

# PRODUCT PROPOSAL PACK

## Long Kick-Out Plan: June 2019 – Option 2

This document is intended solely for FCA authorised persons, including financial advisory firms and wealth managers ('Professional Advisers'). It is not suitable for, and should not be distributed to, clients or potential clients.

All information is believed to be correct as of 18 Apr 2019.

### Introduction

We make our product proposal packs (PPPs) available to Professional Advisers in order to provide transparency with regard to our internal processes behind our products – and to support Professional Advisers in their product research and due diligence.

Throughout the following pages, numbers in “[ ]” (e.g. [3.2.1 (1)]) are references to the FCA's Product Governance Sourcebook (PROD) which may help explain the context of why we consider certain elements in our product approval process.

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## SECTION 1: PRODUCT INTRODUCTION AND OVERVIEW

1. Product name	Long Kick-Out Plan: June 2019 – Option 2.
2. New / Re-issue	Re-issue.
3. Product type	CaR structured product plan investing in underlying securities.
4. Product sub-type	Defensive kick-out.
5. Target market: end clients	Retail. Educated / Informed (UKSPA) and Informed (MiFID).
6. Distribution channel	FCA authorised and regulated investment firms, providing the services of portfolio management and investment advice.
7. Issuing entity / Counterparty Bank	The securities for the product are issued by SG Issuer and guaranteed by Societe Generale. Societe Generale are the Counterparty Bank for the product.
8. Additional Counterparty Banks: via credit link	N/A.
9. Market / underlying	UK stock market / FTSE 100 FDEW (the 'index').
10. Term	10 years (maximum); annual kick-out opportunities from 3rd anniversary.
11. Risk type	Capital-at-risk product.
12. Barrier	60% end of term ('European').
13. Plan applications	ISA / ISA transfers; direct investments; pensions (SIPP, SSAS, etc.); corporate, charity, trusts.
14. Maximum plan investment	£1,000,000 (sums above this level may be pre-agreed by us with the Professional Adviser).
15. Minimum plan investment	£5,000 (sums below this level may be pre-agreed by us with the Professional Adviser).
16. Product description	<p>A product that is part of our 'Deliberately Defensive' core product range.</p> <p>A maximum 10-year investment plan linked to the UK stock market, offering three investment options with yearly opportunities for early maturity from the third anniversary. This PPP is for option 2.</p> <p>No growth in the index is required in order for a positive return to be generated by the product. The index needs to be at or above 100% of the start level for a kick-out to be triggered on the kick-out anniversary at year 3. The trigger decreases by 5% each kick-out anniversary so the index needs to be at or above 65% of the start level on the end date for a kick-out to be triggered.</p> <p>Protection from a fall in the index, to a defined level of 40%, is also provided, on the end date, if the product does not kick-out and mature during the investment term.</p>
17. Potential return: - annual - maximum	<p>Option 2 offers a potential kick-out coupon of 7.40%, for each year that the product runs before it kicks-out or matures on the end date at year 10.</p> <p>The maximum potential return of the product over the full investment term is 74.00%.</p>
18. Requirements for a positive return to be generated	<p>The product will generate a positive return and repay the money invested in full on the first kick-out anniversary date from the 3rd anniversary if the index is at or above the relevant percentage of the start level, or on the end date at year 10, if the index is at or above 65% of the start level.</p> <p>If the index is below the relevant percentage of the start level on each kick-out anniversary and 65% of the start level on the end date at year 10, the product will not generate a positive return for investors.</p>
19. Potential for capital loss: Issuer / Counterparty Bank risk	The securities for the product are issued by SG Issuer, part of Societe Generale (and are guaranteed by Societe Generale). Societe Generale are the Counterparty Bank for the product. The product therefore depends upon the financial stability of Societe Generale.
20. Potential for capital loss: Market risk	<p>The product is designed with a 60% end of term ('European') barrier.</p> <p>If the index is below the relevant percentage of the start level on each kick-out anniversary and 65% of the start level on the end date, the product will not kick-out and mature during the investment term and will not generate a positive return for investors.</p> <p>If the final index level closes at or above 60% of the start level money invested will be repaid in full (less any agreed adviser fees or withdrawals).</p> <p>If the final index level closes below 60% of the start level money invested will be reduced on a 1%-for-1% basis in line with the total fall in the index from the start level to the end level.</p>
21. Potential for capital loss: Operational risk - Plan Manager - Plan Administration	<p>We, Tempo Structured Products, are the Plan Manager.</p> <p>If we fail this is unlikely to result in a financial loss for investors. We do not hold the plan securities or operate the client money account.</p> <p>We have arranged for James Brearley &amp; Sons (JBS) to provide Plan Administration and custody services.</p> <p>If JBS fails this is unlikely to result in a financial loss to investors unless JBS also fail to safekeep the plan securities or lose client money. If there is a financial loss then investors may be able to claim compensation from the FSCS, up to a maximum limit of £50,000 per person, subject to limits and eligibility set out by the FSCS.</p>

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**22. FSCS eligibility**

As a structured product (as opposed to a structured deposit), it is not usually possible for investors to claim FSCS protection / compensation for losses arising due to the Counterparty Bank failing to meet their obligations or if the UK stock market falls, for these reasons alone.

FSCS eligibility may apply in certain instances (such as mis-selling or losses caused by the failure of the Plan Administrator / custodian).

