Operating Principles for Impact Management

Dream Unlimited | *May 31, 2022*

The concepts behind impact investing are ingrained in our 25 + year history as a real estate developer and asset manager. Our mission has long been to build better communities for people to live, work and play in, and our three core impact verticals, discussed below, will allow us to pursue our mission with greater focus. Each vertical is aligned with various United Nations Sustainable Development Goals ("SDGs"); our goal as an organization is to align most closely with SDG 11, Sustainable Cities and Communities.

Dream Unlimited Corp. ("Dream") is a leading developer of exceptional office and residential assets in Toronto and Ottawa. We also own stabilized income-generating assets in Canada and the United States, as well as a successful asset management business. Overall, Dream has CAD$16 billion of assets under management across four Toronto Stock Exchange listed trusts and numerous partnerships. Furthermore, we develop residential assets in Western Canada for immediate sale. Dream has a proven track record of being innovative, and we are recognized for our ability to source, structure, and execute on compelling investment opportunities.

Dream Unlimited Corp. (the "Signatory") hereby affirms its status as a Signatory to the Operating Principles for Impact Management (the "Impact Principles").

This Disclosure Statement applies to the following assets or business lines (the "Covered Assets"):

- Dream Impact Trust (~80% of the portfolio)*;
- Dream Impact Fund (100% of the portfolio)*;
- Dream Office REIT (~60% of the portfolio)*;
- Dream Unlimited (~40% of the portfolio)*.

The total Covered Assets in alignment with the Impact Principles was US$3 billion as of March 31, 2022.

In this Disclosure Statement, we provide specific commentary aligned with each of the 9 Operating Principles for Impact Management.

**based on total assets as at March 31, 2022*

Meaghan Peloso
Dream Unlimited
VP and Chief Accounting Officer

Principle 1

The Manager shall have a process to manage impact achievement on a portfolio
The Manager shall define strategic impact objectives for the portfolio or fund to achieve positive and measurable social or environmental effects, which are aligned with the Sustainable Development Goals (SDGs), or other widely accepted goals. The impact intent does not need to be shared by the investee. The Manager shall seek to ensure that the impact objectives and investment strategy are consistent; that there is a credible basis for achieving the impact objectives through the investment strategy; and that the scale and/or intensity of the intended portfolio impact is proportionate to the size of the investment portfolio.

Dream's impact qualifying assets are governed by three core impact verticals which are aligned with the SDGs. These verticals are:

- Environmental sustainability and resilience;
- Attainable and affordable housing; and
- Inclusive communities.

All three verticals were established to address social and environmental issues facing the communities in which we operate. The themes behind our verticals are supported by numerous stakeholders, including, but not limited to, various levels of government, lenders, investment partners, customers, and the community.

Given our asset profile and the depth of our development pipeline, we believe we can achieve scale through the completion of our developments and implementation of programing across our assets. For each investment, we identify impact pathways that describes the impact activities for that asset and links the outputs and outcomes of each pathway to a relevant SDG and impact vertical. The impact pathways help us understand, evaluate, and communicate the impact we are having. We have compiled a wide-ranging evidence base through research and past experience, to increase our confidence that our investment strategy will deliver the impact we seek.

Principle 2

The Manager shall have a process to manage impact achievement on a portfolio basis. The objective of the process is to establish and monitor impact performance for the whole portfolio, while recognizing that impact may vary across individual investments in the portfolio. As part of the process, the Manager shall consider aligning staff incentive systems with the achievement of impact, as well as with financial performance.

Dream sets impact objectives for all impact assets in the portfolio and, where possible, aggregates metrics to monitor impact at the portfolio level, by reporting on Key Performance Indicators (KPIs) that are common across many of our impact investments.

The Dream Impact Management System was developed to ensure impact considerations are integrated throughout all phases of the investment lifecycle – from due diligence to investment completion or stabilization, with annual reviews in place to ensure impact initiatives stay on track.

