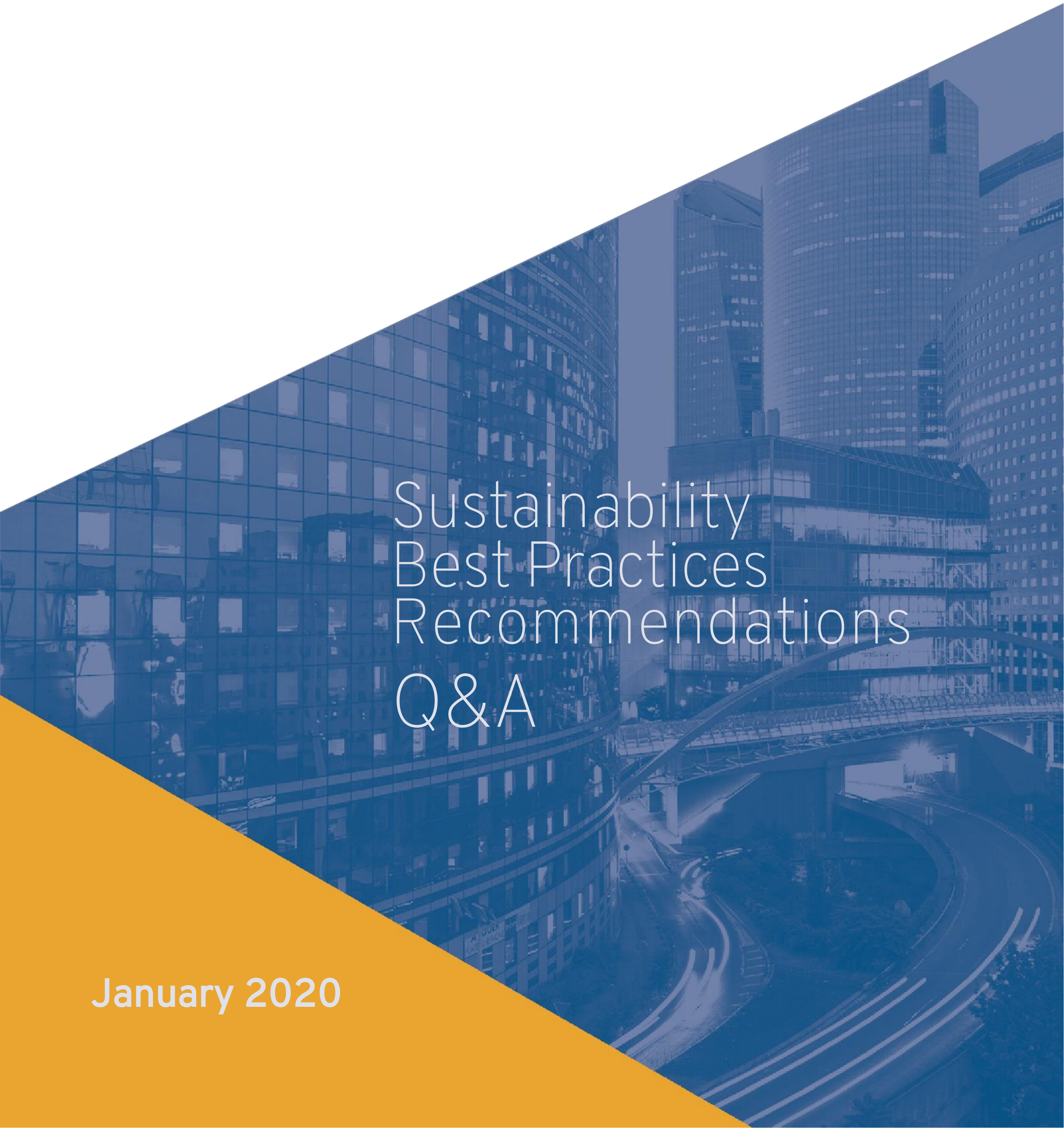
EPRA

EUROPEAN PUBLIC REAL ESTATE ASSOCIATION



Sustainability Best Practices Recommendations Q&A

January 2020

Contents

1. Introduction

This document shines a technical light on the usage of EPRA's key sustainability performance indicators and provides additional information to the Sustainability Best Practices Recommendations (sBPR) Guidelines but is not formally part of it.

