LOMBARD
INTERNATIONAL
ASSURANCE

Capitalisation Bond - Finland

02/01/2024

Product information

Insurer	Lombard International Assurance
Brief description	Unit-linked contract for corporations established in Finland
Duration	Chosen by the client (50 years by default)
Client	Legal entity
Contract currency	EUR/USD/GBP/CHF / other currencies upon request
Premium payments	Free frequency by transfer of cash or in kind
Minimum initial payment	EUR 500,000
Additional payments	Possible at any time – Minimum EUR 10,000
Partial surrender	Possible at any time
Full surrender	Possible at any time – Penalty fees may apply
Cancelation	Possible within 30 calendar days after the client is informed about the issuance of the contract
Investment supports available	1 or more internal dedicated funds and/or 1 or more specialised assurance funds and/or 1 or more internal collective funds
Payment at the term date of the contract	Surrender value of the contract (its net value after disinvestments)
Contract pledge	Possible as a guarantee to a bank

Product costs

For standard business, the maximum charges applicable to the contract are defined as below.

The maximum charges do not necessarily reflect any specific distribution agreement.

- Potential initial charge of maximum 2% (for Lombard International Assurance and/or the Distributor) on each premium payment.
- Annual administration charges: rate of maximum 2% (to be split between Lombard International Assurance and the Distributor) on the contract value, deducted on a quarterly basis during the life of the contract.
- In case of total surrender, a surrender charge with a maximum of the amount of the annual administration charges still outstanding during a pre-defined period, may be applied.
- In case of a switch between funds, after two free switches per calendar year, a switch fee can be applied.
- There are also third-party fees including, but not limited to, custodian bank fees, investment management fee, advisory fee and, if applicable, fund administrator fees which will be charged on the relevant fund.

For non-standard business, for processing certain administrative activities or any complex set-up, Lombard International Assurance may charge additional fees.

Conflicts of interest

Regarding the promotion, intermediation and conclusion of the contract, Lombard International Assurance is not in a situation of conflict of interest.

Nevertheless, there could be situations on occasion which might present an unavoidable situation of conflict of interest. In these situations, if all organisational and administrative provisions that have been taken are not sufficient to ensure that risks of damage to Client interests will be prevented, Lombard International Assurance will provide the concerned Client with a specific description of the conflict of interest. This communication will disclose the general nature and where applicable, the source of such conflict of interest, as well as the risks that arise as a result and steps undertaken to mitigate these risks. Lombard International Assurance will also clearly state that the organisational and administrative arrangements established by the insurer to prevent or manage the conflict of interest are not sufficient to ensure, with reasonable confidence, that risks of damage to the interests of the customer will be prevented.

Examples of these situations may include the execution of a variety of activities, including (i) investment activity, divestment of eligible assets, and/or (ii) connected activities such as deposit or management.

These activities could arise, for example, when the issuer of eligible assets, the investment managers, or the custodian bank are bound to Lombard International Assurance by business relations or make part of the same group.

Lombard International Assurance has defined a procedure to identify, prevent and manage those situations of conflict of interest. In particular, this procedure is designed to:

(a) identify the situations of conflict of interest;
(b) prevent and manage potential conflicts of interest;
(c) inform the client about potential situations of conflict of interest that might harm their interests;
(d) register conflicts of interest.

The Distributor and the client can request and obtain from Lombard International Assurance additional information about the procedure related to conflicts of interest and obtain a copy of the document that lays out the procedure.

Product approval process

The product approval process applies the right balance of control, depth of detail in documentation and challenge depending on the risk assessment of the product and market at stake. The process is made up of several stages and each stage has a set of activities and decisions associated.

Idea Generation

This stage of the process is to develop an understanding of customer, commercial and/or compliance needs and to start to develop a concept that meets these needs.

Idea Screening

Based on the information acquired, a formal decision is made on that basis whether the requested development is being taken to the next stage.

Planning & Due Diligence

Should the idea succeed to the screening stage, the project plan will be drafted with a number of specific development steps to go through to build the product/service. It will be shared with all stakeholders asking them to approve deadlines and resource needs.

The results of this preliminary analysis and recommendations will be presented to the Product Oversight Committee whose authority is delegated from the Executive Committee, which will decide whether the requested development will be taken to the next stage of development.

Development

Following the Product Oversight Committee’s agreement to develop the product, the Product Development Team will proceed with the development phase, which includes, but is not limited to: setting up the products, system integration testing and risk mitigations actions on the identified risks.

In this framework, the Target Market, compatible with the product under development is identified and a Product Testing is performed.

