

# Enterprise Community Partners, Capital ESG Policy

## I. Purpose

Enterprise Community Partners (Enterprise) is a social enterprise dedicated to improving low- and moderate-income communities in the United States by making good homes possible for all Americans, regardless of income bracket. Enterprise recognizes that local, national, and global sustainability challenges, such as climate change, severe wealth disparities and inequitable growth have material implications for the communities where we do business and for the long-term success of Enterprise's own business.

This ESG Investment policy (the Policy) defines Enterprise's Capital Division's (Capital) commitment and approach to responsible investment and is designed to facilitate resiliency-enhancing opportunities for residents and communities in tandem with positive financial results and actions to manage ESG issues and risks for our investors. Through this Policy, we commit to considering material ESG factors throughout the investment lifecycle, including at origination, pre-investment due diligence, investment management and monitoring, and asset disposition.

## II. Background

For 40 years, Enterprise has been one of the nation's leading affordable housing financial services providers, partnering with developers, investors, and a range of other stakeholders to mobilize capital for solutions to community challenges. We are also a nationally recognized leader in development and advocacy for housing policy on a nonpartisan basis at the federal, state, and local levels. We remain a leading voice and convener for issues related to the Low-Income Housing Tax Credit (LIHTC or Housing Credit), New Markets Tax Credits (NMTC), CDFIs, climate risk-related investments, and other community development finance tools. The continuation and growth of these finance tools is essential to our business – and to communities all over the country.

We believe that investing responsibly by identifying, monitoring, and addressing the ESG risks and opportunities associated with investments in affordable housing best aligns with Enterprise's mission to

make home and community places of pride, power and belonging, and platforms for resilience and upward mobility for all. This policy was informed by Enterprise’s first “double materiality” assessment, which was conducted in 2022 (illustrated below), to help Enterprise identify the top ESG issues that are most material to our long-term business viability and ability to deliver on our mission. Over one hundred stakeholders from within the organization and external partners in the affordable housing finance, policy, and programmatic space were engaged. To learn more about the materiality process and our priority material issues, please visit [www.enterprisecommunity.org/capabilities/environmental-social-governance-framework](http://www.enterprisecommunity.org/capabilities/environmental-social-governance-framework).

### **III. Scope**

This Policy is applicable to all Capital Division business lines and their respective investment processes. The Capital Division staff is committed to advance this policy.

In cases where Enterprise does not have controlling interest, Enterprise will use its position to influence and encourage appropriate ESG practices and incorporate ESG factors into its investment practices when and where possible. Nonetheless, there is an expectation that material sustainability aspects are considered as part of the investment analysis and that, where applicable, an appropriate governance model is adapted to manage and monitor sustainability aspects throughout the ownership period.<sup>1</sup> This policy is subject to all applicable local laws and regulations, including our obligations as a fiduciary to our clients.

### **IV. Who We Are: Enterprise Capital Division**

Enterprise’s Capital Division (Enterprise Community Investment) comprises several independent investment teams and asset class platforms. The specific approach to sustainability employed by each asset management team will depend on multiple factors including, but not limited to, the objectives of the product, asset class, investment time horizon, and investor priorities, as well as the specific portfolio construction, philosophy, and process used by that team. Investment teams function as responsible long-term investors and deploy their skills and judgment in assessing the materiality of ESG-related risks and opportunities as appropriate for each investment strategy.

The Capital Division’s business lines offer debt and equity products, which include the following:

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<sup>1</sup> Material sustainability aspects are those factors that have, or have the potential to have, a direct or indirect impact on an organization’s ability to create, preserve or erode economic, environmental, and social value for itself, its stakeholders and society at large

- [Enterprise Housing Credit Investments](#) – One the largest syndicators of the Low-Income Housing Tax Credit in the country.
- [Enterprise Real Estate Equity](#) – An equity investor for new development and acquisition of existing affordable and workforce rental housing.
- [Enterprise Community Loan Fund](#) – Enterprise’s Community Development Financial Institution (CDFI), providing debt financing for a range of developer needs.
- [New Markets Tax Credits](#) – Provider of financing for community facilities located in distressed, overlooked communities.

In addition, to support the ongoing compliance and general performance of the investments made by the product lines noted above, Enterprise has a team of asset managers which act as fiduciaries for our investor partners.

## **V. Governance and Transparency**

The President of the Capital Division is the owner of this Policy and is responsible for providing information on responsible investment and ownership areas to Enterprise Leadership and the Board of Directors. The Office of the President of the Capital Division has a dedicated staff responsible for stewardship of the policy.

