



The Association of Real Estate Funds Code of Practice 2019



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Introduction and aims

About AREF

The Association of Real Estate Funds (AREF) is the voice of the real estate funds industry.

One of our key aims is to ensure that funds offer consistently high products and services to investors and advisers by adopting the highest possible standards of transparency and corporate governance.

This Code, and the policing of it, is the critical element of that aim.

The aims of the Code are to:

- Achieve high standards of transparency across the sector and promote consistency and comparability between funds;
- Provide a framework for good corporate governance within real estate funds;
- Promote standards of best practice concerning the content and format of periodic statements and other promotional documentation;
- Encourage increasing levels of transparency by all funds to existing and potential new investors.
- Promote greater alignment of interests between managers and their investors

Please note:

- With effect from July 2014 the definitive version of the Code is the on-line document. Each section of the Code now carries a separate last-updated date, allowing individual sections to be reviewed as necessary without a wholesale re-write.
- The Code is a working document that will require regular updates to reflect market, regulatory and policy changes. The AREF Corporate Governance Committee will continuously review it in the light of best practice and update no less than annually.
- The Code covers a wide range of real estate funds reflecting the diversity of AREF membership.
- The Code has been prepared to cater for the information needs of “professional” rather than “retail” customers (as defined by the Financial Conduct Authority).
- In any cases of conflict between the provisions of the Code and legislative/regulatory requirements, the latter will take precedence.
- The Code may be supplemented from time to time by other AREF guidance published on the AREF web-site. Links to such guidance will always be available in the Code of Practice section of the AREF web-site ([click here](#) for link).

Disclosure *[last updated: January 2018]*

The Code sets out various disclosure requirements, some of which are minimum standards, and some of which are best practice. Those disclosures which are minimum standards should be supplied to existing and prospective investors on request.

Minimum compliance data is collected by means of a mandatory questionnaire (see Section 1.4) and published in the MSCI/AREF Property Fund Vision Handbook; the handbook is publically available in pdf form on the MSCI web-site ([click here for link](#)) and the questionnaire should be supplied to existing investors and to prospective investors on request.

A key sub-set of the minimum compliance data is automatically downloaded to the fund page of the AREF web-site on a quarterly basis.

In general, the Code is not prescriptive about where the disclosures should be made, because the type of documentation and its contents will vary for different fund types. All funds will have documents relevant to the constitution and marketing of the fund e.g. unit trust instrument and Limited Partnership Agreement, Prospectus, information Memorandum etc.; most (but not all) will produce annual reports, periodic statements and fact sheets, the contents of which will be governed by legal/regulatory requirements; most will maintain a web-site.

It is left to the funds' discretion as to where the information is disclosed.

Compliance

The Code is split into two levels of compliance:

A. Minimum compliance

All funds are required to meet the minimum compliance standards. However, as the Code continues to evolve and raise standards, some funds may find that they are temporarily unable to meet minimum compliance in some areas. In such cases the manager should openly disclose the position so that a strategy and timetable for future compliance can be agreed with AREF.

B. Best practice

The Code also sets out recommended best practice, which funds are expected to adopt wherever possible.

Compliance monitoring *[last updated: January 2017]*

- At least once per calendar year the manager of each fund participating as a member of AREF is required to sign-off the AREF Code of Practice Self-Certification Form (Annex 3), confirming whether or not they are compliant with the Code.
- In addition, the Self-Certification Template (Annex 4) must be completed to aid completion of the Self-Certification Form and assist AREF in its audit of responses.
- The Self-Certification Matrix, summarising responses received, can be found in Annex 5. This is also available on the AREF website.
- The Corporate Governance Committee will monitor the process to identify funds who have failed to complete the annual sign-off or meet minimum compliance.
- Funds are required to include in their annual statements a comment that they comply with the minimum requirements of the Code.
- The Corporate Governance Committee will report the findings from their monitoring to the Management Committee on a regular basis. Persistent non-compliance with minimum standards may lead to suspension from membership.

Non-compliance with the AREF Code of Practice *[last updated: November 2017]*

It is a requirement of AREF membership that each Full Member of AREF must comply, where applicable, with the minimum requirements, of the Code of Practice, and should notify the Board as soon as possible in the event it is unable to do so.

1. If the Board reasonably determines a Full Member is not complying with the Code it may:
 - Request further information as necessary to determine whether or not there has been a breach of the Code of Practice by the Full Member.
 - Determine in its sole discretion whether there has been a breach of the Code by that Full Member.
2. If a breach of the Code is established, the full member should make proposals to remedy the situation in a reasonable period of time.
3. If a Full Member does not comply with the Code of Practice, further to either notification by the Full Member or a Board determination, then a “Warning Notice” may be issued by the Board.

