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Impact Investing and Real Estate Management:

An Introduction to Dream's Approach



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Pino Di Mascio is the Head of Impact Strategy and Delivery at Dream. Pino is responsible for the execution of Dream's impact pathways, which includes delivering measurable positive outcomes for specific social and environmental goals throughout the company's portfolio.



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Charles de Segundo is a Partner at Impact Delta, a specialist impact investing and ESG advisory firm. Prior to founding Impact Delta, Charles was an executive at PIMCO, and a consultant at McKinsey.

This paper is the product of a collaboration between Dream and Impact Delta. Dream is one of Canada's leading real estate companies, with over \$10 billion in assets across North America and Europe. Our purpose is to deliver strong returns while delivering positive impact in the communities where we work. Impact Delta is a consultancy whose purpose is to accelerate the adoption of a more responsible capitalism. A key way it pursues that purpose is advising on the launch of impact investing businesses.

In the fall of 2020, Dream launched two impact investing vehicles. The first, Dream Impact Trust, is Canada's first publicly-traded impact investment vehicle focused on real estate, and one of the first vehicles globally of its kind. The second, Dream Impact Fund, is a real-estate private equity fund. This is also one of the first of its kind. It began raising capital last September, and completed a successful first close in April 2021. Our work with Impact Delta has progressed in parallel, with a simple goal: to establish and maintain one of most thoughtful and effective Impact Management Systems in the world.

Dream and Impact Delta staff have worked closely to achieve this goal. On May 3, 2021 our inaugural Impact Report was published, describing the values, philosophy and methodology that underpin our approach. Working with established international standards and guidelines, and with a focus on how real estate can address issues of sustainability, affordability and inclusivity in cities, we are proud of the impact management system we have developed.

This paper is a summary of the work. It has been prepared jointly by our two organizations. While Charles de Segundo and I are listed as the authors, the paper is the joint product of many individuals across both companies. Specifically, a dedicated team at Dream, consisting of Meaghan Peloso, Jamie Cooper, Stephen Cleghorn, Talia Abramsky, Alyson Parry and Evin Joseph, have been instrumental in the work behind this paper. From Impact Delta, Juan Ramirez, Jim Bunch, and Walter Piacsek made similarly important contributions.

In early 2021 I had the privilege of joining this talented team as the Head of Impact Strategy and Delivery. With the leadership of our Chief Responsible Officer, Michael Cooper, and with strategic guidance from our Vice-Chair of Impact, Richard Florida, I will be working across the entire company as we deliver on the ideas and ideals this paper describes. It is a journey that I am excited to undertake.

A handwritten signature in grey ink, appearing to read 'Pino Di Mascio'.

Pino Di Mascio

Head, Impact Strategy & Delivery
May 2021

Impact investing as a broad concept is not particularly new. The International Finance Corporation (IFC) is part of the World Bank, and was founded in 1956. It has a fair claim to being one of the original impact investors ⁷. Delivering positive environmental and social benefits, as well as solid returns, has been central to its mission ever since.

What is new – and the last five years have seen enormous changes on this front – is the emergence of private sector entities seeking to deliver positive measurable non-financial impact and market-rate returns at the same time. The creation of various “field-builders”, such as the Impact Management Project (IMP, launched in 2016) and the Operating Principles of Impact Management (also known as the Impact Principles, launched in 2019), have made it possible for private-sector investors to integrate impact considerations in a structured and rigorous way.

Dream has since its inception sought to build better communities, so we have followed these initiatives with interest. The frameworks and tools these different entities have developed have helped us to improve, formalize and make explicit thought processes which, for much of our history, have been present but implicit. This paper outlines our approach. It is published in parallel with our first annual Impact Report, which elaborates on the topics discussed here. Both documents are intended for two principal audiences: a) those who know impact investing, but who know little about its application to real estate, and b) those who know real estate; but not impact investing.

The paper is in four sections. It explores:

I.

Dream's Impact Journey

II.

Impact Investing's
Key Concepts

III.

The Dream Impact
Management System

IV.

Future Pathways for
Dream's Impact Effort

This white paper is the first in a series Dream will publish periodically on topics of impact investing, impact management and sustainable and socially responsible real estate. The papers aim to advance thinking on a variety of topics and continuously promote the need to define and pursue positive impacts through real estate. They are our contribution to the growing business movement of doing well by doing good.



I. Dream's Impact Journey

Founded in 1994, Dream has emerged as one of Canada's leading real estate companies. We focus on developing large-scale communities across Canada and managing income-producing properties in Canada, the United States, and Europe. As a purpose-driven company, our focus is on building better communities. Creating positive impact is central to who we are, how we invest, and how we have done business for more than 25 years.