Risks for clients

Lombard International Assurance is subject to Luxembourg legislation governing the protection of insurance-linked assets. The underlying assets of its policies are segregated from the Insurer's own assets and liabilities and are deposited with an independent credit institution with the approval of the insurance regulator, the Commissariat aux Assurances. All such assets, other than cash deposits, are required to be held off-balance sheet at the credit institution.

In the unlikely event of the failure of Lombard International Assurance, clients have a super-preferential right over the value of underlying assets. Furthermore, clients have a preferential right, which overrides any other right, except those defined by law, over the assets of the Insurer in the event that the segregated pool of underlying assets is not sufficient to cover all insurance claims. The above asset protection regime is neither a compensation scheme nor a guarantee scheme. Investment risk in the underlying assets, including from the failure of an asset issuer or other investment counterparty, is borne by the client.

The client bears the risk associated with the negative performance of the assets underlying the units of the funds linked to the contract, the "Fund".

The typical financial investment risks to which the client is exposed can be summarised as follows:

(a) **Specific risk and Systematic risk**: this risk is typical of the equity securities (e.g. shares) in which the Fund invests, and is linked to the variability of their prices, which reflect both the market outlook regarding the issuer's economic performance (specific risk) and fluctuations in the markets on which the instruments are traded (generic risk);

(b) **Credit risk**: this risk is typical of the debt securities (e.g. bonds) in which the Fund invests, and is linked to the possibility that the issuer may be unable to pay the interest or repay the principal; the value of the security, and therefore of the respective Fund, reflects this risk by fluctuating as the issuer's credit conditions change;

(c) **Interest risk**: this risk is also typical of the debt securities in which the Fund invests, and is linked to the variability of their prices due to fluctuations in market interest rates; the longer these fluctuations last, the more pronounced the impact on the prices of the securities and therefore, on the yields, especially in the case of fixed-income securities - a rise in market rates will cause a fall in the price of the security, and therefore of the respective Fund, and vice versa.

(d) **Counterparty risk**: the risk that the issuer or counterparties will be unable to meet their obligations;

(e) **Liquidity risk**: the risk that the securities in which the Fund invests may not be readily convertible into cash without a loss of value, when necessary. This depends primarily on the characteristics of the market on which the security is traded;

(f) **Exchange risk**: the risk of fluctuations in the exchange rate of the contract currency, against the Fund Currency and any other currency of denomination of the assets in which the Funds' assets are denominated;

(g) **Country risk**: the risk linked to investments in foreign markets, particularly emerging markets, where the political and/or economic situation of the issuer's country or the relevant regulations may offer lower levels of guarantee and protection for the Client.

(h) **Derivative investment risk**: this risk is typical of the derivatives in which the Funds may invest, and is linked to the variability of their prices due to (i) the leverage associated with them, (ii) the creditworthiness of the counterparties involved, and/or

(iii) the potential illiquidity of the markets on which they are traded (particularly in the case of instruments not traded on regulated markets or “over the counter”). Where derivatives are used for hedging purposes, the investment risk is linked to price variability arising from insufficient correlation with the value of the underlying asset or of the hedged position.

Target Market - Product highly complex

Investor Type

The product is designed for corporate entities with registered office in Finland which are retail or professional clients as defined in Directive 2014/65/EU.

Knowledge and/or Experience

The product is addressed to a client with (i) an average level of knowledge of, or investment experience in, packaged retailed and insurance-based investment products, financial markets and asset class(es) allowed by the product or with (ii) financial industry experience, either directly by themselves or via the advice of a professional.

Risk Tolerance and Ability To Bear Losses

The product is intended for a client who is able to bear investment losses. He is able to afford the risk linked to the limited to very high downward fluctuations and losses over the short to medium-long term as defined in the suitability assessment process depending on the Target Market profile.

Target Market profile	**Risk**	**Volatility**	**Desired return**
1 Cautious /defensive profile	Limited	Low	Conservative
2. Moderate profile	Moderate	Medium-low	Moderate
3. Balanced profile	Medium	Medium	Medium
4. Active profile	High	Medium high	Medium high
5. Aggressive profile	Very high	High	High

The level of risk of the product is from 2 to 6 on a scale of 1 to 7, according to the summary risk indicator in accordance with PRIIPS Regulation 1286/2014. It indicates the likelihood that the product will lose money because of markets movements or the insurer's inability to pay out. The level of risk varies according to the investment strategy associated to the underlying investment supports or their asset allocation.

Personal and financial situation of the client

The client targeted by the product has at least a minimum amount of EUR 500,000 to be invested in the product with no planned need of liquidity in the short-medium term, even though he has the right of partial/ total surrender.

