

Crestline
2023

Sustainability Report



TABLE OF CONTENTS

MESSAGE FROM CEO 3

**CRESTLINE AT
A GLANCE** 4

ESG TIMELINE 7

PEOPLE 8

**RESPONSIBLE
INVESTMENT** 13

STRIVING TO IMPROVE 17



Message from **Douglas Bratton**
Crestline Founding Partner,
Chief Executive Officer &
Co-Chief Investment Officer

Crestline believes that supporting a diverse, inclusive workforce and encouraging increased diversity across our business practices gives us a competitive advantage. Fostering a diverse workforce does not mean sacrificing quality. On the contrary, it means recruiting the most qualified individuals whose diverse backgrounds and experiences add to the broader understanding of each investment, increasing firm creativity and developing better solutions - strengthening our overall business. We firmly believe that by supporting initiatives that widen the pool of qualified candidates, Crestline can build an even stronger team and, therefore, a stronger firm.

All our employees are valued, supported, and treated with dignity and respect while we strive to identify and eliminate barriers across the industry that have limited the full participation of some groups. Career development and advancement is based on an individual's capabilities and performance while factoring in the importance of diversity throughout the firm leadership structure. By ensuring all employees feel included and equitably treated, we create a stronger, more stable workforce and, therefore, a more successful firm.

Furthermore, our work over the past year, through partnerships with organizations which are focused on improving diversity across the industry, demonstrates our support and commitment to improve diversity in the investment community by providing traditionally excluded groups a place at the table.



CRESTLINE AT A GLANCE

Crestline Overview

Crestline Investors, founded in 1997, is a trusted partner for alternative investment solutions, providing creative capital solutions that generate consistent risk-adjusted returns over multiple market and economic cycles. Crestline brings institutional expertise to its specialty sectors and business lines that it applies to creating solutions and identifying opportunities throughout the capital structure, including credit and opportunistic investments that offer flexible capital solutions to middle market companies, asset backed investing and financing solutions for private equity, real estate and infrastructure funds and other private asset vehicles. Crestline Summit employs a multi-strategy, multi-portfolio manager, equity-oriented market neutral approach to producing absolute returns. Crestline provides beta and hedging solutions for institutional clients. CL Life and Annuity Insurance Company, Crestline's life and annuity insurance subsidiary, is a provider of fixed annuity products specially designed to manage assets that offer policyholders stable growth, tax deferral, wealth transfer, and retirement income planning. Headquartered in Fort Worth, Texas, Crestline maintains affiliate offices in Dallas, New York, London, Toronto and Tokyo.



Background

- Founded 25 years ago to focus on alternative investment strategies for the Edward P. Bass family
- In 2001 the firm opened its doors to outside investors
- #1 mission is to provide attractive risk-adjusted returns for sophisticated asset owners

Experience

- Seven partners have 230 years of cumulative experience investing, trading, managing alternative investment strategies and in building and managing in the alternatives and asset management business
- 16 specialized opportunistic funds launched to date

Organization*

- \$16B+ of firm AUM across Crestline's affiliated investment teams
- \$12.0B committed to over 300 transactions in Crestline's Opportunistic and Direct Lending strategies
- \$1.6B committed by Crestline's Fund Liquidity Solutions team
- \$1.3B multi-strategy, multi-PM hedge fund with seven-year track record

* As of 12/31/2022

ESG Timeline

Crestline began its responsible investment (“RI”) journey in 2018, when we first created our Responsible Investment Policy (“RI Policy”). Since then, we have integrated our ESG initiatives throughout the firm, believing that by considering environmental, social, and governance in both corporate and investment decisions allow our firm to succeed far into the future.



PEOPLE



Valuing Diversity

Crestline believes that a diverse group of minds creates more thoughtful solutions, less groupthink, higher returns, and better overall portfolios for our investors. People of different backgrounds see things differently, and we seek to best leverage these diverse points of view. We are committed to bringing together talented individuals from all areas of our community to build a foundation that supports the mission, goals, and values of Crestline. We will pursue this vision because we recognize that diversity brings a depth and richness to the organization.