To Dream, impact investing is the intentional pursuit of positive social and environmental outcomes, while delivering strong returns for our investors. We believe impact can be measured in a systematic and transparent way. And through continuously monitoring our impact, we expect to show progress and highlight opportunities for improvement.



Zibi

Gatineau, QC – Ottawa, ON

Canada's first and only One Planet Living endorsed community.

During 2020, it became evident the challenges facing society require the attention of numerous stakeholders to create positive and long-lasting change. The effects of climate change, the challenges of growing inequities, and the need to address a global pandemic have all coalesced. The need for businesses to work collaboratively in support of governmental objectives and the broader public good has never been clearer. The real estate industry in particular is well-positioned to drive positive change because people interact with the built environment every day. As such, we aspire to lead the way and emerge as a global leader in real-estate impact investing.

In October 2020, we announced that Dream Hard Asset Alternatives Trust would be renamed Dream Impact Trust (TSX:MPCT.UN), and set out a re-focused strategy on impact investing, defining the Trust as a pure-play impact investment vehicle. At the launch of MPCT, the first public

impact company in Canada, we stated our commitment to environmental and social change through our role as a real estate owner, developer, and operator.

In 2021, Dream expanded its impact platform by launching one of the world's first open-ended private funds dedicated exclusively to impact investing. With initial commitments of \$136M, the private fund will share similar attributes to Dream Impact Trust. These include the same impact verticals of attainable and affordable housing, inclusive communities, and environmental sustainability and resilience. The two investment vehicles will also use the same Dream Impact Management System, which we have developed over six months.

The Dream Impact Management System is discussed in section III of the paper. To put our system in context, we now turn to a brief overview of impact investing in general.

II. Impact Investing: Some Key Concepts

The Global Impact Investing Network (GIIN) has a widely used definition, which also guides us. It is:

“Impact investments are investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return.”

The growth in impact investing has its roots in broader responsible investment movements. Responsible investment generally refers to the incorporation of environmental, social, and governance (ESG) factors into the selection and management of investments. The way in which investors do this varies. The simplest (and oldest) approach is to exclude certain types of investments, either due to personal values (e.g., alcohol, tobacco or weapons manufacturers), or criteria established by an external

entity, such as the UN or the OECD (e.g., rules around basic human rights).

To standardize language and enable comparability across regions, the Responsible Investment Association of Canada (RIA), as part of the Global Sustainable Investment Alliance (GSIA), has developed consistent terminology for seven responsible investment strategies, of which impact investment sits at the top of a hierarchy of approaches.

	Responsible Investing Strategy	Description
Impact	Impact Investing	Impact investing refers to investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return.
Inclusionary	Shareholder Engagement	Engagement refers to the use of shareholder power to improve corporate ESG performance. For example, an investor may vote proxies, file shareholder resolutions, and engage in dialogue with companies to reduce their greenhouse gas emissions or enhance diversity in leadership.
	Thematic ESG Investing	Investments targeted at specific ESG themes such as clean technology, women in leadership, water solutions, etc. An ESG theme defines the investable universe.
	Positive Screening	Positive screening refers to the systematic inclusion of companies based on positive ESG performance relative to peers in various sectors. Also known as best in class.
	ESG Integration	ESG integration refers to the process of systematically embedding ESG factors into traditional financial analysis. The portfolio manager integrates ESG data with traditional financial metrics when assessing a company's value. This is the most prominent RI strategy in Canada.
Exclusionary	Negative Screening	Negative screening refers to the systematic exclusion of specific companies, industries or sectors from the investable universe based on personal values, ethical considerations, or negative ESG characteristics.
	Norm-Based Screening	Norms-based screening refers to exclusionary screening based on compliance with international norms and standards such as the UN Guiding Principles for Business and Human Rights or the OECD Guideline for Multinational Enterprises.

Impact investing is distinguished by its intentional pursuit of positive outcomes alongside financial returns. This is in comparison to “exclusionary” practices that simply screen negative investments from a portfolio or “inclusionary” ESG practices which target investments in companies that mitigate risk by considering social and environmental consequences of their actions. Indeed, it is possible to find companies that produce harmful products in a responsible way. A tobacco company, which uses water and energy efficiently, and which pays a living wage, might be an example. Good ESG practices, in other words, tend to focus on the “how.” By contrast, impact investing specifically targets investments that seek to create

positive social and environmental change for the betterment of people and planet. And it would be illogical to seek to deliver beneficial products in a harmful way. Hence, impact investing focuses on the “what” and the “how.”

