

Best Execution Policy

**National Australia Bank Europe S.A.
("NAB Europe")**

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Best Execution Policy

National Australia Bank Europe S.A.

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1 Introduction

National Australia Bank Europe S.A. (“**NAB Europe**”) is a French credit institution providing investment services, regulated and supervised by the French *Autorité de contrôle prudentiel et de résolution* (“**ACPR**”) and the *Autorité des marchés financiers* (“**AMF**”).

This policy sets out the approach of NAB Europe’s markets business to providing best execution, as required by Directive 2014/65/EU on Markets in Financial Instruments and the relevant European and French supporting technical standards, directives, regulations and rules (together, “**MiFID**”). MiFID requires NAB Europe to take all sufficient steps to obtain the best possible result for its clients, taking into account price, costs, speed, likelihood of execution and settlement, size, nature and/or any other relevant order execution consideration when executing orders on behalf of clients. See 3 *Application* below in relation to when execution is “on behalf of a client”.

National Australia Bank Limited (“**NAB**”) is the ultimate parent holding company of NAB Europe. NAB Europe will seek pricing from NAB when executing transactions with its clients. The provision of such market pricing information will assist NAB Europe in providing best execution to its clients where this is required. NAB Europe is not required to accept pricing information provided to it by NAB. All pricing information provided to NAB Europe by NAB will be reviewed by NAB Europe’s sales staff in its markets division and challenged when the judgement of such staff deems it to be necessary.

Any pricing information provided to a client will be communicated by NAB Europe and not by NAB.

Notwithstanding the application of this policy to client dealings governed by MiFID, NAB Europe will comply with the applicable regulations in place in France in all its client dealings. In particular, NAB Europe will always pay due regard to the interests of its clients and treat them fairly.

NAB Europe will apply this policy consistently to all clients and follow other applicable procedures to ensure prompt, fair and expeditious execution of client orders, including relative to other client orders or the trading interests of NAB Europe and its related entities.

This document is divided into the following sections:

- **Coverage/Scope** – what the best execution obligation is, background on the nature of NAB Europe’s different client dealings and information about how NAB Europe will conduct such dealings, including the selection of trading and execution venues.
- **Application** – NAB Europe’s assessment of when best execution is owed.
- How NAB Europe achieves best execution and price fairness – the policy applied by NAB Europe to ensure that it meets its obligation to provide best execution when it is owed.
- **Monitoring** – the monitoring undertaken to assess the effectiveness of this policy, the events that may lead to changes in the policy and how changes will be communicated to clients.

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- **Accountability** – who has responsibility and ultimate accountability for ensuring that NAB Europe's arrangements in respect of its best execution obligations (to clients and its regulators) are adequate, applied consistently and keep delivering good client outcomes.

2 Coverage / Scope

The overarching best execution obligation requires NAB Europe to take all sufficient steps to obtain the best possible result for its clients, taking into account a range of execution factors, when executing orders on behalf of clients (or transmitting orders to other entities to execute). The general rules require firms to assess the relative importance of the execution factors, namely: price, costs, speed, likelihood of execution and settlement, size, nature of the order and any other consideration relevant to the execution of the order, in order to effectively provide best execution.

To achieve this, NAB Europe will take into account:

- characteristics of the client, including the categorisation of the client – see *2.1 Client Type* below;
- the order/transaction;
- the financial instruments within that order/transaction; and
- the execution venue the order is directed to, if any.

The determination as to when best execution is required for a particular transaction is addressed in Section 3 (*3 Application*).

2.1 Client type

NAB Europe will only trade products within the scope of MiFID with its clients that are categorised as either Professional Clients or Eligible Counterparties within the meaning of MiFID. It is not within NAB Europe's appetite to transact such products with clients categorised as Retail, and it will not do so. Best execution obligation is not owed to Eligible Counterparties. Accordingly, this policy applies only to NAB Europe's dealings with its Professional Clients. For the avoidance of doubt, NAB Europe will not accept Retail Clients which elect to be treated as Professional Clients.

The identification of the end investor is a key element of NAB Group and NAB Europe product governance framework. All products distributed by NAB Europe are assessed to be ultimately manufactured for, or distributed to, an eligible counterparty and professional investors only.