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## SECTION 2: TARGET MARKET

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- 1. General investment thinking [3.2.1 (1); 3.2.10 (2)]**
- Our current investment / markets thinking is that we may be in an ‘everything lower and slower, for longer’ environment, meaning that investment returns in the foreseeable years ahead could be more difficult to achieve than in recent years, which benefitted from exceptional global government and central bank stimulus (including ultra-low interest rates and quantitative easing), following the global financial crisis.
- In the current economic and investment environment, our investment thinking includes consideration of the following factors:
- interest rates could stay low and rise more slowly than is currently anticipated - potentially for an extended period of time;
  - bonds may have morphed from an asset class known for low risk and solid returns to something approaching the opposite, i.e. low returns with clear risks to capital; and
  - we note that many commentators perceive equity markets to be fairly / fully valued, at current levels, with risks at various levels, including geo-political.
- Within this environment, and with this outlook in mind, we think that investors require viable investment options and solutions, that can increase the likelihood of positive returns being generated and decrease the likelihood of losses being experienced, as part of diversified and balanced portfolios.
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- 2. Market background [3.2.1 (1); 3.2.10 (2)]**
- Kick-out products have been popular with Professional Advisers and investors for many years now, due to their ability to generate positive returns in flat or even falling stock market environments, while also providing some protection should the stock market they are linked to fall.
- Based upon relationships with and contact / research amongst Professional Advisers, and through industry knowledge and industry data, we know that there continues to be interest and demand for kick-out products, including defensive products.
- On a similar basis, we also know there is interest (and opportunity / need) for products based on a longer maximum investment term, with an increased number of potential kick-out triggers to increase the likelihood of positive returns and decrease the likelihood of loss of capital, and that Professional Advisers are prepared to recommend such products, with a potentially longer investment term, to their clients.
- The proposed product therefore uses this very simple, but important, feature of a longer maximum investment term, of 10 years, instead of the more usual 5 or 6 years – albeit retaining the same opportunities for kick-out from an early anniversary as a shorter term product.
- For Professional Advisers / investors who believe that stock markets can be expected to rise over time (which is the fundamental reason to invest in markets), this simple extension of the maximum investment term increases the number of kick-out triggers and also, therefore, the opportunities for a positive return to be generated - while also decreasing the likelihood of loss of capital, through the end-of-term barrier being observed after the extended term (if kick-out has not occurred during the term).
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- 3. Target market research [3.2.1 (1)]**
- The latest UKSPA research, available to us as UKSPA members, conducted by Harris Interactive in April 2017, driven by a survey of 5,055 UK investors, who were identified to include a broad spectrum of background knowledge and experience regarding their investment interests and needs (36% ‘mass retail’; 45% ‘educated / informed’; 19% ‘sophisticated’), showed:
- 79% looking for growth or a combination of growth / income;
  - 65% interested in kick-out features;
  - 76% interested in defensive product features;
  - 87% willing to put some of their capital at risk;
  - 69% willing to put all of their capital at risk.
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- 4. End client type [3.2.1 (1); 3.2.4 (1); 3.2.8 (1)]**
- Retail (professionally advised), Professional & Eligible Counterparties
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- 5. End client knowledge & experience [3.2.1 (1); 3.2.4 (1); 3.2.8 (1)]**
- End clients are expected to have:
- experience with investments and holding a portfolio of investment products and / or an understanding that any investment should be part of a diversified and balanced portfolio
  - some knowledge of the stock market
  - an understanding of the product features as explained in the brochure, including:
    - how movements in the index may impact the product;
    - the main investment thinking and rationale behind the product, including how the product can be expected to perform in different scenarios, explained in the brochure;
    - the risk / reward profile of the product compared to alternative investments, such as term deposits and investment funds;
    - the issuer, counterparty and market risks, explained in the brochure.
- End clients are likely to be experienced in taking stock market and counterparty risk, as part of a diversified and balanced portfolio, but be interested in some protection, to a defined level, if the stock market falls.
- A lack of knowledge and experience may be mitigated by a suitability assessment, performed by an authorised and regulated investment firm.
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6. <b>End client financial situation and ability to bear losses</b> [3.2.1 (1); 3.2.4 (1); 3.2.8 (1)]	End clients are expected to have the ability to tie money up for up to 10 years and to be able to bear 100% capital losses as part of a diversified and balanced portfolio.
7. <b>End client risk tolerance</b> [3.2.1 (1); 3.2.4 (1); 3.2.8 (1)]	End clients are expected to have the financial ability and willingness to put capital invested at risk, as part of a diversified and balanced portfolio.
8. <b>End client objectives and needs</b> [3.2.1 (1); 3.2.4 (1); 3.2.8 (1)]	<p>End clients are expected to be looking for growth potential, and be prepared to take issuer / counterparty, market and operational risk, as part of a diversified and balanced portfolio, in return for:</p> <ul style="list-style-type: none"> <li>- the potential for a higher level of return than might be achieved from bank or building society savings accounts;</li> <li>- an increased likelihood of receiving a fixed level of return, which may be more or less than the return from investing in the stock market directly; and</li> <li>- a decreased likelihood of capital loss compared to investing in the stock market directly.</li> </ul>
9. <b>Prospective end clients who should not invest</b> [3.2.1 (1); 3.2.4 (1); 3.2.8 (2)]	<p>Prospective end clients who should not invest include those who:</p> <ul style="list-style-type: none"> <li>- expect the market to fall significantly over the next 10 years; or</li> <li>- want to invest for income; or</li> <li>- do not want potential returns to be fixed; or</li> <li>- may need to access their money within 10 years; or</li> <li>- want any return at a specific future date; or</li> <li>- are unwilling / unable to tolerate the products' risks; or</li> <li>- can't bear a 100% capital loss; or</li> <li>- do not understand the product: or</li> <li>- are not investing as part of a diversified and balanced portfolio; or</li> <li>- do not take advice from an authorised and regulated investment firm.</li> </ul>
10. <b>Distribution channel</b> [3.2.1 (2)]	Our distribution channel is FCA authorised and regulated investment firms, who provide portfolio management and investment advisory services.
11. <b>UKSPA customer segments</b>	The Product is targeted at end clients who are "Educated / Informed" or "Sophisticated". It may also be suitable for "Mass Retail" end clients who take professional advice and have had a suitability assessment.
12. <b>MiFID customer segments</b>	The Product is targeted at end clients who are "Informed" or "Advanced". It may also be suitable for "Basic" end clients who take professional advice and have had a suitability assessment.
13. <b>Expected Experian Financial Strategy Segments (FSS)</b>	<p>Experian's Financial Strategy Segments (FSS) helps identify and detail the profile of consumers. It uses 2,500 data variables, and classifies over 50 million UK consumers into 15 segments (and beneath this 55 'types' and 135 distinct 'person-level' types, that differentiate the characteristics and behaviours of individuals within a household.</p> <p>From the 15 segments, which are detailed below, we have identified 6 (which are highlighted) as suitable target segments for the product - and 9 segments (which are not highlighted) as unsuitable:</p> <ul style="list-style-type: none"> <li>- Group A: Earning Potential</li> <li>- <b>Group B: Money Makers*</b></li> <li>- Group C: Growth Phase</li> <li>- Group D: Deal Seekers</li> <li>- Group E: Family Pressures</li> <li>- <b>Group F: Established Investors*</b></li> <li>- <b>Group G: Career Experience*</b></li> <li>- Group H: Small-Scale Savers</li> <li>- Group I: Mutual Resources</li> <li>- Group J: Single Earners</li> <li>- <b>Group K: Respectable Reserves*</b></li> <li>- Group L: Cash Economy</li> <li>- <b>Group M: Golden Age*</b></li> <li>- <b>Group N: Home-equity Elders*</b></li> <li>- Group O: Declining Years</li> </ul>
14. <b>Expected (mean) Experian Financial Sophistication Index (FSI):</b>	Experian's Financial Sophistication Index (FSI) covers 49 million consumers in the UK, and is underpinned by Experian's Financial Strategy Segments. A high score indicates a good level of commercial acumen and financial understanding, with greater need / demand for sophisticated financial solutions. We will target FSI scores of 75+.