Impact investments, and particularly market-rate-seeking impact investments, can thus be placed along a continuum of capital. On one end are traditional market-rate investments, and on the other, philanthropy. Dream’s activities are where the pursuit of strong financial returns intersects with the intentional pursuit of positive outcomes.

Characteristics of Impact Investing

The Global Impact Investing Network (GIIN), of which Dream is a member, published the [Core Characteristics of Impact Investing](#) in April 2019 to provide further clarity on how to define and approach impact investing. The main characteristics of an impact investment are:

1. [Intentionality](#)

An investor’s intention to have a positive social or environmental impact through investments is essential to impact investing. Impact investments are expected to generate a financial return on capital or, at minimum, a return of capital. This is to distinguish impact investments from philanthropy.

2. [Range of return expectations and asset classes](#)

Impact investments target financial returns that range from below market (sometimes called concessionary) to risk-adjusted market rate, and can be made across asset classes, including but not limited to cash equivalents, fixed income, venture capital, and private equity. Again, for the avoidance of doubt, Dream will continue to seek market-rate returns with all of its investments in all of its vehicles, impact-seeking or not.

3. [Impact measurement](#)

A hallmark of impact investing is the commitment of the investor to measure and report the social and environmental performance and progress of underlying investments, ensuring transparency and accountability while informing the practice of impact investing and building the field.

Investors’ approaches to impact measurement will vary based on their objectives and capacities, and the choice of what to measure usually reflects investor goals and, consequently, investor intention. In general, components of impact measurement best practices include:

- Establishing and stating social and environmental objectives to relevant stakeholders;
- Setting performance metrics/targets related to these objectives using standardized metrics wherever possible;
- Monitoring and managing the performance of investees against these targets; and
- Reporting on social and environmental performance to relevant stakeholders.

Emerging Impact Investment Frameworks and Reporting Requirements

The world of impact investing is evolving and attracting significant capital. In June 2020, the GIIN published the results of its annual survey of the size of the impact-investing market. At \$715bn, it was 42% larger than the \$502bn it recorded in April 2019, reflecting asset growth and the number of organizations the GIIN included in its estimate. An increasing number of financial institutions, lenders and pension funds are prioritizing financial commitments to the impact investing industry, which provides significant opportunity for impact managers like Dream to grow our business and to make a bigger difference in line with our values and objectives.

Good impact measurement is needed to guide capital that seeks positive change. Corporate Social Responsibility (CSR) reporting has typically been a means for companies anecdotally to highlight how they are doing good. Traditional ESG reporting has helped assess the risks companies may or may not face in light of growing environmental and social concerns. Neither approach is characterized by the kind of rigor expected of impact investors. Allocators of capital to impact investing vehicles generally expect a comprehensive portfolio-wide view, whereas case studies have generally sufficed for CSR and traditional ESG reporting.

New standards, frameworks and reporting requirements are emerging that will assist investors in evaluating and assessing claims from impact businesses and entrepreneurs, and in holding those businesses accountable for their claims. Impact businesses and managers like Dream will be required to work within the structure of established standards and be willing to undergo third party verification around their practices and outcomes.

At Dream, to build out our impact management system we

have incorporated methodologies from a handful of established frameworks. We expect that over time, as the impact asset class becomes more developed, our approach will be further refined. We also expect, however, to continue to follow established international standards as they evolve.

We believe this bespoke approach represents best practice as it lets us draw upon significant knowledge gained from multiple sources, create a system that is unique to our real estate business, and be among the most rigorous and transparent in the world. In designing our system, we have incorporated work produced by three leading impact investing field-builders, as well as the widely-recognized United Nations Sustainable Development Goals (UN SDGs). The three field-builders are:

- The Operating Principles for Impact Management (established by the International Finance Corporation, the private sector arm of the World Bank);
- The Global Impact Investment Network; and
- The Impact Management Project.

By aligning ourselves with these established entities, we



seek to promote transparency and formalize our approach to the measurement and reporting of our impact. Our goal is to be a leader in impact management, setting the bar with respect to disclosure and ongoing reporting about our real estate assets and the impact they create. The next section reviews our approach.

III. Dream Impact Management System

The following frameworks and inputs were used in the development of the Dream Impact Management System.