The Q&A document includes questions submitted to the sBPR Adviser by EPRA member companies and answers drawn from EPRA and its external consultants. It is important to view this as a live document, which will be regularly edited and updated.

As EPRA sBPR are raising the standards and consistency of sustainability reporting for listed real estate companies across Europe, I would like to thank the EPRA team for their ongoing commitment to maintain and improve the sBPR quality and further build investors' confidence in this reporting benchmark.

EPRA welcomes any feedback on the Q&A document and encourages you to use the sBPR Adviser in case of any additional questions, hence contributing to the exchange of best practices and information between companies.

Louise Ellison
Chairwoman, EPRA Sustainability Committee

2. Performance Measures

2.1 Elec-Abs, Total electricity consumption

2.1.1 Should I report the proportion of renewable energy by sources (% of solar, wind, hydro etc.)?

Under the Elec-Abs, companies are required to report, as a minimum, the proportion of energy consumption from renewable sources as a whole. This should be accompanied by a narrative about how the renewable energy is supplied to the assets (self-generated on site, generated off-site, purchased from providers of RECs certified electricity or other eco labelled electricity).
The breakdown of the renewable energy by sources is not mandatory, but companies may decide to provide additional disclosure.
The list of renewable sources on p.12 of the EPRA sBPR Guidelines – 3rd edition has an indicative purpose only.

2.2 Elec-LfL, Like-for-like total electricity consumption

2.2.1 Should I also report the proportion of renewable energy for the LfL figure?

The percentage of electricity consumption from renewable sources should be disclosed only under Elec-Abs. This information allows property companies' stakeholders to better understand the alignment of the overall portfolio performance with the GHG emission reduction targets.

2.3 DH&C Abs and LfL, Total district heating & cooling consumption

2.3.1 None of the assets within my company boundaries use district heating & cooling – can I:

- not report the data without any explanative narrative, or
- report the district heating & cooling consumption equal to zero or
- not report the data and add an explanative narrative?

Options 2 and 3 are both accepted by EPRA. EPRA suggests to follow option 3 and to add a narrative explaining that your company is not reporting district heating and cooling data as you do not use it at any of your assets.

Omission of data (option 1) will be penalised.

2.3.2 Should I report the proportion of renewable energy by sources (% of biomass, etc.)?

Under the DH&C Abs, the breakdown of the renewable energy by sources is not mandatory. The list of renewable sources on p.13 of the EPRA sBPR Guidelines – 3rd edition has an indicative purpose only.
Companies are required to report the proportion of energy consumption from renewable sources as a whole. This should be accompanied by a narrative about how the renewable energy is supplied to the assets (self-generated on site, generated off-site) and which types of renewable energy sources were used.

2.4 GHG-Indirect-Abs, Total indirect greenhouse gas

2.4.1 Under GHG-Indirect-Abs, "companies must report the total amount of location-based indirect greenhouse gas emissions (kg/CO2e) emitted by offsite generation". Does this mean that companies should necessarily report GHG emissions on a location based-approach even if they already report GHG emissions on a market-based approach?

To comply with this EPRA performance measure, the adoption of the location-based approach is recommended. The location-based approach allows comparability between companies' performances.
As an additional disclosure, companies, which have implemented GHG emission reduction strategies, are encouraged to report their emissions according to the market-based approach.

2.5 Cer-Tot, Type and number of sustainability certified assets

2.5.1 Which type of certifications should my company report under Cer-Tot?

The performance measure 'Cert-Tot' refers to the total number of assets within the portfolio boundaries (to be defined according to the EPRA recommendation on *Organisational boundaries*) which are certified according to voluntary schemes such as LEED, BREEAM etc., or mandatory schemes such as Energy Performance Certificates (EPC).

Companies are required to report for each type of certification (LEED, BREEAM etc. / EPC):
- the number of assets of their portfolio certified, or as alternative
- the percentage of their portfolio certified by floor area.

