

Conflicts of Interest Policy Statement

Securities regulations in Canada require all investment dealers to comply with rules about conflicts of interest. It is important for you to know how National Bank Independent Network (“NBIN”), a division of National Bank Financial Inc. (“NBF”), identifies and addresses conflicts of interest, as well as how we minimize their impact.

The purpose of this *Conflict of Interest Policy Statement* is to inform you of the nature and extent of conflicts of interest that may affect the services provided to you.

WHAT IS A CONFLICT OF INTEREST?

We consider a conflict of interest to be any circumstance in which our interests, or the interests of our employees, could be inconsistent with or divergent from the interests of our clients or others who use our services.

We take reasonable steps to identify all existing material conflicts of interest as well as those that are reasonably foreseeable. We then assess the level of risk associated with each conflict.

We avoid any situation that would create a serious conflict of interest or represent too high a risk for you or for the integrity of financial markets. In any other situation, we take appropriate measures to address the conflict in your best interest. Where it cannot be avoided, we will notify you of any existing or reasonably foreseeable material conflict of interest situation as they arise.

CONFLICT OF INTEREST SITUATIONS

We could potentially be in a conflict of interest in our dealings with:

- Issuers of securities
- Related dealers and advisors
- Other related companies
- Our employees
- Our clients

The following sections describe each of these potential conflicts, the effects they might have on you and how we deal with them.

ISSUERS OF SECURITIES

Sometimes we deal in the shares of companies or people that are related or connected to NBF. 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 company or person is a “related issuer” if:

- the person or company is an influential securityholder of NBF;
- NBF is an influential securityholder of the person or company; or
- both NBF and the company or person are related issuers of the same third-party securities.

A company or person is a “connected issuer” if the issuer has a relationship with NBF that may lead a reasonable prospective purchaser to question our independence from the issuer and believe that we will benefit from it. This includes the issuer’s relationship with NBF, with one of our related issuers, with our directors, officers or partners or those of our related issuer.

The following are considered NBF’s related issuers under Canadian securities legislation.

- **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 NBF.
- **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.
- **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:** NBI is the investment fund manager of all NBI Funds, including, without limitation, the Meritage Portfolios, as listed in the NBI Funds prospectus which is updated annually.

When NBF deals with securities issued by its related or connected issuers, it may:

- Act as an underwriter or selling group member in the distribution of the securities;
- Sell the securities to, or on behalf of, clients;
- Purchase the securities from, or on behalf of, clients;
- Exercise discretionary authority to buy or sell the securities, with the written consent of the client;
- Act as an advisor regarding the securities;
- Make recommendations to buy or sell the securities;
- Offer for sale securities, goods and services issued or provided by National Bank of Canada or another related issuer; or
- Work with National Bank of Canada or another related issuer to jointly offer the sale or purchase of securities, goods or services.

NBIN provides services such as order execution, clearing and custody to independent investment dealers, portfolio managers, investment fund managers and other institutional customers, but does not provide advice regarding securities nor makes any investment recommendations.

It is our policy to comply fully with all securities legislation. NBF makes all required disclosures when acting as dealer of the securities of National Bank of Canada and other related or connected issuers.

Before taking part in the distribution of securities of a related issuer, NBF will inform you, verbally or in writing, about the relationship between the registrant and the issuer of the securities.

When NBF buys or sells securities with a subsidiary or affiliate, it ensures that the transaction price, along with any brokerage commission, is as good as or better than the price offered by an unaffiliated third-party broker in an arms-length transaction.

As part of our business as an investment dealer, NBF may act as “agent” or “principal” while buying or selling for or on behalf of its clients. In such instances, the services provided by NBF will be in accordance with its normal practices and procedures and follow all relevant legislations or regulations.

RELATED DEALERS AND ADVISORS

Because of our affiliation with National Bank of Canada and its subsidiaries, we have put in place policies to deal with any potential conflict of interest and to ensure we act in your best interest.

NBF is registered as an investment dealer and is an indirect wholly-owned subsidiary of National Bank of Canada. National Bank of Canada is also an important shareholder, meaning it directly or indirectly holds more than 20% of any class or series of voting securities, of many dealers and advisors:

- 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.
- NatWealth Management Inc.
- Nest Wealth Asset Management Inc.

NBF is therefore related to these dealers and advisors. Although there may be overlaps among the directors and officers of these companies, all of them operate as separate legal entities.

These entities may, from time to time, cooperate in offering products and services for the benefit of our clients, but there is no exchange of client information among these entities without a client's express consent or unless the information is reasonably necessary in order to provide a specific product or service.