NAB Europe determines products governance principles in a way that is appropriate and proportionate in light of the role it is playing in the product/service lifecycle, the nature of the counterparty, and complexity of the financial instrument.

Where applicable and where it is required to do so under MiFID, NAB Europe ensures that financial products' costs and charges are compatible with the needs, objectives and characteristics of the target market and do not undermine the financial instrument's return expectations. Where it is required to do so under MiFID, NAB

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Europe also identifies and periodically reviews the target market and distribution strategy of financial products.

2.2 Product type

The products covered by this policy are MiFID financial instruments included in NAB Europe's regulatory licence. As mentioned in NAB Europe's regulatory licence, the authorised MiFID financial instruments are:

- Interest Rate Derivatives
- Foreign Exchange Rate Derivatives
- Commodity Price Derivatives
- Securities Financing Transactions
- Debt Securities

Unless stated otherwise, all parts of this policy apply to each of the above products. Considerations that are specific to particular types of products or circumstances may be relevant to determinations under 3 *Application* below.

2.3 Transaction type

There are variations to the way in which NAB Europe may execute transactions with clients and this may affect the manner in which best execution is achieved.

2.3.1 Request for Quote

NAB Europe will always deal with clients as principal on a request for quote ("**RFQ**") basis where it acts as a liquidity provider and clients transact at the price offered by NAB Europe.

An RFQ transaction may occur where the client approaches NAB Europe by telephone, electronic communication or on a multilateral platform. NAB Europe will provide a price sought for a particular product to the client and, if it is accepted by the client, the transaction will be completed at the quoted price. RFQ also covers transactions that will occur when NAB Europe publishes a price on an electronic platform which the client elects to transact at (regardless of whether or not there is human intervention prior to the execution of the transaction).

In the absence of explicit agreement to provide best execution, the best execution obligation is only applicable to NAB Europe where a client places a legitimate reliance on NAB Europe to protect its interests in relation to the execution of a transaction. In such cases, NAB Europe would be considered to execute under the best execution policy on behalf of the client.

3 - *Application* describes the manner in which a client's reliance is assessed.

2.3.2 Specific Instructions

A "**Specific Instruction**" is an instruction in relation to an order for execution, for example, the specification of a particular price or a period of time for which the order may remain valid.

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Where a client provides NAB Europe with a Specific Instruction in relation to an order (which may not specify all aspects of the order), NAB Europe will follow that instruction so far as is reasonably possible when executing the transaction.

By following the Specific Instruction, NAB Europe will have satisfied the obligation to provide the client with best execution in relation to the relevant part of the transaction to which the Specific Instruction applied. Other aspects of that order not covered by such Specific Instruction may still be subject to the best execution obligation in accordance with the criteria laid out in this policy.

Any Specific Instruction from a client may prevent NAB Europe from taking the measures set out below (which are designed to obtain the best possible result for the execution of a transaction) in respect of the elements covered by the Specific Instruction.

2.3.3 Other methods of executing an order

NAB Europe will not deal as an agent for clients (for example, placing client orders with execution venues) or execute client orders by dealing as a riskless principal (i.e. dealing opposite sides of the same trade with a client and another counterparty at the same time).

However, where NAB Europe is given any discretion (in respect to a worked order or otherwise), there will be reliance on NAB Europe and best execution will apply to the exercise of that discretion. A worked order is an order that is not immediately executable which NAB Europe can book to the client's account without the need to re-confirm the price or any other factor. Note that a worked order will not necessarily involve discretion.

2.4 Selection of trading and execution venues

NAB Europe is a member of a number of trading venues and, generally, it will execute transactions with clients as principal on the trading venue chosen by the client. Alternatively, NAB Europe may deal with clients outside of a trading venue (on a bilateral basis – i.e. OTC), in which case NAB Europe will be categorised as an execution venue for the purposes of the specific transaction. NAB Europe does not generally select the execution venue. To the extent that NAB Europe has any discretion over the choice of an execution venue, the selection of the execution venue will be made based on which venue provides the best possible overall result for the client.