If following receipt of a “Warning Notice” the Full Member has not rectified the Breach within the time specified the Full Member should be a “Defaulting Member” and the Board as its sole discretion can impose any of the following sanctions (or combination thereof).

Sanctions in respect of a Defaulting Member:

1. Private Censure - The Board may issue a Defaulting Member with a letter of Private Censure. The terms of which (including the identity of the Defaulting Member) shall be confidential, but the existence of which AREF shall be permitted to disclose.
2. Public Censure - The Board may issue a Defaulting Member with a letter of Public Censure, the terms of which AREF at its discretion shall be entitled to publicise in full.
3. Suspend membership rights of the Defaulting Member, which the Board in its sole discretion consider necessary or appropriate.
4. Remove the Defaulting Member from Membership, in this circumstance the Board must give the “Defaulting Member” not less than 14 days’ notice of the decision and invite written representation before a decision is made or
5. Issue an Exception Notice to the Defaulting Member, where upon the Full member will not be deemed to be in breach of the Code of Practice (in respect of the area of the Code to which the Exception Notice relates only).

Investors contacting AREF

AREF can be contacted on investors@aref.org.uk. This e-mail address is available for all forms of investor communication, including complaint and feedback,

Before raising issues with AREF, investors should initially make representation to the trustees/manager of the specific fund. If further to these representations the investor is dissatisfied with the responses provided, then investors are encouraged to contact AREF via the above e-mail link.

1. Governance of the fund

1.1 Fund structure and objectives *[last updated: January 2018]*

A. Minimum compliance

1. Funds should disclose:
 - a. The fund type and structure
 - b. Domicile, governing law
 - c. Whether or not the fund is authorised, by which regulator, and the authorisation category, e.g. NURS, QIS, UCITS, PIF, QIF.
 - d. Whether the fund is closed-ended, open-ended or partially open-ended.
2. The following should also be disclosed:
 - a. Investment objectives
 - b. The policy for achieving the objectives
 - c. Any investment restrictions
 - d. The type of investors that are eligible to invest in the fund.
3. Funds should disclose:
 - a. How its policies are agreed and can be changed
 - b. Who is responsible for appointing third party valuers, managing agents and advisors and providing the necessary information
 - c. The conflict of interest policies applicable to the fund, and who has responsibility for identifying, managing and monitoring conflicts of interests; these can be provided on request.

1.2 Management structure and accountability *[last updated: January 2018]*

A. Minimum compliance

1. Funds should supply all fund documentation and details of key appointments to existing investors on request (and to prospective investors on a confidential basis).
2. Funds should disclose the names and contact details of the following as appropriate:

a. Members of the Committee of Management/supervisory board	g. Authorised Corporate Director
b. General partners	h. Custodian/Depositary
c. Registrar	i. Auditor
d. Banker	j. Valuer(s)
e. Individual manager	k. Managing agent(s)
f. Trustee/Managing trustee	l. Solicitors to the fund
	m. Investment adviser
3. The following additional information should be disclosed (if appropriate):
 - a. How the parties listed in 2 above are appointed, their roles and responsibilities and how they can be removed
 - b. Whether appointments are fully discretionary, non-discretionary or advisory. If non-discretionary or advisory, where, ultimately, the decision-making power lies
 - c. Who is responsible for setting investment policy, strategy, restrictions and income distribution policy
 - d. Who is responsible for implementing investment policy
 - e. How adherence to such policies and restrictions are monitored and reported
 - f. Who is responsible for marketing the fund
 - g. Who is responsible for pricing and accounting for the fund
 - h. How the governance structure ensures alignment of interest between the manager and investors eg. carried interest / performance fees
 - i. Details of any “key person” provisions and if so brief details of the operation of the same.
 - j. Whether any co-investment opportunities are capable of being offered to investors and if so the process for doing so.

B. Best practice

1. The roles and responsibilities of all parties involved in running the fund, or who have the ability to set and implement policies or strategies relating to its management, should be clearly disclosed. This should include individuals with significant management influence.

1.3 Fund oversight by supervisory or advisory committees *[last updated: January 2018]*

A. Minimum compliance

Additional information on the role and constitution of the supervisory/advisory committee is set out in Annex 1.

