



BentallGreenOak Advisors (UK) LLP

MIFIDPRU 8 Disclosure

July 2024

1. Introduction

The Financial Conduct Authority (“FCA” or “regulator”) in its Prudential sourcebook for MiFID Investment Firms (“MIFIDPRU”) sets out the detailed prudential requirements that apply to BentallGreenOak Advisors (UK) LLP (“BGO UK” or “Firm”). Chapter 8 of MIFIDPRU (“MIFIDPRU 8” or the “public disclosures requirements”) sets out public disclosure obligations with which the Firm must comply, further to those prudential obligations.

BGO UK is classified under MIFIDPRU as a non-small and non-interconnected investment firm (“non-SNI MIFIDPRU investment firm”). As such, MIFIDPRU 8 requires the Firm to disclose information on the following areas:

- Risk management objectives and policies;
- Governance arrangements;
- Own funds;
- Own funds requirements; and
- Remuneration policy and practices.

Disclosing the Firm’s own funds and own funds requirements allows potential investors to assess its strength, whilst the disclosures around risk management, governance and remuneration provide key information regarding the Firm’s culture.

This document has been prepared by BGO UK in accordance with the requirements of MIFIDPRU 8 and has been approved by the Firm’s governing body. Unless otherwise stated, all figures are as at the 31 December 2023 financial year-end.

2. Group Membership

BGO UK is a member of the BGO group of companies (“BGO”). BGO is a global real estate investment management advisor and a globally recognized provider of real estate services. BGO is a part of SLC Management, which is the alternatives asset management business of Sun Life Financial Inc. (“Sun Life”). BGO UK is ultimately majority owned by Sun Life, a financial services company incorporated in Canada.

3. Risk Management Objectives and Policies

This section describes BGO UK’s risk management objectives and policies for the categories of risk addressed by the requirements on the Firm in the following areas:

- Own funds requirements;
- Concentration risks; and
- Liquidity.



Business Strategy

As a real estate investment advisor, the Firm advises on the acquisition, disposition, and financing of real estate and real estate related assets in Europe. As of 31 December 2023, the company advises approximately 18 funds/clients, including Closed End funds, Open End and Debt funds. BGO UK does not advise any Listed Funds. BGO UK advises approximately £7.4b of Assets under Management (AUM) as of 31 December 2023.

The Firm primarily provides real estate advisory services to affiliate fund managers or affiliate funds with the underlying investors typically being institutional clients, such as pension funds and insurance companies, or professional investors. BGO UK also provides real estate asset and property management services to clients and loan management services.

BGO UK primarily seeks to grow its revenues by growing its underlying asset base on which it charges an advisory and/or management fee. This is achieved through the prudent growth of its clients' assets, and through seeking additional asset inflows from prospective customers. Costs are controlled to ensure long-term profitability. The business seeks to make investments to expand its business and product lines, and to continuously improve its controls environment.

Given the Firm's business model, controls, and controls assessment, it is the conclusion of the Firm that its overall potential for harm is low.

Own Funds Requirement

BGO UK is required to at all times maintain own funds that are at least equal to the Firm's own funds requirement. The own funds requirement is the higher of the Firm's:

- **Permanent minimum capital requirement ("PMR"):** The PMR is the minimum level of own funds required to operate at all times and, based on the MiFID investment services and activities that the Firm currently has permission to undertake;
- **Fixed overhead requirement ("FOR"):** The FOR is intended to calculate a minimum amount of capital that BGO UK would need available to absorb losses if it has cause to wind-down or exit the market, and is equal to one quarter of the Firm's relevant expenditure; and
- **K-Factor requirement ("KFR"):** The KFR is intended to calculate a minimum amount of capital that BGO UK would need available for the ongoing operations of its business. The two K-factors that apply to the Firm's business are K-AUM (calculated on the basis of the Firm's AUM) and K-COH (calculated on the basis of the client orders handled by the Firm).

BGO UK's own funds requirement is currently set by its FOR, as this is the highest of the three metrics. The potential for harm associated with BGO UK's business strategy, based on the Firm's own funds requirement, is low. This is due to the relatively stable growth in the Firm's revenues and asset base.

