

EPRA BPR Awards New Scoring Methodology - FAQ

- Details as of October 2020 -

1. Why will be the BPR Awards scoring methodology changing?

In November 2019, EPRA's Board of Directors decided to modify the methodology of the EPRA Best Practices Recommendations (BPR) Awards survey, emphasising on greater transparency and stricter compliance, with the primary goal being to further increase confidence on the reported figures.

The purpose of this revised methodology is not only to further increase awareness of EPRA's BPR, but also to encourage companies to recognise and promote consistency as well as transparency in financial reporting. EPRA's BPR framework provides visibility and comparability to industry stakeholders in addition to being highly appreciated by the investment community. This document sets out the main ground rules for the methodology to be used for deciding the EPRA BPR Award winners for the years of 2021 and beyond. For any queries, please contact randa@epra.com.

2. When will the new BPR Awards methodology become effective?

The updated methodology will be applied for the first time during the 2021 BPR Awards, where the annual reports with a fiscal year-end between 30 April '20 and 31 March '21 inclusive will be reviewed.¹ The list of participating companies will be determined based on EPRA's membership as of 31 March '21.

The 2021 BPR Awards will, primarily, measure how the industry has complied with the disclosure requirements of the [October 2019 EPRA BPR Guidelines](#), which introduced the three new EPRA Net Asset Value metrics (NRV, NTA, NDV), in replacement of EPRA NAV and NNAV, as well as an enhanced CapEx disclosure.²

3. Which disclosure elements will be assessed and scored under the updated methodology?

EPRA's BPR Guidelines include specific additional disclosures for real estate companies within the IFRS framework, while the survey's questionnaire contains around 100 questions connected to financial reporting. Several of those questions are not scored and used only for statistical functions. Since the inception of the survey, the following EPRA BPR disclosure elements are being scored.³

- General Recommendations: review the language of financial reporting and general compliance with the EPRA BPR summary tables' disclosure.
- EPRA Performance Measures (PMs): detailed assessment of the seven EPRA KPIs.
- Core Recommendations: review of like-for-like rental growth and capital expenditure disclosure.

For the purposes of the survey, emphasis is placed on the following seven Performance Measures: 1. EPRA Earnings; The three EPRA NAV metrics - 2. NRV; 3. NTA; 4. NDV; 5. Net Initial Yields (NIY and topped-up NIY); 6. Vacancy Rate; and 7. Cost Ratios (including/excluding direct vacancy costs).

¹ Companies which have published their annual report, with a fiscal year-end between April '20 and September '20, prior to this October 2020 communication, will have the option to be assessed under the [old methodology](#) as an one-time exception.

² The October 2019 BPR Guidelines are applicable for annual accounting periods starting on or after January 1st, 2020.

³ For more information on the exact scoring criteria and points' allocation, see questions 6 and 7 (pages 4-7 of this FAQ).

4. What are the main changes introduced by the revised BPR Awards scoring methodology?

There will be no changes on the General Recommendations and Core Recommendations disclosure elements, however the new methodology will affect how the EPRA Performance Measures (KPIs) will be scored and assessed, starting from the 2021 BPR Awards and beyond.

A. Zero-scoring policy

The primary change in the new scoring methodology will be the introduction of a zero-scoring concept, which would be applicable to all seven EPRA Performance Measures (KPIs). Under this revised approach, **not disclosing a KPI's underlying calculation will result in a zero score for that KPI.**

It is recommended that the calculation of the KPI is shown in compliance with the schedules outlined in the BPR guidance. A company may also choose a different presentation format, however it must ensure that all variables relevant to the KPI's calculation are reported and reconciled accordingly.

B. Disclosure of all KPI's variations

Under the new methodology, **all KPI's variations must be disclosed, along with the underlying calculation for each KPI's variation, in order to be allocated any points for that KPI.** If this does not apply, then those KPIs would be considered as not disclosed and, hence, no points would be granted.

C. Joint-scoring policy

Furthermore, a **joint-scoring** concept will be introduced for those Performance Measures for which there are several variations, such as the **three** new EPRA NAVs (NRV, NTA, NDV), the **two** Net Initial Yields (NIY and topped-up NIY) and the **two** Cost Ratios (including and excluding direct vacancy costs).