2.5.2 As part of the EPRA best practice guidelines, my company tracks and reports the EPC ratings of its buildings. My company is now coming across a problem as some EPCs, particularly in France, have run out but the customer is still under a lease for up to 10 more years. In France an EPC is only valid for 5 years for example. The options are to obtain a new EPC with the customer in place or to wait until the end of the lease and to take the building back before conducting a new EPC. The problem is that, with the customer in place, the new EPC rating will be impacted by the amount of fit out that has been conducted. This in turn means that any new EPC will not be reflective of the building at the point of which we take it back and re-market, as all previous customer fit out will be removed. The logical business position would be to wait until the customer leaves before commissioning a new EPC. I would like to understand what benefit, outside of the sBPR scores, there is in getting a new EPC on a building with an existing lease? Failing that, could I just report what the original EPC was at the end of construction, even if the EPC is no longer valid?

EPRA agrees that in this scenario there is a limited benefit to obtaining a new EPC on an existing building/lease and it would make more sense to wait until the existing lease expires and obtain a new EPC at this point (for marketing / letting purposes).
The only benefit would be for reporting initiatives such as EPRA's sBPR, but as per the EPRA guidelines, EPRA does not score or deduct points for having 'unscored' or 'unrated' properties; instead, EPRA scores transparency and disclosure. This implies that the full scores are obtained for reporting the number of buildings with EPCs at each level and also buildings without EPCs ('unrated').
EPRA recommends to include 'unrated' assets within the company reporting together with a data note explaining that some [or all or the exact %] of the 'unrated' assets were rated but that the EPCs have expired and that these will be re-assessed as part of the process of marketing/letting the space during the next leasing event.

2.6 Community Engagement

2.6.1 What are EPRA's expectations for reporting the community engagement metric?

There are many aspects within the definition of community engagement. For the purpose of aligning with the EPRA sBPR, organisations can use their discretion to determine what constitutes an engagement but the recommendations suggest the use of three broad categories: impact assessment, development programmes and stakeholder engagement.
Successful community engagement is a result of collaboration with many ideas and voices but reliably communicating these efforts relies on simplicity and clarity. A very good example is the one disclosed by Merlin Properties, which was fully aligned with the sBPR in their 2018 Corporate Social Responsibility Report. By using the Comty-Eng EPRA code, the company was able to locate the relevant information and provide context for the scope of engagement. In two graphs, they met the main requirement of disclosing the percentage of assets that have implemented the local community engagement and provided a breakdown by type and percentage of the programmes in place. To provide background information, the reporting of the figures was supported by a brief narrative for each type of programme. For reference, consult 2018 Merlin Properties' CSR report p.61-63.

2.7 H&S-Asset, Asset health and safety assessments and H&S-Comp, Asset health and safety compliance

2.7.1 Does the group of assets to be assessed change across the H&S-Asset and H&S-Comp performance measures?

Under H&S-Comp, companies are required to report on the outcome of the assessments reported under H&S-Asset. This means that the group of assets (controlled assets) a company is required to report on, is the same across H&S-Asset and H&S-Comp.

2.8 Diversity-Pay, Gender pay ratio

2.8.1 Currently our company does not disclose the ratio of salary of women to men (absolute and by employee categories) at a global scale, as in our view, this information is relevant only if there are enough employees to make it statistically comparable. Our company has led an analysis on a relevant comparable perimeter that comprises 30% of the employees. Can our company communicate this indicator based on this perimeter?

In this case, the company's approach is fully compliant with the EPRA guidelines, but the company has to communicate the reason behind the approach taken, in the form of a narrative or with data qualifying notes in the EPRA tables.

2.8.2 Our governance body, i.e. board members, do not receive a remuneration but an attendance fee. This is based on the attendance at board and committee meetings, and on the chairmanship of a committee. The policy is applied equally to male and female board members, however actual fees paid might differ depending on the attendance rate and the chairmanship. Moreover, a few board members waive their fees. Since there is no remuneration for the governance body, we thus consider this ratio not relevant to be communicated. Would it be possible not to communicate it if we explain the reason?