One of the strategies adopted by the Firm to manage the risk of a breach of the Firm's own funds requirement is by maintaining an own funds surplus above the own funds requirement. If the own funds drop to an amount equal to 110% of the Firm's own funds threshold requirement, the Firm will immediately notify senior management, as well as the regulator. Senior management will consider the necessary steps required to be taken to increase the own funds surplus; this may include injecting more capital into the Firm.

Concentration Risk

The potential for harm associated with BGO UK's business strategy, based on the Firm's concentration risk, is low.

The Firm has multiple clients, which provides for a diverse stream of revenue. Moreover, the underlying investors are typically institutional professional investors that invest for the long term and in funds that generally have no or limited redemption rights. The Firm therefore considers that its asset base is resilient and not prone to substantial fluctuations, including during stressed market conditions.

The Firm deposits its cash with a well-established multinational institution(s).

Liquidity

The Firm is required to maintain sufficient liquidity to ensure that there is no significant risk that its liabilities cannot be met as they fall due and to ensure that it has appropriate (liquid) resources in the event of a stress scenario.

The potential for harm associated with BGO UK's business strategy, based on the Firm's basic liquid assets requirement, is low. This is due to the relatively stable growth in the Firm's revenues and asset base, and the maintenance of a healthy core liquid assets surplus above the basic liquid assets requirement.

The Firm retains an amount it considers suitable for providing sufficient liquidity to meet the working capital requirements under various conditions and there are no perceived threats to this given the cash deposits it holds. The liquidity risk is examined throughout the year to ensure that BGO UK maintains liquidity resources which are adequate, both in terms of amount and quality. The cash position of the Firm is monitored on an ongoing basis, and the Firm would be able to call on the parent for further capital as required.

Risk Management Structure

BGO UK has established a risk management process to ensure that it has effective systems and controls in place to identify, monitor and manage risks arising in the business. The governing body is responsible for the management of risk within the Firm and the fundamental risk appetite of the firm. The Compliance Officer has responsibility for the implementation and enforcement of the Firm's risk principles.

The governing body reviews current projections for profitability, cash flow, regulatory capital management, business planning and risk management. The governing body engages with BGO's risks through a framework of policies and procedures having regard to the 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.

Annually the Firm formally reviews its risks, controls and other risk mitigation arrangements and assess their effectiveness, the conclusions to which help inform the overall risk appetite of the Firm. Management accounts demonstrate the continued adequacy of BGO UK's regulatory capital and are reviewed on a regular basis. Appropriate action is taken where risks are identified which fall outside of the Firm's tolerance levels or where the need for remedial action is required in respect of identified weaknesses in BGO UK's mitigating controls.

4. Governance Arrangements

Overview

BGO UK believes that effective governance arrangements help the Firm achieve its strategic objectives while also ensuring that the risks to the Firm, its stakeholders and the wider market are identified, managed, and mitigated. The governing body has overall responsibility for BGO UK and is therefore responsible for defining and overseeing the governance arrangements at the Firm.



Amongst other things, the governing body approves and oversees implementation of the Firm's strategic objectives and risk appetite; ensures the integrity of the Firm's accounting and financial reporting systems, including financial and operational controls and compliance with the regulatory system; assesses the adequacy of policies relating to the provision of services to clients; and provides oversight of the Firm's senior management.

A key report that is reviewed, discussed and ratified by senior management at least annually is the Senior Management Systems and Controls ("SYSC") document, as this demonstrates how the Firm has met its governance arrangement requirement. The SYSC document provides the governing body with information on the functioning and performance of all aspects of the Firm, including the following areas:

- general organizational requirements, including steps taken by the Firm to ensure continuity and regularity in the performance of its regulated activities; and the Firm's account policies;
- employees, including steps taken by the Firm to ensure that employees have the necessary skills, knowledge and expertise for the discharge of the responsibilities allocated to them, and to ensure that they are fit and proper persons;
- regulatory framework for meeting compliance and financial crime requirements;
- internal capital adequacy and risk assessment (ICARA) process;
- outsourcing of critical or material operating functions or activities;
- record-keeping controls and arrangements;
- conflicts of interest management;
- remuneration policies and practices; and
- whistleblowing controls.

The Management Body

BGO UK's management body is its governing body. BGO UK's governing body consists of BentallGreenOak Real Estate Services Ltd and BGO Holdings (Cayman) LP. BentallGreenOak Real Estate Services Ltd is the managing member of BGO UK ("Managing Member").