In order to be awarded any points for those KPIs, the company must disclose all KPIs' different variations and including the underlying calculation for each KPI's variation, with no exceptions. This would result in full compliance with the KPI's main disclosure requirements.

However, if only one variation of the KPI has been disclosed, or if the underlying calculation has not been provided for one of the KPI's variations, then, under joint-scoring, this would result in zero compliance with the disclosure requirements of the KPI, meaning that no points would be granted (**i.e. the combined score for all KPI's variations will become zero**).

D. Gold Award eligibility

Only those companies which have demonstrated full compliance with the three aforementioned rules (points A to C above) would be eligible for the Gold Award.

Effectively, under the new scoring system, **to be eligible for the Gold Award, a company must comply with all following conditions:**

- Achieve a total score above 80% (see question 7, under page 6 for more details);
- Disclose **all seven** Performance Measures (PMs), including **all variations** for each PM;
- Disclose the underlying calculations **for each of the seven** Performance Measure, including the underlying calculation for **all variations** of each PM;
- Comply with the zero-scoring and joint-scoring policy in full and with no exceptions.

5. How will full compliance or zero compliance with a KPI's disclosure requirements be determined?

Under the new methodology, a company must demonstrate full compliance with a Performance Measure's main disclosure requirements and the revised rules to be awarded any points. In the event where partial or no compliance is observed, then no points would be granted (i.e. zero compliance).

In effect, the following rules would apply to determine whether full compliance or zero compliance with the primary disclosure requirements has been observed. The procedure followed would depend on the nature of the EPRA Performance Measure (KPI) and whether the KPI has several variations or not.

A. Only one KPI variation

For those EPRA Performance Measures for which there is only one variation (e.g. EPRA Earnings/EPS and Vacancy Rate), full compliance with the primary disclosure requirements and points' allocation for the purposes of the survey will be determined as follows:

1. As a first step, the company must disclose the EPRA KPI.
2. As a second step, the KPI's disclosure must be accompanied with its underlying calculation.
3. If both above conditions are met (points 1 and 2), then this would result in full compliance with the KPI's main disclosure requirements, meaning that points will be allocated.
4. If any of the above conditions is not met (point 1 or 2), then this would result in zero compliance with the KPI's disclosure requirements, meaning that the company will not receive any points for this Performance Measure (i.e. zero scoring).
5. In case point 4 applies (i.e. zero compliance), then this would also mean that the company would not be eligible to qualify for the Gold Award.

For a visualisation (flowchart) of the above steps & compliance examples, see question 8, page 7.

B. Several KPI variations

For those EPRA Performance Measures for which there are several variations (e.g. three NAV metrics – NRV, NTA, NDV; Two Net Initial Yields - NIY & topped-up NIY; two Cost Ratios – including & excluding direct vacancy costs), full compliance with the primary disclosure requirements and points' allocation for the purposes of the survey will be determined as follows:

1. As a first step, the company must disclose all variations of the EPRA KPI.
2. As a second step, all variations of the KPI must be accompanied with their underlying calculations.
3. As a third step, all KPI's variations will be **scored jointly**, meaning that the above points (1 and 2) must be applied in full for all KPI's variations and with no exceptions (i.e. no partial compliance).
4. If all three above conditions are met (points 1 to 3), then this would result in full compliance with the KPI's main disclosure requirements, meaning that points will be allocated.
5. If any of the above conditions is not met (point 1 or 2 or 3), then this would result in zero compliance with the KPI's disclosure requirements, meaning that the company will not receive any points for this KPI - i.e. **zero and joint-scoring applies, resulting in the combined score for all KPI's variations to become zero**.
6. In case point 5 applies (i.e. zero compliance), then this would also mean that the company would not be eligible to qualify for the Gold Award.

For a visualisation (flowchart) of the above steps & compliance examples, see question 9, page 8.