Over 40% of our employees are women and/or minority groups (through YE 2022 of those reporting). Across our Executive Team, many key roles are held by diverse employees including our Chief Investment Officer for the Summit Strategy, Caroline Cooley, Partner; General Counsel, Jesus Payan; Chief Compliance Officer, Paula Roberts; and Chief Financial Officer, Camille Sassman.

In order to identify and recruit a diverse candidate slate, we look to a variety of recruiting sources to ensure that we reach the broadest applicant pool from which to accept the best available candidates for our career opportunities.

Growing the Hiring Pool

To improve diversity across the financial industry longer term, we have specifically focused on supporting student involvement and memberships in organizations which promote diversity. These organizations include our sponsorship of Strengthening Racial Equity in Asset Management (“STREAM”), as well as memberships with 100 Women in Finance, Texas Wall Street Women, Investment Diversity Advisory Council and Women in Institutional Investments Network. Further, we support 10,000 Black Interns.

Crestline is both a sponsor and participating organization of STREAM, a non-profit organization founded in 2020 and headquartered in Dallas, Texas.

STREAM’s mission is to educate, train, mentor and provide scholarship and internship opportunities to students from underrepresented groups in the area of asset management, with the ultimate goal of increasing industry representation. In 2022, Crestline hired one full-time Investment Analyst and three interns from the STREAM program. In 2023, Crestline has hired three interns from the STREAM program.

Crestline is supportive of 10,000 Black Interns, founded in 2022 in response to global events at the time and a stark underrepresentation of Black talent. The group aims to place Black students and graduates in internship positions across the UK. In 2023, Crestline has hired two interns from the 10,000 Black Interns program.

Supporting Career Development

➤ INTERNSHIPS

STREAM

3 interns in 2022

1 full time hire in 2022

3 interns in 2023

10,000 BLACK INTERNS

2 interns in 2023

STREAM 

Strengthening Racial Equity in Asset Management

➤ MEMBERSHIPS

100 WOMEN IN FINANCE

50 corporate memberships for our employees in 2023

Up from 42 in 2022

TEXAS WALL STREET WOMEN

35 corporate memberships for our employees in 2023

Up from 25 in 2022, and 10 in 2021

STREAM

Served a role on planning committee in 2022

Serving a leadership role on planning committee in 2023

INVESTMENT DIVERSITY ADVISORY COUNCIL

Corporate membership



➤ STUDENT SUPPORT

100 WOMEN IN FINANCE

Sponsorship of 25 student memberships

Donations toward mentorship programs

TEXAS WALL STREET WOMEN

Volunteered at Young Women's Leadership Academy in

Fort Worth to assist students with resumé building and

admissions interviews

STREAM

Served as mentor in 2021

Served as mentor and student liaison in 2022

Serving as mentor and student liaison in 2023



Fostering Employee Engagement

Supporting our employees' personal development and providing them with opportunities to volunteer time in their communities is an important aspect of creating a successful, stable workforce. By supporting employees' efforts in their local community interests, Crestline strengthens its culture and its business.

Crestline looks to create a clear path for employees to promote thriving and prosperous communities. We provide employees with financial resources and time off enabling them to connect to their community. Our belief is that by working to make society a better place for all, we are supporting the future generations of Crestline employees and clients.

Over the past year, Crestline partners and employees have volunteered with organizations including Habitat for Humanity and the Community Food Bank of Fort Worth through days of service across the firm and organized by departments. Further in line with our beliefs, we launched our "Community Service Days" program. Under this program, every Crestline full-time employee will receive two additional paid time off (PTO) days each year to volunteer in their community. These two days can be used individually or together and are intended to encourage Crestline employees to engage in activities that support the causes they care about most.



