



Paladin Realty Partners 2022 Sustainability Report



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Letter From Chief Sustainability Officer

We are very excited to present Paladin's third Annual Sustainability Report. The information behind it demonstrates the progress and commitment we have made as we strive towards a more sustainable future, both as an organization and as part of the communities in which we operate. With a team effort across our regional offices, and particularly our ESG Committee members, a lot of work goes into the execution of Paladin's ESG Master Plan, and we are proud of results.

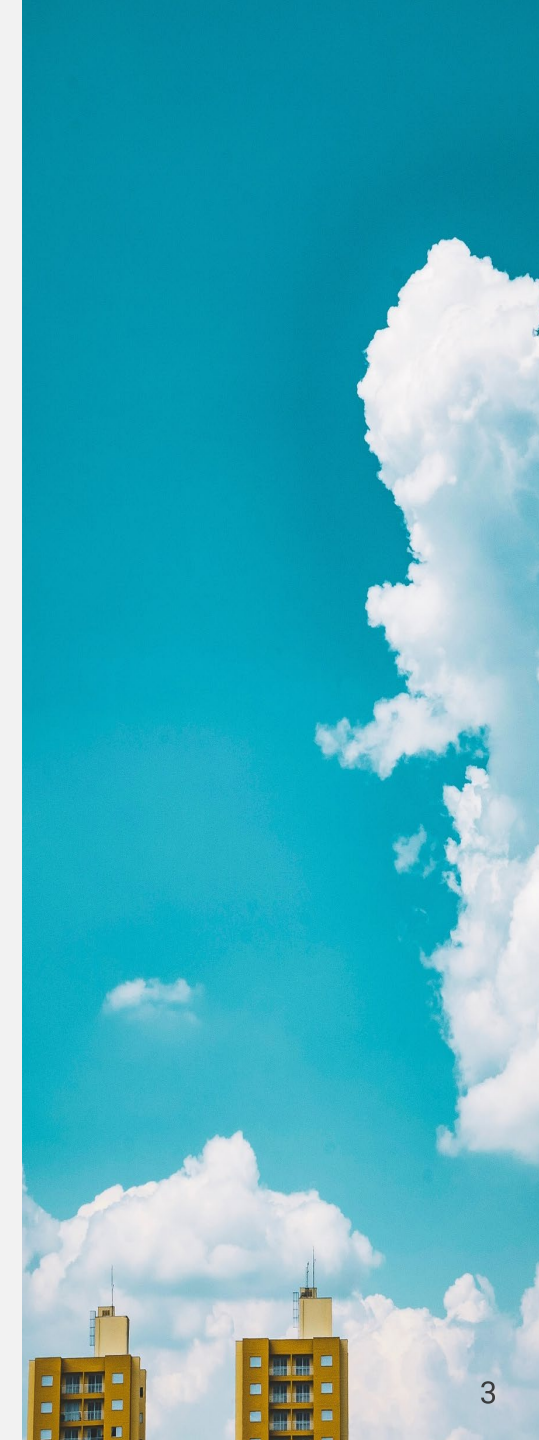
When Paladin created its first ESG policies 20 years ago, we did so because we had to; the IFC and DFC (fka OPIC) were some of our primary investors in Latin America, and they demanded that we create a set of policies and practices through which we would advance important causes in the region. What is really encouraging today though, is that far from an obligation, the way we manage the ESG aspects of our business has become a real source of pride for our firm – led by an increasing number of younger team members, we have really come to embrace the role as ESG leaders and welcome the opportunity to continue to help our partners and builders operate with such high standards.

What has also been increasingly encouraging, are the advances we're seeing across Latin America on the sustainability front, in terms of incentives for green building, as governments, housing ministries, and banks now provide various benefits that make sustainable construction a "no brainer" - both home buyers and

home builders have various financial incentives to go green. In Colombia, housing projects certified with IFC's EDGE (Excellence in Design for Greater Efficiencies) program, or national standard "Casa Colombia" can benefit from interest rate reductions of 100 bps on construction loans, as well as VAT (Value Added Tax) reductions and reduced insurance premiums. Interest rate subsidies for home buyers also exist from certain banks of up to 100 bps, increasing affordability. For developers, this in turn increases a project's absorption rate, shortening project duration, reducing marketing budgets, and increasing returns. Similar programs have evolved in Mexico and Peru. Brazil has been a bit slower in adopting incentives for green building, but within the last two years Itaú/Unibanco began to incentivize green building by offering interest rate discounts on construction loans under the program "Plano Empresario Verde" program. In 2022 it added discounts on mortgages under the "Repasse Verde" program. Other banks are now following suit.

