



EPRA

EUROPEAN PUBLIC
REAL ESTATE ASSOCIATION

METHODOLOGY FOR THE EPRA BPR AWARDS

2021

Deloitte.

SECTION 1

CONCEPT

The [EPRA Best Practices Recommendations \(BPR\) Guidelines](#) have overtime become a cornerstone of any property company's financial disclosures and have been the main driving force behind the massive increase in the transparency of the European listed sector.

Despite the undoubted wide adoption of the BPR by the industry over the past decade, areas of improvement have always remained at the core of attention. As such, 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.

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 April 30, 2020 and March 31, 2021 inclusive will be reviewed. The list of participating companies will be determined based on EPRA's membership as of March 31, 2021.

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.

This document, which is supported by the [new methodology FAQ](#), 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.

1. Companies which have published their annual report, with a fiscal year-end between April 2020 and September 2020, 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.



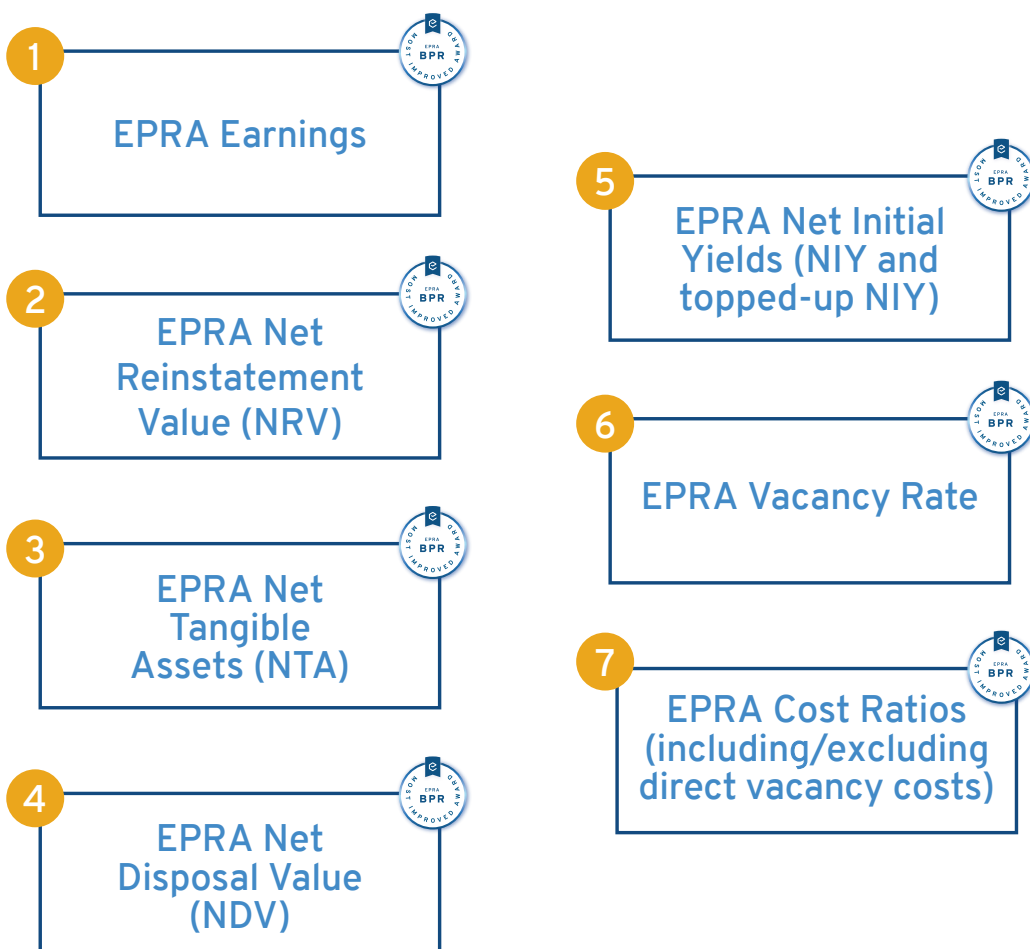
SECTION 2

BPR AWARDS

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.

- 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:



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 seven Performance Measures disclosed, along with their underlying calculations and including all variations of each Performance Measure.



SILVER AWARD

High compliance with the BPR. Scoring between 80% and 60%. May have disclosed all seven Performance Measures, along with their underlying calculations and including all variations of each Performance Measure.



