Canyon Lending Lux Fund II (U), SCSp
Sustainability-related Disclosures

(required under Article 10 of the EU Sustainable Finance Disclosure Regulation)

A. Summary

No sustainable investment objective: The Fund promotes environmental or social characteristics and does not have as its objective sustainable investment.

Environmental or social characteristics: The Fund promotes the social characteristic of 'Business Ethics' through its investments and during the hold period of such investments, but does not have as its objective, sustainable investment. The Fund intends to employ a screening framework to invest a certain proportion of its assets in portfolio investments that, in addition to other factors, are assessed on each of the following metrics: involvement in controversial weapons; human rights violations and evidence of discriminatory practices.

Investment strategy: The Fund's investment strategy is to generate attractive risk-adjusted returns through constructing a diversified portfolio of primarily first lien, private debt-oriented investments, with opportunistic exposure to secondary market opportunities.

Proportion of investments: The Fund will seek to align a minimum of 51% of portfolio investments, calculated over the financial year of the Fund, the numerator of which is the market value of the portfolio investments that are aligned with social characteristic set out above, and the denominator of which is the value of all the investments of the Fund, excluding investments made for the purposes of currency hedging or the management of cash or other ancillary liquid assets, with the characteristic described above.

Asset allocation aligned with this percentage may vary from time to time during the Fund's lifecycle i.e., a ramp-up phase where the Fund may not meet the minimum proportion, and also a wind-down phase where the Fund may not maintain the minimum proportion.

Monitoring of Characteristics: Throughout the life of the Fund and the investment holding period for each individual investment, the investments will be periodically re-screened for: investment in controversial weapons, human rights violations, and discriminatory practices, in accordance with the indicators set out below in order to monitor continued attainment of the 'Business Ethics' characteristic for each investment.

Methodologies: In screening the potential investments for their attainment of the 'Business Ethics' characteristic, Canyon utilizes a third-party data provider who screens potential investments on each of three metrics (controversial weapons, human rights violations and discriminatory practices) by assessing revenue generation, and screening for significant incidence of discrimination across a two year look back period.

Data sources and processing: The screening criteria are applied by an independent third-party data provider, who source data and apply them to the aforementioned indicators.

Limitations to methodologies and data: Certain limitations may apply in terms of the availability and reliability of data.

Due diligence: The investment memorandum generally includes a summary of the sustainability considerations for an investment. Any risks and opportunities identified will, where necessary, be

incorporated into the investment committee's investment memorandum and decision making process. The outcome of the screening processes will be presented to the investment committee and be considered as a part of the overall assessment of the investment opportunity

Engagement policies: The Fund may engage with select issuers about their governance structure and practices, environmental impact, and social policies.

Designated reference benchmark: No index has been designated as a reference benchmark to meet the Characteristic.

B. No sustainable investment objective

This financial product promotes environmental or social characteristics, but does not have as its objective sustainable investment.

C. Environmental or social characteristics of the financial product

The principal investment objective of the Fund is to seek to generate attractive risk-adjusted returns through constructing a diversified portfolio of primarily first lien, private debt-oriented investments, with opportunistic exposure to secondary market opportunities. Within the context of such debt investments, the Fund promotes the social characteristic of 'Business Ethics' through its investments and during the hold period of such investments.

Canyon, as the delegated portfolio manager of the Fund, has developed an approach to promoting this characteristic, based on the information made available to it by a third-party data provider. Canyon will utilise such information to screen investment opportunities and determine the portfolio's exposures to the specified metrics.

The Fund intends to employ a screening framework to invest a certain proportion of its assets in portfolio investments that, in addition to other factors, are assessed on each of the following metrics:

- Involvement in controversial weapons[1];
- Human Rights violations; and
- Evidence of discriminatory practices

D. Investment strategy

As is further detailed in the Fund's private placement memorandum, the principal investment objective of the Fund is to seek to generate attractive risk-adjusted returns through constructing a diversified portfolio of primarily first lien, private debt-oriented investments, with opportunistic exposure to secondary market opportunities. Instruments may include loans, bonds, and subordinated debt securities as well as certain equity securities (or rights to acquire equity securities).

The binding element of the Fund's investment strategy to assess the environmental and social characteristics relating to the Fund is its screening framework (as described above), which it has developed in collaboration with a specialist third party. The Fund will only consider portfolio investments that receive positive outcomes in each of the metrics assessed to be promoting the characteristic of 'Business Ethics'.

