



# Paladin Realty Partners 2023 Sustainability Report



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# Letter From Chief Sustainability Officer

We are excited to present Paladin's fourth Annual Sustainability Report. It was an "interesting" year, with pushback and politicization of the term "ESG", but we remain committed to embracing its principles as critical in running a thoughtful, just organization. Maybe it's time to stop using this acronym, but it's certainly not time to stop caring about our core values or making our contribution to the built environment and the surrounding communities something that we and our investors can be proud of.

Based on project investment and construction cycles, 2023 saw fewer new green certifications than years past, but we kept active in focusing on the "S" in ESG, contributing to social wellness in and around our projects. Examples of this include programs at construction sites to provide high school equivalency and financial literacy to workers, community outreach improving schools and homes for the elderly, as well as a disaster relief program in the wake of a destructive hurricane.

For 2024 and beyond, we look forward to continuing our efforts to build sustainably, to build a diverse, resilient organization, and to manage our business with the highest degree of transparency, integrity, and professionalism. We are excited to expand our construction education programs, uncover viable potable water solutions for homeowners, and to explore other new materials and technologies to make our buildings greener, healthier, and more accessible for our homebuyers and tenants.

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 our policies relating to internal staff members and projects across Latin America 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. The checks and balances at the different stages of our process support our teams in executing our ESG 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 our comprehensive ESG Master Plan (“ESGMP”). Our ESGMP was drafted with the assistance of a global consultants experienced in ESG matters, providing our organization with 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.

