The Association of Real Estate Funds
Code of Practice
January 2015

AREF

Contents

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 fund members 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 disclosure by all member funds to existing and potential new investors.

Please note:

1. 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.
2. 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 and republish it as necessary.
3. The Code covers a wide range of real estate funds reflecting the diversity of AREF membership.
4. The Code has been prepared to cater for the information needs of “professional” rather than “retail” customers (as defined by the Financial Conduct Authority).
5. In any cases of conflict between the provisions of the Code and legislative/regulatory requirements, the latter will take precedence.
6. 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: 31/12/14]*

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 available 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 AREF/IPD Property Fund Vision Handbook; the handbook is publically available in pdf form on the IPD web-site (click here for link) and the questionnaire should be made available 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' headings should be made, because the type of documentation and its contents will vary for different fund types. All members 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 members' discretion as to where the best practice information is disclosed but the member's page of the AREF web-site should state where more detailed information on the fund can be obtained.

Compliance

The Code is split into two levels of compliance:

A. **Minimum compliance**

All members 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 members are expected to adopt wherever possible.

Compliance monitoring *[last updated: 31/12/14]*

1. 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.
2. The Corporate Governance Committee will monitor the process to identify members who have failed to complete the annual sign-off or meet minimum compliance.
3. Member funds are required to include in their annual statements a comment that they comply with the minimum requirements of the Code.
4. 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.

1. Governance of the fund

1.1 Fund structure and objectives *[last updated: 30/06/14]*

A. Minimum compliance

1. Members should disclose:

- The fund type and structure
- Domicile, governing law
- Whether or not the Fund is authorised, by which regulator, and the authorisation category, e.g. NURS, QIS, UCITS, PIF, QIF.
- Whether the fund is closed-ended, open-ended or partially open-ended (see 3.1 below).

2. The following should also be disclosed:

- Investment objectives
- The policy for achieving the objectives
- Any investment restrictions
- Which types of investors are eligible to invest in the fund.

3. An investor should be able to see clearly:

- How such policies are agreed and can be changed
- Who is responsible for providing all relevant information to valuers, managing agents and the team responsible for pricing the fund to allow them to perform their functions effectively
- Whether appointments are fully discretionary, non-discretionary or advisory. If non-discretionary or advisory, where, ultimately, the decision-making power lies
- Who is responsible for managing conflicts of interest.

1.2 Management structure and accountability *[last updated: 31/12/14]*

A. Minimum compliance

1. Members should make available all fund documentation and details of key appointments to existing investors on request (and to prospective investors on a confidential basis).

2. Members should disclose the names and contact details of the following as appropriate:

- Members of the Committee of Management/supervisory board
- General partners
- Registrar
- Banker
- Individual manager
- Trustee/Managing trustee
- Authorised Corporate Director
- Custodian/Depositary
- Auditor
- Valuer(s)
- Managing agent(s)
- Solicitors to the fund
- Investment adviser

3. The following additional information should be disclosed:

- How the parties listed in 2 above are appointed and how they can be removed
- Who is responsible for setting investment policy, strategy, restrictions and income distribution policy
- Who is responsible for implementing investment policy
- How adherence to such policies and restrictions are monitored and reported
- Who is responsible for marketing the fund
- Who is responsible for pricing and accounting for the fund

B. Best practice

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 stated. This should include individuals with significant management influence.

1.3 Fund oversight by supervisory or advisory committees *[last updated: 31/12/14]*

A. Minimum compliance

1. Each fund should have oversight by either a supervisory committee with one or more representatives wholly independent of the manager and investors or an advisory committee comprised of a mixture of manager and investor representatives.

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 available to all investors on request.

   The manager should disclose to the investors the following information for each representative:

   - Name
   - Brief CV
   - Term of current appointment
   - Date of initial appointment
   - Remuneration, if any.

9. The minutes of all committee meetings should be made available to all investors on request.

B. Best practice

1. The best practice for the role and constitution of the supervisory/advisory committee is set out in Annex 1.
2. The chair of a Supervisory Committee should be independent of the manager and Investors.
3. It is best practice for the manager not to be represented on the committee, but consulted upon when required.
4. 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.
5. 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.
6. 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 Reporting *[last updated: 31/12/14]*

A. Minimum compliance

Each fund should:

1. Complete and submit the quarterly AREF/IPD Pooled Property Questionnaire within a calendar month of the end of each quarter.
2. Have Socially Responsible Investment (SRI) and Environmental Social Governance (ESG) policies available on request.
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. State under which accounting standards the accounts are prepared (if prepared).
6. Disclose the Standard NAV calculated in accordance with AREF's Fund Pricing Recommendations (August 2014) (click here to view) distributions not already deducted as a liability in the accounting NAV should be deducted in determining the Standard NAV.