2.5 Consent to execute outside a trading venue

NAB Europe may execute all or part of a client's order outside of a trading venue. In accordance with MiFID requirements, NAB Europe will request each client's prior express consent to execute such orders in this manner, as part of NAB Europe's on-boarding documentation or otherwise and will retain the client's response. In such cases, NAB Europe will execute the relevant transaction with the client as principal and will not select an intermediary to execute the transaction.

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2.6 Mandatory trading of derivatives on trading venues

When required by Article 28 of MIFIR¹ or other relevant regulation, NAB Europe will conclude derivatives transactions on a relevant trading venue in accordance with the requirements of such regulation. The trading venue will be selected by the relevant client, and subject to NAB Europe being a member of the selected trading venue, such venue shall be the execution venue for such derivatives transactions.

2.7 Informing clients about NAB Europe's best execution policy

NAB Europe will provide information to its clients regarding this policy, in a durable format when issuing onboarding documentation or when material changes are made to this policy (which will be in good time prior to any transaction to which the amended policy may apply).

2.8 Payment for Order Flow

Payment for order flow ("**PFOF**") is where an investment firm receives commission from both a client placing an order and the counterparty with whom the order is executed.

As a matter of policy, NAB Europe will not engage in any PFOF activity.

3 Application

The best execution obligation arises where an investment firm executes orders on behalf of a client. As stated above, this will occur where a client places legitimate reliance on NAB Europe to meet the relevant best execution requirements.

NAB Europe will always trade in a principal capacity in response to clients' RFQs only. As NAB Europe operates in a competitive market for the execution of clients' RFQs, the expectation is that clients have access to multiple dealers and pricing sources which are in competition. Best execution obligations are unlikely to apply in the RFQ context as there is unlikely to be legitimate reliance placed on NAB Europe to provide best execution. However, where NAB Europe becomes aware, through the application of the four-fold test or otherwise, that a client is placing reliance on NAB Europe, NAB Europe will owe such client best execution in that particular case.

NAB Europe is under no obligation to provide quotes to clients, unless required to do so pursuant to regulations, nor is NAB Europe under any obligation to accept any client instruction to execute orders on their behalf. Where the nature of the client's order permits, NAB Europe may exercise discretion as to how a client order may be executed. When exercising discretion, NAB Europe will always pay due regard to the client's best interest.

¹ Regulation (EU) No 600/2014 of the European Parliament and the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012.

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The fact that NAB Europe accepts an order from a client does not give rise to any obligation or guarantee of execution by NAB Europe. The execution of all orders is subject to any applicable contractual terms and on a best efforts basis in accordance with this policy and applicable regulatory requirements. Consequently, an execution cannot be enforced solely based on the fact that the market has breached, touched or reached the level of an order.

Applying the four-fold test described below to NAB Europe's RFQ trading model and taking into account the markets in which NAB Europe will operate, clients will not place reliance on NAB Europe for most transactions. However, if NAB Europe becomes aware that this assumption may not be valid in relation to a particular transaction, NAB Europe will determine whether or not the client legitimately relies upon it in relation to pricing and other important elements of the transaction. A suggestion that a client may rely on NAB Europe could arise as a result of the client indicating that (i) it does so (ii) it is not seeking competing quotes (iii) it does not have access to alternative quotes, or from various other factors. These other factors could include a) the client's pattern of trading, b) market information coming into NAB Europe's possession and c) the illiquidity of a particular instrument. If a client does rely on NAB Europe in this way, then the best execution obligation will be deemed to apply.

Where the circumstances indicate that NAB Europe's usual assumption may not apply, NAB Europe will apply a four-fold test to determine whether the client legitimately relies upon NAB Europe and is therefore owed best execution. The four factors are listed below and are considered collectively with no particular factor necessarily being determinative:

1. Who initiated the transaction?

Where a client initiates a transaction it is less likely that the client is placing legitimate reliance on NAB Europe. In circumstances where NAB Europe communicates trade ideas, market communications or indicative prices as part of general business, this will not [necessarily] constitute initiation of a transaction.

2. Is it market practice for clients to "shop around" by approaching several dealers for quotes?

Where market practice for a particular asset class or product suggests that clients will have readily available access to various providers of quotes and clients have the ability to shop around, it is less likely that clients will be placing legitimate reliance on NAB Europe. This will be the case for the majority of NAB Europe's transactions. However, NAB Europe will consider cases where the circumstances suggest otherwise.