For 2023 and beyond, we look forward to continuing our efforts to build green, to hire diversely, and to manage our business with the highest degree of transparency, integrity, and professionalism. We remain grateful to our investors for putting their faith in us and enabling us to have such a strong influence on the communities in which we operate. We do not take this responsibility lightly.

Sincerely,
Randall Loker, CIO & Chief Sustainability Officer





About Paladin

Paladin Realty Partners, LLC is a U.S. SEC Registered Investment Advisor and boutique real estate investment firm focused on value-added real estate investments in the United States and select markets in Latin America, with a focus on workforce housing. Over the past three decades, we have invested in more than 420 properties in 8 countries comprising \$7 billion of total cost across a range of residential and commercial property types, with a particular emphasis on workforce housing (rental and for-sale). Our workforce housing investments to date include 90 value-added U.S. rental apartment properties totaling over 15,000 units and nearly \$800 million of cost. In addition, the firm has developed nearly 40,000 for-sale residential units across Latin America totaling about \$5 billion of total cost. The firm was founded in 1995 originally in partnership with the family office of former U.S. Treasury Secretary and corporate leveraged buyout pioneer, William E. Simon. Our senior management team acquired 100% of the company in 2006.



Paladin's ESG Approach

Paladin has always strived to be a responsible investor, and thus its policies relating to internal staff members in its six offices (Los Angeles, São Paulo, Bogota, Mexico City, San Jose, and Lima), as well as its Latin American investments are underwritten and managed to comply with rigorous environmental, social and governance (“ESG”) policies. Such policies have been adapted from codes of conduct and principles established by the Development Finance Corp. (DFC, previously OPIC), the United Nations’ Principles for Responsible Investing, California State Teachers Retirement System’s (CalSTRS) “21 Risk Factors”, the United Nations Sustainable Development Goals, and the International Finance Corporation’s Environmental, Health and Safety (EHS) Guidelines and “Performance Standards”.

For our commitment to sustainability to be meaningful, it is critical that it is fully integrated into our investment process. We achieve this through our top-down investment strategy and from the bottom-up through a risk assessment applied to each investment opportunity. The checks and balances at the different stages of our process support our teams in executing our ESG integration strategy; Paladin is committed to ensure, through its due diligence, monitoring, and supervision efforts, that its business activities are implemented in accordance with industry best practices. The outcome of Paladin’s ESG due diligence of a proposed investment is not only an important factor in its approval process but will determine the scope of the environmental and social conditions of the investment going forward.

We are a “good neighbor” and employer – making it easy for all stakeholders to file a grievance with respect to any of our projects, as outlined in Paladin’s comprehensive ESG Master Plan (“ESGMP”). Our ESGMP was drafted with the assistance of a global consultant experienced in ESG and provides our organization its guiding policies and procedures.

ESG reporting and assessment is all dictated within the ESGMP. After passing the initial “Partner Screening”, “Project Screening” and “Builder Screening”, the ongoing monitoring/reporting is outlined in “Partner Monitoring” and “Builder Monitoring” checklists. Paladin’s ESG team members for each region work with our development partners and our construction contractors to ensure compliance with their responsibilities under the Master Plan, as it pertains to human resources, labor, occupational health and safety, grievances, environmental compliance, etc.

