

Green Street Advisors (UK) Ltd ("GSAUK")

Pillar 3 Disclosure

2015 Update

The Capital Requirements Directive III* ('CRD III') of the European Union establishes a revised regulatory capital framework across Europe governing the amount and nature of capital credit institutions and investment firms must maintain. In the United Kingdom, CRD III has been implemented by the Financial Conduct Authority ('FCA') in its regulations through the General Prudential Sourcebook ('GENPRU') and the Prudential Sourcebook for Banks, Building Societies and Investment Firms ('BIPRU').

The FCA framework for CRD III consists of three 'Pillars':

- Pillar 1 sets out the minimum capital amount that meets a firm's credit, market and operational risk;
- Pillar 2 requires a firm to assess whether its capital reserves, processes, strategies and systems are adequate to meet Pillar 1 requirements and further determine whether it should apply additional capital, processes, strategies or systems to cover any other risks that it may be exposed to. This is subject to annual review by the FCA; and
- Pillar 3 requires disclosure of specified information about the underlying risk management controls and capital position to encourage market discipline.

The rules in BIPRU 11 set out the provision for Pillar 3 disclosure. This document is designed to meet our Pillar 3 obligations as a BIPRU €50,000 limited license firm. This is done in accordance with our formal Disclosure Policy, which sets out our processes for assessing the appropriateness of our disclosures.

The Pillar 3 disclosure document has been prepared by GSAUK in accordance with the requirements of BIPRU 11 and is verified by the Principals.

We are permitted to omit required disclosures if we believe that the information is immaterial such that omission would be likely to change or influence the decision of a reader relying on that information.

In addition, we may omit required disclosures where we believe that the information is regarded as proprietary or confidential. In our view, proprietary information is that which, if it were shared, would undermine our competitive position. Information is considered to be confidential where there are obligations binding us to confidentiality with our customers, suppliers and counterparties.

We have made no omissions on the grounds that information is immaterial, proprietary or confidential.

Frequency of Disclosure

It is the intention of GSAUK to update its Pillar 3 disclosure on an annual basis after the previous year's annual accounts have been audited and finalised (normally April), unless circumstances warrant a more frequent update. GSAUK makes its Pillar 3 disclosure via its website, www.greenstreetadvisors.com.

* Green Street Advisors (UK) Limited is unable to carry on the MIFID investment service and activity of placing of financial instruments without a firm commitment basis (Annex 1, Section A7 of MiFID)

Scope and application of the requirements

Green Street Advisors (UK) Limited is authorised and regulated by the Financial Conduct Authority (FRN 482269) and as such is subject to minimum regulatory capital requirements. The registered office is 20 Balderton Street, 5th Floor, London W1K 6TL. GSAUK is categorised as a limited licence firm by the FCA for capital purposes. It publishes research and conducts agency trades and as such takes no proprietary positions.

GSAUK is not a member of an EEA sub-group and so is not required to prepare consolidated reporting for prudential purposes.

Risk management

GSAUK is governed by its directors ("Principals") who determine its business strategy and risk appetite. They are also responsible for establishing and maintaining GSAUK's governance arrangements along with designing and implementing a risk management framework that recognises the risks that the business faces.

The Principals also determine how the risk our business faces may be mitigated and assess on an ongoing basis the arrangements to manage those risks. The Principals meet on a regular basis and discuss current projections for profitability, cash flow, regulatory capital management, and business planning and risk management. The Principals manage GSAUK's business risks through a framework of policies and procedures having regard to relevant laws, standards, principles and rules (including FCA principles and rules) with the aim to operate a defined and transparent risk management framework. These policies and procedures are updated as required.

GSAUK's appetite for risk is low. The company is ultimately owned by Green Street Holdings, Inc. – a large percentage of which is owned by its senior management – and GSH Investor, LLC – a Private Equity investor – both of which wish to see the company grow without the need for unnecessary risk.

The company undertakes its Individual Capital Adequacy Assessment Process (ICAAP) on an annual basis. GSAUK's ICAAP is approved by the Board of Directors, which has taken account of the following:

- Assessment of current market, credit and operational risks.
- Assessment of any future risks.
- Assessment of possible terminal risks.
- Assessment of remuneration structure.

