

**Fixed Asset - Property Valuation Policy**

**1. SCOPE**

This policy applies to all Australian and New Zealand asset management employees involved in the Property Valuation Process.

**2. PURPOSE**

The purpose of this procedure is to provide guidance to the valuation process. The *Property Valuation Policy* requires that each property be valued by an external, independent, professionally designated property valuer at least once every three years, in line with accounting standards.

A rotation plan is required to balance the total number of properties and the total value of properties in each year that are subject to external valuations. The remaining properties are valued internally each period. Where possible and applicable, valuations will be performed as close to the period-end balance sheet date as possible.

**3. RESPONSIBILITY**

The Chief Executive Officer (“CEO”), Chief Operating Officer (“COO”) and Chief Financial Officer (“CFO”) (Australia) (“Senior Management”) are responsible for this procedure.

**4. PROCEDURES**

This procedure includes:

- 1) Overview
- 2) Valuation Committee Process
- 3) Valuation Sub Committee Process
- 4) Policy Review Mechanism
- 5) External Valuation Firm Engagement Process
- 6) Execution of the External Valuation Process
- 7) Execution of the Internal Valuation Process
- 8) Internal Governance
- 9) Provisions Specific to Assets Held in a Fund Structure
- 10) General Disclosures

## **1. Overview**

The fair value model has been elected to measure both Investment and Development properties. As a result, every quarter all properties are valued under the definition of “fair value” for financial reporting purposes.

In addition, any property that is chosen to be refinanced, securitized or reclassified to a property held for sale will need to be fair valued. The date of the fair value will be the date that the aforementioned decision is made resulting in valuations having to be done at times that may not coincide with quarterly reporting timetables.

The determination of fair value of an Investment or Development property can be done by an external valuer that holds a recognized and relevant professional qualification or by an internal valuer that is experienced and qualified to prepare such valuations.

## **2. Valuation Committee**

The Valuation Committee has roles and responsibilities noted throughout this policy. The Valuation Committee comprises members of Senior Management, the Asset Management and Analyst teams.

## **3. Valuation Sub Committee**

The Valuation Sub Committee has roles and responsibilities noted throughout this policy. The Valuation Sub Committee comprises members of the Asset Management, the Accounting and Analyst teams.

## **4. Review of this Policy**

This Policy is reviewed twice annually by the Valuation Committee to ensure currency.

## **5. External Appraisal Firm Engagement Process**

The Valuation Committee will provide oversight of the engagement process of the external valuation firms engaged by Brookfield.

Australian Valuation Reports are required to comply with the current Australian and New Zealand Property Institute Valuation Practice Standards (“ANZ VPS”) and International Valuation Standards (“IVS”). This requirement must be articulated in any engagement letter with an external valuer.

For each external valuer a standard engagement letter is prepared, approved and then signed by an authorized Brookfield employee, who is a current member of the Valuation Committee. A written fee quotation from the nominated Valuer must also be obtained and kept in the valuation folder.

The standard engagement letter is reviewed annually to ensure compliance with the ANZ VPS and the IVS as per Company policy and International Financial Reporting Standards (“IFRS”) requirements. The standard engagement letter template is reviewed periodically by Senior Management to ensure the appropriate terms are included.

## **6. Execution of the External Valuation Process**

The Valuation Sub-Committee adopts a three year rotation plan to ensure that external valuations are obtained at least once every three years for all Investment Property in accordance with this Policy. The rotation plan is reviewed and approved by the Valuation Committee. The evidence of compliance with the valuation rotation policy is provided by the Committee sign off on the property plan annually.

The designated individual responsible (generally a Senior Analyst) for the rotation plan ensures that the number of properties on the inventory list used in the rotation plan is complete by reconciling it to the number of property sub ledgers (assuming each property has its own sub ledger). This individual is also responsible for ensuring the fair values of the properties on the list match the fair values approved by the Valuation Committee. This list will later serve as a check by the Accountant to ensure the appropriate amount is included in the financial statements.

Following confirmation at the Valuation Sub Committee, the Senior Analyst will assign the external valuers based on subject matter and expertise to the allocated investment properties, and they will ensure a signed engagement letter is provided to each external valuer.

Potential conflicts of interest should be avoided or appropriately mitigated, in regard to organisations that provide both property management services (on Brookfield externally managed properties) and valuation services on the same asset.

To exclude independence issues, an external valuer will not be engaged to perform a valuation on an Investment or Development property more than three consecutive times. This is included as part of the rotation plan review described above.

The Asset Manager and the Senior Analyst will ensure they keep a record of the signed engagement letter. This will be retained in the valuation folder for the particular investment property.

The external valuer will provide the Asset Manager and the Senior Analyst with a draft valuation and supporting material based on the first review of the asset. The Asset Manager and the Investment Analysts will review the work of the external valuer ensuring the inputs provided were used, evaluate the conclusions, and determine if additional items are required.

At an agreed time the Asset Managers, the Senior Analyst and the external valuer will hold a closing meeting in which the external valuer will provide their final report.

The report will be updated and sent for approval by the Valuation and Valuation Sub Committee, as per the process contained in the Internal Governance section. Once approved by the Valuation Committee the external valuer can be instructed to issue final reports.

