

EPRA's drive for higher standards of financial reporting lifts Award winners for best practice compliance to a record 81% of benchmark index - Deloitte

The European Public Real Estate Association's (EPRA) three-year programme to increase adoption by listed property companies of its Best Practices Recommendations in financial reporting (BPR) has lifted compliance to a record level and exceeded its targets, an annual survey conducted by Deloitte showed.

Dominique Moerenhout, EPRA CEO, said: "This year's results are a remarkable achievement and anchor the BPR as the industry-leading standard for disclosure and transparency in financial reporting. Investors and stakeholders need transparency to assess the relative qualities of listed property companies. The BPR are a vital foundation to the success of the sector and I salute the efforts of EPRA's Reporting & Accounting Committee and the finance team in lifting the number of Award winners."

A total of 83 companies representing a record 79% of the market capitalisation of the benchmark FTSE EPRA Nareit Developed Europe Index complied with the BPR, Deloitte found. The annual survey recognises three levels of BPR adoption and efforts by companies to improve their reporting through the Awards presented by EPRA at its annual conference, which is being held in Berlin this year. Among the index constituents, the winners of Gold and Silver Awards for the highest BPR compliance in 2018 accounted for 75% of the companies assessed.

EPRA's Reporting & Accounting Committee started a three-year programme in 2016 to increase BPR compliance for disclosure and transparency in financial reporting. This came after the Association's members expressed concern a year earlier in a Strategy Review about low levels of adoption. In total, 121 listed property companies won BPR Awards in 2018 compared with 106 last year. The goal of EPRA's programme was to have 90 companies BPR compliant by 2018, meaning the drive has exceeded its target by 34%.

There are 76 Gold Awards winners in 2018, compared with 65 last year, representing a 17% increase. Silver Award winners totalled 30, an increase of one from last year, while 15 companies received Bronze Awards (a dozen in 2017). Award winners represented 89% of the market capitalisation of the 155 companies surveyed by Deloitte.

Jean-Michel Gault, Chairman of EPRA's Reporting & Accounting Committee and Deputy CEO of Klépierre, said: "This is the result of hard work in education, providing feedback reports and proactively helping no-Award or low-scoring companies in improving their reporting. What is particularly pleasing is that five out of the seven winners of this year's Most Improved Awards are companies with whom EPRA has been actively engaged with in our BPR compliance drive. That being said, EPRA will continue to further improve this industry leading initiative, primarily through the following two ways: by continuing to enhance BPR adoption and by improving BPR updates and associated disclosure."

Twenty-six companies reviewed in last year's survey reached a higher Award level in 2018, including a dozen companies whom obtained an Award for their BPR compliance for the first time.

Deloitte grants the Awards based on its analysis of the 2017 annual reports of the 145 EPRA member companies and 10 constituents of the FTSE EPRA Nareit Developed Europe Index. Its analysis focused on six BPR: Earnings Per Share (EPS), Net Asset Value (NAV), NNNAV (triple net asset value), Net

Initial Yield (NIY), Vacancy Rate and Cost Ratios. It also examined information provided by companies on the rental growth performance of properties and capital expenditure (Capex) reporting.

Deloitte found that the most widely used BPR metric is NAV, with 99% EPRA members reporting it. EPS and NNAV followed. The Cost Ratio metric continues to be at a lower level of adoption, with only 67% of all assessed companies disclosing it. Gaining in popularity are NIY and “topped up” NIY disclosures.

Of the companies surveyed by Deloitte in all of the past five years, the number of Gold Award winners on a like-for-like basis has almost doubled from 24 in 2013 to 47 in 2018.

Emmanuel Proudhon, Partner at Deloitte France, said: “Our like-for-like analysis highlights the significant progress made by EPRA in raising reporting standards in the real estate industry. In the U.K. and Germany existing Award winners and new survey entrants contributed to this year’s impressive results, while there was clear progress in Ireland, Norway and Sweden. There is still work to be done. Deloitte will be assisting EPRA to increase disclosure of NIY, which is too low. We will also be looking to encourage more companies to improve reporting in Capex tables, provide like-for-like rental growth for each of their business segments and to be more transparent in their explanatory notes on metric calculations.”

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About EPRA

The European Public Real Estate Association is the voice of the publicly traded European real estate sector. With more than 265 members, covering the whole spectrum of the listed real estate industry (companies, investors and their suppliers), EPRA represents over EUR 450 billion of real estate assets* and 94% of the market capitalisation of the FTSE EPRA Nareit Europe Index. Through the provision of better information to investors, active involvement in the public and political debate, improvement of the general operating environment, promotion of best practices and the cohesion and strengthening of the industry, EPRA works to encourage greater investment in listed real estate companies in Europe.

**European companies only*

For more information please contact:

Steve Hays, Bellier Financial: +31 (0)20 419 0901, steve.hays@bellierfinancial.com

Hannah Jones, EPRA: +32 (0)492 95 22 96, h.jones@epra.com

Nadia Dussol, Deloitte: kdussol@deloitte.fr