This is covered by the EPRA Overarching recommendation about Materiality on p. 48 of the EPRA sBPR Guidelines - 3rd edition. If a reporting company chooses not to respond to a performance measure because they do not consider it to be material, 'not material' should be stated in the EPRA Sustainability Performance Measures tables.
However, EPRA considers an impact can only be legitimately accepted as non-material if shown to be so through a materiality review.

2.9 Gov-Select, Nominating and selecting the highest governance body

2.9.1 Under the Gov-Select, companies are required to describe the nomination and selection process for the highest governance and the criteria used to guide it. Among others:

- Nomination and selection processes for the highest governance body and its committees.
- Criteria used for nominating and selecting highest governance body members, including whether and how:
  - stakeholders (including shareholders) are involved;
  - diversity is considered;
  - independence is considered;
  - expertise and experience relating to economic, environmental, and social topics are considered.

Is it compulsory to disclose each one of the previous criteria, even if they are not relevant for our company?

This is covered by the EPRA Overarching recommendation about Materiality on p. 48 of the EPRA sBPR Guidelines - 3rd edition. If a reporting company chooses not to respond to a performance measure because they do not consider it to be material, 'not material' should be stated in the EPRA Sustainability Performance Measures tables.
However, EPRA considers an impact can only be legitimately accepted as non-material if shown to be so through a materiality review.

3. Overarching Recommendations

3.1 Boundaries – Reporting on landlord and tenant consumption

3.1.1 EPRA sBPR Guidelines on Sustainability Reporting mentions "landlord-obtained" and "tenant-obtained". Is there a precise definition of "landlord-obtained" or is the company free to define this according to its business model?

The intention of the Guidelines is to enable companies to produce consistent and comparable reports, so it is not intended nor desirable that companies adopt different definitions. "Landlord-obtained" is when the landlord has the purchasing contract with the utility company (and the energy consumed that they generated themselves too). "Tenant-obtained" is where the tenant has the purchasing contract with the utility company.

3.1.2 Should my company report just the consumption it is responsible to obtain itself as landlord, or also report the consumption purchased directly by the tenants?

Your company should report all utilities (energy, water etc.) that it buys or obtains, as landlord, regardless of who consumes it and where it is consumed. This is the minimum recommended by EPRA.

As options:
- Landlords may also choose to itemise and report tenant consumption that is sub-metered from the landlord supply, if data is available.
- Consumption data directly purchased and consumed by the tenants should be always reported separately, if available.

In addition to providing data, your company should clearly set out the approach to landlord-tenant boundaries in form of narrative. This means inclusion of consumption purchased by landlord, inclusion/exclusion of utility consumption purchased by tenants, etc.

Example of how utility consumption may be reported (narrative and data disclosure)

Narrative: *"The consumption reported includes energy and water we purchased as landlord. This includes energy and water consumed in common areas as well as energy used for heating in tenant areas. It excludes any utilities directly purchased by tenants."*

Data Table

		2016	Notes
Electricity (MWh)	**For landlord shared services*	*20,000*	*A*
	(Sub)metered exclusively to tenants	*N/A*	*B*
	Total landlord-obtained electricity	*20,000*	*C=A+B*

		2016	Notes
Water (m^3)	**For landlord shared services*	*20,000*	*A*
	(Sub)metered exclusively to tenants	*N/A*	*B*
	Total landlord-obtained electricity	*20,000*	*C=A+B*

*To be reported as a minimum, as required by EPRA

3.1.3 Should my company report its energy consumption divided into rented space, common parts area or rather according to metering arrangements? Which approach is aligned with the EPRA sBPR recommendation?

EPRA sBPR does not require a split between areas within a building per se, but rather of metering arrangements. This is exactly the reason why the sBPR requires that “As a minimum, companies should report on consumption that they are responsible for obtaining themselves”, i.e. disclosure of landlord-obtained consumption as a minimum and itemisation of sub-metered consumption whenever it is in place.

3.2 Organisational boundaries

3.2.1 Within the entire assets portfolio, my company owns utility contracts, and thus has direct access to consumption data, for the 19 assets which include warehouses and the corporate headquarter. Which is the number of assets that I should include within my boundaries?

In this case, your company is reporting on 100% of the portfolio for which it has operational control (that means being responsible for paying the utility bills) corresponding to 19 assets of the company’s entire portfolio.

