



EPRA
EUROPEAN PUBLIC
REAL ESTATE ASSOCIATION

Deloitte.

Methodology for the EPRA BPR Awards



Table of contents

SECTION 1	Concept	3
SECTION 2	BPR Awards	4
SECTION 3	Participant selection	5
SECTION 4	2016 BPR Awards highlights	5
SECTION 5	Review process	6

SECTION 1

Concept

This document sets out the Ground Rules for the construction and methodology used for deciding EPRA Best Practices Recommendations (BPR) Award winners.

The purpose of this methodology is to promote awareness of EPRA's BPR and to encourage companies to recognise and promote consistency and transparency in financial reporting.

These standards provide visibility and comparability to industry stakeholders in addition to being highly appreciated by the investment community.

Awards Recognition is managed through the following award categories:

Gold Award

For exceptional compliance with the BPR

Silver Award

For annual reports scoring highly based on compliance with the BPR

Bronze Award

For annual reports scoring well based on compliance with the BPR

Most Improved Award

For companies that have outstandingly improved the compliance of their reporting with the BPR.

EPRA's BPR include specific additional disclosures for real estate companies within the IFRS framework.

Emphasis is placed on six key performance measures: EPRA Earnings, NAV, NNNAV, Net Initial Yields, Vacancy Rate and Cost Ratios.

SECTION 2

Awards

Based on the results from the annual reports, companies are identified for Gold, Silver or Bronze Awards

Gold Award

Exceptional compliance with the BPR.
Scoring above 80%.
All six Performance Measures disclosed.



Silver Award

High compliance with the BPR.
May have disclosed all six Performance Measures.
Score between 80% and 60%.



Bronze Award

Based on BPR.
Scoring above 50%.
At least three Performance Measures disclosed.



Most Improved Award

Granted to companies that have outstandingly improved the compliance of their reporting with the BPR and/or Scoring increased by at least 30%.



SECTION 3

Participant selection

Since the initiation of the BPR awards, participants have only included members of FTSE EPRA/NAREIT Developed Europe Index. However for 2016, the list of participants have been expanded by adding 19 non-index members.

The cut-off date for inclusion in the BPR survey was March 31, 2016.

SECTION 4

2016 BPR Awards highlights

- 66% of the companies in the survey gained an Award of which 46 achieved a Gold Award, 20 a Silver Award and nine achieved a Bronze Award.
- 69% of FTSE EPRA/NAREIT Europe Index constituents have gained an Award, compared to 59% last year, setting a new record high since 2011.
- Disclosure of NNNAV continues to improve as 78% of companies presented this performance measure, while 70% disclosed EPS and 97% disclosed NAV.
- 74% of companies in the survey have disclosed at least three KPIs (representing 88% by market capitalisation) and 45% have disclosed all six KPIs including cost ratios (63% by market capitalisation). 97% of companies presented at least 1 KPI (99% by market capitalisation).
- 64% of companies reported rental growth on a like-for-like basis.

Review process

1 A detailed primary review of annual reports is initiated by Deloitte Real Estate assurance teams (seven countries involved: UK, Germany, Belgium, NL, France, Spain, Sweden) towards the end of 2nd quarter of the year.

- The survey is conducted with a questionnaire based directly on EPRA BPR.
- Consistency across each of the companies surveyed is ensured through regular Q&A sessions.
- A secondary review is performed by Deloitte RE specialists focusing on key measures and areas of judgement.
- Companies are ranked according to their questionnaire score.
- Based on the results and after a moderation process, companies are identified for Gold, Silver or Bronze awards, along with the Most Improved winners.
- Review of the results with EPRA to determine final allocation of awards.

2 The questionnaire is organised following the BPR guidance and addresses:

- EPRA BPR - general recommendations
- EPRA Performance Measures
- Core Recommendations: Investment Property Reporting

The questionnaire contains 99 questions, included in the survey are several non-scored questions that are used for statistical purposes.