**The ESG Executive Council**, comprised of Capital business leaders and other senior leaders from across the organization, oversees Enterprise’s overall ESG strategy and integration efforts. The ESG Executive Council has reviewed and approved this Policy and is committed to its implementation of and adherence to the Policy. The ESG Executive Council sets the strategic direction for Enterprise’s ESG agenda, approves the investment policy, oversees the integration of ESG factors into our investment process, and makes key decisions with respect to Enterprise’s overall ESG strategy. The Capital Division will provide annual ESG reports on operationalization of this policy.

**ESG Operating Committee:** The Committee is responsible for ensuring the effective design and execution of the organization’s overall ESG Investment Policy and subsequent operationalization of the strategy through Capital business lines. The committee is made up of a diverse set of seasoned professionals and includes members of each business line, as well as representatives from Enterprise’s

Solutions Division<sup>2</sup>, Communities Division<sup>3</sup>, DEI Council, Data and Analytics Team, and Impact and Evaluation Team. The committee meets on a quarterly basis, in addition to ad hoc subcommittees where warranted.

## VI. ESG Implementation Approach

The Capital Division commits to incorporating ESG analysis through each phase of the investment cycle, with variations based on asset and financial product, but with certain commonalities across each. We see management of ESG factors as a tool to manage risk, advance our core values, achieve long-term investment returns, and generate positive impact for the residents and communities in which we invest.

- **Product Development:** Enterprise teams work with key stakeholders, including investors, developers, and residents, to develop and structure capital products in debt, equity or fixed income that address market gaps and investor needs. It is during this phase that we have the greatest ability to incorporate ESG goals.
- **Originations and Acquisitions:** Enterprise originations staff factor in numerous ESG considerations when assessing the quality of a transaction, including but not limited to sponsor viability and mission alignment; project siting, with an eye towards disaster vulnerability and risk mitigation; local real estate market factors, including affordability dynamics; product quality and appropriateness for tenant base; and public sector alignment.
- **Transaction Screening:** Enterprise reviews all transactions with an ESG lens prior to bidding. Preliminary project input is gathered from Credit, Asset Management, Legal, Investor Relations, and other functions to help determine project risks and viability.
- **Underwriting:** Underwriters are guided by underwriting guidelines within each product line, which include ensuring a project's long-term sustainability.
- **Asset Management:** Enterprise's Asset Management teams function as fiduciaries to investors by assuring the ongoing soundness and sustainability of the projects in which we invest. Periodic risk committee meetings are held to conduct portfolio reviews on an asset-by-asset basis, incorporating key ESG considerations and assigned "risk ratings," with higher-risk assets assessed and monitored closely.

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<sup>2</sup> Enterprise's Solutions Division includes its programmatic, policy and advisory work.

<sup>3</sup> Enterprise's Communities Division refers to Enterprise Community Development

- **Asset Disposition:** Steps are taken to ensure that assets approaching investment maturity will be transitioned as responsibly as possible, prioritizing continuation of affordability beyond the life of our investment.

With the acknowledgement that each investment and stage in the investment life cycle presents its own unique set of circumstances and considerations, set out below are the actions we commit to as part of our management of the most common material ESG factors across the investment lifecycle.

### ***Housing Affordability and Accessibility:***

Enterprise believes affordable housing should be widely accessible to all, and many projects – or segments of projects – we finance are designed to serve specific vulnerable populations, including justice-involved individuals, veterans, seniors, and individuals who have experienced homelessness. Enterprise’s Capital Division commits to specified levels of affordability in each project across our business lines, as determined on a project-by-project basis, and in agreement with various parties, including project sponsors, local jurisdictions, investors, and others. Affordability levels at a given property, which are benchmarked against the Area Median Income (AMI), are determined by a variety of factors, including local market needs, economic feasibility, and jurisdictional mandate (e.g., State Housing Agency, or Public Housing Authority).

Enterprise’s Capital Division functions as a financial intermediary, and while we do not operate properties or work with tenants directly, we commit to taking steps with our sponsor partners to reduce the likelihood of eviction events, including sharing best practices with respect to eviction prevention. Enterprise Community Partners offers a suite of eviction prevention tools and training, including an extensive [report](#) and related [roadmap](#) for practitioners, as well as a webinar series, including one geared towards landlords. Providing such tools aligns the interests of tenants, landlords, Enterprise, and investors.

### ***Climate Risk and Resilience***

Financial service providers like Enterprise have a key role to play in increasing the resiliency of communities by ensuring investments are being made in resource efficient and climate-adaptive housing. Our commitment, through our ESG policy, is to finance, develop and operate properties that, in addition to being affordable, consider changing climate conditions and serve as stable anchors in the communities in which we work.

