

SUMMARY OF ORDER EXECUTION POLICY FOR FIXED INCOME BUSINESS

1. BACKGROUND

- 1.1 This document summarises the order execution policy for National Bank of Canada, London Branch (“NBC London”) and National Bank Financial, London Branch (“NBF London”) and together with NBC London “we”, “us” or “our”) in relation to our fixed income business.
- 1.2 We have established and implemented policies and procedures, including this order execution policy, that are designed to be sufficient to obtain the best possible results for your orders, subject to and taking into account any specific instructions, the nature of your orders and the nature of the markets or products concerned.
- 1.3 We do not owe you any fiduciary responsibilities as a result of the matters set out in this policy, over and above the specific regulatory obligations placed upon us, or as contractually agreed with you.

2. SCOPE

- 2.1 This policy applies to the execution of orders on behalf of clients whom we have classified as professional clients. It does not apply to the execution of orders on behalf of eligible counterparties.
- 2.2 We will execute orders on your behalf where you legitimately rely on us to protect your interests in relation to the pricing or other aspects of a transaction that may be affected by how we execute the order.
- 2.3 Where we deal as principal on a request for quote (**RFQ**) basis, this policy will not apply as we are of the view that you do not legitimately rely on us to protect your interests due to the opportunity for you to shop around (i.e. because the usual practice of clients is to ask several dealers for quotes, and where your access to prices in the market means you are able to, and can be expected to, assess our quotes against those provided by other dealers). However, even where this policy does not apply, we will still act honestly, fairly and professionally in accordance with your best interests.
- 2.4 This policy only applies with respect to fixed income products within the scope of MiFID. Such products include (but are not limited to) bonds, floating rate notes, Eurobonds, treasuries, and inflation linked bonds.

3. BEST EXECUTION

- 3.1 When we execute a “relevant order” in respect of fixed income products, we will take all sufficient steps to obtain the best possible result for you, taking into account the “execution factors”. This is referred to as the “best execution obligation”.
- 3.2 Relevant orders are any orders from you to execute a transaction on your behalf that give rise to contractual or agency obligations owed by us to you. Such contractual or agency obligations will arise where we are required to exercise discretion in relation to the execution of your order and/or where you legitimately rely on us in relation to the exercise of that discretion. This would be the case if we trade on an agency or riskless principal basis except to the extent that you have provided us with a specific instruction in relation to the order. It may also include instances where we deal

on our own account with you or where we execute orders from different clients against each other on a matched principal basis (back to back trading) where you are legitimately relying on us.

- 3.3 The execution factors are:
- 3.3.1 Price: the price at which the financial instrument is executed;
 - 3.3.2 Likelihood of execution and settlement (liquidity): the likelihood that we will be able to complete the order;
 - 3.3.3 Size and nature of the order;
 - 3.3.4 Speed of execution: the time it takes to execute an order;
 - 3.3.5 Execution costs: includes costs such as execution fees, settlement fees and amendment fees; and
 - 3.3.6 Any other consideration relevant to the efficient execution of the order (e.g. transparency of the market, market operations (including trading hours and processes) and other market conditions).
- 3.4 When executing a relevant order, we will determine the relative importance of each execution factor taking into account the following criteria:
- 3.4.1 The characteristics and nature of the order such as benchmark, strategy, aggressivity/passivity;
 - 3.4.2 The characteristics of our clients (e.g. the fact that they are institutional investors);
 - 3.4.3 The characteristics of the financial instruments that are the subject of that order; and
 - 3.4.4 The characteristics of the execution venues to which that order can be directed.
- 3.5 Subject to any specific instructions, taking into account the criteria above, we will generally give the highest priority to total consideration or price (i.e. the price of a client's order and costs related to execution). The remaining execution factors are generally given equal ranking.
- 3.6 However, depending on the particular circumstances, other factors may become relatively more important. For example, during highly volatile markets or in very illiquid instruments it is likely that size and likelihood of execution will take priority over price. There may also be circumstances in large trades where minimisation of market impact takes priority.