### SECTION 3: STRESS TESTING AND VALUE-FOR-MONEY ASSESSMENTS

1. **Stress testing:**  
 - back-testing  
 - forward modelling
- We have conducted stress testing on the product, in line with regulatory requirements and following best practice guidelines established by UKSPA.
- We conduct our stress testing with the assistance of an independent, specialist research provider, Future Value Consultants. We make their research report available on our website.
- The tests were run on 17 Apr 2019 and both Tempo and UK SPA Tests were passed.

Type	Scenario	Return >	Minimum	Result
Backtest	Since Inception	Capital	75%	N/A
Backtest	15 Year (Mkt risk only)	UKSPA Benchmark	50%	N/A
FWD Model	Positive	Capital	75%	PASS
FWD Model	Positive (Mkt risk only)	UKSPA Benchmark	50%	PASS
FWD Model	Neutral	Issuer Deposit	50%	PASS
FWD Model	Neutral	Risk Free Rate	50%	PASS

### POTENTIAL FOR POOR INVESTOR OUTCOMES

1. **Risk of loss of capital** [3.2.12 (1) (2); 3.2.13 (1) (2); 3.2.14 (2)]
- The most impactful poor investor outcome would be one in which the product causes investors any loss (in part or full) of capital.
- The two most direct factors that can lead to a loss of capital are:
- Issuer / Counterparty Bank failure
  - Market barrier breach
- The details of these risks and how they are mitigated are detailed in the 'product risks' section of this product proposal pack.
- Our stress testing (back-testing and forward modelling) results show that the probability of these risks causing poor investor outcomes can be assessed to be acceptable, from a risk / return profile perspective, across neutral and positive market scenarios, and based upon the characteristics of the identified target market.
2. **Risk of no return being generated** [3.2.12 (1) (2); 3.2.13 (1); 3.2.14 (2)]
- The more likely but less impactful poor investor outcome would be one in which the product fails to generate a positive return for investors.
- The level of the stock market index on the kick-out anniversary dates and on the end date will determine whether the product will generate a positive return.
- The details of these risks and how they are mitigated are detailed in the 'product risks' section of this product proposal pack.
- Our stress testing (back-testing and forward modelling) results show that the probability of this risk causing poor investor outcomes can be assessed to be acceptable, from a risk / return profile perspective, across neutral and positive market scenarios, and based upon the characteristics of the identified target market.
3. **Risk of return being below the level of returns available through other savings or investment options** [3.2.12 (1) (2); 3.2.13 (1); 3.2.14 (2)]
- A poor investor outcome may also be a scenario in which the product generates a positive return but at a level below the returns that could have been achieved through alternative investment options.
- The level of available (now and / or in the future) savings rates and the level of the stock market on the kick-out anniversary dates and on the end date will determine whether a higher return could have been generated through alternative savings or stock market linked investment options than the level of return generated by the product.
- The details of this risk and how it is mitigated are in the 'Stress testing' section of this product proposal pack.
- Our stress testing (back-testing and forward modelling) results show that the probability of this risk causing poor investor outcomes can be assessed to be acceptable, from a risk / return profile perspective, across neutral and positive market scenarios, and based upon the characteristics of the identified target market.
4. **Closing Early** [3.2.13 (3)]
- If the offer is over-subscribed and it is not possible or commercially viable to arrange further underlying securities, the offer period may be closed early. Subsequent monies received by the Plan Administrator will be returned to investors in full, but it may not be possible for investors to invest in equivalent alternative products.
5. **Failure to launch: the impact on investors if sales volume means that the product is not commercially viable to launch or if it fails to launch for any reason** [3.2.13 (3)]
- If sales volume during the offer period means that launching the product is not viable (for example, if the level of sales is below the level that the Issuer requires in order able to issue the securities for the product) or if the product cannot be launched for any reason, investor monies received by the Plan Administrator will be returned to investors.
- If the Plan Administrator has deducted and paid adviser fees, in line with instructions on the application form, the net investment amount will be returned and investors would need to discuss the refund of the adviser fee with their Professional Adviser / investment firm.