NBF and these related dealers or advisors named on its website may provide services to each other, including management and administrative services as well as referrals. These relationships are subject to certain legislation and industry regulations. We have also adopted internal policies and procedures to supplement these requirements, including our policies on confidentiality of information.

OTHER RELATED COMPANIES

National Bank of Canada, NBF and their affiliated companies may hold an interest or participation in certain companies.

TMX Group Limited

National Bank Acquisition Holding Inc., one of our 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 research reports or that are recommended by related entities. 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 NBF or its affiliates.

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

OUR EMPLOYEES

In the normal course of their activities, our directors, officers, employees, representatives and agents may find their personal interests are in potential conflict with those of a client.

We have developed a Code of Conduct and Ethics, a Compliance Guide and internal policies. Among other things, these documents state that our employees must never put their own interests ahead of their

responsibilities towards clients or NBIN and that they should not under any circumstances exert undue pressure on clients to acquire a product or service. They also reinforce the fact that any existing or reasonably foreseeable material conflict of interest must be addressed in a manner that is fair, equitable, transparent, and in the clients' best interests.

Here are some highlights from these documents:

a) Confidential information: Our employees are prohibited from using confidential information gained in the course of their duties for their personal benefit or for the benefit of a third party. This includes information related to clients, transactions or client accounts. Our employees may not exploit any situation for the purpose of obtaining an advantage of any kind that would compromise confidential client information.

b) Gifts, entertainment and compensation: Employees are prohibited from accepting gifts, entertainment or compensation that could influence decisions they make in the course of performing their 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. Unless they have our prior approval, our employees may not receive any other form of compensation other than what we pay them. We ensure that our employee compensation practices do not conflict with employees' obligations toward our clients.

c) Outside activities: Employees are prohibited from engaging in activities that could interfere or be in conflict with their duties. We will not permit any employee to engage in activities outside the scope of their duties without our prior approval and without ensuring that these activities do not compromise our clients' interests or harm our own reputation or that of the industry.

d) Client best interests (client priority rule): The interests of clients must always be given priority over those of NBIN and its employees. When we receive two orders for the same security at the same price or better price, we always execute the client's order before our or our employee's order.

e) Payment of order execution and research services through brokerage fees ("soft dollars"): Under the National Instrument 23-102 – *Use of Client Brokerage Commissions*, specific requirements apply to advisors and registered dealers if brokerage commissions are charged in relation to a client account over which an advisor has discretion to make investment decisions without requiring the express consent of the client, including investment fund and a managed account. As a registered dealer, NBIN will not accept or

forward to a third party any portion of client brokerage commissions in return for the provision to an advisor of goods or services, other than order execution goods and services and research goods and services.

f) Personal investments: Our employees' personal investments are subject to the NBIN Personal Trading Policy and are supervised to ensure compliance with regulatory requirements. Employees are forbidden to make personal investments based on confidential information held by NBIN.

g) Referrals: On occasion, third parties may refer clients to us for our products and services. When these referrals involve a commission, the commission must comply with the existing regulations, and we notify the referred client about the commission and other relevant information. This allows the client to make an informed decision about the referral and to consider any potential conflict of interest. Any agreement must be made in the best interests of clients and not for the purpose of receiving a commission.

h) Compensation and other benefits: We are compensated for the business we perform for our clients. The level of compensation varies depending on the products and services offered as well as the type of remuneration. Regarding existing or reasonably foreseeable conflicts of interest that may arise, we take the necessary steps to identify and respond to such situations fairly and reasonably, and update our policies as required. Where not avoided, any material conflicts of interest will be disclosed to you as they arise.

- **Compensation and benefits from issuers:** Issuers of securities or other related parties may compensate us based on the sale of their securities to our clients. Issuers can also pay or reimburse us for certain costs (e.g. educational events, sales communications, conferences, seminars, etc.), allow us to attend conferences or seminars, and provide us with promotional items of minimal value. Regulations surrounding these sales practices are very strict and only benefits that meet these conditions will be accepted.
- **Currency and interest rates:** On occasion, we may be compensated indirectly. For example, in a foreign currency exchange, we will receive compensation based on the difference between the price our clients pay for the currency and the price we pay for the same currency. We are also compensated based on the difference between the interest rate we receive on invested funds and the interest rate actually paid to our clients.
- **Marketplaces:** We may receive compensation based on the marketplace or third-party provider we use to carry out our clients' transactions. Regulations control the conditions under which we carry out our client transactions and we comply with NBF's *Best Execution Policy*.

- **Over-the-counter securities:** We may receive compensation for the purchase or sale of some over-the-counter securities. These investments are traded outside of the formal exchanges. We mark up the final price clients pay when they buy these securities, and mark down the final price clients receive when they sell these securities.