1. Each fund should have oversight by either a supervisory committee with one or more representatives independent of the fund manager and investors or an advisory committee comprised of a mixture of manager and investor representatives. The oversight committee could be either internal or external as long as it is independent of the fund manager who is making the investment decisions. A trustee or depositary appointment is capable of satisfying this requirement.
2. The committee should not be involved in the day to day decision making of the fund.
3. The committee should represent the interests of all investors, including small investors.
4. The committee should have defined terms of reference.
5. The cost of the committee is a valid cost to the fund.
6. The manager has primary responsibility for sound governance of the fund which should not be delegated to the committee.
7. The fund documentation should clearly set out the processes for appointment of the representatives to the supervisory/advisory committee, including duration of appointment and voting arrangements.
8. The manager should ensure that contact details of the supervisory/advisory committee are supplied to all investors on request.
9. The manager should disclose to the investors on request the following information for each representative:
 - a. Name
 - b. Contact details
 - c. Date and term of appointment
 - d. Remuneration, if any.
10. The manager should advise all investors of the dates and times of all supervisory and advisory meetings. Minutes should be produced promptly and supplied to all investors on request.

B. Best practice

1. It is best practice for the chair to be independent of the manager and investors.
2. It is best practice for the manager not to be represented on the committee, but consulted upon when required.
3. The Fund's annual report should contain a statement from the committee chair outlining the contribution the committee has made to the governance of the fund over the preceding year.
4. We would expect members of the supervisory committee to be covered by appropriate liability/professional indemnity insurance arrangements, which will be a valid fund cost.
5. Members of the advisory committee have no liability to the investors of the fund and it is usual for the fund documentation to provide members with an indemnity.

1.4 Transparency and decision making *[added: January 2018]*

A. Minimum compliance

1. The manager should maintain an open dialogue with investors:
 - a. All investors should receive the same published information.
 - b. A summary of performance and fund activity should be supplied to all investors at quarterly (or other agreed frequency). This should include details of performance relative to fund benchmarks, objectives, targets and fund operating constraints (as applicable).
 - c. Annually (or as otherwise agreed) the manager should update investors on the strategy or business plan to achieve fund objectives, highlighting any risks to achievement and the managers proposals to mitigate or manage them.
 - d. Material matters that arise outside of the reporting cycle should be communicated to investors as appropriate on a timely basis. This may cover significant regulatory, governance or constitutional matters but not matters that would ordinarily be captured within the reporting on normal fund activities.
 - e. Investor feedback on information requirements should be taken into account in determining information provision for all investors where reasonable to do so.
 - f. Investors should be able to see the procedures for management of conflicts of interest. This should be provided in a timely manner and be relevant to the actual conflict of interests policies of the fund.
2. When funds have entered into side letters the existence of these should be disclosed to all other investors.

B. Best practice

1. Assurance audits on the manager's internal controls should be undertaken annually and the results supplied to investors. To the extent that no such controls assurance review takes place, the manager should supply details to investors setting out how a robust control framework is monitored and maintained.

1.5 Termination of the appointment of the manager *[added: January 2018]*

A. Minimum compliance

1. The fund documentation should include:
 - a. A disclosure of who can terminate the manager instruction.
 - b. The grounds for termination.
 - c. The process for termination including notice, compensation and conflict voting.
 - d. The manager's right to challenge notice/appeal, if applicable.
 - e. Treatment of manager's co-investment and carried interest.

1.6 Reporting *[last updated: January 2018]*

A. Minimum compliance

Each fund should:

1. Complete in full and submit the quarterly MSCI/AREF Pooled Property Questionnaire within a calendar month of the end of each quarter and distribute to investors on request.
2. Detail a clear ESG (environmental, social, governance) strategy and supply environmental data for the fund (energy and associated greenhouse gas emissions).
3. Ensure that any annual/periodic statements as required under legislative/regulatory requirements are completed in a timely fashion.
4. Disclose if there are preferential fees and other terms for investors or prospective investors.
5. Disclose under which accounting standards the accounts are prepared.
6. Disclose the Standard NAV calculated in accordance with AREF's Fund Pricing Recommendations (August 2014). Any distributions not already deducted as a liability in the accounting NAV should be deducted in determining the Standard NAV.

B. Best practice

1. Any annual statement should incorporate a manager's report including the following where applicable:
 - a. The objectives of the fund, including annual objectives based on the ESG strategy for the fund.
 - b. The manager's policy for achieving the objectives.
 - c. Any investment/compliance restrictions.
 - d. A review of the investment activities during the period under review.
 - e. A review of ESG risks, opportunities and performance against the fund or manager's own strategy and targets, including absolute and like-for-like environmental data covering energy, greenhouse gas emissions, water and waste.
 - f. A statement of any consolidation or subdivision of units.
 - g. Any other significant information which should reasonably be disclosed.
 - h. Changes in key personnel during the period under review.
2. Annual statements should also include a performance record containing the data set out in Annex 2.

1.7 Confidentiality *[added: March 2016]*

Background

Confidential (non-public) information falls into 3 categories:

- Proprietary information - this may have competitive or commercial value.
- Inside information - concerning finances, operations and strategy.
- Sensitive information - in respect of past or future proceedings or deliberations.