By policy for both Dream Impact Fund and Dream Impact Trust (TSX: MPCT.UN), all new investments must contribute to Dream's impact objectives. We have developed an acquisition checklist to evaluate potential new investments based on financial criteria and impact criteria and utilize the checklist during the due diligence process. Only investments that qualify on both financial and impact criteria will be considered as impact investments. Pathways for recurring income assets are completed during the due diligence phase and are formally scored with our in-house impact scoring system (further discussed under Impact Principle 4) at closing. For development acquisitions, preliminary impact pathways are identified during due diligence with final pathways developed during the development entitlement process. An impact strategy section is included in our Investment Committee materials and utilizing the pathways we identify how a potential investment compares with existing investments in the portfolio, and how it contributes to our impact objectives. These analyses are reviewed by the Investment Committee as part of the acquisition approval process.

For recurring income assets, pathways set at acquisition are expected to be consistent with the eventual impact outcome. For development projects, we expect the pathways to evolve throughout the planning process, as zoning is achieved, and pre-development work is completed. However, the Impact Management System continues to be used to ensure impact considerations are taken into account through each of the development steps and reporting stages. Strategic briefs for each development project discuss impact objectives alongside construction and financial considerations.

Staff are incentivized to achieve both our impact and financial goals, as both form part of our annual corporate goals. Senior Dream staff involved in the setting and achievement of our impact objectives are required to have at minimum one impact-related goal. These are then incorporated into annual performance and compensation reviews, and naturally cascade into the goals of their wider teams.

Principle 3

The Manager shall seek to establish and document a credible narrative on its contribution to the achievement of impact for each investment. Contributions can be made through one or more financial and/or non-financial channels. The narrative should be stated in clear terms and supported, as much as possible, by evidence.

Dream's in-house scoring system incorporates an evaluation of Dream's contribution towards the impact created by each investment.

Dream's contribution is assessed on a scale ranging from Low to Medium to High, each of which corresponds to a numerical multiplier in our scoring system. Contribution is assessed separately for each impact pathway. Investments receive a higher contribution score if the impact outcome is unlikely to be achieved without Dream's investment, and a lower score if the impact outcome is likely to have occurred regardless. Some guiding questions used to determine the score are 'Would the outcome have happened anyway?', and 'How good would it have been without Dream?'

Construction rules (often referred to as "codes") and regulatory requirements are the main tool we use for consideration of contribution. For example, performing capital upgrades to a recurring income asset to bring it up to, or maintain it at code, receives a low contribution score. By contrast, building a net zero carbon master-planned community with affordable housing receives a high contribution score, as it goes above common development practices.

Principle 4

For each investment the Manager shall assess, in advance and, where possible, quantify the concrete, positive impact potential deriving from the investment. The assessment should use a suitable results measurement framework that aims to answer these fundamental questions: (1) What is the intended impact? (2) Who experiences the intended impact? (3) How significant is the intended impact? The Manager shall also seek to assess the likelihood of achieving the investment's expected impact. In assessing the likelihood, the Manager shall identify the significant risk factors that could result in the impact varying from ex-ante expectations. In assessing the impact potential, the Manager shall seek evidence to assess the relative size of the challenge addressed within the targeted geographical context. The Manager shall also consider opportunities to increase the impact of the investment. Where possible and relevant for the Manager's strategic intent, the Manager may also consider indirect and systemic impacts. Indicators shall, to the extent possible, be aligned with industry standards and follow best practice.

Dream has developed an in-house scoring system that can be applied to all impact investments.

The system has been specifically designed to measure the impact each of our investments creates – whether recurring income assets or development projects - on a consistent basis across the portfolio. The scoring system is applied to each pathway for all impact assets, and the score for all pathways is aggregated to arrive at an investment's total impact score. The scoring system has been thoroughly reviewed by various teams inside Dream, as well as outside stakeholders, to ensure it is internally consistent and practically applicable. The framework is aligned with the Impact Management Project's five dimensions of impact (What, Who, How Much, Contribution, and Risk). Each pathway also has associated KPIs. These are aggregated to summarize our impact at a portfolio level and are reported on annually. In Dream's Impact Management System, these pathways are referred to as Impact Pathways.