## SECTION 4: PRODUCT RISKS: IMORA

### > ISSUER | MARKET | OPERATIONAL RISK ANALYSIS

#### ISSUER/COUNTERPARTY BANKS RISK

1. Issuer / Counterparty Bank risk affects both the potential return and the repayment of any money invested in the product	The product is backed by securities issued by SG Issuer, part of French bank Societe Generale. The securities are guaranteed by Societe Generale, who are the Counterparty Bank for the product. Societe Generale are ultimately responsible for, and if necessary will meet, the payment obligations (including paying the potential returns of the plan and repaying the money invested) of SG Issuer.
2. The Issuer / Counterparty Bank risk	The Issuer / Counterparty Bank risk to be aware of and understand is the risk of Societe Generale failing, for example through insolvency or similar. The product depends upon the financial stability of Societe Generale.
3. Additional Counterparty Banks risk: via credit link	N/A.
4. How the Issuer / Counterparty banks risk is assessed / mitigated	<p>Our approach as an independent Plan Manager, able to select and deal with issuers / counterparties without bias, is that we seek to identify and deal with strong issuers / counterparties.</p> <p>The FT Banker Database identifies approximately 3,400 banks globally. As a first step, we deal predominantly with banking groups that are regulatorily categorised as 'Global Systemically Important Banks' (G-SIBs) and / or, as a minimum, 'Domestic Systemically Important Banks' (D-SIBs):</p> <ul style="list-style-type: none"> <li>- as the name details, G-SIBs / are fundamentally the more important (and usually the bigger, deeper and stronger) banking groups, globally, regionally</li> <li>- as a result, they are subject to higher supervisory expectations, including for risk management, risk governance and internal controls; and capital adequacy requirements, including higher Tier 1 capital ratios and further incoming rules regarding Total Loss Absorbency Capacity (TLAC)</li> </ul> <p>As a second step, we have developed a suite of proprietary Scorecards ('TICS') that help us analyse, assess and compare prospective issuer / counterparties based upon multiple factors, with a system that provokes and supports detailed and more objective analysis, assessment, comparison, consideration and understanding ('AACCU') of financial strength / credit risk. Based on the criteria that we assess, the banks that we monitor are (with one or two exceptions) in the top percentile of the global banking universe.</p> <p>A TICS Report has been produced to support our selection of Societe Generale as the Counterparty Bank for this product.</p> <p>The Scorecards highlight, as at 01 Apr 2019, that Societe Generale is a G-SIB, with factors in line with our expectations for similar G-SIBs.</p>

#### MARKET RISK

5. Market risk affects both the potential return and the repayment of money invested in the product during the investment term and at the end date	<p>Both the potential kick-out return and the repayment of money invested in the product are linked to and depend upon the level of the UK stock market, represented by the index.</p> <p>The primary market risks are:</p> <ul style="list-style-type: none"> <li>- capital loss, caused by the index breaching the protection barrier on the end date</li> <li>- return of capital only / zero investment return, caused by the index being below the level required to generate a positive return on all of the kick-out anniversary dates and on the end date</li> <li>- the fixed return being lower than the returns that might have been generated by the stock market / other investment or savings options</li> </ul> <p>The probabilities of these risks / outcomes are analysed in Section 3 (Stress testing).</p>
6. Market risk to the repayment of money invested in the product, at the end date	<p>If the index closes below the level required on all of the kickout anniversary dates and on the end date, no return will be generated by the product.</p> <p>The repayment of money invested at maturity on the end date will then depend upon the level of the index on the end date.</p> <p>The product is designed with a 60% end of term ('European') Barrier.</p> <p>This type of barrier is only observed at the end date of the product - and cannot, therefore, be breached during the investment term.</p> <p>If the index closes at or above 60% of the start level on the end date, any money invested will be repaid in full.</p> <p>However, if the index closes below 60% of the start level on the end date, the repayment of money invested will be reduced by the amount that the index has fallen.</p> <p>For example, if the index has fallen by 45%, the repayment of money invested will be reduced by 45% (meaning that investors will get 55% of their investment back).</p>