EPRA recommends to clearly state your approach in form of narrative.

Example: *My company reports on 100% of the assets (19 in total) on which it has operational control. The number of properties within the boundaries are those for which we are responsible for purchasing a specific utility for.*

3.2.2 Vacancy: if a building has in average more than 20% of its surface vacant during a reporting year, should this asset be excluded from the reporting boundaries?

EPRA does not set any vacancy threshold for inclusion/exclusion of an assets in/from the reporting boundaries. Depending on the asset type, a 20% vacancy rate could be perfectly normal for a building and therefore it could be included in the reporting boundaries (hence in Abs, LfL and intensity metrics). However, if it is unusual then it could be excluded from the LfL performance measures; or normalised for vacancy rate. Either way, EPRA recommends defining the threshold for inclusion in LfL performance measures, and be transparent about the calculation method (and any normalisation applied) in the data notes.

3.2.3 If an office building goes from property management to renovation during the year – how should my company consider that asset for the reporting purpose (for instance: an asset is under management for most of the year (9 months) and under renovation the remaining 3 months)? And the other way around (for instance: an asset is under renovation for most of the year (9 months) and under management the remaining 3 months)?

EPRA does recommend to set a threshold to define what can be considered ‘under renovation’. In this case, GRESB definition represents a good starting point (e.g. alterations that affect more than 50 percent of the total building floor area or cause relocation of more than 50 percent of regular building occupants). If, according to the previously set threshold, the building is to consider under renovation, then the building can be kept in reporting boundaries but it has to be included in the Abs measures only and excluded from LfL and intensity measures.

3.3 Coverage

3.3.1 Do I lose points under Coverage if my coverage is less than 100% for a Performance Measure?

No. Full scores are awarded for disclosing the coverage whether it is 100% coverage or partial coverage.

3.3.2 Can I calculate an average coverage for all Performance Measures?

No. Coverage must be disclosed for each Performance Measures, as, most of the times, it varies according to the utility type.
You should report the coverage of each utility consumption (electricity, fuel, GHG, water etc.)

both absolute and like-for-like.

3.3.3 I have the same coverage for all Performance Measures – do I need to add this in each row of the table, or can I simply add a footnote?

If coverage is the same across all Performance Measures, you can simply add a footnote to your table. (e.g. "Coverage is 100% for all Performance Measures reported").

3.4 Estimation of landlord-obtained utility consumption

3.4.1 My company has come across cases of missing data and we would need to conduct estimations on consumption parameters. The EPRA recommendations make it clear that this is acceptable as long as there are indications from our side on the method used etc. Will a dataset which has been subject to estimations be treated differently compared to a full dataset where no estimations have been done?

Actual and partially estimated dataset are treated equally only if the company demonstrates having respected the following recommendations:

- Only estimate data to fill gaps for missing periods using known consumption from other periods for the metered supply in question.
- Disclose the proportion of total disclosed data that is estimated (as a percentage of the total disclosed for a certain Performance Measure).
- Disclose the method of estimation used.
- Use the same method of estimation for all Sustainability Performance Measures and all assets.
- If different methods of estimation must be used, this should be clearly indicated for each Sustainability Performance Measure.
- Assets should be excluded from the coverage of data being disclosed in the following cases:
  - Where data for one of more meters at an asset is missing for an entire year.
  - Where the only available data for the asset is unreliable.
- This means that fully estimated data assets must always be excluded.

3.4.2 The reporting deadline of our company is so short that for the 2017 reporting year some of the figures need to be estimated. The same approach was adopted for the 2016 CSR report. Considering that EPRA recommends like-for-like comparison: How should we treat the 2016 figures? Should we update them based on the actual energy consumption, registered in 2016?

In this case, for the 2017 CSR report, EPRA recommends:

- To restate the 2016 data based on actual consumption with a footnote to explain why the data has been restated;
- To estimate the 2017 data based on the same approach adopted in previous years.

To increase the compliance, EPRA would also recommend:

- To disclose the proportion of the 2017 estimated data and to clearly include it in the EPRA tables;
- To clearly state where and why any 2016 data has been restated.