Paladin's Evolving Commitment to ESG



ESG Master Plan - Alignment

Paladin's sustainable real estate strategies align with nine of the United Nation's Sustainable Development Goals



GOOD HEALTH & WELL-BEING

Living in safe, clean housing within communities that offer open green spaces and amenities promotes well-being for residents of all ages



GENDER EQUALITY

Paladin's Human Resources Policy provides a framework for local operating partners to conform to international best practices with regards to non-discrimination and equal opportunity



CLEAN WATER & SANITATION

Homeowners within Paladin's developments benefit from modern, efficient water (potable where feasible) and sanitization systems



DECENT WORK & ECONOMIC GROWTH

Hiring local construction labor, in addition to the ancillary industries that benefit from housing (e.g., concrete, lumber, fixtures, furniture, engineers, architects, etc.), promotes broad and resilient economic growth



INDUSTRY, INNOVATION & INFRASTRUCTURE

Paladin projects take advantage of innovative green technology to produce more sustainable products



REDUCED INEQUALITIES

Homeownership enables buyers to build equity, reducing inequality



SUSTAINABLE CITIES & COMMUNITIES

Paladin equity finances the development of environmentally-friendly projects within communities that are safe, inclusive and sustainable



CLIMATE ACTION

All Paladin projects receive certifications for sustainability, primarily through IFC's EDGE program



PEACE, JUSTICE & STRONG INSTITUTIONS

Paladin requires that local operating partners to adhere to Paladin's anti-corruption, bribery and money laundering clauses in its joint venture agreements

ESG Master Plan - Components

Local partners and builders must have their own rigorous internal policies for Human Resources, Occupational Health & Safety, and Grievances; otherwise, they must adopt Paladin's standard policies



LIFE & FIRE SAFETY

Paladin's proprietary Life & Fire Safety Master Plan often goes beyond local code, to ensure the safety of our occupants



OCCUPATIONAL HEALTH & SAFETY

All Builders must have Occupational Health & Safety policies that comply with IFC Performance Standard #2



HUMAN RESOURCES

Partners and Builders must comply with international best practices with regards to equal opportunity, non-discrimination, etc. based on IFC Performance Standard #2

