

## **Introduction**

Canadian securities regulations require National Bank Investments Inc. ("NBI," "we" or "us") to comply with conflict of interest rules. It is important that you know how we identify conflicts of interest and how we manage them, as well as how we try to reduce their impact.

In accordance with new provisions that came into effect on June 30, 2021, we provide you with the following enhanced information regarding existing and reasonably foreseeable significant conflicts of interest that may affect you as a customer, including how we will deal with these conflicts in the best interests of our clients. We will notify you in due course if new conflicts of interest are identified.

## **What is a conflict of interest?**

We consider a potential conflict of interest or conflict of interest to be a situation in which our interests or those of our representatives or employees may be inconsistent or conflicting with the interests of the clients who use our services. We take reasonable steps to identify, disclose and manage any significant conflicts of interest that exist, as well as those that are reasonably foreseeable, in your best interest. We avoid any situation that would create a conflict of interest that could not be managed in your best interest.

A conflict of interest is considered important when it is reasonable to expect one or two of the following events to occur in the applicable circumstances: 1) the situation could affect a client's investment decisions or the decision to use our services or 2) the situation affects the recommendations or decisions of NBI or its representatives. To ensure that your interests are always put first in any situation where a conflict of interest may affect our relationship, our representatives must, among other things, respect (i) the National Bank of Canada's Code of Conduct, which sets out the basic principles that guide their conduct and (ii) the regulatory requirements that are summarized in the NBI's Compliance Manual.

## **Conflicts of interest**

### **1. Exclusive products**

NBI's product offering is limited to proprietary products and services that are manufactured and offered by National Bank of Canada (the "Bank") and its subsidiaries, such as: NBI Funds, Guaranteed Investment Certificates including the market linked issued by the Bank or any of its affiliates and liquidity solutions such as the NBI Altamira *CashPerformer*® Account.

As a result, the products offered by our competitors cannot be purchased via NBI and NBI's suitability assessment will not consider the competitor's products and the fact that some of these products may be better, worse or equal to meet the customer's investment objectives.

We manage this conflict by using a wide range of products that can meet the needs of each investor profile and by conducting periodic due diligence on comparable products of our competitors and by assessing the competitiveness of our products and their ability to meet the financial needs of clients.

### **2. Income, employee compensation and personal interests**

We generate revenue from the products and services we sell to you, including through the management fees built into some of our products. NBI and its representatives are also paid for the services provided. As a result, a reasonable person might think that we would benefit from selling you certain products and services that allow us to maximize our revenues. We may also wish that our clients acquire more products and services offered by the NBC and its subsidiaries, and the individual and collective compensation of our employees could be based in part on sales volume.

These conflicts are managed by taking incentives and by having compensation practices that do not favor a product or service at the expense of a product or service that would be more suitable for you. We also have robust and effective risk-based account and compliance monitoring systems, and we disclose any fees that may be imposed on you while avoiding duplication of fees. Finally, we provide our representatives with conflict of interest training programs.

### **3. Related entities**

NBC and its subsidiaries may receive various forms of business-related compensation that you can do with us. As part of NBI's offer to a client, NBC and its subsidiaries may be paid for management, administration and other services rendered or provided to each other. This could include income such as: income and/or spreads on cash balance held in your account, interest margins on deposits, investment loan interests, exchange rates at the time of currency conversion, and trust services and custody expenses. We may suggest that you use the services of the NBC or one of its subsidiaries as your needs change over time. For example, this may be appropriate due to the complexity of your situation and the size of your assets.

The entities related to NBI are: National Bank Financial Inc., National Bank of Canada Financial Inc., National Bank Trust Inc., Natcan Trust Company, NBC Global Finance Limited in Ireland, NBC Financial Markets Asia Limited in Hong Kong only, NatWealth Management (USA) Inc. and Nest Wealth Asset Management Inc.

Your information can also be shared with NBC and its subsidiaries to manage the relationship with you and offer you additional products and services. We manage these conflicts by valuing the services provided to you by our affiliates and ensuring that they remain competitive. We disclose fees that may be imposed on you by us and/or our affiliates in accordance with applicable securities laws and allow your consent to collect, use or share your personal information while restricting internal sharing of information in accordance with our privacy policy.

#### **4. Transactional errors**

It is possible that, despite the good faith of a representative, an error may occur during the processing of a client's transaction, for example by failing to meet a mutual fund's deadline or by incorrectly entering a transaction, which could result in a loss to the customer. A reasonable person might believe that NBI has an interest in minimizing its costs to correct or not correct these errors.

We manage this conflict by complying with Canadian securities laws, industry guidelines and complying with our error correction policy, which has been reviewed by the NBI Independent Review Committee (IEC). The IEC is made up of individuals who are independent of NBI.

#### **5. Conduct of NBI's representatives**

In the normal course of their duties, our directors, officers, employees and representatives may find that their personal interests are in potential conflict with those of a client. For example, our employees could be offered gifts that could compromise or appear to compromise their independence.

We manage this conflict by ensuring that our representatives comply with the National Bank's Code of Conduct and NBI Compliance Manual, which prohibits employees (i) in particular the use of confidential information acquired in the course of their duties or in the course of their duties; (ii) to take advantage of a situation, in order to obtain an advantage of any kind; or (iii) accept or give gifts, entertainment and compensation that may influence decisions to be made in the performance of their duties.

We also provide our representatives with conflict of interest training programs to help them identify and escalate conflicts of interest. We and have effective risk-based compliance monitoring systems, including proxies and demerit mandates when clients are more vulnerable.

#### **6. Repatriation of third-party products**

Where third-party products are contained in accounts transferred from a competitor to NBI, NBI may wish that these securities be repurchased for reinvestment in securities offered by NBI for which compensation may be more profitable for NBI. If these securities are not repurchased and are held in the client's investment account, NBI could receive compensation such as a follow-up fee from the issuer of the securities.

We manage this conflict by having rigorous and effective account monitoring and compliance systems that allow us to validate the suitability of transactions made.

#### **7. Dual function and external business activities**

Our registered representatives act as both an NBI representative and a branch advisor for NBC. In addition, some representatives may sit on a board of directors or accept other office.

We manage these conflicts by complying with legal and regulatory requirements and restrictions on individuals acting for more than one regulated entity. In addition, we require disclosure of the external activities of our representatives and consider potential risks and potential conflicts of interest. We do not allow participation in external activities involving a risk or conflict of interest unless approved by NBI.

#### **8. Other conflict of interest situations**

From time to time, other situations of potential or real conflicts of interest may arise. NBI is committed to continuing to do what is necessary to identify and address these situations fairly and reasonably, and in the best interests of our clients.