Enterprise is taking steps to pro-actively manage climate risks in our investments throughout the investment lifecycle. Risks related to changing environmental and climate patterns, as well as the transitioning energy landscape, present material risks because they can contribute to rising insurance costs, increased impact to the physical structure and higher operating expenses for owners and residents (e.g. rising utility costs). Residents of affordable housing are often more vulnerable to climate and natural hazard events because lower income households often have lower financial reserves to cushion climate-related shocks and are disproportionately impacted by rising energy costs.

Enterprise has developed a set of tools, such as our Enterprise Green Communities standard<sup>4</sup> and our Climate risk assessment and management platform, to help developers and partners assess and manage the climate risk of housing developments. We seek to enhance these properties' ability to be both adaptive to climate and energy transition risks<sup>5</sup> by working with development teams to assist them through a range of support and technical assistance. To advance our commitment to promoting resilience by managing Climate Risk and promoting energy efficiency, we commit to the following goals across our Capital Division:

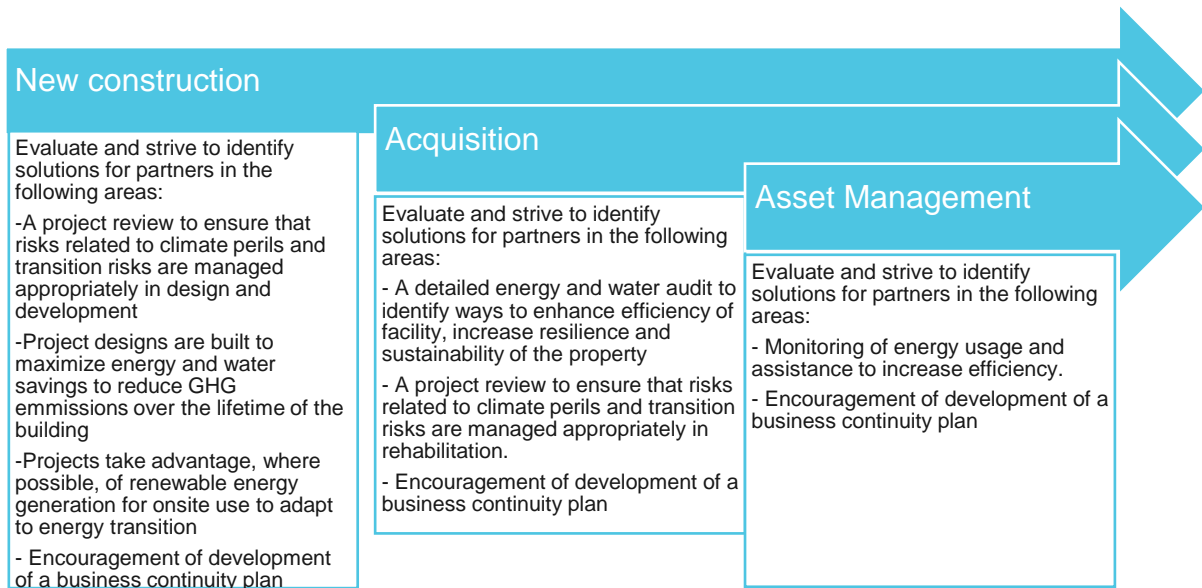
- **Support physical protection of housing assets** by ensuring sites are reviewed for risk exposure and design is adjusted, if necessary, to reduce climate risk and increase resilience.
- **Increasing efficiency and conservation to reduce GHG emissions, lower costs and adapt to the energy transition** by ensuring sites are designed to maximize energy efficiency and reduce emissions from building materials and processes.

We will advance the following actions, based on investment type, in the appropriate stage of development:

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<sup>4</sup> Enterprise Green Communities was the first standard for green building in the Affordable housing industry and has helped create sustainable homes for over 1 million people.

<sup>5</sup> The "energy transition" is define as the **energy transition** is the ongoing process of replacing fossil fuel with low carbon energy sources. More generally, an energy transition is a significant structural change in the energy system.