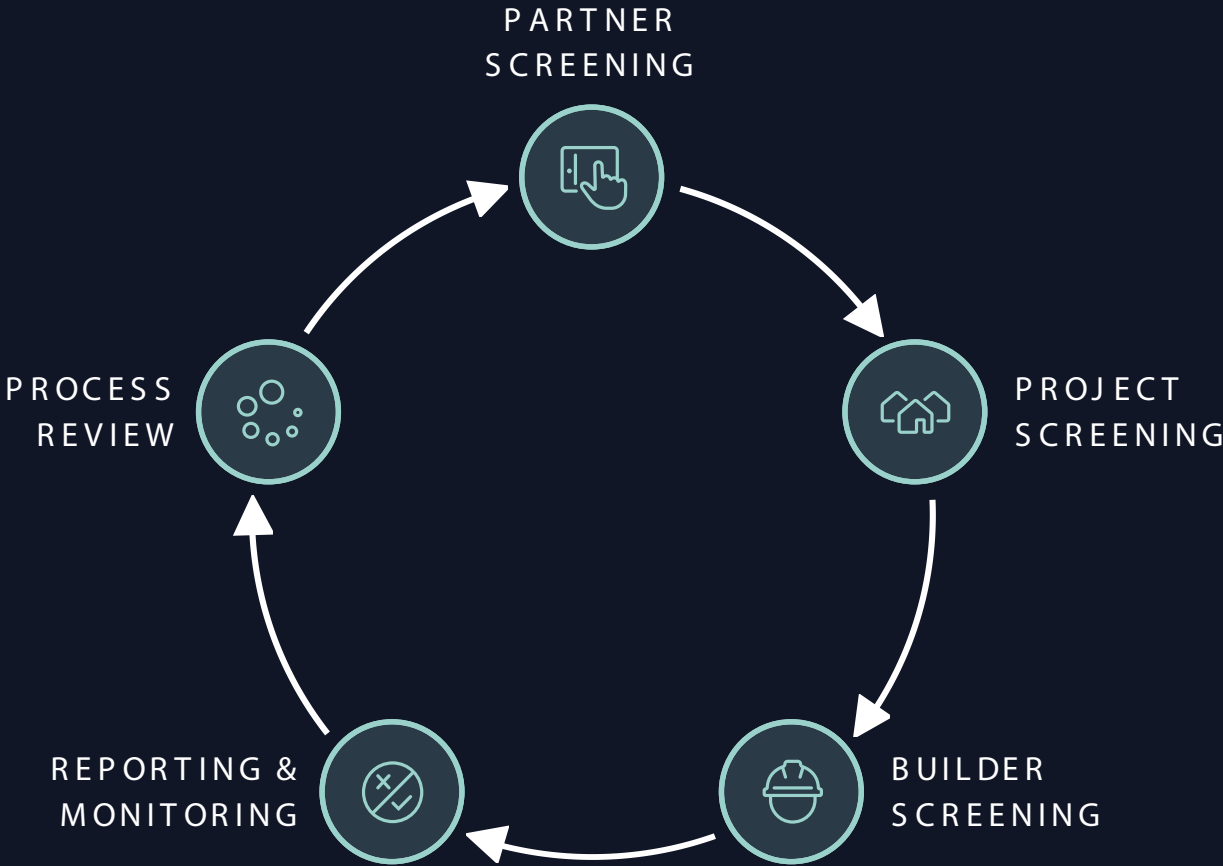


GRIEVANCE MECHANISM

Partners and Builders must provide anonymous channels for workers to voice grievances; also applies to neighbors of our jobsites as part of community outreach

ESG Master Plan - Process

Paladin's ESG process includes a rigorous checklist-based screening process for all projects, development partners, and builders; annual reporting, monitoring and process reviews are critical for compliance and continual improvement.





2022 Highlights

2022 was an active year for Paladin's ESG initiatives across Latin America due to the hard work of our regional ESG managers and local partners - a few notable accomplishments for 2022 :

- **EIGHT NEW HIRES, SIX OF WHOM WERE WOMEN (75%), THREE OF WHOM WERE IN SENIOR POSITIONS (38%)**
- **TWO NEW PROJECTS RECEIVED SUSTAINABLE CERTIFICATIONS**
- **OVER \$100 MILLION OF PALADIN EQUITY NOW INVESTED IN EDGE-CERTIFIED PROJECTS**
- **PROJECTED ANNUAL CO₂ SAVINGS ACROSS PORTFOLIO TOTALS 4,151 TONS**
- **69% EMPLOYEE SATISFACTION METRIC**

Governance

AN APPROPRIATE GOVERNANCE STRATEGY IS THE CORNERSTONE OF DELIVERING INVESTMENTS WITH ENDURING BENEFITS FOR OUR INVESTORS AND COMMUNITIES.





Governance

Paladin's Code Ethics & Compliance Policies

Paladin is committed to upholding the highest standards of integrity in the conduct of affairs with its clients, counterparties and regulators. Compliance with applicable standards is central to ongoing Paladin operations. Rule 206(4)-7 under the Investment Advisers Act of 1940, prohibits an investment adviser registered with the U.S. Securities and Exchange Commission from providing investment advice unless the adviser has adopted and implemented written policies and procedures reasonably designed to prevent violations of the Advisers Act and the rules thereunder by the adviser or any of its supervised persons.

As a registered investment adviser, Paladin understands that it needs documented policies and procedures that are tailored to actual operations. The policies and procedures are designed to prevent violations from occurring, detect violations that have occurred and correct promptly any violations that have occurred. These written policies and procedures are set forth in a comprehensive Compliance Manual, designed to familiarize its personnel with the regulatory and compliance policies and procedures of Paladin.

All Paladin personnel are responsible for understanding and complying with all applicable federal and state securities regulations, as well as securities regulations and local laws in non-United States jurisdictions in which Paladin conducts its business.

Governance

Paladin Governing Bodies



CHIEF COMPLIANCE OFFICER

The CCO is responsible for the operation of the policies and procedures contained in Paladin's Compliance Manual. The CCO retains the authority to delegate certain duties to other qualified persons within Paladin, but the CCO has final responsibility for overseeing all compliance matters.