6. Which are the detailed scoring criteria under the updated BPR Awards methodology?

The following BPR disclosure elements will be assessed and scored under the new survey:

A. General Recommendations

Guidelines Reference	Recommendation	EPM	Core	Additional Disclosure
2 EPRA BPR – GENERAL RECOMMENDATIONS				
2.1 Language of financial reporting				
	Financial reports in English		x	
	Websites and press releases in English		x	
2.2 Compliance with EPRA BPR				
	Include summary table similar to the one found on page 7 of the Oct 2019 Guidelines, which includes the seven EPRA Performance Measures		x	
	Clearly indicate within management report or website which EPRA BPR have been disclosed and where a user can find these disclosures within the report		x	

B. EPRA Performance Measures (EPM)

Guidelines Reference	Recommendation	EPM	Core	Additional Disclosure
3 EPRA PERFORMANCE MEASURES				
3.1 EPRA Earnings and EPS				
	Disclose EPRA Earnings and EPRA Earnings per Share (EPS), along with their underlying calculations, in accordance with the recommendations in Section 3.1 of the October 2019 BPR.	x		
3.2 EPRA NAV metrics				
	Disclose EPRA Net Reinstatement Value (NRV) and NRV per share, including their underlying calculations.	x		
	Disclose EPRA Net Tangible Assets (NTA) and NTA per share, including their underlying calculations.	x		
	Disclose EPRA Net Disposal Value (NDV) and NDV per share, including their underlying calculations.	x		
3.3 EPRA Net Initial Yield (NIY) and ‘topped-up’ NIY				
	Disclose EPRA NIY and ‘topped-up’ NIY, along with their underlying calculations, in a format comparable with that included in Section 3.3 of the Oct 2019 Guidelines.	x		
3.4 EPRA Vacancy Rate				
	Disclose EPRA Vacancy Rate, along with its detailed calculation (ERV of vacant space and of the whole portfolio), including additional commentary and analysis to explain any significant or distorting factors or likely future trends in the Vacancy Rate.	x		
3.5 EPRA Cost Ratios				
	Disclose both variations of the EPRA Cost Ratios (including and excluding direct vacancy costs), along with the underlying calculation for each variation. In addition, disclose additional information on the full (i.e. nominal) amount of overheads and operating expenses capitalised (even if these are nil) as well as an explanation of the policy with respect to capitalising overhead and operating expenses.	x		

C. Core Recommendations

- Like-for-like rental growth reporting

Guidelines Reference	Recommendation	EPM	Core	Additional Disclosure
4 INVESTMENT PROPERTY REPORTING				
4.5 Like-for-like rental growth reporting				
	Disclose the like-for-like rental growth for <u>each significant sector</u> of the portfolio and <u>each geographical business segment</u> at least twice a year		X	
	Growth figures should be calculated year-on-year. Publish the growth in <u>absolute amounts</u> , applying fixed foreign currency exchange rates, as well as on a <u>percentage basis</u>		X	
	Describe the size, in value, of the total portfolio or investment portfolio on which the like-for-like rental growth is based		X	
	Disclose the basis and assumptions underlying the like-for-like information		X	

- Capital expenditure reporting

Guidelines Reference	Recommendation	EPM	Core	Additional Disclosure
4 INVESTMENT PROPERTY REPORTING				
4.7 Capital expenditure disclosure				
	Information on capital expenditure disclosure in accordance with 4.7 of the October 2019 BPR Guidelines.		X	
	More specifically, <u>the following disclosure is required in a table format</u> comparable to that found under section 4.7: <ul style="list-style-type: none"> • Acquisitions • Development • Investment properties <ul style="list-style-type: none"> - Incremental lettable space - No incremental lettable space - Other material non-allocated types of expenditure - Capitalised interest (if applicable) • Total CapEX • Conversion from accrual to cash basis • Total CapEx on cash basis 		X	
	<u>Additional CapEx recommended disclosure:</u>			
	<ul style="list-style-type: none"> • A brief analysis for each item within the CapEx table 		X	
	<ul style="list-style-type: none"> • Separation of CAPEX between JV property data and the wholly-owned (group share) 		X	

7. What will be the total points' allocation for each recommendation under the new methodology?

For the purposes of the survey, the following allocation of points will be applied:

A. Total allocation of points

<u>A. Total Points Allocation</u>	2020/2021 PTS	2020/2021 Weight
General Recommendations	2.8	6%
EPRA Performance Measures	36.0	75%
Core Recommendations (Like-for-like Rental Growth & CAPEX Reporting)	9.2	19%
TOTAL	48.0	100%