Andrew Yoon and Toby Phelps are the directors of the Managing Member. Andrew Yoon is Managing Partner and Chief Operating Officer at BGO responsible for day-to-day operations of the global business. Toby Phelps is Managing Partner and Head of European Equity at BGO. Please refer to www.BGO.com for more information regarding BGO's Global Leadership.

The below table provides the number of directorships held by each member of the governing body that are within scope of MIFIDPRU 8.3.1R(2). This excludes executive and non-executive directorships held within BGO, including BGO UK's investment firm group. In addition, it excludes executive and non-executive directorships held within organisations which do not pursue predominantly commercial objectives.

Management Body	Position at BGO UK	Number of non-BGO Directorships held
Andrew Yoon	Director of Managing Member	0
Toby Phelps	Director of Managing Member; SMF1 Chief Executive	0

Diversity of the Management Body

BGO UK devotes adequate human and financial resources to the induction and training of members of the governing body and promotes diversity on the governing body. BGO has policies and procedures to promote diversity and inclusion, including with respect to the governance of the larger organization. Due to

the nature, size and complexity of the Firm, these policies and procedures may apply proportionately to BGO UK.

Risk Committee

Due to the nature, size, and complexity of the Firm, BGO UK does not have an independent risk management function. The governing body is responsible for the management of risk within the Firm. Senior management report to the governing body on a frequent basis regarding the Firm's risks. BGO UK has clearly documented policies and procedures, which are designed to minimise risks to the Firm and all staff are required to confirm that they have read and understood them. BGO UK is not required by MIFIDPRU to establish a risk committee.

5. Own Funds

As at 31 December 2023, BGO UK maintained own funds of £3,620,890. The below regulator-prescribed tables provide a breakdown of the Firm's own funds:

Table 1: Composition of regulatory own funds (31 December 2023)

	Item	Amount (in £'000)	Source based on reference numbers/letters of the balance sheet in the audited financial statements
1	OWN FUNDS	3,621	Sum of Items below
2	TIER 1 CAPITAL	3,621	Sum of Items below
3	COMMON EQUITY TIER 1 CAPITAL	3,621	Sum of Items below
4	Fully paid up capital instruments	60	Members' Capital
5	Share premium	0	
6	Retained earnings	3,605	Other Reserves
7	Accumulated other comprehensive income	0	
8	Other reserves	0	
9	Adjustments to CET1 due to prudential filters	0	
10	Other funds	0	
11	(-)TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	-44	Note 10
19	CET1: Other capital elements, deductions and adjustments	0	
20	ADDITIONAL TIER 1 CAPITAL	0	
21	Fully paid up, directly issued capital instruments	0	
22	Share premium	0	
23	(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1	0	
24	Additional Tier 1: Other capital elements, deductions and adjustments	0	
25	TIER 2 CAPITAL	0	
26	Fully paid up, directly issued capital instruments	0	
27	Share premium	0	
28	(-) TOTAL DEDUCTIONS FROM TIER 2	0	
29	Tier 2: Other capital elements, deductions and adjustments	0	

Table 2: Own funds: Reconciliation of regulatory Own Funds to balance sheet in the audited financial statements (31 December 2023)

		Balance Sheet as in BGO UK published/audited financial statements	Under regulatory scope of consolidation (BentallGreenOak Real Estate Services Ltd., audited financial statements (31 December 2023))	Cross-reference BGO UK Balance Sheet to Table 1
Assets - Breakdown by asset classes according to the balance sheet in the audited financial statements (in £'000)				
1	Tangible assets	3,278	3,278	
2	Investments in subsidiaries	44	0	Item 11
3	Debtors: amounts falling due within one year	25,491	25,599	
4	Cash at bank and in hand	11,448	11,789	
5	Debtors: amounts falling due after more than one year	5,410	5,458	
	Total Assets	45,671	46,124	
Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements (in £'000)				
1	Creditors: amounts falling due within one year	(40,321)	(39,668)	
2	Creditors: amounts falling due after more than one year	(1,685)	(1,685)	
	Total Liabilities	(42,006)	(41,353)	
Shareholders' Equity (in £'000)				
1	Members' Capital	60	1 ¹	Item 4
2	Other Reserves	3,605	4,770 ²	Item 6
	Total Shareholders' equity	3,665	4,771	

¹ Includes 'Called up share capital'

² Includes 'Revaluation reserve' and 'Profit and loss account'. Includes a non-controlling interest.