### ***Customer and Resident Engagement in Product and Service Development***

Across our business lines, Enterprise commits to building on our current resident-centric investment strategies. Enterprise collaborates with various stakeholders and partners to identify critical needs and gaps to be addressed when developing investment vehicles and deploying capital. As a financial intermediary who simultaneously serves as a fiduciary to our investors, a capital provider to our affordable housing developer partners, and a steward for the needs of residents, we aspire to consistently incorporate and balance the requirements of each stakeholder in the process. Principal stakeholders for engagement include:

- **Developers:** We shape products to meet the needs of our developer partners, including those led by diverse leadership and those who have been historically undercapitalized, by providing tailored capital solutions and technical assistance to ensure both equity and sound investment stewardship. (See [Enterprise’s Equitable Path Forward Initiative](#).)
- **Investors:** With our range of mission-aligned investors, we work to incorporate investor impact requirements and ideas, consistent with our mission, to help meet the financial and social return targets on their investment. <https://dashboards.mysidewalk.com/social-return-on-investment-sroi-8237dc793749/home> (See Enterprise’s [Social Return on Investment Report, 2021](#))
- **Residents (“end user”):** Where possible, we channel resident voices to inform our product offerings, leveraging our direct access to residents through platforms like Enterprise Community Development, Enterprise’s – and one of the nation’s largest – developer, owner, operator, and

resident services provider. (See Enterprise's [Renter Wealth Creation Fund](#) as a leading example)

As one example of our commitment, Enterprise plans to facilitate rent reporting to credit bureaus on behalf of tenants in service of improving credit scores. This is a significant way for tenants to gain financial footing and potential for upward economic mobility, while increasing tenant loyalty (and thus reducing the likelihood of tenant turnover). This practice, which is now standard in Enterprise's Real Estate Equity platform, will be piloted in other business lines.

### ***Diversity, Equity, and Inclusion***

Enterprise views Diversity, Equity, and Inclusion (DEI) through two distinct lenses: *internally*, reflecting our own company culture, leadership (including board), and staff; and *externally*, representing the communities and various stakeholders we serve. We believe both are essential to value creation.

Our investment philosophy is best articulated by Enterprise's [Equitable Path Forward](#) initiative, our five-year, \$3.5 billion initiative to help dismantle the legacy of racism in housing by investing in diverse developers – leaders who are vastly underrepresented in the real estate space (including affordable housing real estate). Through *Equitable Path Forward*, we have modified our own underwriting standards to foster more inclusive access to capital for BIPOC developers, which we believe avails us of a greater pool of partner talent – which in turn affords us a competitive advantage.

### ***Resident Health, Safety and Comfort***

Throughout the investment process, steps are taken to ensure that the developments we invest in are suitable for the given tenant base and most conducive to quality of life. In the origination, transaction screening and underwriting phases, we assess project features with attention to resident usability and well-being. This can include site location, access to services and transit, shared amenities, on-site services and unit design considerations as well as other factors. After the investment is made, our asset managers continually monitor the projects to ensure that operations are sound to enable resident quality of life.

## **VII. Continuous Improvement and Review**

The Capital Division seeks to be transparent in its approach to ESG considerations in its investments by reporting to investors annually. In addition to investors, Enterprise will engage various other stakeholders to shape its investment strategies and management, including local community leaders



(public, private and nonprofit) and, where possible, residents themselves. This Policy will be reviewed annually and updated as appropriate to reflect material changes in stakeholder expectations, the Capital Division's business and investment strategy, and the shifting economic landscape.

#### VIII. **Alignment with the Global Community**

As part of our commitment to being a responsible investor, we engage with industry stakeholders and policymakers to advance strong governance and responsible, high-impact investments. The development of this Policy was guided by leading sustainability and responsible investment frameworks, including the UN Principles for Responsible Investment<sup>i</sup>, Task Force on Climate-related Financial Disclosures, the UN Social Development Goals.

- **UN Principles for Responsible Investment (PRI):** The UN PRI comprises a set of principles designed to provide a framework of best practices for responsible investment. The principles are voluntary and aspirational and acknowledge that responsible investment is a process that must be tailored to fit each organization's investment strategy, approach, and resources.
- **Task Force on Climate-related Financial Disclosures (TCFD):** The Task Force on Climate-related Financial Disclosures (TCFD) endeavors to improve and increase reporting of climate-related financial information.
- **UN Sustainable Development Goals (SDGs):** The Sustainable Development Goals, also known as the Global Goals, were adopted by the United Nations in 2015 as a universal call to action to end poverty, protect the planet, and ensure that by 2030 all people enjoy peace and prosperity. The SDG's have become the most widely adopted framework that companies (including asset managers) use to assess their impact. We have identified the SDGs that are the most material to Enterprise Capital business lines.