The Principals have identified that business, operational and market risks (to the extent market risks impact on trading volumes) are the main areas of risk to which GSAUK is exposed. Annually the Principals formally review their risks, controls and other risk mitigation arrangements and assess their effectiveness. Where the Principals identify material risks they consider the financial impact of these risks as part of our business planning and capital management and conclude whether the amount of regulatory capital is adequate.

GSAUK places strong reliance on the operational procedures and controls that it has in place in order to mitigate risk and seeks to ensure that all personnel are aware of their responsibilities in this respect.

Regulatory capital

GSAUK is a Limited Liability Company and its capital arrangements are established in its Articles. Its capital is summarised as follows:

Closing Shareholders' Funds as at 31 December 2014 **£2,058,394**

The main features of GSAUK's capital resources for regulatory purposes are as follows:

Capital item	£'000
Tier 1 capital less innovative tier 1 capital	1,992
Total tier 2, innovative tier 1 and tier 3 capital	0
Deductions from tier 1 and tier 2 capital	0
Total capital resources, net of deductions	1,992

GSAUK's Tier 1 capital comprises ordinary shares and retained earnings. Intangible assets are deducted in full in accordance with FCA requirements.

Our Firm is small with a simple operational infrastructure.

- The company does not undertake principal trading.
- The company does not hold client money.
- The company does not hold client assets.
- The company will always maintain sufficient capital to manage its risks.

Its market risk is limited to foreign exchange risk on its accounts receivable in foreign currency, and settlement risk from its agency trading business. GSAUK follows the standardised approach to market risk and the simplified standard approach to credit risk. GSA UK is subject to the Fixed Overhead Requirement and is not required to calculate an operational risk capital charge though it considers this as part of its process to identify the level of risk based capital required.

Justification for the adequacy of GSAUK's internal capital to support current and future activities is contained in the ICAAP. The fixed overhead requirements under Pillar 1 are deemed by the company to be sufficient capital to meet its immediate needs. All known risks have been assessed and appropriate stress tests and scenario analyses have been undertaken to determine any additional capital required under Pillar 2. No additional capital is currently required for Pillar 2.

As discussed above GSAUK is a limited licence firm and as such its capital requirements are the greater of:

- Its base capital requirement of €50,000; or
- The sum of its market and credit risk requirements; or
- Its Fixed Overhead Requirement.

We have not identified credit risk exposure classes or the minimum capital requirements for market risk as we believe that they are immaterial.

It is GSAUK's experience that the Fixed Overhead Requirement establishes its capital requirements and hence market and credit risks are considered not to be material.

Remuneration Disclosure

Under the FCA's Remuneration Code ('RemCode') (contained in SYSC19.A (Senior Management Arrangements, Systems and Controls) of the FCA Handbook), GSAUK is classified as a Level 3 firm. In accordance with CRD III and CEBS guidance GSAUK is therefore allowed to take a proportionate approach to its Remuneration Code Disclosures in line with its nature, scale and complexity. As such GSAUK has chosen not to disclose exact figures in regards to the remuneration of the five Code Staff identified by GSAUK's Remuneration Policy and Assessment. It has been determined that only those Approved Persons performing Significant Influence Functions within GSAUK are to be classified as Code Staff. The RemCode covers an individual's total remuneration, fixed and variable; GSAUK incentivises staff through a combination of the two.

Our policy is designed to ensure that we comply with the RemCode and our compensation arrangements:

- Are consistent with and promote sound and effective risk management;
- Do not encourage excessive risk taking;
- Include measures to avoid conflicts of interest;
- Are in line with our business strategy, objectives, values and long-term interests.

We are required to disclose certain information on at least an annual basis regarding our Remuneration Policy and practices for those staff whose professional activities have a material impact on the risk profile of the firm. Our disclosure is made in accordance with our size, internal organization and the nature, scope and complexity of our activities.

GSAUK confirms that no Code Staff received more than £500,000 total remuneration for their role with GSAUK during the relevant period and that all discretionary remuneration is directly related to the performance of our staff on behalf of our clients, as well as the company's performance overall. We believe that our Remuneration structure ensures that Code Staff interests are innately aligned with the interest of GSA UK and its Clients.