# 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

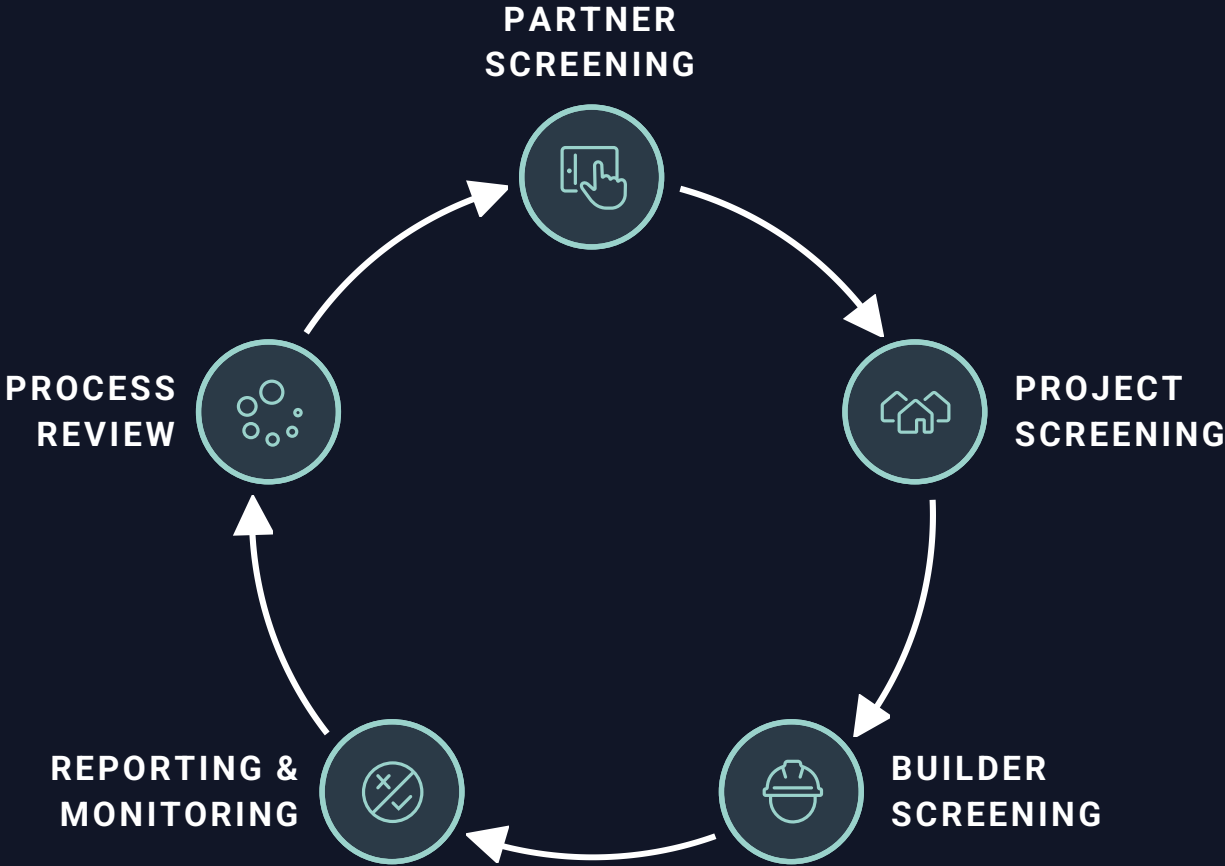


## GRIEVANCE MECHANISM

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.*



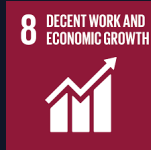
# ESG Master Plan - Alignment

*Paladin's sustainable real estate strategies align with nine of the UN'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*



## 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*



## SUSTAINABLE CITIES & COMMUNITIES

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



## 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*



## INDUSTRY, INNOVATION & INFRASTRUCTURE

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



## CLIMATE ACTION

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



## CLEAN WATER & SANITATION

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



## REDUCED INEQUALITIES

*Homeownership enables buyers to build equity, reducing inequality*



## 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*



# Paladin's Evolving Commitment to ESG





# 2023 Highlights

*2023 was another 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 the year:*

- **PALADIN'S "PALMANOVA" PROJECT WAS AWARDED 2023'S "BEST ESG IMPLEMENTATION" FROM THE COLOMBIAN PRIVATE EQUITY ASSOCIATION (COLCAPITAL)**
- **13 NEW HIRES, 11 OF WHOM WERE WOMEN (85%); WOMEN CURRENTLY MAKE UP 48% OF THE FIRM OVERALL, AND 44% OF ITS EXECUTIVE POSITIONS**
- **ONE NEW PROJECT RECEIVED EDGE CERTIFICATION, "KLIK" IN BOGOTA, AS WELL AS PHASE II OF THE "VERAH" PROJECT IN LIMA**
- **CONSTRUCTION WORKER EDUCATION PROGRAMS INITIATED IN COLOMBIA & PERU**
- **PALADIN RECEIVED TWO MORE AWARDS FROM THE IFC FOR ITS COMMITMENT TO SUSTAINABLE CONSTRUCTION VIA THE EDGE PROGRAM**



# 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

Paladin's 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 responsible for implement and managing Paladin's ESG strategy practices and initiatives. It meets 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.



# Environmental

## EDGE Certifications



Paladin has now achieved EDGE certification for 23 projects in the countries of Brazil, Colombia, Mexico, Peru and Costa Rica, investing nearly \$110 million of equity, including the first EDGE Zero Carbon residential project in the world outside of Mexico City. In recognition of our efforts, Paladin has been named an "EDGE Champion" multiple times by the IFC.

