



Statement of Policies Respecting Conflicts of Interest

Policy Statement

June 2021

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STATEMENT OF POLICIES RESPECTING CONFLICTS OF INTEREST

Securities regulations in Canada require all dealers and advisers to comply with certain rules in relation to conflicts of interest, particularly with respect to the disclosure of information in that regard.

PURPOSE OF THIS DOCUMENT

It is important for you to be informed about how we identify and respond to conflicts of interest in order to minimize their impact. We consider a conflict of interest to be any circumstance where the interests of different parties, such as the interests of a client and those of NBIN, are inconsistent or divergent.

We take reasonable steps to identify all existing material conflicts of interest, and those that are reasonably foreseeable. We then assess the level of risk associated with each conflict. We avoid any situation that would entail a serious conflict of interest or represent too high a risk for clients or market integrity. In any other situation entailing a conflict of interest, we ensure that appropriate measures are implemented to address the conflict of interest effectively. Where it cannot be avoided, we will notify you of any existing or potential material conflict of interest situation and any future material conflict of interest situations as they arise.

The purpose of this Statement of Policies respecting conflicts of interest is to inform you of the nature and extent of conflicts of interest that may affect the services provided to you.

NBF, through its NBIN division, is registered as an investment dealer and offers order-execution services, including clearing and custodial services to independent investment dealers, portfolio managers, investment fund managers and other institutional customers. NBIN gives no advice nor does it make any recommendation with respect to investments.

CONFLICT OF INTEREST SITUATIONS

The situations in which NBIN could be in a conflict of interest, the effects these might have on you, and the way in which NBIN intends to respond to such conflicts, are described herein below.

RELATED AND/OR CONNECTED ISSUERS

Since NBIN is a division of NBF, the related dealers and advisors and the related and/or connected issuers listed below are those of NBF.

A person or company issuing securities is considered a “related issuer” to NBF if, through the ownership of, or direction or control over voting securities or otherwise, i) this person or company is an influential securityholder of NBF, ii) NBF is an influential securityholder of that person or company or iii) each of them is a related issuer of the same third person or company.

An issuer distributing securities is a “connected issuer” to NBF if the relationship between the issuer and NBF, a related issuer of NBF or the directors, officers or partners of NBF or of a related issuer of NBF, may lead a reasonable prospective purchaser of the securities of the connected issuer to question NBF’s independence from the issuer with respect to the distribution of the securities of this issuer.

RELATIONSHIPS WITH RELATED OR CONNECTED ISSUERS THROUGH NBF

As of June 30, 2021, the list of related issuers of NBF considered reporting issuers under Canadian securities legislation is as described herein below. A concise statement of the relationship between NBF and each related issuer is also provided:

- **Canadian Credit Card Trust II:** This trust is a trust whose administrator is National Bank of Canada and whose securities are publicly distributed. Consequently, Canadian Credit Card Trust is deemed to be a

related issuer.

- **Investment Grade Managed Duration Income Fund:** National Bank Financial Inc., which is one of the Agents and the Promoter, is an affiliate of a Canadian chartered bank which has been requested to provide the Fund with a loan facility or prime brokerage facility, the proceeds of which would be used by the Fund for various purposes, including purchasing additional securities for the Portfolio, effecting market purchases of Units, maintaining liquidity and funding redemptions.
- **National Bank of Canada:** National Bank of Canada is a bank incorporated under the *Bank Act* (Canada) and is a reporting issuer that holds indirectly 100% of the voting and equity shares of the Corporation.
- **NBI ETFs:** National Bank Investments Inc. (“NBI”), a wholly owned subsidiary of National Bank of Canada, is the investment fund manager of the NBI ETFs. National Bank Trust Inc. is the portfolio manager of the NBI ETFs. National Bank Financial Inc. acts as designated broker and broker of the NBI ETFs.
- **NBI Funds:** National Bank Investments Inc., a wholly-owned subsidiary of National Bank of Canada, is the investment fund manager of all NBI Funds (including, without limitation, the Meritage Portfolios, as listed in the NBI Funds prospectus, dated June 17, 2021, and updated annually).
- **U.S. Banks Income & Growth Fund:** National Bank Financial Inc., which is one of the Agents and the Promoter, is an affiliate of a Canadian chartered bank which has been requested to provide the Fund with a loan facility or prime brokerage facility, the proceeds of which would be used by the Fund for various purposes, including purchasing additional securities for the Portfolio, effecting market purchases of Units, maintaining liquidity and funding redemptions. Consequently, the Fund may be considered a “connected issuer” of National Bank Financial Inc. under applicable securities legislation.