3.4.3 Can I calculate an average estimation for all Performance Measures?

No. Data estimation must be disclosed for each Performance Measure, as, most of the times, it varies according to the utility type.

You should report the estimation of each utility consumption (electricity, fuel, GHG, water etc.) both absolute and like-for-like.

3.4.4 For some assets, although we have operational control, data could not be collected. Should we extrapolate the data (100% extrapolation) or can we leave these assets outside of the reporting scope and mention the percentage of assets excluded because of the lack of data?

If your company does not have any type of data (from electricity to waste / water) then EPRA's recommendation would be to leave those assets out of the reporting scope. Reporting scope (number or sqm of the assets you report on) vs overall portfolio (overall n. of assets or sqm you should potentially report on) should be provided, as part of the Organisational boundaries recommendations.

3.4.5 For a certain asset within the boundary, my company has access to all utilities consumption, expect water. Can my company estimate the water consumption for that asset? Or should my company exclude that asset from water-related Performance Measures?

Fully estimated data assets must always be excluded. In this case, the company cannot estimate 100% of water consumption, and the company must exclude that specific asset from the reporting of water- related Performance Measures. This exclusion will have an impact on the *Coverage* related to water data.

3.5 Normalisation

3.5.1 My company calculates and reports intensity metrics on a like-for-like basis i.e. excluding any vacant, sold or bought property during the reporting year. Is this approach in line withEPRA's recommendation?

This approach is fully accepted by EPRA, as it allows companies to better understand their performance on 'a constant portfolio basis'. EPRA recommends to:

- include a brief explanation related to the approach used in the calculations.
- use the same approach for the current and the previous reporting year, in order to provide consistent and comparable data over the years.

3.6 Like-for-like definition

3.6.1 Which is the definition of like-for-like performance measures?

Like-for-like performance measures reflect only comparable data (i.e. the portion of the portfolio that has remained the same year-over-year). This means that assets, sold, acquired or that have undergone new construction or major renovation projects should be excluded from Like-for-Like calculations.

Like-for-like performance measures have to be built considering a like-for-like period of two years.

Example: if in 2015 you have 10% Data Coverage, but in 2016 your Data Coverage increased to 40%, please only report on the constant fraction, which is the 10% from 2015 and that same 10% for 2016.

3.6.2 How should I calculate Like-for-like performance measures?

Once the absolute figures have been calculated for two consecutive years – simply exclude assets that have been bought, sold or under major renovation in the two year like-for-like period, and calculate the change in percentage.

3.6.3 Should Like-for-like perimeter be the same and consistent across all resource indicators (electricity, fuel, water, waste) or can Like-for-like be different for each impact category (according to data availability)?

Like-for-like perimeter represents the portion of the portfolio that has remained the same year-over-year. This means that assets sold, acquired or that have undergone new construction or major renovation should be excluded from Like-for-Like calculations.

On a utility basis, Like-for-Like perimeter might vary. It can be impacted by data availability and also by the fact that a number of assets supplied by electricity might be different from the number of assets where DH&C is supplied. According to the EPRA Guidelines, this variation is captured by the coverage.