Objectives and needs of the investors

The product is intended for a client seeking a medium to long term investment, hence the recommended holding period is 10 years. The type of client targeted by the product varies on the basis of each underlying investment support (potentially envisaging sustainability factors), their characteristics and their potential combinations. This product is a capitalisation product, which in return for a single initial premium paid, provides a benefit at the term date of the contract. It is intended for a client looking for medium/long term savings.

It is addressed to clients looking for diversification of assets in combination with administrative simplification and/or regulatory protection of the assets underlying the contract ('Triangle of Security').

The product can satisfy one or more sustainability preferences being expressed by the client in the appropriate questionnaire, depending on the characteristics of the investment options offered. Therefore, the product only takes into account the sustainability factors considered by the investment manager in relation to the investment options offered from time to time.

The investment objectives differ depending on the investment profiles of the identified Target Market:

1. **Cautious or defensive:** this profile is designed for clients, seeking a conservative return taking a limited risk. The objective of the client is to achieve progressive capital growth while undertaking limited risk in normal economic and market conditions. Investors accepting that risk hedging strategies will be applied to reduce the volatility of the portfolio;
   Asset allocation to meet the needs and objectives of this group would mainly invest in bonds/bonds-type and money market instruments with a small proportion in equity/equity-type instruments representing maximum 10% of the contract. No alternative investments are allowed.

2. **Moderate:** this profile is designed for clients, seeking a moderate increase in capital in the medium term while undertaking limited risk under normal economic and market conditions. The client accepts relatively weak portfolio volatility and is ready occasionally to give up certain measures of investment security and invest in more volatile financial instruments such as shares, accepts that risk hedging strategies can reduce the volatility of the portfolio as well as that part of the investment may be invested in alternative investments;
   Asset allocation to meet the needs and objectives of this group would allow investment in more volatile financial instruments such as shares and alternative investments representing a maximum 30% of the contract.

3. **Balanced:** this profile is designed for clients, seeking a moderate growth in capital in the medium/long term through a balance between security and performance. The level of risk is average. The client accepts that risk hedging strategies can reduce the volatility of the portfolio and that part of the investment may be invested in alternative investments.
   Asset allocation to meet the needs and objectives of this group would allow a maximum portion of 65% invested in equity/equity-type and/or alternative investments. The rest will be invested in bonds/bonds-type and/or money market instruments.

4. **Active:** this profile is designed for clients, seeking a capital appreciation over the years. The client accepts that the capital invested can rise or fall and that portfolio volatility includes the risk of considerable losses. The risk level of the client is high. The client accepts that risk hedging strategies can reduce the volatility of the portfolio, as well as accepts that part of the investment may be invested in alternative investments.
   Asset allocation to meet the needs and objectives of this group would allow investment into equity/equity-type instruments and alternative investments up to 80% of the contract.

5. **Aggressive:** this profile is designed for clients, seeking a high performance in the long term and is ready to undertake substantial capital risk in exchange for this. The client accepts that the volatility of his portfolio is elevated. The risk level of the investor is very high. The client accepts that risk hedging strategies can reduce the volatility of the portfolio as well as that part of the investment may be invested in alternative investments.

Asset allocation to meet the needs and objectives of this group would allow 100% of contract be invested in equity/equity-type and/or alternative investments.

Each distributor needs to ensure that the type of client's profile matches the client's investment strategy (which term includes the selected investment strategies of internal dedicated funds or of the internal collective funds).

Distribution Strategy

The product is distributed through external brokers, tied or multi-tied agents, or directly by employees of Lombard International Assurance.

The assessment of suitability, which includes sustainability preferences of a client, is a mandatory requirement when the product, given its complexity, is sold to a client with advice. The insurer does not offer its products without advice. Before providing advice to clients, the distributor must obtain relevant information from the client regarding his personal financial situation, demands needs and objectives in order to provide appropriate advice.

The requirements of the client, draw up via his financial position, investment horizon, investment objective and his knowledge and experience of financial investments result in his investment profile. The distributor needs to gather it before the client subscribes the contract or in "other" circumstances such as a change in his situation which might have an influence on his investment profile.

The distributor must inform the client if a periodic assessment of suitability is recommended and agree whether this service will be carried out on a regular basis. Where the distributor and the client have agreed that the service will be carried out on a regular basis, the suitability assessment must be reviewed at least annually. The insurer does not currently provide periodic assessments on a systematic basis. However, where the contract is distributed directly by the employees of the insurer, further assessments of suitability may be performed at the client's request and/or upon certain transactions.

Negative Target Market

This product is not appropriate for clients looking for a guaranteed return product or a product with a capital guarantee or for clients who are not able to bear losses, even of minimum amounts, nor for a physical person.