EXECUTIVE COMMITTEE

The Executive Committee is comprised of four senior executives and assists the CCO in connection with the consideration and determination of compliance related issues and policies. The EC and the CCO may consult with legal counsel as they may deem appropriate regarding any provision of Paladin's Compliance Manual.



INVESTMENT COMMITTEE

The Investment Committee is made up of seven senior members from across its regional offices. Its job is to evaluate and vet potential and existing investment decisions, and to avoid conflicts of interest in such decisions. Decisions are made by an iterative "vetting" process to ensure all members are comfortable with decisions before moving forward.



ESG COMMITTEE

Created in 2020, the ESG committee consists of 8 members from across the region to formally implement and manage Paladin's sustainability strategy and its ESG practices and initiatives. It meets at least monthly to discuss all ESG matters, share lessons learned and areas for improvement.



Governance

Paladin's ESG-Related Governance

Paladin is aware of the rapid pace of change around the world in the area of sustainability, and we know that we need to be on the alert so we can stay at the forefront of our industry and adapt to new trends and stakeholder expectations. We also know that ESG risks demand action; an effort that must be led by senior management and spread throughout all areas of the organization.

We implement our commitment to responsible investment through capabilities developed at the company level as well as through product-specific activities based on a set of core principles:

- (1) ESG integration - sustainability criteria embedded in our investment process; ongoing asset management and monitoring follows investments from “cradle to grave”
- (2) Stewardship - demanding that partners and builders comply with our same level of ESG Standards
- (3) Positive impact in the products that we build - a focus on “workforce” low- and middle-income housing addresses huge housing deficits across the region, enabling buyers to greatly improve quality of life and build equity in their homes. Affordable housing is both an urgent need and a crucial element of a healthy life and a vibrant community. Research reveals that having a quality place to live in a supportive community is essential for individuals and families as it impacts residents’ safety, health and financial well-being, as well as better education outcomes and economic mobility.

Environmental

WE RECOGNIZE THE OPPORTUNITY AND THE RESPONSIBILITY TO BUILD SUSTAINABLY, CREATING ENVIRONMENTALLY-SENSITIVE PRODUCTS WITH LASTING VALUE, ALONGSIDE OUR COMMUNITIES, CLIENTS AND INVESTORS.





Environmental

Realizing the importance of environmental leadership across Latin America, Paladin has long endeavored to develop projects with minimal carbon footprints – reducing the amount of water and energy to be consumed by project occupants, as well as the amount of embodied energy in construction materials. In 2018 Paladin became actively engaged with IFC's EDGE (Excellence in Design for Greater Efficiencies) program for green certifications. EDGE has been a very user-friendly and cost-effective way to measure the carbon footprint of every project as well as measure the savings in embodied energy in materials and annual savings in electricity and water consumption.

Specifically in terms of the EDGE process, Paladin's local ESG team members are responsible for shepherding the projects through the process, in conjunction with local "EDGE Experts" and other consultants. Status and progress are managed through monthly ESG Committee meetings where all projects are discussed in terms of their EDGE certification status and lessons learned are shared across the regions.

Paladin's goal is that each new project undertaken will achieve EDGE certification, meaning that it must save at least 20% in water consumption, energy consumption, and embodied energy in materials.

Paladin has now achieved EDGE certification for 21 projects in the countries of Brazil, Colombia, Mexico, Peru and Costa Rica, investing over \$100 million of equity, including the first EDGE Zero Carbon residential project in the world outside of Mexico City. In recognition of our efforts, Paladin was named an "EDGE Champion" by the IFC in 2021.



Environmental

Energy Savings

The real estate sector is said to be responsible for roughly 40% to global carbon emissions, and as such, efforts to design residential buildings that consume less energy have become increasingly important in addressing the climate crisis. By optimizing energy usage in our buildings, we can mitigate the environmental impacts of urbanization and create more affordability for our home buyers and tenants.

Today across our EDGE-certified projects, **annual projected energy savings total 8.7 million Kwh**. This is primarily accomplished through a combination of:

- Roof-mounted solar panels for pre-heating water
- Natural ventilation with operable windows
- Reduced window-to-wall ratios
- LED lighting with motion sensors for common areas
- External shading devices
- Reflective paint
- Insulative waterproofing systems



Environmental

Water Savings

Designing residential buildings to consume less water has become an urgent necessity in countries like Mexico, Brazil, and Peru, where water shortages have become increasingly pressing issues. With growing populations and the exacerbation of climate change impacts, water scarcity has emerged as a major challenge, threatening economic, social, and environmental stability.