Project	Country	Units	Energy Savings	Water Savings	Material Savings	Annual CO <sub>2</sub> Savings (tons)	Annual Water Savings (m <sup>3</sup> )	Annual Energy Savings (KWh)	SMs	Invested Equity
Bosque da Serra	Brazil	180	24%	26%	71%	40	3,807	145,000	10,942	\$15,230,000
Verah	Peru	141	26%	46%	55%	72	15,423	243,150	42,732	\$4,926,000
Art Home	Brazil	378	24%	26%	62%	51	7,985	198,000	29,658	\$4,244,000
You, Collection Alves Guimaraes	Brazil	162	29%	31%	59%	45	4,671	145,000	12,898	\$2,323,000
You, Collection João Moura	Brazil	124	27%	26%	62%	27	3,266	84,000	9,067	\$1,790,000
Valenti	Colombia	512	22%	35%	50%	193	19,419	579,170	29,965	\$6,376,000
Palmanova	Colombia	390	41%	32%	60%	95	16,115	351,300	41,728	\$3,117,000
You, Perdizes	Brazil	142	25%	30%	59%	22	2,531	68,000	9,703	\$2,331,000
ARQ	Brazil	333	26%	28%	49%	192	13,329	598,140	16,244	\$4,600,000
Onze22	Brazil	110	26%	28%	59%	138	2,812	48,160	4,646	\$10,750,000
You, Harmonia	Brazil	210	25%	36%	44%	100	10,718	317,230	15,108	\$1,690,000
CORE Home	Brazil	280	29%	31%	47%	139	10,753	40,114	10,478	\$3,557,000
CORE Hotel	Brazil	152	28%	21%	27%	104	5,151	714,280	3,449	\$2,190,000
Praca Marajoara	Brazil	204	22%	33%	70%	33	8,262	134,690	22,735	\$5,130,000
Villas San Lorenzo	Costa Rica	201	34%	37%	61%	42	12,882	186,000	25,326	\$4,965,000
Villas del Fresno	Mexico	1,639	41%	24%	74%	1,305	99,692	2,832,020	140,754	\$5,100,000
Homie	Peru	271	23%	45%	61%	52	9,781	109,960	21,651	\$4,957,000
Funchal 641	Brazil	165	24%	35%	58%	72	8,159	232,040	13,297	\$3,173,000
33 DC	Colombia	653	34%	47%	34%	583	35,059	1,544,110	24,297	\$4,687,000
Simplicity	Peru	168	32%	39%	32%	197	10,072	1,750	27,005	\$9,771,000
Klik	Colombia	127	27%	38%	60%	22	4,491	100,330	2,413	\$800,000
Itacema	Brazil	26	26%	22%	24%	32	1,885	71,060	5,566	\$4,477,760
Haddock	Brazil	13	26%	21%	23%	11	547	12,980	2,762	\$2,600,000
<b>23 Projects</b>		<b>6,581</b>	<b>31%</b>	<b>32%</b>	<b>57%</b>	<b>3,566</b>	<b>306,809</b>	<b>8,756,484</b>	<b>522,425</b>	<b>\$ 108,784,760</b>



# 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 8.76 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 23 EDGE-certified projects, projected water savings total 306,809 m<sup>3</sup>, or roughly 81 million gallons per year. This is 32% below the regional baseline, and primarily accomplished through a combination of:

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



# Environmental

## *Embodied Energy in Materials*

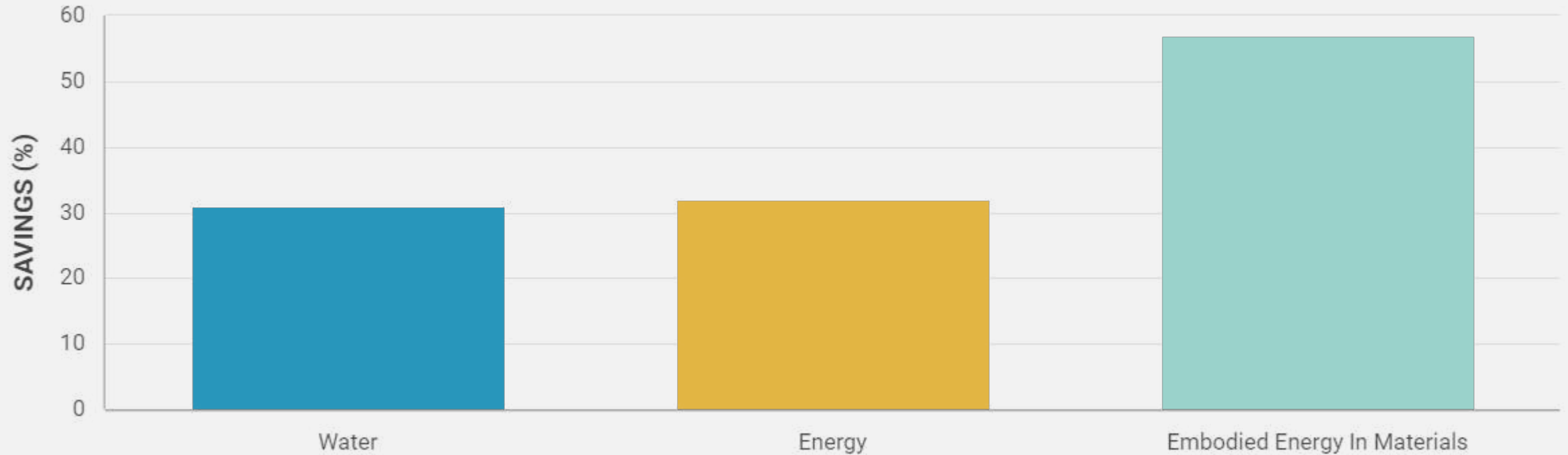
In addition to reducing operational energy and water consumption, efforts to reduce the embodied energy of materials used in real estate products are an important step towards mitigating the adverse effects on the environment. Embodied energy refers to the energy used in the extraction, production, and 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:

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

# Environmental

*Summary - Average Project Savings*



**ACROSS 23 EDGE-CERTIFIED PROJECTS (6,581 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 2023 Paladin made 13 new hires:

- 11 of those hires were women (85%)
- 1 of those women were in Director-level positions or above (9%)

As of year-end 2023 Paladin employees totaled 48 of which:

- 48% are women
- 30% of women are at Director-level or above; Investment Committee 38% women
- 90% minority (mainly Latino)

A vertical rack of yellow and white hard hats in a construction site. The rack is made of yellow metal bars and wire mesh. The hard hats are arranged in rows, with some yellow and some white. The background shows a construction site with scaffolding and other equipment.

# 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.

The average TRIR for construction sites in Latin America is not as widely reported as in other regions, but it generally ranges around 3.0 to 4.0.

Across Paladin’s 16 active jobsites in Brazil, Colombia, Mexico, Peru and Costa Rica:

- 43 accidents were reported across over 3.1 million man-hours, with zero fatalities
- TRIR = 2.7; this is an improvement relative to the 3.0 in 2022 and compares favorably to the ranges noted above for Latin America
- Country with the highest TRIR was Colombia (average of 3.7) where we will focus our attention on improvement in 2024



# Social

## *Construction Worker Education*



In 2023 Paladin initiated new programs to provide educational for construction workers at our active jobsites.

In Peru, at the “Simplicity” project jobsite, educational programming began in 2023, initially targeting financial literacy. Our first event was hosted by the Superintendencia de Banca y Seguros and was attended by more than 50 people that began a certification program. Subsequent events will follow, as the workers have the option to chose topics of greatest interest to them.



In Colombia, educational programs for workers began at our “33DC” mixed use project in Bogota. In this program, every Saturday workers have the option to earn credits towards high school or grade school equivalency.



# Social

## *Disaster Relief - Mexico*

When hurricane Otis struck the Pacific coast of Mexico in October 2023, Paladin and local partner Artha Capital used our Class A “Torre Norte” office building in Mexico City as a collections center to gather donations. Goods were then transferred to Anahuac University and on to the recipients in and around Acapulco.



# Social

## *Community Outreach – Andean Region*

Paladin's Bogota-based team participated in a beautification project for the Institución Educativa Departamental Rural Cune school in the city of Villeta, home to our "Palmanova" project in conjunction with *Compensar*, a major source of subsidies for homebuyers. Alongside the kids, the Paladin team painted sports courts, walls, and planted crops, among other tasks.

Palmanova is on track to be Paladin's second EDGE Zero Carbon project, eligible for such designation once residents have been living in their homes for a year, such that their energy consumption can be measured and offset.



In 2023 Paladin's Lima-based team began a special collaboration with the "Congregación Hermanitas de los Pobres", coming together to transform and improve several functional areas of this home for the elderly. The team worked with enthusiasm and commitment to revitalize recreational spaces, bedrooms, and the dining room, creating more welcoming and comfortable environments for its residents.

# Social

## *Grievances*

For all its Projects, Paladin has implemented a predictable and credible process for all stakeholders including affected communities, contractors, suppliers, workforce and concerned individuals to present any complaints and concerns to our local partners 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 2023 we proudly announce that there were no grievances logged by any partners, builders or communities.



# Looking Forward

*For 2024, we will continue to be a steward for sustainable business practices across Latin America; a few goals towards include:*



## **EDGE ZERO CARBON**

We expect to achieve “EDGE Advanced” Zero Carbon certification in Colombia at our Palmanova project, the first step towards EDGE Zero Carbon



## **JOBSITE SAFETY**

We will endeavor to improve our 2023 TRR score of 2.7 by increasing safety awareness across our jobsites, particularly in Colombia



## **DIVERSITY & INCLUSION**

We will continue to hire diversely, understanding how important it is to our culture and performance



## **CONSTRUCTION EDUCATION**

Expand our jobsite education programs, ideally adding projects in Brazil to the successful programs in Colombia and Peru



## **WATER QUALITY**

Find cost-effective, potable drinking water solutions in markets where, where people are forced to buy drinking water; In Peru a solution with supplier Sawyer has been identified to be provided at no cost to homebuyers