7. <b>Market risk to the potential kick-out return of the product</b>	<p>The potential kick-out return of the product depends on the level of the index on the kick-out anniversary dates and on the end date.</p> <p>The index must close at or above the relevant percentage of the start level, for option 2, on one of the kick-out anniversary dates or 65% of the start level on the end date, in order for the product to generate a positive return for investors.</p> <p>If the index closes below the level required on all of the kick-out anniversary dates and on the end date, no return will be generated by the product.</p>
8. <b>The potential returns of the product are fixed</b>	<p>The potential returns for the product are fixed. It is therefore possible that the index will increase in value by more than the level of the fixed return offered by the product.</p>
9. <b>Market risk to withdrawals from or cashing in an investment in the product, during the investment term</b>	<p>Partial withdrawals or cashing in an investment in the product is possible during the investment term.</p> <p>However, if investors want to make a partial withdrawal or cash in their investment before the end date, they may get back less than they invested, as the repayment of money invested, as described in the plan brochure, only applies at the kick-out anniversary dates and the end date.</p> <p>The value of the product / investments backing it during the investment term depend on a number of factors, including the level of the index and interest rates.</p>
10. <b>The underlying index is based on a total return index, with dividends included, with a fixed dividend deduction</b>	<p>While dividends that companies may pay are not guaranteed they can be an important part of the total return that investors in the stock market or mutual funds investing in these companies may benefit from.</p> <p>Dividends may increase stock market returns in a rising market and provide an element of return in a falling market, which can offset some capital losses.</p> <p>While dividends are included in the index that the product links to a fixed dividend of 50 points a year is deducted by the index provider (FTSE Russell) when they calculate the index level.</p>
11. <b>How the Market risk of the product is mitigated</b>	<p>The market risk of the product has been mitigated by using a 60% end of term (European) barrier, which is not observed and cannot be breached during the investment term, with a longer maximum investment term of 10 years instead of the more usual 5-6 year term.</p> <p>Product features are designed to reduce the market risk of the product:</p> <ul style="list-style-type: none"> <li>- firstly, by increasing the likelihood of a positive kick-out return and early maturity being triggered during the term, due to the increased number of kick-out trigger opportunities and a kick-out trigger level that does not require the index to have risen; and</li> <li>- secondly, by decreasing the likelihood of a barrier breach, for investors who expect markets to rise over time, if kick-out has not occurred during the investment term.</li> </ul>

#### OPERATIONAL RISK (PLAN MANAGER / PLAN ADMINISTRATION)

12. <b>Plan Manager risk</b>	<p>We, Tempo Structured Products, are the Plan Manager.</p> <p>We are responsible for designing and arranging the product, working with the Issuer/Counterparty that is responsible for issuing the investments that the product is based upon, selecting the Plan Administrator, and promoting to and supporting the Professional Advisers who wish to use the product with their clients.</p> <p>If we fail this is unlikely to result in a financial loss for investors. We do not hold the plan securities or operate the client money account.</p>		
13. <b>Alpha Real Capital operational strength</b>	<p>As a wholly owned subsidiary of Alpha Real Capital, we benefit from the operational strength of the group, which supports us in our role as Plan Manager.</p> <p>To assist Professional Advisers in their due diligence we pro-actively provide details of our group, including full financial reports and accounts:</p> <ul style="list-style-type: none"> <li>- Group AUM/capital commitments: £2.4 billion (31 Mar 18)</li> <li>- TIME Investments AUM: £900 million+</li> <li>- Alternative Real Capital AUM/capital commitments: circa £1.3 billion</li> <li>- Alpha Real Capital has a strong balance sheet, with no debt</li> <li>- Group net asset value: £58 million (31 Mar 18)</li> <li>- 2017 group revenue/operating profit: £28.2m/£15.4m (31 Mar 18)</li> </ul>		
14. <b>Alpha Real Capital Financials /accounts</b>	<b>To 31 Mar 2016</b>	<b>To 31 Mar 2017</b>	<b>To 31 Mar 2018</b>
	<b>Revenue</b>	£17.3m	£26.4m
	<b>Operating profit</b>	£7.1m	£15.2m



<p><b>15. Plan Administrator risk</b></p>	<p>We have arranged for James Brearley &amp; Sons Ltd (JBS) to provide Plan Administrator and custody services.</p> <p>JBS are responsible for providing administration and custodian services for the product, with further administrative support and service provided by the client service team of TIME Investments, to ensure high quality and flexible administration service for professional advisers and their clients.</p> <p>Investors in the product become a client of JBS.</p> <p>JBS have a number of responsibilities, including processing applications during the offer period, acting as the agent of investors in purchasing the securities from the issuing bank on the start date, processing any payments due during the investment term and at maturity, safekeeping the investments and any cash held within the plan, communicating with investors during the term (for example, providing statements and valuations) and providing general administration support to investors and professional advisers throughout the life of the plan.</p> <p>If JBS fails this is unlikely to result in a financial loss to investors unless JBS also fail to safekeep the plan securities or lose client money. If there is a financial loss then investors may be able to claim compensation from the FSCS, up to a maximum limit of £50,000 per person, subject to limits and eligibility set out by the FSCS.</p>
<p><b>16. Operational strength of Plan Administrator</b></p>	<p>JBS is an investment manager and stockbroking firm, which is authorised and regulated by the Financial Conduct Authority (FCA). It is an HM Revenue and Customs authorised ISA Manager and a member of both the London Stock Exchange (LSE) and the Personal Investment Management &amp; Financial Advice Association (PIMFA).</p> <p>Founded in 1919, James Brearley has been providing share dealing and investment management services to both private and intermediary clients for almost 100 years. The company has been a custodian of investor assets since 1986, when Personal Equity Plans (PEPs) were introduced, with its services now including Individual Savings Accounts (ISAs), general investment accounts, pension vehicles (SIPP &amp; SSAS), trust arrangements and offshore insurance bonds. In 2000, it became one of the first UK stockbroking companies to provide investors with an online valuation service, including, amongst other things, a cash statement and transaction history.</p> <p>The company now provides a range of services to financial services / wealth management / asset management businesses. Total assets under management, advice and / or administration exceed £1.8 billion (as at 31 Dec 2017).</p> <p>We performed due diligence upon JBS and work very closely with them, as our appointed Plan Administrator and custodian.</p>
<p><b>17. How the Operational risk of the product is mitigated</b></p>	<p>The 'Alpha way' is to seek to add value in the areas in which it operates, with a focus upon lower risk / return profile investment propositions.</p> <p>We have focused intensely on how to reduce the risks of structured products, including carefully considering:</p> <ul style="list-style-type: none"> <li>- Issuer / Counterparty Bank risk: we seek to work with strong banks, that are categorised as Global Systemically Important Banks (G-SIBs) or, as a minimum, Domestic Systemically Important banks (D-SIBs), and we apply further robust and objective due diligence screening;</li> <li>- Market risk: all of our core products are 'Deliberately Defensive', meaning that they are designed so that they can generate some or all of their returns without requiring the stock market to rise, while including protection on the downside, to a defined level, should the stock market fall;</li> <li>- Operational risk (Plan Manager / Plan Administration): As a wholly owned subsidiary of Alpha Real Capital we benefit from the operational strength of the group, which supports us in our role as Plan Manager - and we have also taken steps to address and mitigate the Plan Administration / custody arrangement risks, over the full investment term of each product.</li> </ul> <p>Importantly, we think Professional Advisers should be more carefully considering the operational risks of structured products, in terms of identifying and assessing the operational strength of the Plan Manager and their administration and custody arrangements. Regulations (PROD Sourcebook) state that distributors should consider the impact that the selection of a manufacturer could have on clients, in terms of various factors, including the financial strength of the manufacturer.</p>

