

Inducement Policy for Provision of Investment and Ancillary Services

Chapter 1 - Objective

1. The objective of this Inducement Policy for Provision of Investment and Ancillary Services (hereinafter - the **Policy**) is to ensure that while providing investment and/or ancillary services to clients and performing investment activities (hereinafter - the **Investment Services**), the Luminor Bank AS, acting in Latvia through its Latvian branch and in Lithuania through its Lithuanian branch, (hereinafter - the **Bank**) acts honestly, fairly and professionally, in accordance with the best interests of its clients, avoids conflicts of interest and implements all necessary measures to identify conflicts of interest arising due to the monetary or non-monetary benefits received from third parties.

2. As such, Inducements could be potentially considered to be in conflict with the Bank's activities when acting in the best interests of their clients and therefore need to be managed and disclosed.

3. This Policy is created and designed with intent to provide a clear and comprehensive overview of Inducement categorization, treatment and disclosure to the Bank's clients during provision of investment services and/or ancillary services.

Chapter 2 - List of Appendices

4. Appendix 1 - Ex-ante Notification on Inducements

Chapter 3 - General Provisions

5. The purpose of the Policy is to define the procedures and measures that must be applied in order to identify, classify, treat, record and disclose to clients any Inducements received by the Bank. In particular, this Policy defines the principles established by the Bank for identifying Inducements and examining the nature of Inducements as well as stipulates the general principles of the Bank governing the treatment to be given to such Inducements.

6. The Bank has a general duty to act honestly, fairly, and professionally, taking into account the client's best interest in relation to provision of Investment Services.

7. **Inducements** in general within this Policy refers to various types of incentives paid by financial intermediaries in exchange for the promotion of specific products or flows of business. The Bank categorizes all Inducements into the following groups:

7.1. **Monetary Inducements** – any fees or commissions received from any third party or a person acting on behalf of a third party in respect of provision of Investment Services to the clients of the Bank.

7.2. **Non-Monetary Benefits** – any non-monetary benefit that is not categorized as a Minor Non-Monetary Benefit and is received from any third party or a person acting on behalf of a third party in respect of provision of Investment Services to the clients of the Bank. The Bank shall not accept and retain any Non-Monetary Benefits that are not justified by an enhancement of the quality of the services provided of an equivalent value.

7.3. **Minor Non-Monetary Benefits** – non-monetary incentives received to the Bank from third parties that are capable of enhancing the quality of service provided to a client and are of a scale and nature such that they could not be judged

to impair compliance with the Bank's duty to act in the best interest of the client. Specific items are provided in Chapter 5 - of the Policy.

8. The Bank may receive and retain Monetary Inducements in relation to the provision of Investment Services only if they are meeting criteria described in Chapter 4 - of the Policy.
9. The Bank does not pay any Inducements to the third parties in relation to Investment Services provided to clients.
10. The Bank has a general duty of all costs and associated charges, pre-sale (ex-ante) and post-sale (ex-post) disclosure relating to Investment Services.

Chapter 4 - Retention of Monetary Inducements and Quality Enhancements

11. The Bank may receive and retain Monetary Inducements in relation to the provision of Investment Services only in cases where the respective Monetary Inducements:

- 11.1. are designed to enhance the quality of the relevant service to the client;
- 11.2. do not impair compliance with the Bank's duty to act honestly, fairly and professionally in accordance with the best interest of its clients;
- 11.3. do not bias or distort the provision of relevant services to the client; and
- 11.4. do not, by their nature or proceeding from their function, create a conflict of interest between the Bank and the client.

12. The Bank may retain only such Monetary Inducements which meet the quality enhancement criterion. For a Monetary Inducement to qualify as enhancing the quality of the respective Investment Services provided to the client it has to meet all the following conditions:

- 12.1. the Bank provides an additional or higher-level service to the relevant client, proportional to the level of Inducements received, such as provision of access, at a competitive price, to a wide range of financial instruments that are likely to meet the needs of the client, including an appropriate number of instruments from third party product providers having no close links with the Bank, together with either the provision of added-value tools, such as objective information tools helping the relevant client to take investment decisions or enabling the relevant client to monitor, model and adjust the range of financial instruments in which they have invested, or providing periodic reports of the performance and costs and charges associated with the financial instruments;
- 12.2. it does not directly benefit the Bank, its shareholders or employees without a tangible benefit to the relevant client;
- 12.3. in case of an on-going Monetary Inducement, the Bank provides an on-going benefit to the relevant client.