Enterprise collaborates with a wide range of ESG-related industry organizations and other peers in the affordable housing industry to promote responsible investment practices, and currently serves as an active member of the following associations:

- The Global Impact Investing Network (GIIN)
- Multifamily Impact Council
- National Affordable Housing Lenders Network
- Affordable Housing Tax Credit Coalition (AHTCC)
- Opportunity Finance Network's Climate Crisis working group
- Business for Social Responsibility

# Appendices

## A. Disclaimer Language

All investments are subject to risk. Asset allocation and diversification do not ensure a profit or protect against a loss. There is no assurance that any investment strategy will be successful or that any securities transaction, holdings, sectors, or allocations discussed will be profitable.

This material is provided for informational purposes only and should not be construed as investment advice of any kind, or a recommendation, solicitation or an offer in respect of any products or services offered by Enterprise Community Partners, Inc. (“Partners”) and Enterprise Community Investment, Inc. (“Capital”) and its subsidiaries (together with Partners and Capital “Enterprise”). The information herein does not take into account the investment objectives or financial situation of any particular investor or class of investor. The information presented is not tax, investment, or legal advice. Prospective investors should consult with their financial professionals.

ESG refers to Environmental, Social, and Governance factors used in measuring the sustainability and societal impact of an investment in a company or business. An ESG investment strategy will include only holdings deemed consistent with the applicable ESG guidelines. As a result, the universe of investments available to the strategy will be more limited than strategies not applying such guidelines, which may cause it to perform differently than similar portfolios that do not have such a policy.

Impact investing and/or ESG managers may take into consideration factors beyond traditional financial information to select securities, which could result in relative investment performance deviating from other strategies or broad market benchmarks, depending on whether such sectors or investments are in or out of favor in the market. Further, ESG strategies may rely on certain values based criteria to eliminate exposures found in similar strategies or broad market benchmarks, which could also result in relative investment performance deviating.

**The information contained herein is as of March 2023 and is subject to change without notice.**

### Forward Looking Statements:

Readers are cautioned that certain statements made by Enterprise relating to ESG matters, including those included in the Enterprise Community Partners, Capital Division ESG Policy, [their sustainability reports] or on their websites (such statements, “ESG Statements”), may constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 (the “Act”). Forward-looking statements include any statement that does not directly relate to any historical or current fact. Forward-looking statements may project, indicate or imply future results, events, performance or achievements, and such statements may contain the words “expect,” “intend,” “plan,”

“anticipate,” “estimate,” “believe,” “will be,” “will continue,” “will likely result,” and similar expressions. In addition, any statement concerning future performance, ongoing strategies or prospects, and possible actions taken by Enterprise are also considered forward-looking statements.

Forward-looking statements are based on current expectations and projections about future events and are inherently subject to a variety of risks and uncertainties, many of which are beyond Enterprise’s control, that could cause actual results to differ materially from those anticipated or projected. Developments in any of the risks or uncertainties facing Enterprise, including those specifically described in risk factors included in various offering documentation including but not limited to prospectuses or private placement memoranda related to specific investment products offered by Enterprise, could cause results to differ materially from results that have been or may be anticipated or projected. Given these risks and uncertainties, readers should not place undue reliance on forward-looking statements. Forward-looking statements speak only as of the date they are made and Enterprise expressly disclaim any obligation or undertaking to update these statements to reflect any change in expectations or beliefs or any change in events, conditions or circumstances on which any forward- looking statement is based.

The inclusion or absence of information in Enterprise’s ESG Statements should not be construed to represent any belief regarding the materiality or financial impact of that information. ESG Statements may be based on expectations and assumptions that are necessarily uncertain and may be prone to error or subject to misinterpretation given the long timelines involved and the lack of an established single approach to identifying, measuring and reporting on many ESG matters. Calculations and statistics included in ESG Statements may be based on historical estimates, assumptions and projections and therefore subject to change. Enterprise’s ESG Statements have not been externally assured or verified by independent third parties.

Enterprise’s ESG Statements may contain links to other internet sites or references to third parties. Such links or references are not incorporated by reference into the applicable ESG Statement and Enterprise cannot provide any assurance as to their accuracy.

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## B. ENTERPRISE'S ESG MATERIALITY MATRIX FOR REFERENCE

Over one hundred internal and external stakeholders in the affordable housing finance, policy, and programmatic space were engaged in informing the material priority topics for Enterprise ESG Policy. Our top priority issues that represent Enterprise's impact on the world, and external impacts on Enterprise are featured in the top Right-hand quadrant of this matrix. Priority issues include:

- Resident Health Safety and Comfort,
- Housing Affordability
- Public Policy and Advocacy
- Customer Resident Engagement and Product Service Development
- Diversity, Equity, and Inclusion
- Talent Attraction, Retention, Training and Development
- Data Privacy, Cybersecurity, and Responsible Use of Data
- ESG Due Diligence- in Investment Decisions and Risk Management