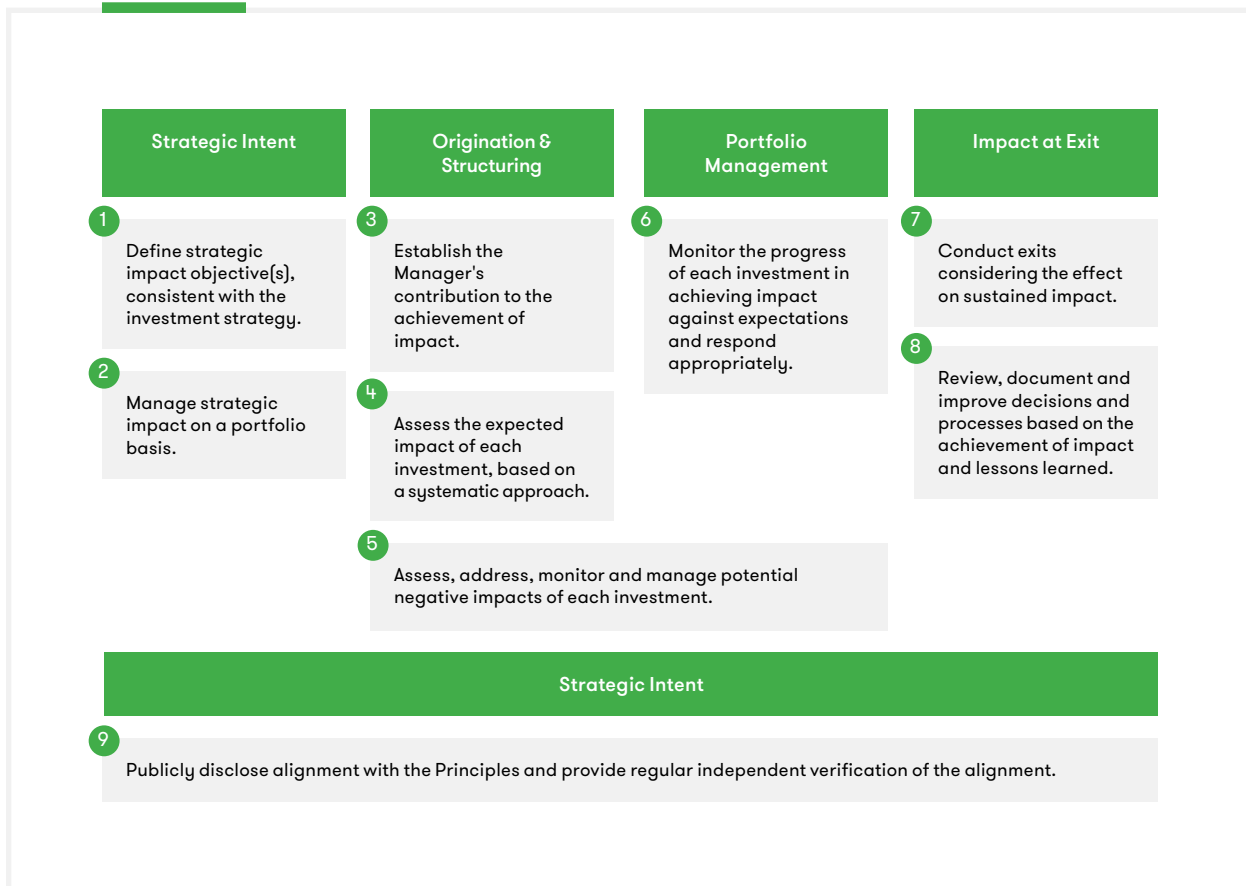
Operating Principles for Impact Management (“Impact Principles”)

The IFC is by some measures the original impact investor, as it has focused on, and tried to measure, the social and environmental effects of its investments since 1956. It led the development of the Operating Principles for Impact Management (also known as the Impact Principles), in consultation with a broad group of asset managers, asset owners, other development finance institutions, academia, and civil society. Of note, the Impact Principles should not be referred to as the “IFC’s Principles” as the intention was never that the IFC “own” the Principles. For more about how the Impact Principles work, see below.

The Impact Principles were launched in April 2019. This framework is intended to ensure that impact considerations are purposefully integrated through the investment life cycle. Furthermore, the Impact Principles

framework seeks to bring greater discipline and transparency to the impact investing market, by requiring signatories to produce annual disclosure statements, and to seek independent verification of their impact management systems and processes. The Principles have been adopted by many of the world’s most sophisticated impact investors, with over 120 signatories in 30 countries, and over \$400 billion in assets covered. Dream became a signatory of the Operating Principles for Impact Management on October 29, 2020 and since has participated in shaping policy. We released our initial [disclosure statement on May 3, 2021](#).

The Impact Principles framework is based on the following nine principles:



The Global Impact Investing Network (“GIIN”)

The Global Impact Investing Network is a global champion of impact investing, dedicated to increasing impact investing’s scale and effectiveness around the world. The GIIN works with investors to accelerate the scale and effectiveness of impact investing by convening impact investors to facilitate knowledge exchange, highlight

innovative investment approaches, build the evidence base for the industry, and produce valuable tools and resources. Dream became a member of the GIIN on November 2, 2020 and is engaged in regular learning and knowledge exchange activities with other members.