Table 3: Own funds: Main features of own instruments issued by the Firm

BGO UK's own funds consists solely of Common Equity Tier 1 Capital. BGO UK's own funds is calculated as retained earnings less the investment in its subsidiaries.

6. Own Funds Requirements

BGO UK is required to at all times maintain own funds that are at least equal to the Firm's own funds requirement. The own funds requirement is the minimum requirement of capital the Firm is required to hold, taken as the higher of the PMR, FOR or KFR.

Beginning in 2023, the Firm chose to apply the Transitional Provisions available to it that permit the Firm to apply lower capital requirements until the year ending 31 December 2026. Due to the application of the Transitional Provisions, as outlined in MIFIDPRU TP 2.10 and TP 2.12, the Firm's minimum own funds requirement for the year ending 31 December 2023 is the higher of the Firm's PMR (£55,000), 10% of the FOR, or 10% of the KFR.

The below table illustrates the various components of the BGO UK's own funds requirement (as of 31 December 2023):

Requirement*	£'000
<i>Highest of:</i>	
(A) Permanent Minimum Capital Requirement ("PMR")	55
(B) Fixed Overhead Requirement ("FOR") (10% of FOR)	496
(C) K-factor requirement ("KFR") (10% of KFR)	134
(D) Own funds requirement (Max. A, B or C)	496
(E) Additional own funds requirement	0
Own funds threshold requirement (D plus E)	496
Own Funds	3,621
Own Funds surplus	3,125

(as of 31 December 2023)

* The Firm is making use of the Transitional Provisions; therefore, the own funds requirement is the higher of PMR (£55,000), 10% of the FOR, or 10% of the KFR.

BGO UK is also required to comply with the Overall Financial Adequacy Rule ("OFAR"). This is an obligation on BGO UK to hold own funds and liquid assets which are adequate, both as to their amount and quality, to ensure that:

- a. the Firm is able to remain financially viable throughout the economic cycle, with the ability to address any material potential harm that may result from its ongoing activities; and
- b. the Firm's business can be wound down in an orderly manner, minimising harm to consumers or to other market participants.

Where BGO UK determines that the FOR is insufficient to mitigate the risk of a disorderly wind down, the Firm must maintain 'additional own funds required for winding down', above the FOR, that is deemed necessary to mitigate the risks of a disorderly wind down. Similarly, where the Firm determines that the KFR is insufficient to mitigate the risk of harm from ongoing operations, the Firm must maintain 'additional own funds required for ongoing operations', above the KFR, that is deemed sufficient to ensure the viability of the Firm throughout economic cycles. The Firm determined that as of 31 December 2023 no additional own funds are required to be held.

To determine the Firm's own funds threshold requirement, BGO UK identifies and measures the risk of harm faced by the Firm and considers these risks in light of its ongoing operations and also from a wind-down planning perspective. The Firm then determines the degree to which systems and controls alone mitigate the risk of harm and the risk of a disorderly wind-down, and thereby deduce the appropriate amount of additional own funds required to cover the residual risk.

This process is documented and approved by, the governing body on at least an annual basis. This is the Firm's ICARA process.

7. Remuneration Policy and Practices

Overview

As a non-SNI MIFIDPRU investment firm, BGO UK is subject to the 'basic' and 'standard' requirements of the MIFIDPRU Remuneration code. The purpose of the requirements on remuneration are to:

- Promote effective risk management in the long-term interests of the Firm and its clients;
- Ensure alignment between risk and individual reward;
- Support positive behaviours and healthy firm cultures; and
- Discourage behaviours that can lead to misconduct and poor customer outcomes.

The objective of BGO UK’s remuneration policies and practices are to establish, implement and maintain a culture that is consistent with, and promotes, sound and effective risk management and does not encourage risk-taking which is inconsistent with the risk profile of the Firm and the services that it provides to its clients. In addition, BGO UK recognises that remuneration is a key component in how the Firm attracts, motivates, and retains quality staff.

BGO UK is committed to excellence, teamwork, ethical behaviour, and the pursuit of exceptional outcomes for its clients. From a remuneration perspective, this means that performance is determined through the assessment of various factors that relate to these values, and by making considered and informed decisions that reward effort, conduct and results.

