

Verifier Statement

Independent Verification Report

Prepared for Enterprise Community Partners: 07/17/2024

Introduction

Enterprise engaged BlueMark to undertake an independent assessment of the alignment of Enterprise's impact management (IM) system with impact investing and ESG industry best practices and market standards.¹ BlueMark's assessment conclusions are intended to provide Enterprise with learning output on the extent of its alignment.

Summary assessment conclusions

BlueMark has independently verified Enterprise's extent of alignment with impact investing industry best practices. Key takeaways from BlueMark's assessment are as follows:

Areas of alignment: Enterprise has identified four key impact objectives: Increase Affordable Housing Supply, Promote Upward Mobility, Implement Climate Risk Mitigation & Adaptation Strategies, and Advance Racial Equity. They detail their impact narrative, covering challenges associated with affordable housing access and outlining Enterprise's proposed contribution to addressing them. Ex-ante, they assess impact at the investment level, incorporating the magnitude of impact and ESG considerations into their underwriting processes. Enterprise utilizes a robust framework to compare impact performance across their portfolio, integrating third-party tools and collecting data on key metrics, aligned with the Multifamily Impact Framework. Enterprise's structured exit strategy includes standardized memos for preserving impact. They also report annually both to internal stakeholders and externally to LPs through Impact Result and SROI Reports. Regular internal impact meetings are used to refine strategies and share insights, ensuring continual alignment with their impact goals.

Areas for improvement: Enterprise should enhance alignment by developing a cohesive theory of change that incorporates external research to support the activities funded and their intended outcomes. They should assess and disclose risks associated with their strategy within this framework. Setting portfolio-level impact targets for EPF V and creating an integrated impact dashboard that consolidates all relevant KPIs, including data from third-party providers, would further align Enterprise with leading practice. To bolster accountability, Enterprise should establish explicit and measurable impact performance goals for staff and explore carry-based incentives. Strengthening due diligence processes to systematically assess expected investor contribution and developing consistent evaluation templates for monitoring impact at the investment level would also enhance their approach. Additionally, Enterprise should formalize policies for monitoring impact, including engagement with investees on ESG underperformance and formal annual reviews of impact results, ensuring comprehensive analysis and learnings.

¹ The standards and frameworks used to inform BlueMark's assessment of each client's IM system include the Impact Management Project, the Operating Principles for Impact Management, the Principles for Responsible Investment, SDG Impact, and the Sustainable Finance Disclosure Regulation.

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Detailed assessment conclusions

The chart below summarizes findings from BlueMark's verification of Enterprise's extent of alignment to impact management best practices, using the following four ratings: ²

- Advanced (Limited need for enhancement);
- High (A few opportunities for enhancement);
- Moderate (Several opportunities for enhancement); and
- Low (Substantial enhancement required).³

Assessment pillar	Alignment
Define strategic impact objective(s), consistent with the investment strategy	H I G H
Manage and monitor strategic impact at the portfolio level	A D V A N C E D
Assess and document the Manager's role in contributing to the impact of its investments	H I G H
Evaluate the anticipated impact of each investment systematically	A D V A N C E D
Establish a practice to assess, monitor, and mitigate potential adverse impacts of each investment.	H I G H
Track the impact progress for each investment and pursue follow-up accordingly.	A D V A N C E D
Establish protocols to sustain impact at exit.	H I G H
Conduct reviews and document lessons learned to improve upon impact management practices.	L O W

² The scope of BlueMark's assessment procedures does not include the verification of the resulting impacts achieved. BlueMark's assessment is based on its analyses of publicly available information and information in reports and other material provided by Enterprise. BlueMark has relied on the accuracy and completeness of any such information provided by Enterprise. The assessment results represent BlueMark's professional judgment based on the procedures performed and information obtained from Enterprise.

³ The decision to publicly disclose the results of BlueMark's detailed assessment, and the specific ratings assigned to each assessment pillar, is left to the sole discretion of Enterprise.

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Assessment methodology and scope

Enterprise provided BlueMark with the relevant supporting documentation for the policies, processes, and tools related to the IM system. The scope of BlueMark's work was limited to processes in place as of July, 2024. BlueMark believes that the evidence obtained in the scope of its assessment is sufficient and appropriate to provide a basis for our conclusions.⁴

BlueMark's full assessment methodology, based on its professional judgment, consisted of:

1. Assessment of the IM system in relation to impact investing industry best practices, using BlueMark's proprietary rubric, and examining processes and policies against the following criteria:
 - *Compliance* of the IM system with a threshold level of practice;
 - *Quality* of the IM system's design in terms of its consistency and robustness; and
 - *Depth* of sub-components of the system, focused on completeness
2. Interviews with Enterprise staff responsible for defining and implementing the IM system;
3. Testing of selected Enterprise transactions to check the application of the IM system; and
4. Delivery of detailed assessment findings to Enterprise, outlining areas of strong alignment and recommended improvement, as well as BlueMark's proprietary benchmark ratings on the extent of alignment with impact investing industry best practices.

Permissions

This statement, including our conclusions, has been prepared solely for Enterprise in accordance with the agreement between our firms. We permit Enterprise to disclose this statement in its entirety online, or to furnish this statement to other interested parties to demonstrate Enterprise's alignment with the industry best practices. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Enterprise for our work or this statement except where terms are expressly agreed between us in writing.

About BlueMark

BlueMark, a Delaware-registered public benefit company, is a leading provider of impact verification services in the impact investing market. BlueMark was founded with a mission to "strengthen trust in impact investing" and to help bring more accountability to the impact investment process. BlueMark has conducted this verification with an independent and unconflicted team experienced in relevant impact measurement and management issues. BlueMark has implemented a Standard of Conduct requiring our employees to adhere to the highest standards of professional integrity, ethics, and objectivity in their conduct of business activities.

BlueMark has office locations in London, UK; New York, NY; and Portland, OR; and is headquartered at 154 W 14th St, 2nd Floor, New York, NY 10011. Its outside investors include S&P Global, Temasek Trust Capital, Blue Haven Initiative, Gunung Capital, Tsao Family Office, Ford Foundation and Radicle Impact. For more information, please visit www.bluemark.co.

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