B. Best Practice

1. To measure and monitor the fund's ESG performance against the fund or manager's own policy and to publish the results to investors.
2. Any annual statement should incorporate a Manager's report including the following where applicable:

- The objectives of the fund
- The Manager's policy for achieving the objectives
- Any investment/compliance restrictions
- Procedure for management of conflicts of interest
- A review of the investment activities during the period under review
- A statement of any consolidation or subdivision of units

- Any other significant information which should reasonably be disclosed to enable an investor to make an informed judgement on the development of the activities of the fund during the period under review units awaiting creation/redemption, and in the case of redemptions, if any of these have been deferred (does not apply to closed-ended funds)
- Changes in key personnel during the period under review.

Annual statements should also include a performance record containing the data set out in Annex 2.

2. Operating the fund

2.1 Property valuations *[last updated: 31/12/14]*

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 provide 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.

Disclosures should include a statement outlining:

1. The methodology used to value the property and other investments of the fund.
2. Where applicable, a statement that the basis for valuing a particular investment has changed since the previous periodic statement and the reasons why.
3. The frequency of valuations.
4. 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.

5. 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.

6. Who appoints the valuer and to whom the valuer reports/has its fiduciary duty.

B. Best practice

All property investments should be valued at least quarterly.

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: 30/06/14]*

A. Minimum compliance

Disclosures should include a clear statement on the fund's cash restrictions, including the minimum/maximum percentage of NAV that the fund may hold in cash or money market instruments.

B. Best practice

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: 30/06/14]*

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

Each fund should show:

- The amount of each variable rate loan and the interest rate terms
- 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
- The amount of any interest rate swaps, the rate of the swap and the date on which the swap expires
- For each of the above, the name of the counterparty, the value of any security, and the market value

- The fund's proportionate share of the debt and cash of each of any collective investment scheme property.

In addition:

- 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.
- 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: 30/06/14]*

(Including both interest rate hedging and other forms of derivatives)

A. Minimum compliance

Members should disclose:

1. Whether they are authorised to use derivatives.
2. Whether they had a derivatives exposure at the date of their last property valuation.
3. The maximum permissible derivative exposure.
4. The rationale for use of derivatives.
5. How and in what circumstances they would use derivatives.
6. The sector to which they relate.
7. The type of derivatives used.
8. The accounting policy adopted.

B. Best practice

Disclosures should include a detailed statement on exposure to property derivative market that outlines the:

- Contract size
- Contract duration
- Index
- Price
- Potential liability/profit.

2.5 Indirect property investments *[last updated: 30/06/14]*

A. Minimum compliance

Members should disclose:

1. For each indirect investment, how they are valued and how often
2. Policy rationale for investing in indirect property
3. Exposure to indirect investments
4. Details of any internal (in-house) managed investments.

2.6 Distributions *[last updated: 30/06/14]*

A. Minimum compliance

Where applicable, members should disclose:

1. Their policy for income and capital distributions

2. Where it is their policy to distribute income:

   - The frequency of their distributions
   - Requirements for withholding tax
   - The timing of the announcement of the amount of the distributions and the date on which the units/participations in the fund are declared "Ex" distribution
   - The expected timing of the payment of the distributions.

3. The fund should calculate its distribution yields 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

- Income distributions should be paid on fixed dates within two months of the end of the related distribution period, unless otherwise agreed with investors.
- Capital distributions should be distributed as soon as practicable
- Members should state 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: 30/06/14]*

A. Minimum compliance

1. A statement should be made as to:

   - The annual fees payable to the manager/trustee/other related parties, including the manager of indirect property investments.
   - The basis on which the annual fees are payable (whether percentage of capital or income and actual percentage).
   - 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.
   - Any other fees payable to the manager/trustee/other related parties.
   - Fee rebates (e.g. where one fund invests in another fund run by the same management company).

2. All members 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. Members are required to publish 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: 30/06/14]*

A. Minimum compliance

The policy on insurance and service charge rebates should be disclosed to investors. Funds should clearly state where they have retained the commission and/or service charge rebates and amounts retained on a gross basis.

2.9 Disaster recovery *[last updated: 30/06/14]*

B. Best practice

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

3. Unit dealing and performance

3.1 Dealing (subscriptions and redemptions) *[last updated: 31/12/14]*

A. Minimum compliance

Fund prospectus, documentation and placement documentation should contain clear and explicit description of subscription and redemption policies. Such disclosure should include:

1. Subscription process and expected timeframe for an investor to become fully invested
2. Redemption process and expected timeframe for an investor to be fully disinvested
3. 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 - click here to view).
4. 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.
    - Disclosure of all subscription/redemption premiums/discounts, the size of the subscription/redemption queue, changes in market prices and timing of redemptions.
    - Disclosure of details of multiple unit classes with different terms (subject to confidentiality)
    - Disclose whether subscription/redemptions are revocable and the basis of such decisions.
5. The circumstances under which the above process or pricing is varied and what variations are permitted by the manager/fund
6. Circumstances where the subscription or redemption policy and process may be changed by the Manager without requiring consent of the investors

Subscription/redemption policies should be

1. Fit for purpose and able to meet demands of the entire property cycle.
2. Only capable of amendment with formal investor consent, and subject to regular review.