BRONZE AWARD

Based on BPR. Scoring above 50%. At least three Performance Measures, disclosed, along with their underlying calculations and including all variations of each Performance Measure.



MOST IMPROVED AWARD

Granted to companies that have outstandingly improved the compliance of their reporting with the BPR, demonstrated by a 30 percentage points YoY increase in their score in comparison to the previous year.

A separate award is granted to companies that have outstandingly improved their scoring

SECTION 3

PARTICIPANT SELECTION

The list of participants for the 2021 EPRA BPR survey will be based on EPRA membership as of March 31, 2021, irrespective of a company's geographical region.

SECTION 4

NEW METHODOLOGY : KEY CHANGES

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%;
- 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.

SECTION 5

NEW METHODOLOGY : COMPLIANCE WITH A KPI'S DISCLOSURE REQUIREMENTS

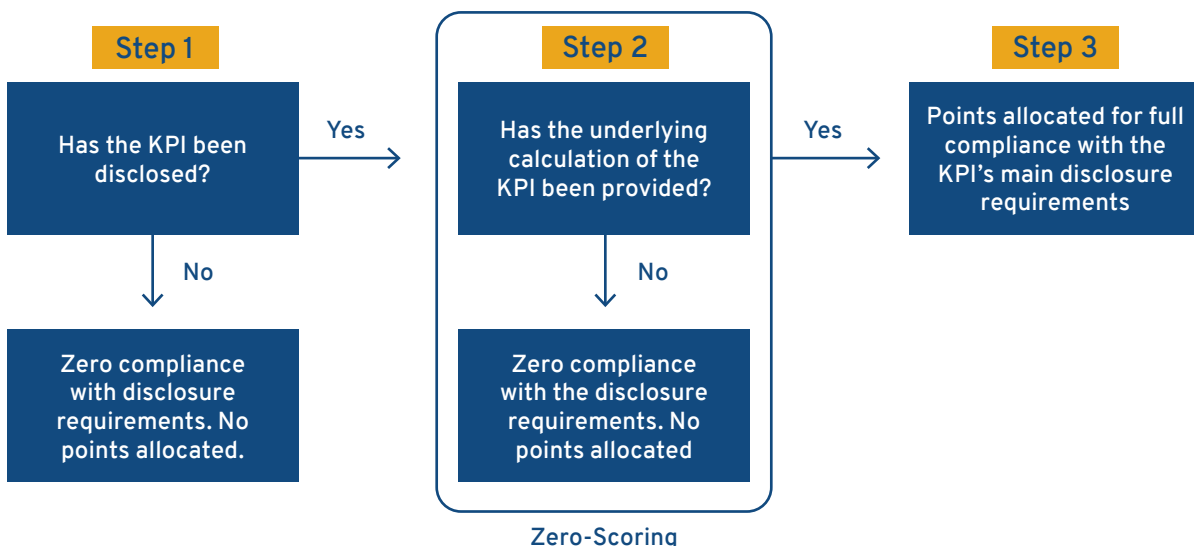
Under the new methodology, a company must demonstrate full compliance with a Performance Measure's main disclosure requirements and the revised rules to be awarded any points. In the event where partial or no compliance is observed, then no points would be granted (i.e. zero compliance).

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.