3. Is there price transparency in the specific market?

In circumstances where pricing information is transparent and the client is likely to have access to such information, it is less likely that the client will be placing legitimate reliance on NAB Europe. The availability of multiple quotes is indicative of price transparency. However, a significant disparity of pricing information could suggest otherwise.

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4. Has the information provided to the client suggested best execution is owed, or is there an agreement that NAB Europe will provide best execution?

NAB Europe's general terms of business do not state or suggest that best execution is owed and accordingly this factor should not contribute to the likelihood of best execution being owed.

4 How NAB Europe achieves best execution and price fairness

4.1 Identification of transactions to which best execution applies

NAB Europe will implement procedures including training to ensure that transactions where best execution applies are identified and recorded so that this policy and its related procedures are applied in appropriate cases.

See also Section 2.3.2 '*Specific Instructions*' above.

4.2 Prioritisation of execution factors

When best execution applies to a transaction, NAB Europe will take the following execution factors into account: price, costs, speed, likelihood of execution and settlement, size and the nature of the particular transaction.

NAB Europe considers that the most important consideration for its clients will usually be "price" as described below.

While costs are difficult to distinguish from price in the principal-to-principal context, for the purposes of NAB Europe's obligations in respect of MiFID, NAB Europe regards costs as the amount of the aggregate adjustment (known as spread) referred to below under Section 4.3 '*Price formation*', where it is possible to identify such separate amount. This factor depends on a number of variables, including the internally required rate of return. Rate of return is subject to [pricing considerations], but it is also a commercial consideration for NAB Europe and will not be the same for all clients. In the RFQ context, there are no third-party costs to consider. The term "price" may refer to the market element of the price or to the overall price offered to the client (including any costs) as the context requires.

NAB Europe considers speed to be another important factor for clients. This will be managed by NAB Europe's close attention to client instructions and will not be dependent on any choice of execution method taken by NAB Europe.

Similarly, likelihood of execution and settlement are crucial to clients. As NAB Europe will trade as principal, execution and settlement will be certain, subject to NAB Europe's operational processes.

Size is not usually a constraint on client transactions. Where it is, it may be elevated to a higher position on the list of priorities and could affect the price.

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Where the nature of the transaction requires, the order of priority may differ which will be considered on a transaction by transaction basis.

4.3 Price formation

4.3.1 Price formation for derivatives transactions

For derivatives transactions, NAB Europe will benchmark its prices against reference data from trading venues and other trading platforms, brokers, etc. and, where public reference data is unavailable, NAB Europe will benchmark its prices against internal reference data to determine the mid-market price of an instrument. This mid-market price will form the base price which will be adjusted by various factors to determine the price quoted to the client. The factors may include an execution charge, credit charge and required return on equity. For any derivatives transaction, these factors will be influenced by NAB Europe's portfolio position in respect of the particular client and may be influenced by NAB Europe's overall portfolio position. The application of these factors will be considered for each client based on their individual circumstances.

The price will be further adjusted by NAB Europe's sales staff to reflect NAB Europe's preferences based on positions it holds (for example, NAB Europe may prefer to be a buyer or seller and may adjust its pricing to reflect this). NAB Europe may seek to hedge an exposure arising from a transaction executed with a client with NAB, in which case, the expected cost of such hedging may influence the pricing offered to the client.

Price formation works the same way for all principal-to-principal trades, regardless of whether they are worked orders, except that worked orders will generally require the underlying market to move to permit a trade to be executed at a desired price.

4.3.2 Price formation for debt securities

For transactions in debt securities, NAB Europe will consider market data to establish the prices at which it is willing to buy or sell. NAB Europe's prices will be prices that it considers reasonable for the product type, tenor and size of the trade in accordance with pricing considerations. NAB Europe may make a market in certain debt securities by maintaining and publishing bid and offer prices for those securities. In some situations, NAB Europe's bid and/or offer prices will be influenced by information received from NAB regarding the availability and pricing of such securities. Where NAB Europe wishes to fill a client need to purchase debt securities and NAB Europe does not wish to hold an open position on such securities, then this will constitute working an order. In such case, NAB Europe will seek to purchase the relevant debt securities as principal and base the price charged to the client on the price at which such securities are purchased (with an adjustment in accordance with [pricing considerations]). In the course of filling client orders with respect to debt securities, NAB Europe may purchase from and/or sell debt securities to, NAB.