In the course of carrying out its business activities as registered securities dealer, NBF may, from time to time, engage in the following activities in respect of National Bank of Canada or other related issuers of NBF, and in the context of a distribution of the securities of National Bank of Canada and other connected issuers of NBF:

- sell such securities to or on behalf of clients of NBF;
- purchase such securities from or on behalf of clients of NBF; and
- offer for sale securities, goods and services which include securities, goods or services issued or provided by National Bank of Canada or another related issuer, or cooperate with National Bank of Canada or another related issuer in the joint offering for the sale or purchase of securities, goods or services.

It is the policy of NBF to comply fully with all applicable securities legislation and to make all required disclosures where acting as a dealer in respect of the securities of National Bank of Canada and other related or connected issuers of NBF, particularly in the following situations:

- In the context of the purchase or sale of securities of a related issuer, or in the course of a distribution, in respect of securities of a connected issuer, informing the client in writing of the relationship or connection between the registrant and the issuer of the securities; and
- where NBF purchases securities from or sells securities to a subsidiary or affiliate, the dealing will be done on the basis that the transaction price for a given security together with the brokerage commission applicable to such trade is as good as or better than that offered by an unaffiliated third party broker in an arm’s length transaction.

As part of its business activities as investment dealer, NBF may also be called upon to act as agent or principal at the time of buying or selling for or on behalf of its clients. In such instances, the services provided by NBF in the normal course of business will be provided in accordance with its normal practices and procedures as well as the relevant legislation or regulations.

RELATED DEALERS AND ADVISORS¹

NBF has a policy of complying in all respects with the applicable securities legislation and to make all the required disclosures. NBF's affiliation with National Bank of Canada and its subsidiaries makes it necessary to put in place certain policies aimed at dealing with any potential conflicts of interest and ensuring that the best interests of NBF's clients are preserved.

NBF is duly registered as an investment dealer offering order-execution services through its NBIN division. NBIN gives no advice nor does it make any recommendation with respect to investments. National Bank of Canada, the parent company of NBF is also the principal shareholder of the following dealers and advisors:

- National Bank Financial Inc.
- National Bank Investments Inc.
- National Bank of Canada Financial Inc.
- NBC Financial Markets Asia Limited – in Hong Kong only
- NBC Global Finance Limited – in Ireland
- Natcan Trust Company
- National Bank Trust Inc.
- Nest Wealth Asset Management Inc.
- NatWealth Management Inc.

NBF is therefore related to the above-mentioned dealers and advisors. Although there may be overlaps among the directors and officers of these companies, all of these companies are operated as separate legal entities.

These entities may, from time to time, cooperate in offering products and services for the benefit of our clients. It should be understood that in such cases, there is no exchange of client information among these companies without a client's express prior written consent or unless the information is reasonably necessary in order to provide a specific product or service.

NBF may obtain from or provide to the abovementioned dealers or advisers management, administrative, referral and/or other services in connection with its ongoing business activities or the ongoing business activities of these other companies or transactions completed by it or these other companies. These relationships are subject to certain legislative and industry regulatory requirements which impose restrictions on dealing between related registrants intended to minimize the potential for conflict of interest resulting from these relationships. NBF has also adopted internal policies and procedures which supplement these requirements, including its policies on confidentiality of information.

OTHER RELATED COMPANIES

TMX Group

National Bank Acquisition Holding Inc., one of NBF's affiliates, owns or controls an equity interest in TMX Group Limited in excess of 5% of the issued and outstanding equity securities thereof, and has a nominee director serving on the board. In addition, NBF is an indirect wholly owned subsidiary of National Bank of Canada. From time to time, National Bank of Canada may enter into lending or financial arrangements with companies that are the subject of NBF research reports or that are recommended. At the present date, National Bank of Canada is a lender to TMX Group Limited under its credit facilities. As such, NBF may be considered to have an economic interest in TMX Group Limited. No person or company is required to obtain products or services from TMX Group Limited or its affiliates as a condition of doing business with TMX Group Limited or its affiliates.

TMX Group Limited is also the limited partner of Alpha Trading Systems Limited Partnership. Alpha Trading

¹ Holding directly or indirectly of more than 10% of any class or series of voting securities of these entities.