#### **7. The Internal Appraisal Process**

Internal valuations are undertaken by an appropriately qualified person, on a quarterly basis. Whether the valuation is undertaken internally or externally, the methodologies utilized must be accepted under current accounting standards.

The Senior Analyst and Investment Analysts are responsible for the compilation and review the internal valuations to ensure completeness and accuracy.

Review of the quarterly valuations includes checking inputs of factual data for accuracy; completing a comparison of the value with previous valuations to determine the reasonableness of the change in value; and confirming that selling costs have not been deducted as per IAS40.3.

The Asset Managers, the Senior Analyst and Investment Analysts should assess significant assumptions against historical information for their reasonableness. If the assumptions are subjective, derived or unobservable they should be tested to support benchmarks or other information (if available).

All relevant information is appropriately identified and included in the Valuation Summary Table, which is presented to the Valuation Sub Committee and Valuation Committee, in accordance with the Internal Governance section of this Policy. Significant changes identified through the quarter are noted in the Valuation Memorandum.

The timetable for completion of internal valuations is compiled by the Valuation Sub Committee and approved at the Valuation Committee.

#### **8. Internal Governance**

Once the valuations (internal and external) are approved by Asset Managers and the Senior Analyst they are sent for review by the Valuation Sub Committee and Valuation Committee.

The Valuation Sub-Committee completes a review of all changes that have been identified through the quarter. Specifically, the Sub-Committee reviews for any changes in valuation assumptions and significant updates.

Members of the Sub-Committee meet with the Valuation Committee to review and discuss changes for the quarter. Any significant changes, as identified by the Valuation Committee members are captured and documented as part of the meeting, in the Valuation Memorandum.

Once all changes are captured as directed by the Sub-Committee, a final draft Valuation Memorandum and Valuation Summary is submitted to the Valuation Committee for consideration and approval.

The Valuation Committee evidences their review and approval through sign-off on the final Valuation Memorandum and Valuation Summary.

A copy of the Valuation Memorandum and Summary Table is provided to Brookfield Risk and Compliance.

Other Process

As needed, Asset Manager, the Senior Analyst and Investment Analysts should hold regular status meetings to facilitate the following discussion:

- status of valuation work performed, including any potential issues;
- anticipated changes to scope, delays;
- need to involve additional valuation specialists, if applicable;
- roll-forward and update procedures, if applicable;
- preliminary finding and implications; and
- compliance with current accounting standards.

**9. Provisions Specific to Assets Held in a Fund Structure**

For assets held in an internal or external Fund structure, the Internal Governance process remains as above.

The Valuation Memorandum, which is prepared by the Valuation Sub Committee, is approved by the Valuation Committee in consultation with the Fund Accountant.

The Valuation Memorandum contains recommendations for the Fund Board, as part of the financial statement approval process. Adoption of financial statements by the Fund Board becomes the formal valuation approval process.

The process to appoint an external valuer and review valuations remains the same as the process outlined above.

The practice guidance for a Fund is that quarterly valuations for the September and March quarters are not adopted within a Funds financial result. At a minimum, the funds require valuations every 6 months.

Where an internal valuation is performed and the movement in value on an individual asset basis (excluding the impact of capital expenditure spending) is more than 5% over the prior corresponding period, an external valuation is required.

External valuations for external funds should be jointly appointed (at a minimum the relevant Board should be able to rely on, and be co-instructor of the valuation)

The Senior Analyst and Asset Manager are responsible for the accurate presentation of valuation data to ensure compliance with all regulatory authorities guidance (ASIC, ASX and others), as well as adherence to accounting and audit standards.

**10. General Disclosures**

The quarterly financial statements, as prepared by the Accountant, must ensure compliance with IAS 40 paragraphs 74 to 79.

The Accountant will need to obtain the following information for financial statement disclosures from Senior Management and the Senior Analyst:

- the methods and significant assumptions applied in determining the fair value of an investment property;

- the methods and significant assumptions applied in determining the fair value of a development property;
- whether the determination of fair value was supported by market evidence or was more heavily based on other factors. If based on other factors, the Senior Analyst and Asset Manager will provide the other factors the valuation was based on;
- which properties were valued based on a valuation by an external valuer and which properties were valued internally;
- the existence and amounts of restrictions on the reliability of property data or the remittance of income and proceeds of disposal (if applicable); and
- Contractual obligations to purchase, construct or develop an investment property or for repairs, maintenance or enhancements (if applicable).

Where the valuation assumptions of a property are being disclosed externally, the Asset Manager and Senior Analyst will provide sign off to show sufficient verification of the detail in order to corroborate the information being disclosed, once it has been prepared by the Accountant in the financial statements.

Brookfield has chosen to account for Investment and Development properties at fair value, the Accountant must confirm with the Senior Analyst and Asset Manager if any properties were unable to be measured at a reliable fair value. If this is the case, the disclosures in paragraph 78 (a) – (d) are applicable and should be completed by the Accountant in conjunction with the Senior Analyst and the Asset Manager. This should be kept for review by auditors in the form of a note or email.