4.3.3 Price formation for securities financing transactions

For securities financing transactions, the pricing will be the interest rate paid or received by NAB Europe, which NAB Europe will determine by reference to an observable market benchmark in accordance with pricing considerations. This price will not depend on market execution factors as it will be based on the

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relevant interest rate benchmark for the currency and tenor of the transaction and dependant on commercial factors (as will be the case for NAB Europe's other lending and deposit rates).

4.4 Best execution in respect of price

Where best execution is owed by NAB Europe, best execution will be ensured for its clients by:

- in the case of derivatives transactions, using market data from trading venues and other trading platforms, brokers, etc. to ensure that the base price accurately reflects the market price.
- in the case of transactions in debt securities, obtaining quotes and/or using similarly derived market data to ensure that the price accurately reflects the market price. Where the illiquidity of the instruments does not permit such data to be obtained, NAB Europe will enter into bespoke arrangements appropriate to the circumstances to protect the client's interests.
- in the case of securities financing transactions, disclosing the interest rate.

Note that in the case of severe market dislocation, there may be limits on the availability of market data required to establish mid-market prices may not be applicable. In such cases, NAB Europe shall make best efforts in light of the circumstances in respect of obtaining appropriate market data.

NAB Europe will ensure that relevant market data justifying the market price is captured in readily accessible records as part of the transaction execution process when best execution applies.

NAB Europe's sales staff and control functions will monitor the manner in which it obtains market data by carrying out appropriate checks to ensure that it remains a true reflection of the market.

4.5 Fairness

By applying the process set out above and application of pricing considerations, NAB Europe will ensure the fairness of its overall price in over-the-counter transactions where best execution applies.

NAB Europe's consideration of the fairness of its overall price includes consideration of the risks incurred by NAB Europe by entering into a transaction such as: potential capital requirements, liquidity costs, costs of hedging NAB Europe risks resulting from those transactions.

Margin and charges will be commensurate with the nature of the market, the characteristics of the transaction and the client.

5 Monitoring

NAB Europe will monitor the pricing of transactions to which best execution applies to assess compliance with this policy.

NAB Europe will also monitor the effectiveness of this policy to identify and, where appropriate, correct any deficiencies. To achieve this, NAB Europe will review this policy annually and whenever there are any

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material changes to either the way NAB Europe does business or the types of clients that NAB Europe transacts with, including anything that affects NAB Europe's ability to continue to obtain the best possible result for such clients.

Any updates to this policy will be effective within three months of the review. NAB Europe will notify its clients of any material changes to this policy resulting from any monitoring or review prior to the changes taking effect.

NAB Europe will publish data on its website on execution quality in relation to transactions to which best execution applies in accordance with the relevant requirements of MiFID. Please see the following link to NAB Europe's website www.nabeurope.com.

NAB Europe operates a three lines of defence model, which provides assurance that this policy is properly complied with. The first line places responsibility on the NAB Europe's sales team in its markets division to follow this policy and accompanying desk manual procedures and the relevant Divisional Controls representative to confirm that the necessary checks are carried out. The second line is overseen by the Head of Permanent Control & Compliance who will review this policy to ensure NAB Europe remains compliant with all applicable regulations. The third line of defence is provided by the periodic control (internal audit) function, which makes periodic checks to confirm that this policy and detailed checks are carried out and complied with to an appropriate standard.

6 Accountability

As the head of the business lines, NAB Europe's Directeur Général is responsible for ensuring that policy reviews, corrections and updates, as well as any required arrangements, are carried out regularly. All changes to this policy will be reviewed and confirmed to be in compliance with applicable regulations by the permanent control & compliance function. This policy will be reviewed at least annually and more frequently where changes are required due to changes in applicable regulation or legislation.

7 Geographical scope

The policy applies to all NAB Europe activities in relation to business carried when execution or transmitting orders in financial instruments on behalf of clients

8 Client Consent on the Policy

As an investment services provider, NAB Europe must obtain its client prior consent to the policy. The clients' consent is deemed to be provided when client places an order with NAB Europe