Characteristics of the remuneration policy and practices

Remuneration at BGO UK is made up of fixed and variable components. The fixed component is set in line with market competitiveness. Variable remuneration is paid on a discretionary basis and takes into consideration the Firm’s financial performance, and the financial and non-financial performance of the individual in contributing to the Firm’s success. All staff members are eligible to receive variable remuneration.

The below table summarises the financial and non-financial criteria of performance used across the Firm in assessing the level of variable remuneration to be paid:

	Financial Performance Criteria	Non-Financial Performance Criteria
Firm	BGO overall level of operating income	
	Portfolio company management and performance	
	Investor portfolio performance	
	Level of investor subscriptions	
Business Unit	Portfolio company management and performance	Competitive environment
	Investor portfolio performance	Professional ethics and integrity
		Demonstration of innovation and teamwork
Individual	Portfolio company management and performance	Feedback from peers, managers, subordinates
	Transaction origination and execution	Job knowledge
		Productivity - quality and quantity of work
		Professional ethics and integrity

BGO UK’s policy includes a framework for assessing the level of remuneration to be paid. The framework applies both ex-ante and ex-post criteria to the level of remuneration paid. Factors considered include: (a) clawback in the event of a malus event, (b) adjustments to variable compensation based on long-term portfolio performance, (c) limits on guaranteed variable remuneration and (d) policies and criteria for the award of severance pay.

BGO UK has set a ratio between the variable and fixed components of the total remuneration, by way of ensuring that the components are appropriately balanced, and that the fixed component represents a sufficiently high proportion of the total remuneration to enable the operation of a fully flexible policy on variable remuneration. This allows for the possibility of paying no variable remuneration component, which the Firm would do in certain situations, such as where the Firm’s profitability performance is particularly

constrained, or where there is a risk that the Firm may not be able to meet its capital or liquidity regulatory requirements.

Governance and Oversight

Remuneration decisions are approved by BGO’s Global Executive Team, with the variable remuneration for the Global Executive Team and other senior risk-takers also approved by Sun Life’s Management Resources Committee. BGO’s Global Executive Team is primarily compensated based on the long-term performance of BGO and the Sun Life Management Resources Committee is comprised of members completely independent of BGO.

The heads of People & Talent and Compliance for BGO are responsible for the design and implementation of BGO UK’s Remuneration Policy.

BGO UK’s remuneration policy and practices are reviewed annually by senior management.

Material Risk Takers

BGO UK is required to identify its material risk takers; that is, those members of staff whose professional activities have a material impact on the risk profile of the Firm. The types of staff that have been identified as material risk takers at BGO UK are:

- Members of the governing body in its management function;
- Those with managerial responsibility for a client-facing or client-dealing business unit of the Firm;
- Those with managerial responsibilities for the activities of a control function¹;
- Those with managerial responsibilities for the prevention of money laundering and terrorist financing;
- Those that are responsible for managing a material risk within the Firm;

Quantitative Remuneration Disclosures

The below table quantifies the remuneration paid to staff in the financial year 1 January 2023 to 31 December 2023. For these purposes, ‘staff’ is defined broadly, and includes, for example, employees of the Firm itself, partners, employees of other entities in the group, employees of joint service companies, and secondees:

Period: 1 January 2023 to 31 December 2023, (in £'000)				
		Senior Management	Other material risk takers	Other staff
Total number of material risk takers		3	3	
Remuneration Awarded (All staff)	Fixed	13,789		
	Variable	28,048		
	Total	41,837		
Guaranteed Variable Remuneration	Amount	NIL	NIL	
	# Staff Awarded	NIL	NIL	
Severance Payments	Amount	NIL	NIL	
	# Staff Awarded	NIL	NIL	

¹ A control function is defined as a function (including, but not limited to, a risk management function, compliance function and internal audit function) that is independent from the business units it controls and that is responsible for providing an objective assessment of the Firm’s risks, and for reviewing and reporting on those risks.

Highest severance payment awarded to an individual material risk taker (£)	NIL	NIL	
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MIFIDPRU investment firms are typically required to split the quantitative data in the above table, where relevant, into categories for senior management, other material risk takers and/or other staff. The regulator however allows firms to aggregate or altogether omit the information where splitting the information would lead to the disclosure of information about one or two people. BGO UK has relied upon the disclosure exemption permitted in MIFIDPRU 8.6.8R(7) on the basis that disclosure of fixed and variable remuneration would result in the disclosure of information about one or two people.