The Impact Management Project (“IMP”)

The Impact Management Project is a forum for building global consensus on how to measure, manage and report impacts. The IMP convenes a community of over 2,000 practitioners to share best practices, delve into technical issues, and identify areas where further consensus is required in impact measurement and management. It also facilitates a structured network of 16 standard-setting organizations that are coordinating efforts to provide complete standards for measurement, management and reporting of impacts on sustainability. The IMP has reached a consensus that impact can be measured across five dimensions: What, Who, How Much, Contribution, and Risk. These measurement dimensions have been incorporated into Dream’s Impact Scoring System.

The IMP has reached global consensus that impact can be measured across five dimensions: What, Who, How Much, Contribution and Risk

- **WHAT:** What outcome is occurring in the period? Is the outcome positive or negative? How important is the outcome to the people (or planet) experiencing them?
- **WHO:** Who experiences the outcome? How understood are the affected stakeholders in relation to the outcome?
- **HOW MUCH:** How much of the outcome is occurring - across scale, depth and duration?
- **CONTRIBUTION:** Would this change likely have happened anyway?
- **RISK:** What is the risk to people and planet if that impact doesn’t work as expected?

Source: Impact Management Project

Are the “Operating Principles for Impact Management” a field-builder?

A common question about the Operating Principles for Impact Management is whether they can reasonably be called a “field-builder.” The GIIN and the IMP have names which suggest they convene practitioners, share best practices, and periodically publish research – all activities one would expect from a field-building entity. Can a set of principles do the same thing? The answer is yes. The Impact Principles are in fact principles, which represent a standard for impact investors, similar to what the Principles for Responsible Investment (PRI) does for responsible investors. Furthermore, following the launch of the Impact Principles, a Secretariat was created and initially hosted by the International Finance Corporation (IFC) - but with expenses paid by Signatories.

The Secretariat oversees, administers, and supports the continued promotion and adoption of the Principles. It manages the budget, the addition of new signatories, communications and all other tasks relating to the administration of the Principles. The Impact Principles were designed to have a simple governance structure, managed by a Secretariat which receives advice from an Advisory Board. The Governing Provisions lay out the governance structure, Secretariat responsibilities, Advisory Board responsibilities and issues on which the Signatories vote. There are no official committees, but there is a free flow of information among Signatories and the Secretariat on issues of importance and what they would like to hear or receive from the Secretariat.

“It is extremely important for the real estate industry to do its part to ensure that our cities are more equal, affordable and cohesive.”



Richard Florida
Vice-Chair, Impact



Zibi

Gatineau, QC – Ottawa, ON
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United Nations Sustainable Development Goals

The Sustainable Development Goals (SDGs) were adopted by all United Nations Member States in 2015 as a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity by 2030. There are 17 goals in total and it has become common practice for impact management systems to use the SDGs to frame desirable outcomes and ground specific initiatives.

As a real estate company that oversees the development of new communities and the responsible management of property within existing communities, Dream is focused on UN SDG 11: Building Sustainable Cities and Communities. That goal focuses global attention on building cities and human settlements that are inclusive, safe, resilient, and sustainable. The goal is at the core of what real estate should aspire to achieve and we believe that through a focused effort on SDG 11, we will also address many of the other 16 UN SDGs as cities and the communities within them are microcosms of broader society.

Cities are the most important social and economic organizing unit. They are key to achieving the larger objectives to which we aspire, such as mitigating climate change, dramatically improving energy efficiency, ameliorating poverty, promoting inclusive development, growing prosperity and generating meaningful jobs.

As cities continue to grow, it is imperative that the prosperity they generate drives solutions to environmental challenges and is equitably shared. Addressing issues in cities through better real estate development and management will create significant impact and will align with governmental policies in numerous jurisdictions seeking to create a green and equitable post-Covid recovery. That is why it is so important that Dream as a real estate company do its part to ensure that our cities are more sustainable, affordable and equitable.



SUSTAINABLE DEVELOPMENT GOALS

Dream supports the Sustainable Development Goals

Key Elements of all Impact Management Systems - and Dream's Approach

Our research – which included a review of the literature, engagement with field-builders, and over 25 hour-long interviews with Dream-specific stakeholders – led us to conclude that high-quality impact management systems have three core phases. The Dream Impact Management System has been designed with these in mind.