Unauthorised disclosure of confidential information may:

- Impact or imperil a fund's competitive advantage or commercial success.
- Lead to illegal insider trading/manipulation of stock/units pricing.

Policy/fund documentation

- Confidentiality policies applicable to the fund should clearly set out/explain obligations owed by managers and investors in respect of provision, receipt and communication of confidential information.
- There is a tension between a need to maintain confidentiality, and a need for transparency. Managers are encouraged to be as transparent as reasonably practicable, and where necessary to supply information via confidentiality agreement.

A. Minimum compliance

1. Managers are required to disclose their policy in relation to the management and dissemination of confidential information.

1.8 End of fund life *[added: January 2017]*

The [End of Fund Life Report](#) provides guidance prepared by AREF/INREV in respect of the end of a fund's life and contains guidance in respect of considerations and procedures to be taken into account when closed ended funds approach their termination date, and term extension is being considered. It provides detailed commentary around minimum and best practice guidelines. Appendix 3 of the guidance includes recommendations to managing the extension process.

A. Minimum compliance

1. Funds within the last two years of their termination date or entering into restructuring discussions are required to substantially adhere to the guidelines and recommendations contained within the End of Fund Life Report.

2 Operating the fund

2.1 Property valuations *[last updated: January 2015]*

These valuation guidelines aim to provide a common approach to property valuation, to achieve a consistent and transparent approach to asset valuation and reporting.

A. Minimum compliance

1. Property valuations should be undertaken by professionally qualified independent valuers, with transparent investor reporting.
2. Fund documentation should include valuation methodology, including frequency of valuation
3. The valuer appointment should be regularly reviewed, at least every 3 years; such review to consider implementation of the RICS valuer rotation guidelines.
4. Record keeping is key to auditing the independence of the valuer and the valuation process. Records should be retained of all correspondence between the valuer and the manager, all valuation changes should be recorded together with a rationale/explanation for the change.
5. In preparation for the valuation the manager should supply to the valuer comprehensive and transparent information to enable the valuer to come to their opinion of value.
6. The valuer should comply with the relevant professional valuation standards and the accounting standards adopted by the fund and inform the manager of the implications of any changes.
7. Disclosures should include a statement outlining:
 - a. The methodology used to value the property and other investments of the fund.
 - b. Where applicable, a statement that the basis for valuing a particular investment has changed since the previous periodic statement and the reasons why.
 - c. The frequency of valuations.
 - d. Where investments are shown in a currency other than the usual one used for valuation of the portfolio of the fund, the relevant currency exchange rates must be shown.
 - e. All valuations shall be carried out on a "Fair Value" basis as defined in the RICS Appraisal and Valuation Manual (Red Book). Any valuations undertaken internally or not independently should be clearly highlighted, with reasons why.
 - f. Who appoints the valuer and to whom the valuer reports/has its fiduciary duty.

B. Best practice

1. All property investments should be valued at least quarterly.
2. All investments must be valued on the same date, or on the best available date. The valuation of any assets and dates of the valuations of any assets valued, other than on the same date as the rest of the portfolio, should be disclosed.

2.2 Cash and money market instruments *[last updated: January 2018]*

A. Minimum compliance

1. Disclosures should include a clear statement on the fund's cash restrictions or other money market instrument restrictions.

B. Best practice

1. Counterparty exposures for all financial instruments (i.e. for cash, swaps, debt etc.) should be disclosed in the annual report together with other financial risks such as foreign exchange.

2.3 Gearing *[last updated: July 2014]*

A. Minimum compliance

1. Each fund must disclose its maximum permitted level of gearing.
2. All funds should disclose the total exposure to gearing - both gross and net of cash balances held by the fund (whether on or off balance sheet) as at the balance sheet date as a percentage of net asset value as compared to the maximum permitted level of gearing.
3. Whether it has exceeded maximum permitted level of gearing.

B. Best practice

1. Each fund should show:
 - a. The amount of each variable rate loan and the interest rate terms
 - b. The amount of each fixed rate loan, the interest rate and the date on which the loan is due for repayment, together with the cost of breaking the loan facility
 - c. The amount of any interest rate swaps, the rate of the swap and the date on which the swap expires
 - d. For each of the above, the name of the counterparty, the value of any security, and the market value
 - e. The fund's proportionate share of the debt and cash of each of any collective investment scheme property.

In addition:

2. All financial instruments should be accounted for at fair value in accordance with the appropriate accounting standards adopted. In this way any hedging instruments will be marked to market and included within a fund's reported NAV.
3. Where a fund is exposed to fixed rate liabilities that are not accounted for at fair value as per above recommendation, there should be an appropriate adjustment made to the fund's pricing to reflect the fair value of such liabilities.