To address this challenge, Paladin and its partners continue to look for ways to optimize water usage. By reducing water consumption in buildings, we can help conserve precious water resources and ensure a more sustainable future for communities in these countries and beyond. Designing our buildings to consume less water is not just an environmental responsibility, but also an essential step towards building more resilient societies and addressing critical global challenges.

Today across our EDGE-certified projects, projected water savings total 302,748 m³, or roughly 80 million gallons per year. This is primarily accomplished through a combination of:

- Low-flow faucets and shower heads
- Dual-flush toilets
- Rainwater harvesting systems



Environmental

Embodied Energy in Materials

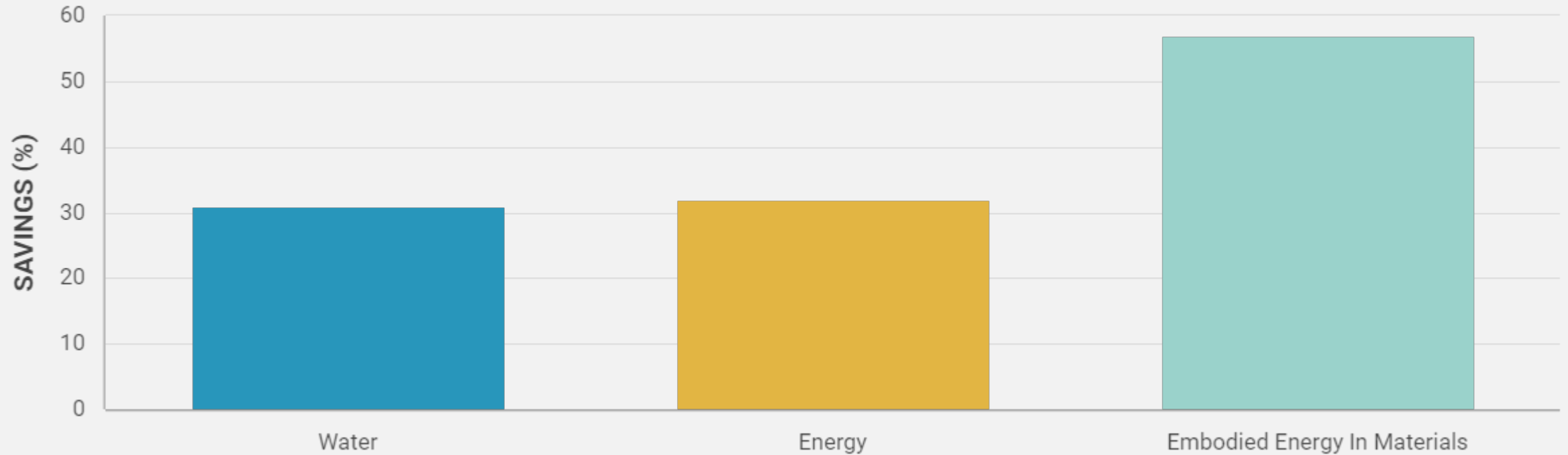
In addition to reducing operational energy and water consumption, efforts to reduce the embodied energy of materials used in real estate products are an important step towards mitigating the adverse effects on the environment. Embodied energy refers to the energy used in the extraction, production, and transportation of building materials. By using materials with lower embodied energy and construction methodologies with less waste, we can reduce the environmental impact of our buildings, as well as reduce carbon emissions and resource depletion, helping to move the industry towards a more sustainable and circular economy.