Systems Limited Partnership owns Alpha Exchange Inc., a stock exchange in Canada for the trading of securities. We can execute transactions on your behalf on Alpha Exchange Inc. and enter orders into Alpha Exchange Inc.'s order book which cannot be immediately completed. In that role, we are subject to a number of regulatory obligations, including the requirement to diligently pursue the best price and best execution of each client order on the marketplace. Those obligations override the direct or indirect interest NBF has in the above companies.

CONFLICTS OF INTEREST OF NBIN EMPLOYEES

In the ordinary course of performing their duties, our officers, employees, representatives and agents may find themselves in situations where their personal interests are in conflict with those of a client.

NBIN has equipped itself with a Code of Conduct and Ethics, a Compliance Manual and internal policies dealing with the situations related to its activities. Among other things, they reiterate that NBIN employees must never favour their own interests to the detriment of their responsibilities towards NBIN's clientele. Those documents set forth the basic principles by which its employees' conduct is guided, particularly including the following:

- a) **Confidential information:** It is prohibited to use confidential information acquired in the course of or in connection with one's duties, or exploit a situation for the purpose of obtaining an advantage of any kind to the detriment of respecting the protection of confidential client information;
- b) **Gifts, entertainment and payments:** It is prohibited to accept gifts, entertainment or payments that could influence decisions to be taken in the course of performing one's duties and to compromise or give the impression of compromising their independence. All decisions must remain objective and impartial, in the best interests of clients. In carrying out their duties, and to avoid any conflict of interest situations, NBIN employees may not receive any other form of compensation than that paid by NBIN without the prior written approval of NBIN. In addition, NBIN ensures that its practices for compensating its representatives are not inconsistent with their obligations to its clients;
- c) **Other business activities:** It is prohibited for NBIN employees to engage in activities that could interfere with or enter into conflict with their duties. NBIN has a policy respecting its employees' other business activities. The policy is intended to detect and, where applicable, supervise and disclose or prohibit any conflicts of interest. NBIN does not authorize any other business activities that could harm the reputation of NBF or one of its related entities. Furthermore, employees wishing to act as directors of officers of a public or private company must declare their intentions and be duly authorized by NBIN. NBIN will not permit any of its employees to engage in activities outside the scope of their duties, including, but not limited to, serving as a director of a company or other entity, without ensuring that such activities do not compromise the interests of NBIN's clients;
- d) **Client priority rule:** The interests of clients must always be given priority over those of NBIN and its employees. For this reason and to avoid conflicts of interest, between two orders for the same security at the same price (or a better price), the order coming from a client is always executed prior to the one from NBIN or one of its employees;
- e) **Trading and financial or professional relationships with clients:** NBIN employees may not have activities of a financial or professional nature with a client without NBIN's prior authorization. The authorization process includes the assessment and supervision of any material conflicts of interest and is intended to ensure the client's interests are completely protected;
- f) **Payment of order execution and research services through brokerage fees ("soft dollars"):** Specific requirements apply to NBIN relative to any securities transactions wherein NBIN charge brokerage fees and which are carried out for an investment fund, a managed account under discretionary management or any other account or portfolio with regard to which an advisor exercises discretionary power respecting investments on behalf of third party beneficiaries. Such requirements are intended to ensure that an assessment is made as to whether or not the goods or services being paid for meet the definition of acceptable goods and services;
- g) **Personal investments:** NBIN employees' personal investments are subject to NBIN Personal Trading Policy and are supervised as per regulatory requirements to ensure compliance with Conflict of Interest

policies. Employees should not make personal investments based on confidential information held by NBIN;

- h) Referrals:** On occasion, clients may be referred by third parties to NBIN for the purpose of obtaining the products and services offered by NBIN. When such referrals involve a referral commission, they must comply with the existing regulations and be subject to the required disclosures to clients so referred. Such disclosures allow the clients concerned to make informed decision with respect to the referral and to assess any potential conflicts of interest. Any referral must be made in the best interests of clients and not just for the purpose of receiving a commission.

Other conflicts of interest

From time to time, other existing or reasonably foreseeable conflicts of interest may arise. NBIN undertakes to continue taking the necessary steps to identify and respond to such situations fairly and reasonably, in keeping with the standard of care to which it is subject in its relationships with its clients. This Statement of Policies respecting conflicts of interest of NBIN will be updated should there be any evolution with respect to material conflicts of interest.