B. EPRA Performance Measures – points' allocation

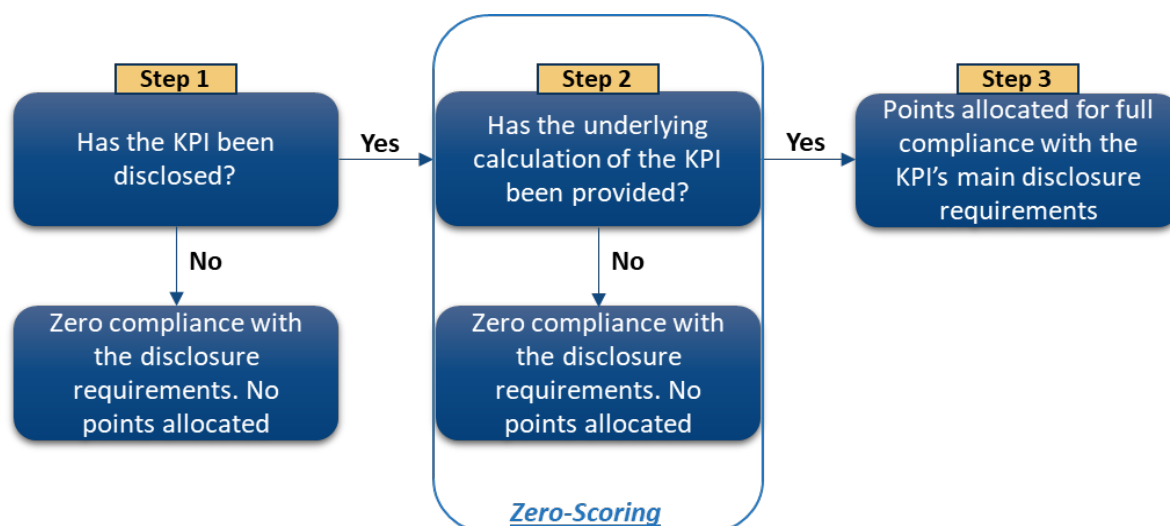
<u>B. Allocation of Points for the Seven Performance Measures</u>	2020/2021 PTS	
1. EPRA Earnings	6	
<u>EPRA Net Asset Value Metrics</u>		
2. Net Reinstatement Value (NRV)	4	} Scored jointly
3. Net Tangible Assets (NTA)	4	
4. Net Disposal Value (NDV)	4	
5. EPRA Net Initial Yields (NIY): - NIY - topped-up NIY } Scored jointly	6	
6. EPRA Vacancy Rate	6	
7. EPRA Cost Ratios (CR): - CR including vacancy costs - CR excluding vacancy costs } Scored jointly	6	
TOTAL	36	

C. Core Recommendations – points’ allocation for Like-for-like rental growth & Capex reporting

<u>C. Allocation of points for Core Recommendations</u>	2020/2021 PTS
Like-for-like Rental Growth Reporting	5.5
Capital Expenditure	3.7
TOTAL	9.2

8. What will be the scoring procedure for Performance Measures for which there is one variation?

For Performance Measures for which there is only one variation, such as EPRA Earnings/EPS and Vacancy Rate, the following scoring procedure will be followed to determine full or zero compliance.



Example 1: If the company has disclosed both EPRA Earnings/EPS (step 1) and the respective underlying calculations (step 2- reconciliation to IFRS Net Income), then all points would be allocated (step 3) since full compliance with the KPI’s main disclosure requirements has been observed.