2.4 Use of derivatives *[last updated: January 2018]*

This section only applies to funds which are permitted to use and are currently using derivative instruments.

A. Minimum compliance

1. Funds should ensure that their use of derivatives is appropriate, having regard to the investment objectives and policies and the risk profile of the fund.
2. Risks in respect of the use of derivatives (including, where appropriate, in respect of the exchange of collateral and ensuring the availability of margin and other amounts which may become payable by the fund) should be appropriately monitored and managed.
3. The fund should be compliant with applicable national and international rules relating to the use of derivatives.
4. To the extent relevant, funds should disclose on request:
 - a. Whether they had a derivatives exposure at the date of their last property valuation.
 - b. The maximum permissible derivative exposure.
 - c. Nature and status of counterparties.
 - d. Whether collateral is exchanged.
 - e. The rationale for use of derivatives.
 - f. How and in what circumstances they would use derivatives.
 - g. The type of derivatives used.
 - h. The accounting policy adopted, for example, IFRS or other applicable accounting standards prevailing at the time.
 - i. Contract size
 - j. Contract duration
 - k. Index
 - l. Potential cash flow impact arising from the derivative and a valuation of the derivatives in accordance with IFRS or other applicable accounting standards prevailing at the time, including any fair valuation requirements.

2.5 Indirect property investments *[last updated: July 2014]*

A. Minimum compliance

1. Funds should disclose:
 - a. For each indirect investment, how they are valued and how often
 - b. Policy rationale for investing in indirect property
 - c. Exposure to indirect investments
 - d. Details of any internal (in-house) managed investments.

2.6 Distributions *[last updated: January 2017]*

A. Minimum compliance

Where applicable, funds should disclose:

1. Their policy for income and capital distributions
2. Where it is their policy to distribute income:
 - a. The frequency of their distributions
 - b. Requirements for withholding tax
 - c. The timing of the distributions and the date on which the units/participations in the fund are declared “Ex” distribution
 - d. The expected timing of the payment of the distributions.
3. The fund should calculate its historic yield by expressing the income distributions (gross of tax) per unit over the previous 12 months as a percentage of their net asset value per unit as at the end of the period.

B. Best practice

1. Income distributions should be paid on fixed dates within two months of the end of the related distribution period, unless otherwise agreed with investors.
2. Capital distributions should be distributed as soon as practicable unless the fund permits otherwise.
3. Funds should disclose whether they have the ability to defer/suspend distributions; if so, any suspensions should be reported on a regular basis.

2.7 Management fees and other expenses *[last updated: January 2018]*

A. Minimum compliance

1. Information should be provided on request with regard to:
 - a. The annual fees payable to the manager/trustee/other related parties, including the manager of indirect property investments.
 - b. The basis on which the annual fees are payable (whether percentage of capital or income and actual percentage).
 - c. Details of performance fee or carried interest, where applicable, including how the fees are calculated and paid, and any claw-back arrangements. Any fees which relate to but are not paid during the period should be estimated and accrued in accordance with applicable accounting standards.
 - d. Any other fees payable to the manager/trustee/other related parties.
 - e. Fee rebates (e.g. where one fund invests in another fund run by the same management company).
2. All funds should comply with the AREF Guidance on Expense Ratios ([click here for link](#)). This sets out recommended minimum disclosures for expense ratios based on NAV, and optional disclosures for ratios based on gross asset value (“GAV”) as follows:

Item	% of NAV per annum	Disclosure Requirement
(A) Fund Management Fees		Minimum Compliance for NAV, optional for GAV.
(B) Fund Operating Expenses		Minimum Compliance for NAV, optional for GAV.
(C) Total Expense Ratio (TER) (A+B)		Minimum Compliance for NAV, optional for GAV
(D) Property Expense Ratio (PER) (excludes items in TER)		Minimum Compliance for NAV, optional for GAV.
(E) Real Estate Expense Ratio (REER) (TER + PER)		Minimum Compliance for NAV, optional for GAV
(F) Transaction Costs		Minimum Compliance for NAV, optional for GAV.
(G) Performance Fees		Minimum Compliance for NAV, optional for GAV.

3. Funds are required to disclose a portfolio turnover ratio which indicates how much of the turnover in the portfolio has been driven by investment and withdrawals from the fund.

B. Best practice

1. Disclosures should include a statement of the fund's policy on which costs are borne from the fund and:
 - Paid from capital
 - Paid from income

2.8 Insurance and service charge rebates *[last updated: July 2014]*

A. Minimum compliance

1. The policy on insurance and service charge rebates should be disclosed to investors. Also, funds should disclose if they have retained the commission and/or service charge rebates and amounts retained on a gross basis.