Put simply, they are a) stating your intentions, and checking they are challenging, achievable and relevant to an important problem; b) measuring progress; and c) engaging a third party to check impact processes, and potentially also one day impact outcomes. Below is an overview of Dream's approach.

Intentionality

For each of the portfolio of properties that qualify as impact assets, we identify up to five pathways which link to one or more UN SDG. This effectively sets out our targets for what we want to accomplish with an asset from an impact perspective.

Measurement

For each pathway, impact will be scored according to various dimensions. These include who will be affected (an assessment of the number of people, and how well—or underserved they are), the extent of the impact (an assessment of depth and duration), and what Dream's contribution is (an assessment of whether another owner would achieve the same outcome; in impact investing parlance, this is known as “additionality”). Each pathway is assigned an aggregate score, which allows us to assess which assets generate the most significant impact within our portfolio.

Verification

Our processes will be verified by a recognized independent firm in this field. For our first Operating Principles for Impact Management disclosure statement, verification will be completed in May 2021.

A Note on “Impact-Washing” and the Importance of Impact Management Systems

The impact investing space is new and rapidly growing. As climate change, growing inequity, and other social justice issues have risen in prominence, investors and businesses have been quick to look for opportunities to deploy capital to tackle these challenges. And, perhaps unsurprisingly, some investment firms have sought to gather assets by rebranding their efforts as “sustainable” or “green” – but with little meaningful underlying change in approach.

Linking investment with a broader social purpose is a critical and welcome shift as we emerge past the pandemic. The UN SDGs will not be achieved without substantial investment from the private sector. But impact frameworks to date have not coalesced into a single global standard. While harmonization efforts are underway, the industry has little standardization or regulation. Without consistency in this field, there is potential for “impact-washing”—effectively labeling an investment as impact without actually generating positive social and environmental outputs—to go undetected. Until generally accepted impact standards emerge, the best way to combat impact-washing is transparency and a systematic approach to managing impact. That is why we at Dream have built the system we have, and why we intend to communicate our progress regularly. These efforts will support the legitimacy of the impacts we claim, help develop the impact industry, and thus deliver greater benefits to people and planet.

Dream's Impact Verticals

Implementing an impact management system allows companies to better define their purpose and focus on specific areas where they are best suited to create positive impacts. As noted above, at Dream, our impact focus is on UN SDG 11: Building Sustainable Cities and Communities, with the goal of making cities and human settlements inclusive, safe, resilient, and sustainable. We believe that through this goal, we will be able to do our part in addressing many social and environmental challenges, because cities are increasingly becoming the place in which innovative solutions to global challenges are developed and applied.

This focus has allowed us to define three specific impact verticals where we intend to deliver positive outcomes.



Environmental Sustainability and Resilience:

Develop sustainable real estate that optimizes energy use, limits greenhouse gas emissions, and reduces water use and waste while also creating resiliency against natural disasters and major climatic events.



Attainable and Affordable Housing:

Invest in mixed-income communities that are transit-oriented, located close to employment opportunities, and support an overall lower relative cost of living with high quality of life.



Inclusive Communities:

Intentionally design and program communities that are safe and inclusive for everyone. This includes creating spaces that encourage mental and physical health & wellness.



SUSTAINABLE DEVELOPMENT GOALS

Dream supports the Sustainable Development Goals

Impact Verticals Rationale:

Our impact verticals selection process, at a high level, consisted of four phases:

- 1 Problem Solving**

Firstly, we began by identifying and quantifying key social and environmental challenges, highlighted in part by government priorities.
- 2 Linking Dream's Capabilities**

Secondly, we determined how these challenges could be addressed through Dream's specific organizational capabilities, leveraging our prior experience and management expertise.
- 3 Impact Verticals Selection**

Thirdly, our three impact verticals were chosen based on where we felt Dream was best positioned to help solve the specific social and environmental issues that were important to the communities within which we operate.
- 4 Iteration Through Intentionality**

During the Intentionality Step of the Dream Impact Management System, we then tested our thinking by developing a more nuanced understanding of the challenges, resulting in the refinement of our verticals.

We believe that our three impact verticals lie at the center of how real estate can effect positive social and environmental change in line with SDG 11. Our conviction is based on our industry experience, review of academic literature, and primary research.

Environmental Sustainability and Resilience:

Residential and commercial buildings in Canada account for 33% of the country's energy use, produce 25% of total landfill waste, and emit 35% of greenhouse gases¹. Dream is addressing these environmental issues at every stage of the building processes, through energy retrofits, waste diversion, and land remediation endeavors. These efforts contribute to SDG 11 by mitigating climate change, reducing waste, and promoting sustainable practices. In addition, we believe that sustainability features do not only relate to the natural environment, but can also improve human health and well-being. For example, Dream has emphasized improving indoor air quality (ventilation, temperature, lighting, etc.) as part of our energy retrofit strategy, as this has been shown in studies to improve individual employee health and productivity².