4. SPECIFIC INSTRUCTIONS

- 4.1 If we receive an order from you that includes a specific instruction or specific instructions in relation to the handling and execution of the entire order, or a particular aspect or aspects of the order, we will execute your order in accordance with that specific instruction.
- 4.2 In following a specific instruction, we will be deemed to have taken all sufficient steps to provide the best possible result for you in respect of the order, or aspect of the order, covered by the specific instruction. Where the specific instruction covers only a portion of an order, and we have discretion over the execution of other elements of the order, we will continue to be subject to the best execution obligation in respect of the elements of the order that are not covered by your specific instruction.
- 4.3 Please note that any specific instruction provided by you may prevent us from taking steps that we have designed and implemented in our order execution policy to obtain the best possible result for the execution of those orders in respect of the elements covered by your instructions.

5. EXECUTION VENUES

5.1 Execution venues include:

- 5.1.1 Regulated markets, multilateral trading facilities and organised trading facilities (each a “trading venue”);
- 5.1.2 Us and our affiliates where we internalise relevant orders (either on risk or as riskless principal);
- 5.1.3 Systematic internalisers; and
- 5.1.4 Market makers and other liquidity providers.

5.2 We generally execute fixed income transactions directly by trading on a trading venue. We will also execute through our affiliates unless you specify otherwise. Where we execute transactions through an affiliate acting as an execution venue (systematic internaliser, market maker or liquidity provider), we will satisfy the best execution obligation by undertaking due diligence.

5.3 We may from time to time execute relevant orders on execution venues that are not included in our current list of execution venues in order to satisfy the best execution obligation.

5.4 For certain products, we may conclude that we comply with the best execution obligation by using a single execution venue (including using ourselves as the sole execution venue).

5.5 We maintain internal procedures for the selection of execution venues and, in considering what the best venue for executing the order is, do not discriminate between execution venues. The choice of execution venue is determined by considering the execution factors and criteria identified above (paragraphs 3.3 and 3.4).

6. ORDERS TRADED OUTSIDE A TRADING VENUE

6.1 By agreeing to our terms of business you expressly consent to us executing relevant orders outside a trading venue. Executing relevant orders outside a trading venue enables you to access additional liquidity sources, but doing so may give rise to additional risks from executing outside regulated venues, such as counterparty risk. You are able to request additional information from us regarding the consequences of relevant orders being executed outside a trading venue.

7. INFORMATION ON EXECUTION QUALITY

7.1 Where we act as a trading venue, systematic internaliser, market maker or other liquidity provider for fixed income products, we will publish data relating to the quality of execution online and on a quarterly basis.

8. ORDER HANDLING AND AGGREGATION

8.1 We will satisfy the following conditions when carrying out your orders:

- 8.1.1 Ensure that orders executed on your behalf are promptly and accurately recorded and allocated;
- 8.1.2 Carry out otherwise comparable client orders sequentially and promptly unless: (i) otherwise instructed by the client; (ii) the characteristics of the order or prevailing market conditions make this impracticable; or (iii) the interests of the client require otherwise.

8.2 We will not aggregate a client order with another client order or our own orders unless the following conditions are met:

- 8.2.1 It is likely that the aggregation will not work to the overall disadvantage of any client whose order is to be aggregated;
- 8.2.2 It is disclosed to each client whose order is to be aggregated that the effect of aggregation may work to its disadvantage in relation to a particular order; and
- 8.2.3 There is fair allocation of aggregated orders and transactions, including how the volume and price of orders determines allocations and the treatment of partial executions.

9. INDUCEMENTS

- 9.1 We may impose a mark-up or spread where we may buy a financial instrument and where we may sell the same instrument. We will ensure that mark-ups and spreads, if charged where best execution is owed, are reasonable, not excessive and within a range that we consider reasonable for the product type, tenor and size of the trade. This does not mean that mark-ups and spreads will be exactly the same for all clients.

10. MONITORING AND REVIEW

- 10.1 We monitor the effectiveness of our execution arrangements on an ongoing basis to identify and implement any appropriate enhancements. Monitoring is achieved through a review of trading analytics and execution data.
- 10.2 We also review our execution arrangements and this policy at least annually and upon a material change to the market or our business model. Clients with whom we have an ongoing client relationship will be notified of any material changes to our execution arrangements or this policy.