2.9 Disaster recovery *[last reviewed: January 2018]*

A. Minimum compliance

1. The manager should have a disaster recovery plan in place to enable quick recovery and resumption of normal operations following an incident.

3. Unit pricing, dealing and performance

3.1 Unit pricing and dealing (subscriptions and redemptions) *[last updated: January 2018]*

A. Minimum compliance

1. Disclose to investors:
 - a. Confirmation the fund is priced at the 'Standard NAV' for all investors. If not, an explanation of the key differences should be provided (See [AREF Fund Pricing Guidance](#)).
 - b. The accounting rules being applied eg. IFRS, UK GAAP etc.
2. Fund prospectus, documentation and placement documentation should contain clear and explicit description of subscription and redemption policies. Such disclosure should include:
 - a. Subscription process and expected timeframe for an investor to become fully invested
 - b. Redemption process and expected timeframe for an investor to be fully disinvested
 - c. Full details of how subscription/redemption prices are calculated, and by whom including the basis of valuation for the real estate assets and any special instructions given to the valuer.
 - d. All subscription/redemption premiums/discounts, the size of the subscription/redemption queue, changes in market prices and timing of redemptions.
 - e. Details of multiple unit classes with different terms (subject to confidentiality)
 - f. Whether subscription/redemptions are revocable and the basis of such decisions.
3. Managers must clearly disclose:
 - a. The circumstances under which the subscription and redemption process or pricing could be varied and what variations are permitted by the manager/fund
 - b. The circumstances where the subscription or redemption policy and process may be changed by the manager without requiring consent of the investors
4. Subscription/redemption policies should be
 - a. Fit for purpose and able to meet demands of the entire property cycle for the relevant fund strategy.
 - b. Only capable of amendment with investor consent or notification, as applicable.
5. Communication between the manager and investors, or their representatives, should be in the form of:
 - a. Clear and comprehensive subscription/redemption policies which are readily supplied to existing and potential investors, even if the policies are also specified, in whole or in part, in the original fund documentation.
 - b. At least quarterly communications and more frequently at times of high subscription and redemption activity.
 - c. Reporting to investors which should include details of:
 - i. Liquidity, current and potential, taking into account the purchase/sale transaction pipeline by level of certainty.
 - ii. Current subscription and redemption queues by amounts and timescales should be reported or shared on request.
 - iii. Investor concentration by unit class, in the case of funds with multiple unit classes having differing terms.

B. Best practice

Reporting to new and existing investors should explain:-

1. The liquidity (or illiquidity) of the underlying investments within the portfolio, including the percentage of the fund invested in closed-ended structures, the terms for liquidation of those assets and any consents required.
2. If an investors' waiting list is in operation. Each fund is encouraged to adopt and disclose clear policies detailing the approach to managing the investors' waiting list for both subscriptions and redemptions, and explain any circumstances where the fund has been unable to meet its subscription and redemption policy processes or obligations.
3. How many redemption notices were received and not settled at the date of the report. Information should be presented in such a way that investors can clearly see current and future subscription and redemption liabilities of the fund.
4. If appropriate, confirmation that the fund's bid and offer prices have been determined in accordance with AREF's Fund Pricing Recommendations (August 2014). If not, an explanation of the key differences should be supplied.

3.2 Secondary market *[last updated: January 2018]*

A. Minimum compliance

1. The manager should disclose whether or not units can be traded on the secondary market and, if so, whether the manager can facilitate such trades.

B. Best practice

1. Details of any secondary market dealing in the fund's units should include:
 - a. Details of any firm acting as broker of secondary market trades in the units.
 - b. Commission payable on dealing where the manager acts as a broker.
 - c. Where the manager acts as a broker:
 - i. The system used to match units
 - ii. The process for allocation of units to investors.

3.3 Unit turnover *[last updated: March 2016]*

A. Minimum compliance

1. Where applicable, disclosures should include a statement as to the total number of units were:
 - a. Created
 - b. Redeemed
 - c. Matchedin the last accounting period.

3.4 Investor analysis *[last updated: July 2014]*

A. Minimum compliance

1. The following information, or similar, should be disclosed either in the banding set out below or as deemed appropriate to illustrate the profile of the beneficial ownership of the fund:

Ownership Band	Number of Beneficial Owners	Total Percentage Holding
Less than 3% of the units in issue		
3% or greater but less than 10%		
10% or greater but less than 20%		
Greater than 20%		
Total number of units in issue at the end of the period		
Percentage held by largest investor		

B. Best Practice

1. The disclosures should include an analysis of:
 - a. Percentage of units held by top 5 investors
 - b. Percentage held/controlled where an investment manager acts on behalf of underlying clients

3.5 Historical performance *[last updated: January 2018]*

AREF's preferred performance measurement service is the MSCI/AREF UK Quarterly Property Fund Index (PFI) although it is recognised that not all funds may be able to participate in it.