#### OTHER RISKS

<p><b>18. Cancellation risk</b></p>	<p>If an investor decides to cancel an application and their cancellation notice is received after the start date, they will receive the market value of the product on the date the Plan Administrator completes the cancellation instruction, which may be less than the amount invested, if the value of the product has fallen.</p> <p>If an investor decides to cancel an application and their cancellation notice is received before the start date but after the end of their cancellation period, this will be treated as an instruction to cash in their plan.</p>
<p><b>19. Liquidity risk</b></p>	<p>The Issuer / Counterparty Bank, Societe Generale, intend to make a market to offer daily pricing for redemptions (including partial withdrawals or cashing in an investment in the product).</p> <p>Partial withdrawals or complete cashing in of the product are possible during the investment term. However, the repayment of money invested and the potential kick-out returns, as described in the product brochure, only apply on the kickout anniversary dates and / or full end date, at year 10. The value during the investment term depends on various factors, including the level of the index and interest rates.</p> <p>While withdrawals from or cashing in of the product may be possible during the investment term, this is not guaranteed. Exceptional circumstances may prevent it being possible. These circumstances include, but are not limited to, significant stock market related events, or if the Plan Administrator cannot arrange the withdrawal or cashing in with the Counterparty Bank.</p> <p>For these reasons, while access to money invested in the product is expected to be possible during the investment term and may not necessarily result in a loss, the product is targeted only at investors prepared and able to stay invested in the product until the end date.</p>

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<b>20. Tax risk</b>	The potential returns of the product are expected to be classed as a capital gain and therefore be subject to capital gains tax (CGT). The structure of the investments that Societe Generale issues supports this. The product is also deemed eligible for ISA purposes. Tax legislation could change during the investment term of the product - the tax treatment of an investment in the product could therefore also change at any time.
<b>21. Reinvestment risk</b>	Following a kick-out during the investment term or maturity of the product at the end of the investment term, investors may not be able to invest in similar products with similar returns.
<b>22. Inflation</b>	Inflation may reduce the real value of any money invested in the product and any returns to investors in the future.
<b>24. Summary Risk Indicator (SRI)</b>	5: calculated by the Issuer.

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## SECTION 5: RISK/REWARD PROFILE VS TARGET MARKET CHARACTERISTICS

<p>1. Is the risk/reward profile of the product consistent with the characteristics of the identified target market? [3.2.10 (1)]</p>	<p><b>Risks</b></p> <ul style="list-style-type: none"> <li>- Capital loss arising from Issuer/Counterparty Bank, Market, or Operational failure/performance</li> <li>- No return is generated or fixed level of return underperforms the market</li> </ul>	<p><b>Target Market</b></p> <ul style="list-style-type: none"> <li>- Professionally advised investors, who are clients of authorised and regulated investment firms</li> <li>- Experience of stock market and counterparty risk</li> <li>- Understanding of importance of portfolio diversification and balance</li> <li>- Understanding of risks involved and willingness to place capital at risk</li> <li>- Ability to withstand loss of capital</li> <li>- Looking for growth potential</li> <li>- Ability to tie money up for 10 years, with no need for a return on a specific date</li> <li>- Reasonable expectation of a neutral or bullish stock market over 10 years</li> <li>- Interest in an increased likelihood of achieving a viable level of fixed return, that requires no market growth, combined with a degree/defined level of protection should the market fall</li> </ul>
<p>2. What crucial Events may affect the risk/reward profile? [3.2.23]</p>	<p><b>Rewards</b></p> <ul style="list-style-type: none"> <li>- Fixed return potential in year 3-10, dependent on the stock market, requiring no market growth, with protection of money invested from falls in the market, to a defined level</li> </ul> <ul style="list-style-type: none"> <li>- Increasing likelihood of default by the Counterparty Bank, increasing the probability of capital loss</li> <li>- Increasing likelihood of a barrier breach at maturity, increasing the possibility of capital loss being experienced</li> <li>- Decreasing likelihood of a successful kick-out return being triggered, generating a positive return</li> <li>- Increasing operational risk, through decreasing financial stability or other factors (such as regulatory) affecting the Plan Manager or Plan Administrator</li> <li>- Decrease in /or no liquidity offered by the Counterparty Bank</li> <li>- Changes in the economic, interest rate, inflation environment</li> <li>- Changes to tax treatment or regulation (including any product intervention rules)</li> </ul>	