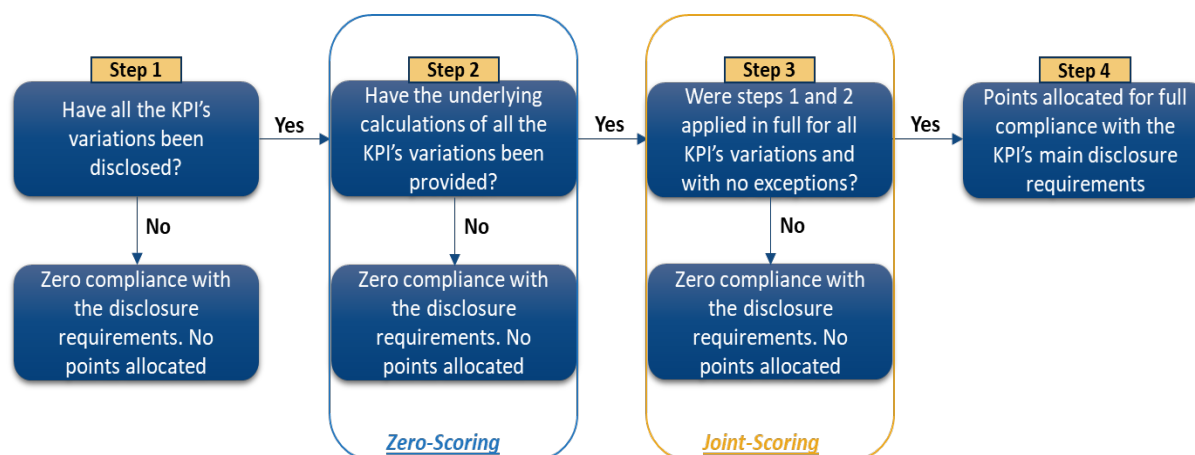
Example 2: If the company has not disclosed EPRA Earnings/EPS (step 1), then no points would be allocated since, for the purposes of the survey, this would translate into zero compliance with the KPI’s disclosure requirements, meaning that the KPI’s score will be zero.

Example 3: If the company has disclosed EPRA Earnings/EPS (step 1), but has not disclosed the respective underlying calculations (step 2 – reconciliation to IFRS Net Income), then the zero-scoring policy would be applied (step 2) and no points would be allocated, meaning the KPI’s score will be zero.

Example 4: The same rationale will apply for the EPRA Vacancy rate. Full compliance with the main requirements will be observed if Vacancy Rate and its underlying calculation (ERV vacant space/whole portfolio) have been disclosed. If any of those conditions is not met, then the score will become zero.

9. What will be the scoring procedure for Performance Measures for which there are many variations?

For Performance Measures for which there are several variations, such as the three EPRA NAV metrics (NRV, NTA, NDV), the two Net Initial Yields (NIY & topped-up NIY), and the two Cost Ratios (including direct vacancy costs and excluding direct vacancy costs), the following scoring procedure will be followed to determine full or zero compliance with the KPI's primary disclosure requirements.



Example 1: If the company has disclosed all three variations of the new EPRA NAV metrics (step 1 - NRV, NTA, NDV) and the respective underlying calculations for each variation (step 2- reconciliation to IFRS Equity attributable to shareholders), then points would be allocated only if the two previous steps have been applied in full and with no exceptions for all the three KPI's variations (step 3 - joint scoring), ensuring full compliance with the KPI's main disclosure requirements (step 4).

Example 2: If the company has not disclosed all three variations of the new EPRA NAV metrics (step 1 - NRV, NTA, NDV), then no points would be allocated as, for the survey's purposes, this would translate in zero compliance with the KPI's disclosure requirements, meaning that the KPI's score will be zero.

Example 3: If the company has disclosed all three variations of the new EPRA NAV metrics (step 1 - NRV, NTA, NDV), but has not disclosed the underlying calculations **for all three** variations, then the zero-scoring policy would be initially applied (step 2). In addition, under the joint-scoring policy (step 3), the KPI's combined score will become zero and no points would be allocated, since, for the survey's purposes, if partial or no compliance is demonstrated, then this would translate into zero compliance.

For instance, if a company has reported all three NAV metrics (NRV, NTA, NDV), but has disclosed the underlying calculations only for NRV and NTA (but not for NDV), then under the zero and joint-scoring policies (where partial compliance with a KPI's main disclosure requirements is not allowed), the KPI will be deemed as not disclosed and its **combined score will be zero** (i.e. zero pts for all 3 variations).

Example 4: The same rationale will apply for the **two** EPRA Net Initial Yields and the **two** EPRA Cost Ratios. Full compliance with the KPI's main disclosure requirements will be noted only if the company:

1. Has disclosed all variations of the KPIs - i.e. a) both NIY and topped-up NIY; and b) both CR including direct vacancy costs and CR excluding direct vacancy costs
2. Has disclosed the underlying calculation for each KPI's variation (points a and b above) and with no exceptions (i.e. no partial compliance with the requirements will be permitted)
3. If any of the above conditions is not met, then zero/joint-scoring policy applies - i.e. zero pts.