A. Minimum compliance

1. The investment performance of funds should be verified and reported, at least quarterly, by an industry recognised independent measurer. Performance data should be disclosed as in Annex 2.
2. Full members are obliged to comply with the rules of the indices (http://www.aref.org.uk/sites/default/files/UKPFI_IndexRules_Feb2013_2015-06.pdf) and the manager is accountable for the timeliness and accuracy of all data supplied to MSCI.

3.6 Performance objectives & fund benchmarks *[last updated: March 2016]*

A. Minimum compliance

1. Funds are required to disclose fund performance against the performance objective (eg peer group benchmark, absolute return target), both measures being calculated by the same methodology.
2. Each fund should use its “benchmark” consistently over time: a full explanation should be supplied should it become necessary for a benchmark to be changed.

B. Best practice

1. Funds should make available their performance against a suitable sub-set of peer group funds from the PFI.
2. Funds should compare their ESG performance against peer group funds. AREF’s preferred ESG performance measurement service is the Global Real Estate Sustainability Benchmark (GRESB) although it is recognised that not all funds may be able to participate in it.

Annex 1: Fund oversight by supervisory or advisory committees

[last updated: January 2018]

Introduction

These notes contain recommendations on minimum standards and best practice in a number of areas, aimed at promoting transparency in the industry, and should be considered in conjunction with the requirements of the AREF Code of Practice.

Given the diversity of fund types within AREF's membership not all of the following may apply to a particular fund and some funds may not be able to comply with specific recommendations due to restrictions in fund documentation. Nevertheless, if funds are capable of complying, but managers choose not to, they should explain to existing and potential investors the reasons for non-compliance.

If any of the matters referred in this note are the subject of formal regulation applying to the fund, such regulation takes precedence over this guidance.

During the writing of this guide AREF has been mindful of the principles of the UK Corporate Governance Code produced by the Financial Reporting Council.

Fund oversight and investor representation can take a range of different forms. However, for most funds oversight by a committee can be split into two distinct categories based upon the composition of the committee representation.

Oversight committees can either be

- Supervisory (independent), or
- Advisory (not truly independent unless best practice is followed).

A supervisory committee should comprise one or more members who are wholly independent of the manager. These officers will be appointed for their appropriate market knowledge, experience and qualifications. They will represent the investors to provide constructive challenge to the manager without taking away the discretion or accountability of the manager for investment performance or fund strategy, or of the depositary (if appropriate).

An advisory committee in contrast will not have the same level of independence of a supervisory committee. It is usual for advisory committees to be comprised of a mixture of manager and investor representatives, often chaired by either an investor or manager representative on a rotating basis. An advisory committee cannot be considered truly independent and it may not necessarily act for all investors collectively.

The supervisory committee shall be allowed direct access to the valuer, trustees and auditors and all reports produced by them to assist it in performing its role.

Guidance

Managers should, in order to try to ensure that principles of sound corporate governance are observed in the management of funds, appoint either a supervisory or advisory committee with, where possible, independent members, including an independent chair.

The committee should not be involved in the day to day decision making of the fund.

The committee should have defined terms of reference.

The cost of the committee is a valid cost to the fund.

The manager has primary responsibility for sound governance of the fund which should not be delegated to the committee.

Supervisory committee

Role of supervisory committee

- Each member of the supervisory committee should declare any potential conflicts of interest. A member must not participate in any decision affected by a conflict of interest.
- The supervisory committee will recommend to the investors/trustee for consideration all changes to the appointment of the manager, key persons, manager fees or other terms of the fund in accordance with the constitutional documentation of the fund.
- The supervisory committee's duties will include oversight of the performance of the manager, relative to the business plan, compliance by the manager with AIFMD (if relevant) compliance with the appointment/constitutional documentation and other relevant legislation.
- The supervisory committee should monitor the manager and undertake regular reviews of subscription and redemption policies.
- The supervisory committee should oversee and review end of life processes for closed-ended funds

- The supervisory committee should not carry out any investment or regulatory activities (as defined by FCA), which, for the avoidance of doubt, includes specific approval to any investment or divestment decisions.
- The supervisory committee shall have an opportunity to review the annual and interim report and accounts, which should contain:
 - i. clear definitions of the supervisory committee's role and the role of the manager
 - ii. confirmation that the supervisory committee has undertaken its responsibilities for the period under review
- Oversight of investors' complaints received via the manager or directly by the committee

Constitution of supervisory committee

- The supervisory committee should be subject to election by unit holders/investors with re-election of members at regular intervals on a rotating basis. Unit holders/investors may propose their own nominations if allowed to do so under constitutional documentation.
- Appointment of members beyond a six year term should be subject to rigorous review, and take into account the need for progressive refreshing of the committee.
- The representation of the supervisory committee should be multi-disciplined with members selected for relevant experience and qualifications for the roles required.
- The majority of members of the supervisory committee should be independent of the manager. For the avoidance of doubt, a member is not independent if she or he has been in full time employment of the operator or property manager (or member of the group or associated company) within the previous five years or has had a material relationship within the last three years.
- It is best practice for the manager not to be represented on the committee, but consulted upon when required.