For each of Dream's impact verticals, we have also considered and researched indirect impacts, which we refer to as "secondary pathways." These are not scored, but are intended to illustrate more fully our assets' benefits to stakeholders. Secondary pathways are assessed based on peer reviewed research, which itself is selected based on its applicability to Dream's context. For example, where possible, we have incorporated research from Organisation for Economic Co-operation and Development countries, in cities similar in size and density to our core markets of Toronto and Ottawa.

A third key aspect of our Impact Management System is our assessment of negative pathways, which are further discussed under Impact Principle 5.

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Principle 5

For each investment the Manager shall seek, as part of a systematic and documented process, to identify and avoid, and if avoidance is not possible, mitigate and manage Environmental, Social and Governance (ESG) risks. Where appropriate, the Manager shall engage with the investee to seek its commitment to take action to address potential gaps in current investee systems, processes, and standards, using an approach aligned with good international industry practice. As part of portfolio management, the Manager shall monitor investees' ESG risk and performance, and where appropriate, engage with the investee to address gaps and unexpected events.

Dream has long acknowledged the environmental harm that can flow from irresponsibly building and operating real estate assets. While a responsibility to its stakeholders has been part of Dream's DNA since its founding, Dream's ESG management practices were established prior to the company's inaugural ESG report in 2015. Dream believes there is significant overlap between negative impact and ESG risks.

In 2021, we formalized our ESG Framework. Developed with extensive input from key stakeholders, our ESG Framework considers the global macro trends that are influencing today's sustainability expectations and identifies the emerging and material sustainability topics that are ingrained in how we run our business internally and externally. The ESG Framework is connected to Dream's purpose to Build Better Communities and aligns with our corporate and impact values and strategy. The ESG Framework is tailored to address the most material ESG topics.

We encourage readers to review Dream's ESG framework, approach and outcomes detailed in our 2020-2021 Sustainability report.

Using established ESG processes, and as part of the Impact Management System, we have developed a tool to help evaluate the materiality of negative pathways. We have also developed an approach to ranking them based on the severity of the problem, relevance to Dream's operations, and mitigation difficulty. This has helped us understand the potential negative impacts of our business and develop mitigation strategies, where possible. We have identified three primary negative pathways, all of which overlap with ESG risks previously identified and reported on. These are: greenhouse gas emissions related to cement manufacturing; waste as a construction by-product; and the energy, water, and waste profile of buildings over their lifespans.

We are working to expand our negative impact management strategy to better manage the negative impacts of our activities on an individual asset basis. We are committed to reviewing the negative pathways and mitigation strategies at development planning meetings, and firmwide on an annual basis through our business planning process.

Principle 6

The Manager shall use the results framework (referenced in Impact Principle 4) to monitor progress toward the achievement of positive impacts in comparison to the expected impact for each investment. Progress shall be monitored using a predefined process for sharing performance data with the investee. To the best extent possible, this shall outline how often data will be collected; the method for data collection; data sources; responsibilities for data collection; and how, and to whom, data will be reported. When monitoring indicates that the investment is no longer expected to achieve its intended impacts, the Manager shall seek to pursue appropriate action. The Manager shall also seek to use the results framework to capture investment outcomes.

Impact metrics, targets and KPIs are defined for all impact investments to capture the outputs and outcomes of our impact pathways on an annual basis.

For recurring income assets, expectations are set for each investment by measuring the investment's baseline at acquisition (e.g., by performing a baseline energy audit), and annual targets for improvement are set.

For development projects, the baseline is zero, as developments go through the planning phase, targets for stabilization following construction completion are set. This is done by incorporating impact and ESG industry standards, and in many cases, we consider how we can surpass these industry standards. For each of our impact assets, the relevant team (e.g., the sustainability team) within Dream is responsible for compiling all pathway-relevant performance data on an annual basis. When impact scores, outputs and outcomes differ from expectations, which would be identified during our annual review process described under Impact Principle 8, the Head of Impact Strategy and Delivery will engage with the relevant asset manager to determine next steps to resolve the underperformance.

Principle 7

When conducting an exit, the Manager shall, in good faith and consistent with its fiduciary concerns, consider the effect which the timing, structure, and process of its exit will have on the sustainability of the impact.