Attainable and Affordable Housing:

Nearly 1/5 of renters in Canada and 1/3 of renters in Toronto are in core housing need³. Black and Indigenous individuals are more likely to be in core housing need, be essential workers and have long commutes (45+ min)⁴. Dream is helping address this crisis by delivering hundreds of affordable units through our development projects at varying discounts to market rent and unit sizes. This is all to ensure that the growth of cities occurs equitably and that diversity across dimensions can be retained. In addition to creating affordable housing units, we believe that we can deliver a higher degree of impact by being thoughtful about the amenities of the development, targeting tenants who are most in need, and ensuring non-residential uses complement establishment of cohesive mixed-income communities. To illustrate, affordable units become less attractive if the only neighbourhood grocery store is high-end.

Inclusive Communities:

Studies have shown that individuals in larger cities have a lessened sense of community belonging when compared to individuals in smaller communities, and self-perceived health and stress indicators improve with a stronger sense of community belonging⁵. Dream is helping improve community belonging in larger urban areas through the planning for public green spaces, programming initiatives such as community gardening at Zibi, and integrating cultural heritage and community into projects such as the Indigenous Hub in the West Don Lands. We also creating opportunities for increased social interaction. For example, at the West Don Lands rentals, Dream is creating a mixed-income community where all tenants at all rent levels will be within walking distance of major green spaces and be provided with the same level of shared outdoor common spaces. Such proximity to green space has been shown in studies to improve well-being across various dimensions, while also providing a space for residents of different income levels to interact⁶. We believe that these efforts bolster the social fabric of a community and result in more vibrant and diverse places to live and work.

This highlighted research represents only a portion of the total analysis that went into the definition of our impact verticals, but it provides a snapshot of our rationale. These impact verticals are based on a particular point in time, in matching our specific focus for impact with the SDG 11 objective to build sustainable cities and communities. Over time, we expect to learn constantly from ongoing research and the monitoring of the impact performance of our projects. Dream will use a combination of primary research and other evidence-based sources to curate our white papers and continuously expand our knowledge of impact and its relationship to real estate.

¹ https://www.ic.gc.ca/eic/site/csr-rse.nsf/eng/h_rs00174.html#buildings

² Singh, Amanjeet, et al. "Effects of Green Buildings on Employee Health and Productivity." *American Journal of Public Health*, vol. 100, no. 9, 2010, pp. 1665-1668., doi:10.2105/ajph.2009.180687

³ A household is deemed to be in core housing need when their dwelling is considered unsuitable, inadequate or unaffordable, and when the household cannot afford alternative housing in their community (CMHC)

⁴ Dream, Impact Delta Primary Research

⁵ Stats Canada – Canadian Community Health Survey (2008)

⁶ Chaskin, Robert J, and Mark L Joseph. "Social Interaction in Mixed-Income Developments: Relational Expectations and Emerging Reality." *Journal of Urban Affairs*, vol. 33, no. 2, 2011, pp. 209-237., doi:10.1111/j.1467-9906.2010.00537.x.

Dream's Impact Pathways

At the core of the Dream Impact Management System are the pathways identified for each property. Five pathways are identified for each real estate asset. The pathways are specific means by which the SDGs and impact verticals can be achieved. They are identified and measured following five steps:

Dream's Impact Scoring System

Step 1: What are the expected impact outcomes of the investment?

This step emphasizes intentionality. This step does not produce a score.

Step 2: Will the investment produce deep and lasting impact?

This step is about depth of the impact measured by duration and degree and delivery. The sum of the scores in Duration and Degree are the total for this section

Step 3: Who will be affected? Are there many stakeholders and how well-served are they already?

This step is about the beneficiaries – it is measured in two sub-steps – Number of People and the relative Need of People and the Planet. The sum of the scores are the total for this section.

Sum scores for each of the pathways (up to five per asset) for a total score for each asset in the portfolio.

Step 4: How essential was the investment/management team achieving the impact? Would it have happened anyway?

This step is to understand Dream's role in achieving the impact. It helps us to determine if our actions are meeting requirements or going beyond, and whether we are introducing something new to the real estate industry. The score is used as a multiplier.

Step 5: What is the risk (low/medium/high) that the investment fails to achieve its intended impact?

This step does not have a numerical score but is focused on potential risk that the impact may not materialize.

For further details, please refer to our 2021 Impact Report.