Communication between the manager and investors should be in the form of:

1. Clear and comprehensive subscription/redemption policies which are readily available to existing and potential investors, even if the policies are also specified, in whole or in part, in the original fund documentation.
2. Regular, two-way, formal, communication between managers and investors, particularly at times of high subscription and redemption activity.
3. Formal reporting to investors which should include details of:
    - liquidity, current and potential, taking into account the purchase/sale transaction pipeline by level of certainty.
    - investor concentration by scale of holding
        - by individual investor (if necessary on a no names basis to respect confidentiality).

   - by linked investors/managers (if necessary on a no names basis to respect confidentiality).
   - by unit class, in the case of funds with multiple unit classes having differing terms.

- current subscription and redemption queues by amounts and timescales.

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 publish 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 stated 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) (click here to view). If not, an explanation of the key differences should be provided.

3.2 Secondary market *[last updated: 30/06/14]*

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

Details of any secondary market dealing in the fund's units should include:

- Details of any firm acting as broker of secondary market trades in the units.
- Commission payable on dealing where the manager acts as a broker.
- Where the manager acts as a broker:
  - The system used to match units
  - The process for allocation of units to investors.

3.3 Unit turnover *[last updated: 30/06/14]*

A. Minimum compliance

Where applicable, disclosures should include a statement as to the total number of units:

- Created
- Redeemed
- Transferred

in the last accounting period.

3.4 Investor analysis *[last updated: 30/06/14]*

A. Minimum compliance

The following information 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

The disclosures should include an analysis of:

- Percentage of units held by top 5 investors
- Percentage held/controlled where an investment manager acts on behalf of underlying clients

3.5 Historical performance *[last updated: 30/06/14]*

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

A. Minimum compliance

The investment performance of member funds should be verified and reported, at least quarterly, by an industry recognised independent measurer. Performance data should be disclosed as in Annex 1.

Members who do not participate in the PFI must state their reasons

B. Best practice

All members are encouraged to become constituents of the PFI. If a member participates it is expected to comply with the rules of the Indices and the Manager is accountable for the timeliness and accuracy of all data provided to IPD.

NB The PFI Rules can be found here: http://www.ipd.com/about/ipd-guides-and-standards.html.

3.6 Performance objectives & fund benchmarks *[last updated: 30/06/14]*

A. Minimum compliance

Member funds are required to state fund performance against the stated performance objective (eg peer group benchmark, absolute return target), both measures being calculated by the same methodology.

Each fund should use its "benchmark" consistently over time: a full explanation should be provided should it become necessary for a benchmark to be changed.

B. Best practice

Member funds are recommended to compare their performance against a suitable sub-set of peer group funds from the PFI.

Annex 1: Fund oversight by supervisory or advisory committees *[last updated: 31/12/14]*

Introduction

AREF Best Practice 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 have 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 responsible 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 close-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.

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 available on request.

- The manager should disclose the following information for each representative:

  - Name
  - Brief CV
  - Term of current appointment
  - Date of initial appointment
  - Remuneration, if any.

- The minutes of all committee meetings should be made available 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: 31/12/14]*

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:	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	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:	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	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.

The Association of
Real Estate Funds

Annex 3: *[last updated: 01/05/15]*

AREF Code of Practice

(January 2015)

Fund Name: --

AREF Code requirements		Compliance Level		Documentary evidence reference	Comments
		Possible[1]	Achieved[1]	(e.g. Prospectus, Information Memorandum, Report, factsheets etc)	
1. Governance of the fund					
1.1	**Fund structure and objectives**	M			
1.2	**Management structure and accountability**	M/B			
1.3	**Fund oversight by supervisory or advisory committees**	M/B			
1.3 4	**Reporting**	M/B			
2. Operating the fund					
2.1	**Property valuations**	M/B			
2.2	**Cash and money market instruments**	M/B			
2.3	**Gearing**	M/B			
2.4	**Use of derivatives**	M/B			
2.5	**Indirect property investments**	M			
2.6	**Distributions**	M/B			

[1] M = Minimum Compliance & B = Best Practice

2.7	**Management fees and other expenses**	M/B			
2.8	**Insurance and service charge rebates**	M			
2.9	**Disaster recovery**	B			
3. Unit dealing and performance					
3.1	**Dealing (subscriptions and redemptions)**	M/B			
3.2	**Secondary market**	M/B			
3.3	**Unit turnover**	M			
3.4	**Investor analysis**	M/B			
3.5	**Historical performance**	M/B			
3.6	**Performance objectives and benchmarks**	M/B			

Name:		Signed:	
Position:		Date:	
Company:			

Please send a completed, signed copy of this form by post to:

The Association of Real Estate Funds, 65 Kingsway, London, WC2B 6TD or by email to: info@aref.org.uk

The Association of Real Estate Funds
65 Kingsway
London
WC2B 6TD

Tel: 020 7269 4677

www.aref.org.uk