13. Monetary Inducements are not retained for the provision of the portfolio management service or related to distribution and/or custody of mutual investment funds.

14. By receiving Monetary Inducements, the Bank ensures that such Monetary Inducements enhance the quality of the respective Investment Services provided to the client and provision of such services is not biased or distorted, and the Bank collects and stores evidence thereof.

15. If the Bank receives Monetary Inducements that do not conform with the requirements specified above in this Chapter, the Bank transfers them to the respective clients immediately after reception of such Monetary Inducements, but no later than within 10 (ten) business days after the receipt of all the necessary information needed to perform allocation of received Monetary Inducements.

16. The Bank on ex-ante and ex-post basis discloses the information about Monetary Inducements to the clients according to Chapter 9 - of this Policy.

Chapter 5 - Minor Non-Monetary Benefits

17. The following benefits shall qualify as acceptable Minor Non-Monetary Benefits:

17.1. Information or documentation relating to a financial instrument or an Investment Service. Such information or documents are generic in nature or personalised provided to reflect the circumstances of an individual client;

17.2. Written material from a third party that is commissioned and paid for by a corporate issuer or potential issuer to promote a new issuance by the company, or where the third-party firm is contractually engaged and paid by the issuer to produce such material on an ongoing basis, provided that the relationship is clearly disclosed in the material and that the material is made available at the same time to any investment firms wishing to receive it or to the general public;

17.3. Participation in conferences, seminars and other training events on the benefits and features of a specific financial instrument or an Investment Service;

17.4. Hospitality of a reasonable de minimis value, such as food and drink during a business meeting or a conference, seminar or other training events;

17.5. Other Minor Non-Monetary Benefits which are capable of enhancing the quality of service provided to a client and having regard to the total level of benefits provided by one entity or group of entities of the Bank, are of a nature and scale that are unlikely to prevent the Bank from providing services honestly, professionally and in the best interests of the client.

18. Before accepting a Minor Non-Monetary Benefit the Bank's Structural Unit providing Investment Services shall carry out assessment of the Minor Non-Monetary Benefit based on the internal processes and such Minor Non-Monetary Benefit satisfies the criteria of acceptable Minor Non-Monetary Benefit:

18.1. It deems capable to enhance the quality of the relevant services to the client;

18.2. It is reasonable and proportionate to the level of Minor Non-Monetary Benefits received;

18.3. It does not impair compliance with the Bank's duty to act honestly, fairly and professionally in accordance with the best interests of its clients;

18.4. It is of a scale that is unlikely to influence the Bank's behaviour in any way that is detrimental to the interests of the relevant client; and

18.5. It does not, by its nature or proceeding from its function, create a conflict of interests between the Bank and the client.

19. Minor Non-Monetary Benefits are described in a generic way and disclosed in Annex 1 of this Policy.

Chapter 6 - Inducements Related to Distribution and/or Custody of Investment Funds

20. When providing Investment Services related to distribution and/or custody of investment funds' units/share classes, the Bank ensures due implementation of the following principles:

20.1. Where it is possible the Bank distributes investment funds' units/share classes free of Inducements, i.e., investment funds' units/share classes which are free of possible management company payments or kickbacks associated with the sale of investment funds' units/share classes;

20.2. The Bank aims to fully transfer to the client all Monetary Inducements that are paid or provided by a third party to the Bank for distribution of investment funds immediately after reception of such Monetary Inducements, but no later than within 10 (ten) business days after the receipt of all the necessary information needed to perform allocation of received Monetary Inducements. The Bank implements the processes described in designated internal regulations when defining the amount that will be paid-out to the particular client in cases when received Monetary Inducements should be attributed and refunded to multiple clients;

20.3. On annual basis the Bank informs its clients individually on the Monetary Inducements received and paid-out by specifying such information in the report on costs and charges.

