

INREV Guidelines updated to remain fit for purpose

- ▶ Relevance of Guidelines increased in aftermath of financial downturn
- ▶ Online format provides customised guidelines, tools and examples
 - ▶ Modular approach includes principles, best practices or requirements, tools and examples
- ▶ Straightforward framework to easily assess and understand compliance

As the association representing the non-listed real estate industry in Asia Pacific, ANREV aims to improve the transparency of and promote best practice and professionalism in the sector. INREV and ANREV members have stimulated and strongly supported the establishment of industry guidelines over the past few years.

According to the 2013 Review of Investor Reporting Trends in Asia Pacific a survey conducted for ANREV by PwC, the overall compliance level with the INREV Reporting guidelines is at 85% within the Fund managers that participated the survey.

The Guidelines provide investors and managers with an integrated set of principles, guidelines and recommendations (including tools and examples) for governance and information provision in relation to non-listed real estate vehicles.

The objectives of the INREV Guidelines are to:

- Establish requirements and best practices within the sector, and to help managers implement them in practice;
- Ensure that investors in non-listed real estate vehicles obtain consistent, understandable, easily accessible and reliable information that can be compared across investments and between different periods.

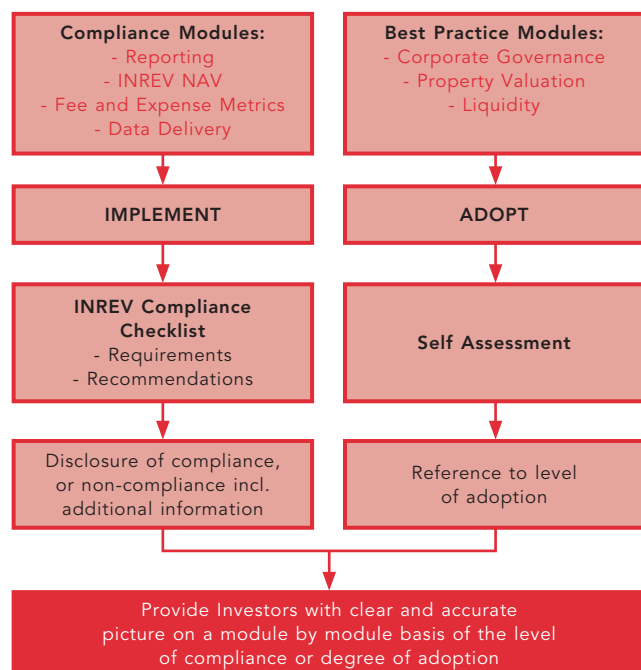
The recently launched INREV Guidelines 2014 the result of 18 months in industry consultation and input, aim to cover a wide range of non-listed vehicles while the previous version covered funds only. Most principles are applicable to different types of non-listed real estate vehicles, but there may be differences in implementation. This could result in the need for further vehicle specific guidelines going forward.

MODULAR COMPLIANCE FRAMEWORK

The INREV Guidelines are designed for non-listed real estate vehicles for institutional investors. Since non-listed vehicles can differ considerably, INREV provides a modular approach to guide investors and managers to agree on an appropriate level of adoption of INREV best practices and decide on the level of compliance with INREV requirements by individual modules.

The Corporate Governance, Property Valuation and Liquidity modules are also best practice modules. The best practices presented in these modules have been developed to enable investors and managers to design non-listed real estate products and to develop and implement an effective corporate governance framework. Managers should evaluate themselves against these best practice frameworks and disclose to investors the extent to which they adopt them.

COMPLIANCE AND ADOPTION FRAMEWORK



The Reporting, INREV NAV, Fee and Expense Metrics and Data Delivery modules are compliance modules. The requirements in these modules, as opposed to best practices, leave no room for interpretation, as they are either followed or not. The level of compliance can be assessed with the help of INREV Compliance Checklists. If all the requirements for an individual module are fully implemented, the manager can disclose full compliance with the relevant module. If the requirements of a module are not fully met, the manager should disclose that the vehicle does not comply with that module of the INREV Guidelines and state the reasons for non-compliance and included any additional information relevant to an investors understanding.

In all cases, managers should present investors with a clear and accurate picture of the degree of best practice adoption and level of compliance with the INREV requirements.

OTHER KEY HIGHLIGHTS

- ▶ Corporate Governance acknowledging AIFMD and reference included where needed
- ▶ Frequency and level of disclosure of reporting related guidelines increased
- ▶ Liquidity guidelines extended for issues, redemptions, fund wind up and extensions
- ▶ An adoption and compliance framework that eases managers to assess and investors to understand adoption and compliance of the Guidelines

WHAT'S INCLUDED:

- ▶ 7 modules: Corporate Governance, Reporting, Property Valuation, INREV NAV, Fee and Expense Metrics, Liquidity and INREV Data Delivery
- ▶ 7 tools: compliance checklist, corporate governance self-assessment tool, due diligence questionnaires for fund managers and for fund of funds managers/ multi-manager, standard non-disclosure note, debt and derivative disclosure note, and SDDS
- ▶ 7 examples: compliance decision tree, statement of level of adoption of INREV Guidelines, sustainability reporting recommendations, capital calls and distribution, INREV NAV computation, calculations and presentation of fee and expense metrics and structure of a private placement memorandum

Ongoing development will see modules, tools and examples added where and when needed.

The full adoption of best practices and compliance with the requirements are likely to be most relevant to funds closest to a 'core' strategy marketed to a wide range of institutional investors.

The level of adoption and compliance with the INREV Guidelines is a matter to be discussed during the launch process of the vehicle. The fund documentation should describe, on a module by module basis, the extent to which the fund aims to be in compliance with INREV Guidelines. INREV does not provide any assurance on the degree of adoption of best practices or the level of compliance with requirements for individual vehicles.

ONLINE GUIDELINES

The INREV Guidelines 2014 are presented in an on-line format, allowing visitors to easily navigate, filter and search through them. After selecting specific vehicle characteristics, the customised guidelines, tools and examples will be given. Most of the guidelines are still primarily tailored towards non-listed real estate funds, but further guidance applicable to specific investment vehicles will be added over time.

It is possible to download a full version of the Guidelines or module by module in a PDF format. Work has already started to allow the creation of custom made PDFs with guidelines for a specific type of vehicle.

The INREV Guidelines can be accessed at www.anrev.org. For further information please contact Professional.Standards@anrev.org