RESPONSIBLE INVESTMENT

Portfolio Companies Making a Difference

Crestline maintains a culture that recognizes the value of responsible investment and views implementing policies incorporating ESG as complementary to its traditional financial analysis and portfolio construction techniques, when possible. Our investment teams consider sustainable outcomes as additional, intangible ESG factors that may enhance an investment's enterprise value, integrating ESG due diligence into our investment process to identify sources of risk and long-term value.

At Crestline, we believe sustainable outcomes are a natural byproduct of a sound Responsible Investment Policy.

Good Investments Make Good Choices

Out of Portfolio Company Respondents: *

- ▶ **9% are adopting new policies or published reports or statements around environmental, social, and/or governance**
- ▶ **27% are considering adopting new ESG policies during the next 12 months**
- ▶ **12% have updated their approach to addressing climate risk**
- ▶ **5% are measuring their greenhouse gas emissions**
- ▶ **49% have added new employee friendly policies**
- ▶ **9% have adopted or strengthened their DEI policies**
- ▶ **19% have had changes in diversity at the board level**

* Opportunistic and Direct Lending private credit strategies

Private Credit Strategy

Responsible Investment Workflow

Diligence

Quick Looks and Prelim Reports include a section for ESG Status (ex. Not Started, In Process, Complete); adding this notation earlier in the diligence process promotes earlier consideration of RI throughout diligence.

Industry (and Sponsor) Questionnaires are available to investment professionals to guide RI questions and engage in deeper dialogue tailored to each specific investment; borrowers/sponsors may or may not respond to these questionnaires, and non-response would be taken into consideration as part of overall diligence.

Final Research Reports include an ESG summary written by the investment team; the written summary is based on the information received and researched throughout diligence and serves to highlight the primary ESG risks and opportunities identified.

Documentation is recorded in both shared diligence folders and database management systems, as applicable.

Investment Workflow Checklists are completed prior to deal closing; this checklist includes the following ESG-related tasks:

- Confirm ESG considered during diligence (questionnaire, other research)
- Confirm ESG fields in database management systems have been completed
- Confirm ESG included in Final Research Report

Monitoring

Quarterly Reviews include ESG sections where investment teams are responsible for adding supplemental ESG commentary if any changes have occurred since the original underwritten ESG summary.

Annual Surveys are sent to our private credit strategy portfolio companies and sponsors to assist with the monitoring and identification of ESG integration and changes that may have occurred since the initial investment.

Case Study

Project Raiders

Closed May 2022, is a \$215.0mm first lien senior secured facility commitment to a non-sponsor backed wellhead compression services company. Proceeds were used to refinance the company's existing debt, acquire assets and fund cash to the company's balance sheet to be used for growth investments. This investment directly incorporates ESG considerations into its deal documents. The company continues to expand its electric compression portfolio, which releases approximately 25% less greenhouse gas emissions than traditional compression. If the company is able to use at least 75% of our delayed-draw loan for the greener electric compression equipment, the PIK rate will step down by 1.0%. Further, we believe that businesses with a greater percentage of electric compression are valued more highly, thus benefiting our LTV and warrant position.

Crestline views ESG due diligence not as an exclusionary tactic but as an additional avenue to complement our traditional financial analysis and portfolio construction techniques, thereby making each investment decision stronger. Our investment professionals are directed to consider material ESG information as part of the investment process in accordance with our Responsible Investment policy.



STRIVING TO IMPROVE

Looking Forward

We are generally lenders and thus do not have ownership control or influence in the same way as traditional private equity. Nonetheless, Crestline encourages the borrower to improve on ESG matters identified during the investment process. Prior to investment, if related parties do not align with certain ESG commitments which we find material, we may choose to not proceed with the transaction.

In situations where we own equity or have more ability to influence the company, such as through a board seat, we strive to take a more active role with those companies by encouraging conversation around ESG initiatives to preserve or improve enterprise value using ESG factors and practices.

Crestline recognizes that adopting environmentally responsible practices is part of good corporate governance and contributes to local and global well-being. We are committed to creating a better world for future generations by sustaining our environment and helping to mitigate the adverse effects of climate change through our business practices and investment policies.