## SECTION 6: DISTRIBUTION

1. What is the distribution channel for the product	<p>The product will be distributed via FCA authorised and regulated investment firms.</p> <ul style="list-style-type: none"> <li>- applications will be accepted from investors taking advice from a Professional Adviser, who has assessed suitability.</li> <li>- we will not accept applications from non-advised, self-directed, investors, even if investing through a regulated and authorised investment firm, who would assess appropriateness.</li> <li>- we will not accept applications directly from retail investors.</li> </ul>
2. Are there any conditions /restrictions regarding distribution of the product? [3.2.2 (3)]	<p>Yes. Applications will only be accepted if all of the following conditions are met:</p> <ul style="list-style-type: none"> <li>- a Distributor meeting our minimum regulatory requirements has performed a suitability assessment on the investor (by providing the services of portfolio management or investment advice)</li> <li>- the Distributor has confirmed acceptance of our Distributor Terms of Business, including the obligation to complete our Distributor Due Diligence and to understand the target market that we identify for our products and their responsibility to ensure investors are within our target market and to report instances to us where this is not the case.</li> </ul>
3. Consistency of distribution strategy with target market [3.2.1 (2); 3.2.2; 3.2.4 (3)]	<p>Insisting on all applications being submitted through FCA authorised and regulated investment firms, who have accepted our Terms of Business and understand the requirement to complete our Distributor Due Diligence, who are provided with full product details, including details of the identified target markets (and investors who are not part of the target market) and our stress testing and value-for-money assessments, and who must perform a suitability assessment, mitigates the possibility of investors being outside the target market and any lack of knowledge or experience of the end client.</p>
4. What education and training is provided to Professional Advisers who can distribute the product [3.2.1 (3); 3.2.2]	<p>Our Academy provides accredited educational resources for Professional Advisers to check, validate and /or advance their understanding and working knowledge of structured products.</p> <p>Product specific information, that is aligned with our educational resources, is also proactively provided to Professional Advisers, including professional adviser information packs and detailed Issuer / counterparty bank financial strength / credit risk overviews (which are supported by TICS).</p> <p>Industry and product specific training has also been provided to internal staff / colleagues, including the business development and client services teams.</p> <p>Materials to support training have been made available to the Plan Administrator.</p>
5. What information is provided to investors [3.2.2]	<p>Professional Advisers will be provided with plan documents (retail financial promotion) for use with investors, comprising the plan brochure and plan application pack /terms and conditions.</p> <p>The plan documents have been carefully designed, with the brochure receiving crystal mark accreditation from Plain English Campaign.</p> <p>As well as the plan brochure and plan application pack, other important documents are available to investors, that we recommend they consider with their professional adviser, to fully understand the terms and conditions of investing in the plan.</p> <p>The Issuer / Counterparty Bank produces three documents:</p> <p>Firstly, a 'Key Information Document' (KID), which is designed to help prospective investors compare the product to other investment products.</p> <p>Secondly, there is a document known as the 'prospectus'. The prospectus gives details of the securities and investments programme of the Issuer / Counterparty Bank, which the investments issued for the plan are part of. The prospectus includes the general terms and conditions and details of certain related risks for the programme.</p> <p>Thirdly, there is a document called the 'final terms', which gives details of the specific terms and certain related risks of the investments that are issued for the plan.</p>
6. What fees are paid to Professional Advisers	<p>No commission or provider fees are paid to Professional Advisers.</p> <p>Our Plan Administrator can facilitate adviser fees on behalf of investors, if investors agree a fee with their adviser / investment firm and instruct the Plan Administrator to make the fee payment on their behalf.</p>
7. Any product features or reasons why additional monitoring may be required? [3.2.1 (3)]	<p>We are not aware of any product features or reasons why additional distribution considerations or restrictions, pre-offer period, or post sale monitoring, may be required.</p>
8. Distributor firms /advisers that require additional monitoring [3.2.1 (3)]	<p>We are not aware of any specific distributors that require additional pre or post sale monitoring.</p>

**SECTION 7: PRICING / MARGIN**

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1. **Product price / gross margin [3.2.14 (1) (3)]** The product is expected to be priced at 97.45%, with total gross margin of 2.55%. No additional charges apply during the investment term of the product.
- The margin reflects the costs of an operationally strong Plan Manager and Plan Administrator / custodian, meeting MiFID II regulatory requirements and guidance expectations, and providing support (that may encompass product specific and generic industry materials and resources, potentially including developing support for new product strategies and indices) and service to Professional Advisers and their clients.
- We disclose and explain the charges clearly in the product literature. The margin / charge is taken from the amount that investors invest, at the start date, but is already accounted for within the terms of the product.
- Our stress testing includes the effects of the charges / margin built into the product terms.
- We have removed charges that can often be found in similar types of structured products, such as any charges for partial withdrawals, transfers or encashment during the investment term.
- We monitor our margin through a detailed competitor analysis spread sheet, including details of all providers, all products, broken down by product type, product features, risks and value.
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## SECTION 8: UNDERLYING SECURITY DETAILS