EPRA: Environmental indicators

ENERGY				ABSOLUTE MEASURES (Abs)		LIKE-FOR-LIKE (LFL) BY PROPERTY TYPE												
				Castellum		Offices & retail			Logistics			Projects			Castellum Total			
EPRA Code	Units of Measure	Indicator		2016	2017	2016	2017	% change	2016	2017	% change	2016	2017	% change	2016	2017	% change
Elec-Abs Elec-LfL	MWh	**Electricity**	**Total landlord-obtained electricity**	**91,066**	**88,482**	63,510	58 504	-8%	14,606	12,505	-14%	108	104	-4%	**78,225**	**71,114**	-9%
of applicable properties			*Electricity disclosure coverage*	*455 of 525*	*455 of 470*	*256 of 256*	*256 of 256*		*126 of 126*	*126 of 126*		*3 of 3*	*3 of 3*		*385 of 385*	*385 of 385*	
DH&C-Abs DH&C-LfL	MWh	**District heating & cooling**	**Total landlord-obtained heating and cooling**	**245,081**	**249,202**	156,442	148 ,217	-5%	55,903	52,687	-6%	91	102	12%	**212,438**	**201,007**	-5%
of applicable properties			*District heating & cooling disclosure coverage*	*446 of 526*	*472 of 487*	*260 of 260*	*260 of 260*		*132 of 132*	*132 of 132*		*1 of 1*	*1 of 1*		*393 of 393*	*393 of 393*	
Fuels-Abs Fuels-LfL	MWh	**Fuels**	**Total landlord-obtained fuels**	**6,769**	**5,455**	1,637	1,412	-14%	4,076	2,373	-42%	395	255	-35%-	**6,109**	**4,041**	-34%
of applicable properties			*Fuels disclosure coverage*	*30 of 30*	*27 of 27*	*8 of 8*	*8 of 8*		*13 of 13*	*13 of 13*		*1 of 1*	*1 of 1*		*22 of 22*	*22 of 22*	
			Total energy use	**342,917**	**343,140**	**221,590**	**208,134**	**-6%**	**74,587**	**67,566**	**-9%**	**595**	**462**	**-22%**	**296,773**	**276,163**	**-7%**
	MWh	**Energy**	Total energy use (Degree day corrected)	362,934	365,927	234,039	221,385	-5%	79,700	72,789	-9%	636	496	-22%	314,376	294,671	-6%
Energy-Int	kWh/ sqm	**Energy intensity**	Energy building intensity	98	94	114	107	-6%	80	72	-10%	48	37	-23%	103	96	-7%

The table shows energy usage as total and like-for-like figures for Castellum AB per property type. Applicable properties refers to the number of properties within our organizational boundaries for this indicator. The degree day corrected energy use is normalized with data from SMHI. Castellum only report on landlord obtained energy, our own offices are included in the data above. No energy data is estimated.

Source: Castellum's Report - FY 2018

3.7 Adjustment

3.7.1 EPRA sBPR Guidelines states that adjustment (e.g. for weather, occupancy, etc.) is not acceptable for absolute /like-for-like /intensity measures. Can you confirm this?

The term 'adjustment' is used in two different ways in the Guidelines, one is related to data adjustment as based on climate/occupancy and the other one is related to adjustment as filling in gaps with estimation. In the first case, we confirm that EPRA recommends not to adjust data, based on weather or occupancy but only to comment on changes in performance, due to variation in occupancy rate or weather conditions (see example below).

Example: *Building energy intensity across 16 properties in our office portfolio equalled 182 kWh/ m^2 in 2015, up 10% on a like-for-like basis in comparison with 2014. Greenhouse gas intensity from building energy across the same assets was 67 $kgCO_2e/m^2$, an increase of 11% on a like-for- like basis compared with 2014. These intensities are very similar to our 2013 measurements. We believe the increase in energy and GHG emissions intensity is attributable to the extremely hot weather during the summer of 2015.*

4. EPRA sBPR reporting examples

The following section includes links to examples of EPRA sBPR used in property companies' annual reports, according to the EPRA sBPR Guidelines – 3rd edition.
Mainly selected from companies that achieved a Gold level in the 2019 EPRA sBPR Assessment, these examples are not intended to be a pro forma for the sBPR, nor an endorsement of the specific formats used.

Diversified portfolio
2018/2019 Landsec's Sustainability Report – From p.16 onwards

Industrial / Mixed use portfolio
2018 Castellum's Annual report – From p.197 onwards

Logistic / Industrial portfolio
2018 WDP's Sustainability Report – From p.29 onwards

Retail portfolio
2018 Mercialys's Sustainability Report – From p.21 onwards

5. 2020 sBPR Assessment

The EPRA sBPR Assessment Methodology is available under this link.

ELIGIBLE COMPANIES

EPRA Members as of 31 March of 2020.

sBPR DISCLOSURE FORMAT

EPRA sBPR disclosure should be publicly available on the company's website in annual report, CSR, sustainability reports or in standalone document by 30 June 2020.

ASSESSMENT PERIOD

From July to mid-August 2020.

RESULTS ANNOUNCEMENT

In September 2020, during the 2020 EPRA Conference. Results will be available online under this link.

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