The Fund will consider and assess key good governance issues during the pre-investment stage, including, but not limited to, information relating to sound management structures, risk management and data security, transparency, anti-bribery and anti-corruption and conflicts of interest.

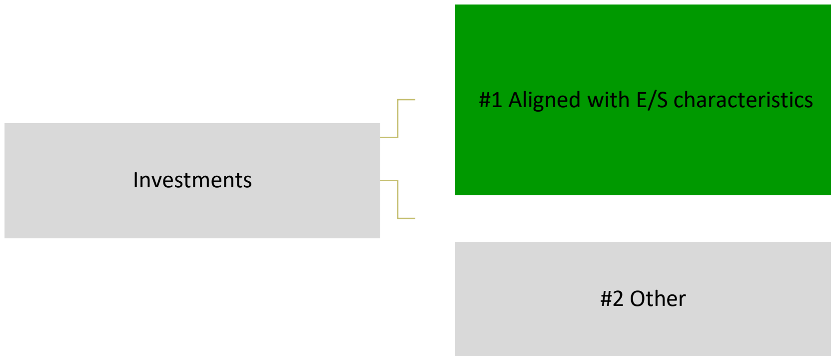
[1] These are antipersonnel landmines, cluster bombs, nuclear weapons, chemical or biological weapons.

E. Proportion of investments

The Fund will seek to align a minimum of 51% of portfolio investments (both direct and indirect), calculated over the financial year of the Fund, the numerator of which is the market value of the portfolio investments that are aligned with social characteristic set out above, and the denominator of which is the value of all the investments of the Fund, excluding investments made for the purposes of currency hedging or the management of cash or other ancillary liquid assets, with the characteristic described above.

Asset allocation aligned with this percentage may vary from time to time during the Fund's lifecycle i.e., a ramp-up phase where the Fund may not meet the minimum proportion, and also a wind-down phase where the Fund may not maintain the minimum proportion. If less than the asset allocation is invested in assets which promote the social characteristic, Canyon shall take reasonable steps to rebalance the portfolio in order to achieve the asset allocation, taking into account the Fund's investment strategy and interests of investors, to the extent practicable. Where the minimum asset allocation is not achieved because of market or currency fluctuations, or due to the winding down of the Fund, no remedial action will be required as a result of these fluctuations.

Investments that do not comply with the Fund's investment screening will be grouped within '#2 Other'.



#1 Aligned with E/S characteristics includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

#2 Other includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The #2 Other category is expected to include investments which: 1) due to their nature, cannot be engaged with respect to the environmental or social characteristic promoted by the Fund; 2) investments that do not pass the screening criteria at the point of investment but are on an improvement process; or 3) which do not pass the Fund's investment screening processes.

Examples of investments that, due to their nature, cannot be engaged with respect to the environmental or social characteristic promoted by the Fund may include, but are not limited to, structured assets, short sales, cash or temporary investments (e.g., money market funds). The Fund will not implement minimum environmental or social safeguards for such investments.

F. Monitoring of environmental or social characteristics

Throughout the life of the Fund and the investment holding period for each individual investment, the investments will be periodically re-screened for: investment in controversial weapons, human rights violations, and discriminatory practices, in accordance with the indicators set out below in order to monitor continued attainment of the ‘Business Ethics’ characteristic for each investment. Continued attainment of the ‘Business Ethics’ characteristic by the Fund will be reported on periodically pursuant to Article 11 of Regulation (EU) 2019/2088.

G. Methodologies

The Fund will assess the attainment of the Business Ethics characteristic by portfolio investments through its screening framework (i.e., portfolio investments pass each of the exclusion criteria listed above at the time of investment based on the following non-exhaustive list of indicators): involvement in controversial weapons, human rights violations and discriminatory practices.

Screening Framework	**Adverse Sustainability Indicator**
Involvement in Controversial Weapons	the investment does not produce greater than 0% of revenue from controversial weapons[2]
Human Rights Violations	the investment does not generate greater than 0% revenue from activities assessed as violating the OECD Guidelines for Multinational Enterprises
Discriminatory Practices	the investment has not had a significant[3] incidence of discrimination in the last 2 years

H. Data sources and processing

Data sources used to attain the Characteristics

The screening criteria are applied by an independent third-party data provider, who source data and apply them to the indicators set out above.