1. Underlying Security	Preference share-linked Note (MTN).
2. Issuing entity / vehicle	Issued by SG Issuer, part of Societe Generale as part of the Debt Instruments Issuance Programme, in accordance with the EU Prospectus Directive and listed on London Stock Exchange.
3. Prospectus	<a href="http://prospectus.socgen.com/disclaimer">http://prospectus.socgen.com/disclaimer</a> (Base Prospectus Dated 27 June 2017)
4. Indicative Term Sheet	Available from <a href="http://www.tempo-sp.com">www.tempo-sp.com</a>
5. Maximum size of Note programme	Not specifically disclosed by the Issuer: this is Societe Generale's 'flagship' Note programme.
6. Maximum MTN size	GBP £5,000,000.
7. Most likely Instruments used by the Issuer to hedge their position and obligation to deliver the terms of the product at maturity	International money markets, to synthesise a zero coupon bond, and over-the-counter (OTC) derivatives (such as call and put options).
8. Issuer confirmation of product specific and cross-business risk management [3.2.30]	<ul style="list-style-type: none"> <li>- At both a product specific and cross-business level the Issuer /Counterparty are required to have appropriate risk management in place and potential conflicts are analysed and disclosed in the base prospectus.</li> </ul> <p>The Issuer /Counterparty Bank confirmed by email on 05 Feb 2018 that:</p> <ul style="list-style-type: none"> <li>- they believe neither the specific MTN issuance or any associated hedging activity would pose a threat to the orderly functioning of financial markets and /or represented a threat to market integrity; and</li> <li>- that the financial instrument did not create a situation where end clients may be adversely affected if they took an exposure opposite to one taken by the Issuer before the manufacture, or desired to be taken by the Issuer after manufacture.</li> </ul>
9. Liquidity	The indicative Term Sheet confirms that the Issuer /Counterparty Bank intends to facilitate daily liquidity, by repurchasing the MTN, with pricing based on the theoretical cost of unwinding a fully hedged position, less a 1% spread.
10. Expected Tax treatment	In line with other preference share-linked Notes, the returns of the MTN are expected to be subject to Capital Gains Tax (CGT).
11. Currency	GBP

**SECTION 9: OPERATIONAL ISSUES / CONSIDERATIONS**

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| <b>1. Any operational issues (including any potentially problematic areas) that need to be considered including Plan Management, Plan Administration, etc.</b> | <p>We are not aware of any specific operational, Plan Management, Plan Administration, custody, staff or other issues that need to be considered.</p> <p>Generally, as part of our early suites of products, management monitoring / oversight of all aspects of operations will be high, throughout the pre-launch, offer period and at and following the start date.</p> |
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**SECTION 10: SERVICE ISSUES / CONSIDERATIONS (ADVISER / INVESTOR)**

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| <b>1. Any service related issues (including any potentially problematic areas) that need to be considered, from a Professional Adviser and /or investor perspective?</b> | <p>We are not aware of any specific service issues, from a Professional Adviser or investor perspective that need to be considered.</p> <p>Generally, as part of our early suites of products, management monitoring / oversight of all aspects of operations will be high, throughout the pre-launch, offer period and at and following the start date.</p> |
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## SECTION 11: REGULATORY / COMPLIANCE ISSUES / CONSIDERATIONS

1. Has the product governance process been followed?	The product proposal pack, encompassing full details of target market, stress testing and distribution strategy and controls, was presented by the Product Strategy Group (PSG) to the Product Control Group (PCG). The proposal was endorsed for submission to the New Product Committee (NPC) as a minuted outcome of the PCG meeting of 18 Apr 2019.
2. Who else is involved in the manufacture of the product?	The Issuer / Counterparty Bank is the manufacturer of the product (Tempo Structured Products considers itself a co-manufacturer)
3. What agreement is in place with the Issuer / Counterparty Bank? [3.2.7]	A written agreement, dated 19 Dec 2017 is in place with the Issuer / Counterparty Bank. This has been reviewed and signed by appropriate senior management and includes details of co-manufacturing responsibilities.
4. What Issuer documentation has been reviewed?	The Prospectus for the Issuer / Counterparty Bank's global issuance programme has been reviewed. The Issuer / Counterparty Bank's indicative Term Sheet has been reviewed to confirm it will be issued under this Prospectus and that the plan brochure properly reflects the terms of the issued securities where appropriate.
5. How can the product impact the stability of financial markets and market integrity? [3.2.13 (4); 3.2.15 (2); 3.2.28]	The underlying investments issued by SG Issuer / Societe Generale are part of a major Note programme. The product issuance volume is expected to amount to a small percentage of that programme. By email on 05 Feb 2018 the Issuer confirmed that they believe the product and / or any underlying hedging that they may choose to undertake cannot impact their financial stability or the integrity or stability of financial markets.
6. How will crucial events be monitored?	The on-going product suite monitoring process will capture (and recommend actions to the PCG) all crucial events which may affect the potential risk reward profile of the product identified in section 6.
7. When will the product be reviewed?	The product is of standard complexity and will be specifically reviewed 6 months after the start date, and incorporated in our annual product suite review.
8. Identified conflicts of interest that may arise? [3.2.27; 3.2.29; 3.2.30]	Any conflicts will be identified and recorded in line with ARC / TIME conflicts policy and conflicts log.
9. How will these be managed? [3.2.27]	Any conflicts will be managed in line with ARC / TIME conflicts policy. Neither Tempo nor any Group company will take exposures in relation to the product that would create a conflict of interests and risk of adverse effect on end clients.
10. Has the impact of any product intervention rules from ESMA, the FCA or any other relevant regulator been considered?	Yes. We do not believe that any product intervention rules impact the product.
11. Any other related issues (including any potentially problematic areas) that need to be considered?	We are not aware of any other specific regulatory / compliance issues that need to be considered. Generally, as part of our early suites of products, management monitoring / oversight of all aspects of operations will be high, throughout the pre-launch, offer period and at the start date.

**SECTION 12: ANY OTHER ISSUES /CONSIDERATIONS**

1. **Are there any other considerations that need to be taken into account (including any potentially problematic areas) prior to the launch of the product?**

There are no other issues that need to be considered, over and above all known /normal considerations.

Generally, as part of our early suites of products, management monitoring /oversight of all aspects of operations will be high, throughout the pre-launch, offer period and at and following the start date.