



Disclosures pursuant to Articles 3, 4 and 5 **of the EU Sustainable Finance Disclosure Regulation (2019/2088) (SFDR)**

March 2021

Sustainability-related disclosures

As Avenue Capital Management II, L.P., Avenue Europe International Management, L.P. and Avenue Asia Capital Management L.P (each an “AIFM” and together, the “AIFMs”) manage certain alternative investment funds (the “Funds”) registered for marketing under the Alternative Investment Fund Managers Directive (2011/61/EU) (the “AIFMD”) in one or more member states of the European Economic Area (“EEA”), the AIFMs are required by the Sustainable Finance Disclosure Regulation (Regulation 2019/2088) (the “SFDR”) to make certain disclosures on their website, being the website of Avenue Capital Group, including information about the AIFMs’ policies on the integration of sustainability risks into their investment decision-making processes; their approach to adverse sustainability impacts; and the consistency of their remuneration policies with the integration of sustainability risks. For these purposes, sustainability risk means an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment.

No consideration of sustainability adverse impacts

The AIFMs acknowledge that the pursuit of the Funds’ objectives may, in some circumstances, have an adverse impact on sustainability factors. However, taking into account the size, nature and scale of their activities, and as the Funds are not designed to be ESG-focused products, the AIFMs do not currently intend to disclose information on the principal adverse impacts of investment decisions on sustainability factors for the purposes of the SFDR. The AIFMs’ primary focus is therefore achieving attractive risk-adjusted returns for the Funds.

Policies on the integration of sustainability risks into the investment decision-making process

When considering an investment the AIFMs will consider and, to the extent applicable and practicable, integrate potential impact of sustainability risks into their initial underwriting and analysis, and ongoing monitoring of investments and investment strategies. The particular ESG issues that may give rise to sustainability risks that are reviewed by the AIFMs will vary based on the applicable issuer’s underlying operating business. Such consideration is subject, in all respects, to the AIFMs’ general objective to seek current income and capital appreciation or attractive risk-adjusted returns for the Funds.

The AIFMs believe that considering sustainability risks in their initial due diligence and ongoing monitoring of investments can have a positive impact on the financial performance of the Funds’ investments, and potentially limit downside scenarios from a risk management perspective.

Accordingly, the AIFMs may in certain circumstances consider not investing in, or divesting of, any interest in any portfolio company or potential portfolio company that does not fulfill the ESG-related

standards specified in the AIFMs' ESG Principles. At a minimum, investment personnel at an AIFM are encouraged to investigate any failures of any portfolio companies to meet the minimum ESG standards set forth in the AIFMs' ESG Policy, to determine if such failures may have a material adverse effect on the investment from a performance or risk management perspective.

The AIFMs' investment personnel, with guidance from Avenue's ESG Committee, are primarily responsible for ensuring that the consideration of ESG issues are integrated into the investment process. Where additional subject matter expertise is required, the AIFMs' investment personnel may utilise external resources as they may deem necessary or desirable in their reasonable business judgment. The evaluation of ESG-related issues are conducted by the applicable investment personnel at the AIFMs in conjunction with the AIFMs' Risk and Compliance Departments, along with other appropriate personnel.

Sustainability risks consist of one category of risk among others taken into account by the AIFMs including market, liquidity, counterparty and operational risks as well as all other relevant material risks in line with its risk management policy, when making investment decisions. The AIFMs take care not to unduly overweight sustainability risks to the detriment of normal risk analysis.

Consistency of remuneration policies

The AIFMs' remuneration policies are consistent with their approach to the integration of sustainability risks into the investment decision making process. As sustainability risks are a type of financial risk, the AIFMs acknowledge that failure to consider such risks could have an adverse impact on the performance of investments and the performance of funds managed by the AIFMs. Pursuant to the AIFMs' remuneration policies, the AIFMs award fixed and variable remuneration to staff. Variable remuneration is awarded on a discretionary basis and takes into account the performance of an individual employee, the performance of the Funds, and the overall financial performance of the AIFMs' group. Accordingly, to the extent that sustainability risks have an adverse impact on performance of the Funds, this may be reflected in the overall level of variable remuneration awarded to staff.