Secondary and Negative Pathways

Secondary pathways are the extended effects of our actions and are meant to illustrate the broader benefits that our assets can have on the communities in which we operate. These benefits are based on evidence-based research (conducted either by Dream or through peer-reviewed academic papers). Secondary pathways are akin to a multiplier effect of our actions. They are not scored but are intended to offer additional evidence for benefits that appear to be intuitively true. What our secondary pathways work aims to illustrate is the compounding effect of being able to control various elements of real estate at the same time.

Negative pathways are the negative externalities that Dream's business activities may have on people and the environment. For all our income properties and development projects we focus on delivering both social and environmental benefits while mitigating the potential negative effects our operations may cause. As part of our impact management system, we have developed a tool to help evaluate the materiality of negative pathways and an approach to ranking them based on the severity of the problem. The purpose of this framework is to understand better the potential negative impacts of our business and to develop strategies to mitigate, where possible.

The Different Impact Attributes of Development and Income Properties

Dream’s activities encompass two types of work. One involves buying existing buildings, undertaking renovations, and then renting them to tenants. These are known as “income properties.” The other type of work involves buying land, and building groups of buildings and other features on it. Such developments could encompass 30+ acres, and include parks, retail, residential and office space. These are “development properties.”

On almost every dimension, these two kinds of work differ. Income properties already exist, may already be quite old, enter the portfolio through acquisition, and require a few months of retrofit construction. Their impact features tend to be immediate, although relatively modest in scope, and are often limited to improved resource efficiency (e.g., lower water or energy consumption). Each individual impact feature may be modest, but Dream’s approach is to put as many in as possible, and generate a meaningful cumulative effect. This cumulative effect will help us in achieving our Net Zero Target and other impact objectives. Income properties allow for sustainability not just through retrofits, but through building preservation, which also has heritage implications. Overall, our income property pathways tend to mitigate waste, increase

energy efficiency, and allow for us to build inclusivity through mechanisms such as accessibility retrofits and the addition of community-focused amenities.

Development properties do not yet exist, enter the portfolio through construction (which requires several rounds of zoning and community discussions, usually), and require years of new construction. Their impact features tend to need years to be fully realized. But these large projects can also accommodate several compounding impact features in one place—such as affordability, improved housing quality, land remediation, proximity to transit, and green space. To capture the relationship of these positive effects with the scale of the development, we have introduced a scale multiplier in our scoring system. This is a function of the gross floor area (GFA) of the development. Overall, our development property pathways tend to include affordable housing, cultural/heritage components, and high-quality sustainability features, all of which are instrumental in helping us achieve our impact objectives.

The Dream Impact Management System has been designed to accommodate both kinds of property. The appendix shows examples of pathways for each.

Concluding thoughts

In sum, we believe the impact management system we have developed so far represents the best thinking from across the impact investing industry, and we have customized general frameworks for maximum applicability to Dream’s specific context. But the industry is evolving quickly. As such, we have included in our approach mechanisms to capture learnings and improve continuously. It is to this we now turn.

IV. Future Pathways, Future Learning

Our enhanced focus on impact investing is part of the natural evolution of our business.

We have always pursued the highest possible returns for our investors and focused on improving the lives of those that live or work in the places we build and the spaces we manage. We view the impact investing asset class as an improved articulation of our company's historical focus on pursuing both financial and social goals in each of our projects. While this has always been part of our DNA, it has been implicit in our work. With the adoption of an impact investing focus, we are now committing to apply the same rigor, focus, and transparency to our community impact results as we have to our financial results. As we continue on our journey, we will continue to share our learnings – partly through these white papers – and encourage other practitioners to develop their own impact values, objectives and pathways.

Over the past six months we have been focused on developing the Dream Impact Management System to communicate formally and demonstrate to all of our stakeholders the commitment we have to our communities. Our first Impact Report provides a comprehensive overview of this work, much of which has been summarized

in this paper. In the months and years ahead we will share more.

We have three specific further projects underway: 1) we are developing our net zero strategy to reduce carbon emissions in line with the 2015 Paris Agreement; 2) we are implementing a social procurement strategy to address equity throughout our supply chain; and 3) we are refining the concept of impact leases, which will allow us as a landlord to work with our tenants on mutually agreed environmental and social targets.

As the impact investing industry continues to evolve, we will continue to learn and improve our Impact Management System. Feedback and collaboration will be an important way to do this. We have established processes inside Dream – including a formal impact governance committee – to generate and capture feedback (especially from end-users) and improve our approach continuously. We invite you to send us your thoughts at impactfeedback@dream.ca and we look forward to sharing our learnings as we continue on our journey.



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