



CORPORATE CULTURE

Canyon believes that an inclusive culture aids innovative thinking and enhances our ability to assess risks, which is valuable for generating differentiated ideas and returns in our investments. We continue to promote inclusion through recruitment efforts, mentorship programs, competitive benefits and compensation structures, and firm-wide workshops.



Governance

Culture and Corporate Citizenship Policy

Canyon's vision for building and maintaining an inclusive company culture is set forth in the [Culture and Corporate Citizenship policy](#). The Director of Culture and Corporate Citizenship is responsible for overseeing the implementation of the policy and the development of associated programming and initiatives.

Culture and Corporate Citizenship Committee

The Culture and Corporate Citizenship Committee, led by the Director of Culture and Corporate Citizenship, addresses talent pipeline development, firm-wide educational opportunities, community building, the recognition of cultural observances, and other initiatives designed to promote team member engagement. The committee meets on a biweekly basis and includes representation from across the firm at all levels of seniority, with members serving two-year terms to ensure broad participation.

Education and Awareness

New hires go through our annual Culture and Inclusion Awareness Workshop, which was launched in 2021 in partnership with an organizational strategy consultant to broaden perspectives and encourage an inclusive working environment.



Benefits and Compensation

Canyon established both a Benefits Committee and Compensation Committee at the end of 2021 to evaluate and update Canyon's employee benefits, compensation structure, and other talent-related topics. Members of these committees include senior leadership from across the firm's business units. These committees will continue to evaluate our compensation and benefits programs on an ongoing basis. The following objectives guide the Benefits Committee's decisions:

- Aligning with Canyon's culture and values
- Protecting team members from financial risk
- Promoting the health, well-being, and development of team members
- Competitive recruiting of new team members
- Financial stability for Canyon
- Ensuring tax-efficiency, cost-effectiveness, and compliance
- Supporting team member engagement

Remote Work Policy

Canyon continues to maintain a flexible work policy with team members primarily working in the office but also, to a limited extent, on a remote basis. Canyon has also implemented a "work from anywhere" program, which allows team members to work remotely for up to four weeks per year.

Supporting Working Parents

Canyon's Parental Leave and Family Planning Benefits:	
	<p>Paid parental leave</p> <ul style="list-style-type: none">• Pregnancy and Childbirth Paid Leave: 12-14 weeks at 100% salary• Paternity/Baby Bonding Paid Leave: 6 weeks of leave at 100% salary
	<p>Work-life benefits and supporting new parents</p> <ul style="list-style-type: none">• 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
	<p>Adoption and fertility support</p> <ul style="list-style-type: none">• US\$10,000 lifetime benefit which can be used toward reproductive and/or adoption assistance

Expanding the Talent Pipeline

Canyon requires recruiters to present candidate slates for every job search that reflect the full range of available, qualified talent, and oversees the internal evaluation process to ensure that all applicants are given equal consideration. To broaden our access to the largest talent pool, Canyon collaborates with non-traditional recruiting partners, including nonprofits like the Robert Toigo Foundation and Sponsors for Educational Opportunity (SEO), as well as professional associations such as the Black Hedge Fund Professionals Network.

In 2023, Canyon continued its support of nonprofit organizations dedicated to elevating the talent pipeline in finance through various collaborations and sponsorship. Canyon partnered with groups like the Robert Toigo Foundation, STREAM Foundation, the Sutton Trust (UK), AltFinance, Rock the Street, Wall Street, and Posse Foundation.

Summer Internship

Canyon's summer internship is a firm-wide volunteer initiative that engages team members from across the organization as mentors, teachers, speakers, and coordinators. In 2023, Canyon's internship class was made up of 15 students. The summer internship program attracts talented applicants from a broad range of colleges, universities, and nonprofit partners such as STREAM and AltFinance, with the goal of enhancing the talent pipeline. Over the course of eight weeks, interns gain hands-on exposure to asset management, rotating through our business units and receiving dedicated support and mentorship from Canyon volunteers.

2023 Partnerships: Increasing Access to Careers in Finance

Rock the Street, Wall Street

A financial and investment literacy program designed for high school girls

Robert Toigo Foundation

MBA fellowship program dedicated to increasing diversity in finance

Posse Foundation

Dedicated to providing access to college education for high potential kids from underserved communities and increased diversity on university campuses

Sutton Trust

Supports social mobility in the UK through access to educational and professional opportunities

- Sponsored the year-long program for the third consecutive year, featuring five instructional sessions taught by staff volunteers from Canyon, a field trip to Canyon offices to explore diverse career paths in finance, and a series of mentorship opportunities.

- Engaged the ToigoPro recruitment service to conduct targeted managed searches and to market job opportunities at Canyon to the Toigo alumni network.

- Sponsored and hosted the organization's fellowship competition to select the incoming class of Posse scholars. A team of 12 Canyon staff volunteered, including several senior leaders such as the Chief Compliance Officer, Chief Operating Officer, and Chief Information Officer.

- Sponsored the Pathways to Banking and Finance program in our London offices, providing a week of immersive learning and hands-on exposure to careers in investment to students attending state schools.

Women's Mentorship and Affinity Groups

Supporting women in leadership roles is a key objective of Canyon's Culture and Corporate Citizenship initiative. In 2023, Canyon continued its partnership with Beyond Barriers, a professional development platform, to deliver a targeted six-month mentorship program aimed at supporting the career growth of female team members. Canyon sponsored two cohorts, consisting of 18 women total.

Canyon continues to host its women's affinity group, CREW (Connect, Respect, Empower Women), led by a steering committee of dedicated volunteers and members of the Culture and Corporate Citizenship Committee. CREW's mission is to foster community, mentorship, and professional development while providing a safe space to connect and engage on shared interests and experiences. In 2023, CREW organized a series of impactful events including team member-led virtual discussion forums, a book club, and a wellness retreat. These events and initiatives are open to employees across the firm.



COMMUNITY, ENGAGEMENT, AND PHILANTHROPY

Canyon has prioritized charitable giving since its founding and seeks to make a positive impact by supporting education and research; providing resources for underserved communities; and fostering sustainability. These activities are rooted in the philanthropic and community-focused activities of our founders.

Canyon Gives Back

Volunteerism and charitable giving have been a cornerstone of the firm's culture since our founding in 1990. The program aims to create a positive impact in local communities and promote team member engagement through charitable contributions and volunteer work in our local communities. Through partnerships with nonprofit organizations aligned with our mission, Canyon provides employees with:

- Quarterly volunteer opportunities with local charities
- Employee donation matching for campaigns addressing natural disasters and crisis events
- Two days of paid volunteer leave annually to support causes they care about



*These hours include staff hours spent volunteering in Canyon's internship program.

DISCLOSURES

The information provided in this report reflects Canyon Partners' approach to Responsible Investing as of the date of this report and is subject to change without notice. We do not undertake to update any of such information in this report.

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