Where applicable, Deloitte client engagement teams are excluded from the review of the relevant company annual reports to ensure that objectivity is maintained.

3 Extract of the questionnaire related to EPRA Earnings:

EPRA Earnings (3.1)

COMPANY NAME	Has the company disclosed EPRA earnings	Has the company disclosed EPRA earnings per share?	Has the company disclosed the diluted number of shares and the diluted EPRA EPS (mandatory when the company has issued net share settled convertible bonds)?	Is a reconciliation between IFRS earnings and EPRA earnings given?
	Yes/No	Yes/No	Yes/No	Yes/No

4 Extract of the questionnaire related to Like-for-Like rental growth

Like-for-Like rental growth reporting (4.5)

COMPANY NAME	LxL net rental growth compares the growth of the NRI of the portfolio that has been consistently in operation, and not under development, during the 2 full preceding periods that income growth thus compares the NRI of the stabilised portfolio with exactly the same portfolio in 2013					
	Does the company disclose like-for-like rental growth?	LFL growth for each significant sector of the portfolio	LFL growth for each geographical business segment	LFL growth in absolute amounts	LFL growth on a percentage basis	Size in value, of the total portfolio on which LFL growth is based.
	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No

5 Scoring

a) Global allocation of points

	2014/15 PTS	2014/15 WEIGHT
GENERAL RECOMMENDATIONS	3,7	6%
PERFORMANCE MEASURES	35,0	56%
IP REPORTING	23,3	38%
ADDITIONAL DISCLOSURES		
TOTAL	62,0	100%

Stronger focus on KPI and IP reporting

b) Allocation of points for EPRA Performance measures

	2014/15 PTS
EPS	6
NAV	6
NNNAV	6
YIELDS	6
VACANCY RATE	5
COST RATIOS	6
TOTAL	35

Scoring balanced between all KPI

c) Allocation of points for IP reporting

	2014/15 PTS
ACCOUNTING BASIS UNDER IAS 40	1,0
VALUATION INFORMATION	3,0
INFORMATION ON COMPLETED IPS*	6,4
INFORMATION ON IPUCS*	4,7
LIKE-FOR-LIKE RENTAL GROWTH REPORTING	5,5
CAPITAL EXPENDITURE	2,7
TOTAL	23,3

* Including information on major assets/projects

Increased weight on like-for-like growth
First year for capital expenditure disclosure

6 Secondary review and moderation process

A secondary review is performed by Deloitte RE specialists focusing on key measures and areas of judgement.

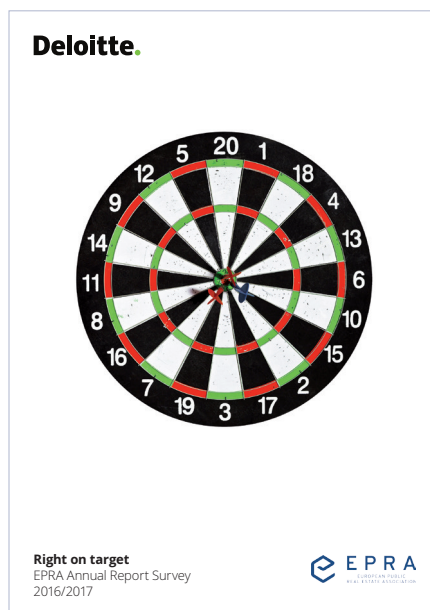
Local managers review the completed questionnaires before sending them to the coordination office. Attention is particularly paid on:

- Completeness of the questionnaire.
- Changes compared to last year.

Once the ranking of companies is obtained, the results go through a moderation process to make sure that the proposed awards are not only based on the global scoring. Any changes of awards compared to the previous year have to be explained by true improvement, or by the fact the company has released less information.

7 Awards ceremony

The results of the review and the Award winners are presented by Deloitte at the EPRA Annual Conference in September, together with key findings of the survey.



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