Liability/indemnity

It is considered to be best practice for members of the supervisory committee to be covered by appropriate liability/ professional indemnity insurance arrangements which will be a valid fund cost.

Advisory committee

Role of the advisory committee

The role of the advisory committee is the same as a supervisory committee.

Constitution of Committee

- The committee will often be comprised of a mixture of investor, manager and external representatives, and nominated by the investor group.
- It is best practice for the manager not to be represented on the committee but will be required to attend to present reports and administer the meeting.
- It is best practice for the chair to be independent of the investors and manager.
- The committee representatives should be selected for their knowledge, experience and qualifications.
- The committee should ideally be constituted to include a range of professional skills (not just property).
- The committee should comprise of an appropriate balance of representation of investors both by size and type, and shall be regularly reviewed.
- The advisory committee should be representative of the investor base with smaller investors being collectively represented by a separate committee member.

Liability/indemnity

- It is best practice for the members of the advisory committee have no liability to the investors of the fund.
- It is considered to be best practice for the fund documentation to provide them with indemnity.

Communication and disclosure

- The fund documentation should clearly set out the processes for appointment of directors, including duration of appointment and voting arrangements (if not prescribed in fund documentation).
- The manager should also ensure that contact details of the supervisory/advisory committee, where appropriate, are supplied on request.
- The manager should disclose the following information for each representative:

- Name
 - Contact details
 - Date and term of appointment
 - Remuneration, if any.
- The minutes of all committee meetings should be supplied to all investors on request.
 - It is considered to be best practice that the fund's annual report contains a statement from the committee chair outlining the contribution the committee has made to the governance of the fund over the preceding year.

Annex 2: Performance data *[last updated: January 2015]*

For open and semi-ended funds:

A performance record over the last five annual accounting periods for units in each class of units in issue during each of those years detailing:	<ol style="list-style-type: none"> 1. The highest issue price. 2. The lowest cancellation price. 3. The gross of tax net of expenses income distributed over the period (or, for accumulation units, allocated), taking account any sub-division or consolidation of units that occurred during that period. 4. The Gross Yield (%), which is the gross of tax, net of expenses distribution for the last 12 months expressed as a percentage of the latest NAV ⁽¹⁾. 5. Time weighted, annualised performance for the quarter, and one, three and five years to the end of the period under review. 6. An appropriate analysis of performance, e.g. by location/property type.
As at the end of the last five annual accounting periods	<ol style="list-style-type: none"> 1. The total NAV of the scheme property at the end of each of those years. 2. The NAV of each class of unit. 3. The number of units of each class in existence or treated as in existence.

b. For closed-ended funds:

A performance record over the last five annual accounting periods for units in each class of units in issue during each of those years detailing:	<ol style="list-style-type: none"> 1. The gross of tax net of expenses income distributed over the period (or, for accumulation units, allocated), taking account any sub-division or consolidation of units that occurred during that period. 2. The Gross Yield (%), which is the gross of tax, net of expenses distribution for the last 12 months expressed as a percentage of the latest NAV ⁽¹⁾. 3. Time weighted, annualised performance for the quarter, and one, three and five years to the end of the period under review. 4. An appropriate analysis of performance, e.g. by location/property type.
As at the end of the last five annual accounting periods	<ol style="list-style-type: none"> 1. The total NAV of the scheme property at the end of each of those years. 2. The NAV of each class of unit. 3. The number of units of each class in existence or treated as in existence.

- (1) The methodology in above applies a consistent approach to the calculation of income returns and current yields. Where funds quote current yields that may be published in the *FT* and elsewhere, these should similarly be calculated as the sum of the gross of tax, net of expenses income distributed over the previous 12 months expressed as a percentage of the current offer price.

Annex 3: AREF Code of Practice Self Certification Form *[last updated: April 2019]*

[Link to Self Certification Form.](#)

Annex 4: AREF Code of Practice Self Certification Template *[last updated: April 2019]*

[Click here for link to the online Self Certification Template](#)

Annex 5: AREF Code of Practice Self Certification Matrix *[last updated: April 2019]*

[Click here for link to the online Self Certification Matrix](#)



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