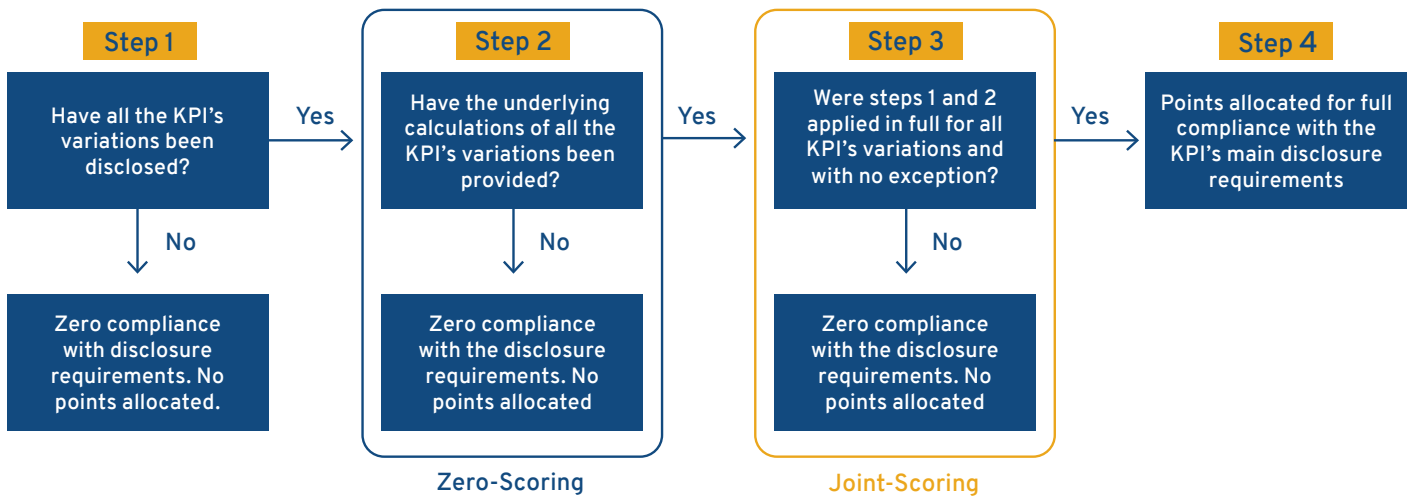


For specific compliance examples, see question 8 of the new methodology [FAQ document](#).

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 specific compliance examples, see question 9 of the new methodology [FAQ document](#).

SECTION 6**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 second 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: like-for-like rental growth and capital expenditure reporting

The questionnaire contains 100 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, EPRA BPR Guidelines)

Company name	Has the company disclosed EPRA earnings?	Has the company disclosed EPRA earnings per share?	Is a reconciliation between IFRS earnings and EPRA earnings given?
	✓ ✗ 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, EPRA BPR Guidelines)

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 are described. For example, 2014 LxL income growth thus compares the NRI of the stabilised portfolio with exactly the same portfolio in 2013.

Company name	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	Does the company disclose basis and assumptions underlying the like-for-like information
	✓ ✗ YES/NO	✓ ✗ YES/NO	✓ ✗ YES/NO	✓ ✗ YES/NO
	LFL growth in absolute amounts ✓ ✗ YES/NO	LFL growth on a percentage basis ✓ ✗ YES/NO	Size, in value, of the total portfolio on which LFL growth is based ✓ ✗ YES/NO	✓ ✗ YES/NO

5 Scoring

a) Global allocation of points

	2020/2021 PTS	2020/2021 WEIGHT
GENERAL RECOMMENDATIONS	2.8	6%
PERFORMANCE MEASURES	36.0	75%
LIKE-FOR-LIKE RENTAL GROWTH AND CAPEX REPORTING	9.2	19%
TOTAL	48	100%

Stronger focus on the seven EPRA Performance Measures.

b) Allocation of points for like-for-like rental growth and capital expenditure reporting

	2017/2018 PTS
LIKE-FOR-LIKE RENTAL GROWTH REPORTING	5.5
CAPITAL EXPENDITURE	3.7
TOTAL	9.2

c) Allocation of points for EPRA Performance Measures

Scoring balanced between all KPIs. All variations of the KPIs, along with their underlying calculations and including all variations of each Performance Measure, must be disclosed to be allocated any points. If this does not apply, then that KPI would be considered as not disclosed and, hence, no points will be allocated. For more details on the scoring criteria, see sections 4 and 5 of this document as well as questions 6-7 in the [FAQ document](#).

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

Scored jointly

6 Secondary review and moderation process

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

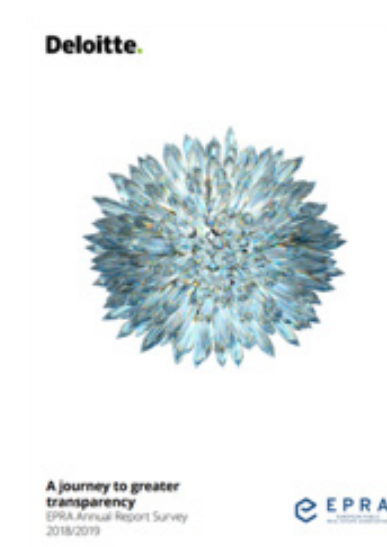
Local managers review the completed questionnaires before sending them to the coordination office. Attention is particularly paid on:

- 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 BPR Awards Publication

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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