21. The Bank may receive and accept Minor Non-Monetary Benefits in relation to distribution and/or custody of investment funds' units/share classes which qualify as acceptable in accordance with Chapter 5 - of this Policy.

Chapter 7 - Inducements Related to Portfolio Management

22. Where it is reasonably possible, the Bank shall structure portfolios under management from investments into financial instruments that do not distribute Inducements.

23. The Bank shall not retain any Monetary Inducement received in relation to the portfolio management service. The Bank aims to fully transfer to the client all Monetary Inducements received by the Bank immediately after reception of such Inducements, but no later than within 10 (ten) business days after the receipt of all the necessary information needed to perform allocation of received Inducements to respective clients. For this purpose, the Bank implements the process for the Monetary Inducement allocation to the client in cases it should be attributed and paid-out to multiple clients.

24. The Bank shall not accept Non-Monetary Benefits in relation to the portfolio management service.

25. The Bank may receive and accept Minor Non-Monetary Benefits in relation to the portfolio management service which qualify as acceptable in accordance with Chapter 5 - of this Policy.

Chapter 8 - Limitations Related to Investment Research

26. Investment research is the analysis or recommendations regarding financial instruments, asset classes, or investment strategies with the purpose of providing information to clients or the public for making investment decisions.

27. In case investment research prepared by a third party is required by the Bank for the provision of Investment Services, the Bank acquires such research by paying directly for the research from own funds allocated in a dedicated account.

28. In case investment research is received free of charge it is considered to be an Non-Monetary Benefit and the Bank includes such Inducement to the designated Non-Monetary Benefit journal.

29. To avoid situations where the services provided by the Bank are considered to be Inducements by the Investment Service providers that received such services, the Bank will separately price the services provided thereby, including transaction processing and investment research services, and will offer such services for a separate fee set to each of such services.

30. To avoid potential conflict of interest, the Bank does not provide the individually prepared investment research to other Investment Service providers free of charge.

Chapter 9 - Disclosure of Information on Inducements

31. Prior to the provision of Investment Services to the client the Bank discloses information about the existence, nature and amount of the Inducements received or provided with or, where the amount cannot be ascertained, the method of calculating that amount. Where applicable, the Bank also notifies the clients on mechanisms for transferring Inducements received by the Bank when providing Investment Services to the clients.

32. In order to comply with the abovementioned ex-ante disclosure requirement, the Bank has developed the description of the Inducements received which is provided as Annex 1 to this Policy.

33. To ensure the sound ex-post disclosure of Inducements, the Bank shall provide the precise information in the designated summary on the Bank's website about received Inducements after such Inducements were received in case the Bank was not able to disclose the precise information in advance (ex-ante) and/or instead disclosed the method of calculating that amount to the client.

34. To comply with its obligations to make disclosures on individual basis to its clients, the Bank on annual basis shall inform the client on Inducements received and paid out or received and retained in relation to Investments Services provided to the client, by disclosing such information in the statement on costs and charges.

35. In respect of Minor Non-Monetary Benefits, the information shall be disclosed in a generic way in the form of a summary in Annex 1 of this Policy and updated on annual basis.

EX-ANTE NOTIFICATION ON INDUCEMENTS

The Bank hereby informs the client about Inducements received by the Bank which have been evaluated by the Bank as (a) designed to enhance the quality of services provided to the clients; and (b) not impairing compliance with the Bank's duty to act honestly, fairly and professionally in accordance with the best interests of its clients.

MONETARY INDUCEMENT RECEIVED

The Bank does not receive and retain any Monetary Inducements.

NON-MONETARY BENEFITS RECEIVED

The Bank does not receive and retain any Non-Monetary Inducements.

MINOR NON-MONETARY BENEFITS RECEIVED

Related Investment Service(-s)	Type of Minor Non-Monetary Benefit received
Portfolio Management	Blackrock model portfolios materials