Measures taken to ensure data quality

[2] Canyon excludes dual-use component manufacturers (manufacturers of items that can be used for both military and non-military purposes) or delivery manufacturers (manufacturers of airplanes, drones, ships or submarines potentially used to deliver weapons to their target / intended place of detonation) from the definition of controversial weapons used in the metric above

[3] Share of investments in investee companies that have been reported to be involved in at least one "severe" incident of discrimination against employees, customers, or other company stakeholders over the previous three years. A "severe” incident of discrimination means an incident involving serious discriminatory practices against employees, customers, or other stakeholders. This is determined based on several factors, including: whether the case has been independently confirmed, whether the company or management is directly responsible, the degree of credible evidence, the degree of resulting harm, and the degree to which the company has addressed the causes of the incident. Such incidents typically involve legal or regulatory action, substantial reputational damage, or a clear failure by the company to address and prevent the issue

- All source data is reviewed by a data analyst and approved by a data team lead at the independent third-party data provider. Source data is reviewed and approved prior to being used in the above screening criteria.

- Review of source data and screening criteria occurs at least quarterly, or when a negative incident occurs that may relate to the screening criteria. The data provider monitors public sources for negative incidents multiple times daily.

- The data provider has established detailed guidance for its data analyst team to use when assessing the quality of source data, such as the type of source (media, financial filing, company website, third party, etc.), credibility of source, recency of data, and number of sources.

Data processing

Data will be processed using a variety of standard reporting methodologies.

Proportion of data estimated.

The third-party data provider does not use estimated data for the selected indicators. The provider uses available public sources (including company filings, website, government agency data, third party data, etc.) to assess each of the indicators based on the best available information. Where sufficient data is not available, the investment may not be considered to be promoting the 'Business Ethics' characteristic, and therefore will not form part of the 51% of the investment portfolio aligned with the characteristic.

I. Limitations to methodologies and data

- Canyon is not able to obtain and/or measure all the data which would be required by the SFDR. This is both because of Canyon's investment strategy as a debt investor (without the ability to control portfolio investments), and also because underlying investments are not widely required to, and may not currently, report on principal adverse impacts by reference to the same data.
- Further, similar to other sponsors, Canyon relies on information provided by a third-party provider. Although the data providers are reputable and provide services to a number of different entities, it is possible that the data may be limited due to the capabilities of these third party services.
- Notwithstanding the limitations described above, Canyon does not consider that they affect the Fund's ability to attain the Business Ethics characteristic described above. Attainment of the Business Ethics characteristic is assessed against a defined and binding screening framework based on three specific metrics (involvement in controversial weapons, human rights violations and discriminatory practices), and monitored on an ongoing basis such that the limitations above do not prevent the Fund from meeting the social characteristic it promotes.

J. Due diligence

As opportunities arise, each analyst is required to summarize their quantitative and qualitative analysis on a particular investment idea, usually in the form of an investment memo. When evaluating a potential or prospective investment, the Canyon deal team is required to take into consideration the metrics that form part of the screening framework. The analyst's investment partner will then review the investment idea, discuss it in further detail with the analyst and identify further avenues for research. As a general matter, once satisfied with the merits of the investment, the analyst and investment partner will discuss the idea with and generally distribute an investment memo to the CCA Chief Investment Officer and the portfolio managers. The investment memorandum generally includes the following: (i) a summary of the company and transaction, (ii) company financials, (iii) industry dynamics and competition, (iv) market backdrop, (v) a review of the potential risks and mitigating factors, (vi) financial analysis of a base case, upside and downside case to show possible outcomes for the investment, and (vii) a summary of sustainability considerations for the investment. Any risks and opportunities identified will, where necessary, be incorporated into the investment committee's investment memorandum and decision making process. The outcome of the screening processes will be presented to the investment committee and be considered as a part of the overall assessment of the investment opportunity.

K. Engagement policies

As further described above, the scope of any engagement with portfolio companies is necessarily constrained by the Fund's strategy as a debt investor — which does not afford control over portfolio investments — and by the availability and coverage of the third-party data.

L. Designated Reference Benchmark

No index has been designated as a reference benchmark to meet the characteristic.

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