Over 90% of our Covered Assets are considered long-term investments which we do not plan to exit in normal course. We are building and acquiring to hold and intend to retain and operate the assets over the course of their lifecycle, which reflects our long-term commitment to impact. For example, our West Don Lands development is build-to-hold – we intend to own and operate the apartment rentals over the 99-year term of our land lease. This will allow us to ensure that all impact initiatives are kept in place over this time period.

For investments where we do propose to exit, we will have built-in impact-delivering features that will remain for the life of the structure, due to the long-term nature of real estate assets. These features could include energy efficiency and lighting features, barrier-free access, and water-saving technology.

For build-to-sell assets, we acknowledge that we may have very little control over impact attributes that will depend on the purchaser, which are primarily impact attributes related to our inclusive communities vertical. For assets where an exit is anticipated, we intend to explore partnerships with local non-governmental organizations (NGOs) and business improvement associations, to ensure the physical real estate continues to be a venue for fostering inclusion. We also intend to explore the possibility of including impact mandates in sale agreements as part of our exit management approach, in order to sustain impact under our inclusive communities vertical.

Principle 8

The Manager shall review and document the impact performance of each investment, compare the expected and actual impact, and other positive and negative impacts, and use these findings to improve operational and strategic investment decisions, as well as management processes.

Dream is committed to reviewing and continuously improving our Impact Management System. This will be a collaborative process that includes the portfolio and asset management teams, the sustainability team, the development teams, and senior management. The process will be led by the Head, Impact Strategy and Delivery.

Dream will undertake a comprehensive review of its Impact Management System on an annual basis. This annual review will cover the impact pathways for each investment, secondary pathways, negative pathways, impact performance on a portfolio basis, and the Impact Management System itself.

The impact pathways will be reviewed for each recurring income and development asset. We will compare target impact outcomes and scores from the prior year pathways to actuals, in cases where pathways are complete. For pathways that are not yet complete, we will assess if we are still on track to achieve the target impact outcomes and scores by our stated timeline. Discrepancies between expected and actual impact will be discussed annually, along with potential causes and remediations.

We will continue to build-out our secondary pathway evidence base by reviewing the research compiled and conducted by Dream throughout the year. This will help us confirm whether our existing impact pathways remain the best way to achieve our impact under our verticals, or if they should be modified.

We will monitor industry developments and will make sure they are incorporated into our Management System for the following year – this includes progress made on standardizing scoring and development of key metrics, among other items.

The intention is that any necessary changes to our Impact Management System are proposed, discussed, and implemented promptly following the annual review. The annual review process culminates with a report to the Governance and Nominating Committee summarizing all aspects of the review process noted above.

Areas for further alignment: To evaluate our performance under our Inclusive Communities vertical, we acknowledge that end-user stakeholder feedback is integral to evaluating our performance, and that there will be data collection challenges to overcome. As our developments are still in the planning or construction phases, we are considering how best to manage and measure feedback, including tenant/resident surveys, annual meetings with members of our communities, and annual meetings with not-for-profit organizations that we will be partnering with. We have also established an email address which we monitor, 'impactfeedback@dream.ca', to which anyone can send feedback at any time.

Principle 9

The Manager shall publicly disclose, on an annual basis, the alignment of its impact management systems with the Impact Principles and, at regular intervals, arrange for independent verification of this alignment. The conclusions of this verification report shall also be publicly disclosed. These disclosures are subject to fiduciary and regulatory concerns.

This Disclosure Statement re-affirms the alignment of Dream's investment processes with the Operating Principles for Impact Management and will be updated annually.

Dream engaged BlueMark, a Tideline company, to independently verify the alignment of Dream's impact management practices with the Operating Principles for Impact Management. BlueMark's assessment findings cover both areas of strength and areas for improvement, as reflected in the Verifier Statement. The independent verification was completed in May 2021, and was conducted over Dream's assets that were in alignment with the Operating Principles for Impact Management as at March 31, 2021. Dream will conduct a verification at a minimum of every 3 years, unless there are significant changes to our practices that warrant a more frequent review.

BlueMark is a leading independent provider of impact verification services in the impact investing market. BlueMark is a subsidiary of Tideline Advisors, LLC, a specialized consulting firm that works with asset managers and allocators to design and implement best-in-class impact management and measurement systems.

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