Today across our EDGE-certified projects, we have been able to reduce the embodied energy in materials by 57% through a combination of:

- In-situ reinforced concrete slabs, internal and external walls
- Internal walls with plasterboard, cement fibre board on metal studs
- Aluminum mold building systems for more efficient structures and that virtually eliminate waste
- Internal and/or external walls of reduced weight hollow concrete blocks
- Aluminum window frames

Environmental

Summary - Average Project Savings



ACROSS 21 EDGE-CERTIFIED PROJECTS (6,752 UNITS) SUBSTANTIAL REDUCTIONS IN WATER, ENERGY AND EMBODIED ENERGY IN MATERIALS HAVE BEEN ACHIEVED

Social

PALADIN AIMS TO BUILD A SUSTAINABLE FUTURE, GENERATING OPPORTUNITIES FOR OUR PEOPLE AND THE COMMUNITIES IN WHICH WE DEVELOP



Social

Diversity & Inclusion



At Paladin, diversity, equity, and inclusion are of the utmost importance. Our commitment to these values is central to our mission and to our impact. We are committed to creating a diverse and inclusive working environment where we value and develop employees of all backgrounds and experiences, believing that such collaboration among team members with varied pasts and perspectives generates deeper insights that better serve our investors, employees, residents and communities.

In 2022 Paladin made 8 new hires:

- 6 of those hires were women (75%)
- 3 of those women were in Director-level positions or above (50%)

As of year-end 2022 Paladin employees totaled 32 of which:

- 50% are women
- 22% are women at Director-level or above
- 84% minority (mainly Latino)

Paladin is 40% minority owned

Social

Employee Satisfaction & Engagement

Paladin recognizes that employee satisfaction and engagement are essential factors that contribute to the success of any organization. Creating a healthy and productive work environment requires an organization to focus on developing policies and practices that support employee satisfaction and engagement. This includes providing opportunities for professional development, recognizing and rewarding employee contributions, offering fair compensation and benefits, and fostering a positive and inclusive workplace culture.

As such, we conduct annual surveys related to overall job satisfaction as well as health & wellness. Some highlights from 2022's survey:

- Overall satisfaction with position at Paladin = 69%
- Net Promoter Score = 17 (above 0 is "good," above 20 is "great" according to creator Bain & Company)
- 57% responded that they would be interested in mental health services, like stress and anxiety management classes
- Main themes regarding opportunities for improvement were (1) increased communication across both individual teams and the organization, and (2) increased opportunities for ongoing training/education





Social

Grievances

For all its Projects, Paladin has implemented a predictable and credible process for all stakeholders such as affected communities, contractors, suppliers, workforce and concerned individuals to present any complaints and concerns to a local partner and/or Paladin.

Anonymous channels exist for each local partner and local builder, as well as an email address posted at each construction site where worker or community complaints may be sent directly to Paladin's ESG Committee.

In 2022 we proudly announce that there were no grievances logged by any partners, builders or communities.



Social

Occupational Health & Safety

Paladin actively monitors all construction sites, tracking safety measures which are summarized in a statistic called the Total Reported Incident Rate (TRIR). The TRIR is our “safety grade” and was created in the early 1970s as a way for OSHA and the Bureau of Labor Statistics (BLS) to compare the relative safety of different companies against one another.

Across Paladin's 15 active jobsites in the countries of Brazil, Colombia, Mexico, Peru and Costa Rica:

- 47 accidents were reported across over 3 million man-hours
- TRIR = 3.0 (considered "good" by OSHA)
- Country with the highest TRIR was Colombia (average of 6.5) where we will focus our attention on improvement in 2023
- 0 fatalities

Looking Forward

For 2023, we will continue to be a steward for sustainable business practices across Latin America; a few goals towards that include:



EDGE ZERO CARBON

We will attempt to achieve EDGE Zero Carbon certification in Colombia at our Palmanova project, which would be the second in the world



EMPLOYEE SATISFACTION

Through better internal communication and employee engagement, we will strive to increase our Net Promoter score, as well as the 69% overall satisfaction measure



JOBSITE SAFETY

We will endeavor to improve our 2022 TRR score of 3.0 by increasing safety awareness across our jobsites



WATER QUALITY

Find cost-effective, potable drinking water solutions in markets where it doesn't exist out of the faucet, where people are forced to buy drinking water



DIVERSITY & INCLUSION

We will continue to hire diversely, with the goal of exceeding the 50% women threshold