



July 2018

## HOW SCOTIA CAPITAL INC. MANAGES CONFLICTS OF INTEREST

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Scotia Capital Inc. (“SCI”) is required to identify, consider, manage, disclose and avoid, where appropriate, material conflict of interest that may arise.

The general types of conflicts of interest which can arise include:

- Conflicts of interest between SCI and its clients,
- Conflicts of interest between SCI employees and SCI clients,
- Conflicts of interest amongst SCI clients, and
- Conflicts of interest between SCI and its related and associated companies.

In general, SCI deals with and manages relevant conflicts of interest as follows:

- **Avoidance:** We avoid conflicts that are prohibited by law as well as conflicts that cannot effectively be addressed.
- **Management:** We manage acceptable conflicts through means such as physically separating different business functions and restricting the internal exchange of information.
- **Disclosure:** We provide clients with information about conflicts thereby enabling the clients to assess independently their significance when evaluating our recommendations and any actions we take.

**Set out below are examples of potential conflicts of interest and how they are managed by SCI. In addition, SCI publishes a Statement of Policies that is available on the GBM website for clients to access which discloses potential conflicts of interest with related and other parties. If you have any questions or concerns, please contact your SCI representative.**

Conflict of Interest	Address By	How Conflicts Will be Addressed
We would like a client to use more of our services and buy more of our	<b>Manage</b>	Cross-selling is permitted so long as we do not engage in “tied selling”

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products (Cross-sell)		where we require a client to buy a product or use a service as a condition for obtaining another product or service from us.
We earn compensation by selling products and services to a client for which the client pays us	<b>Disclose</b>	We inform clients of the compensation they will pay us in advance so that they know what they will be paying.
We may sell a client securities which we own and profit by doing so	<b>Disclose</b>	We disclose whether we acted as principal or agent for each transaction on the trade confirmation.  In the case of fixed-income securities (which we usually sell as principal), we provide clients with a stated yield to maturity so they can assess the competitiveness of our pricing.
We may sell a client securities of companies that are related or connected to us	<b>Disclose</b>	All of our related parties are disclosed in the SCI Statement of Policies.  We inform you whether a transaction involved a related or connected security on the trade confirmation.
We are paid by issuers of securities when we advise on or underwrite a new issue which we may recommend to a client.	<b>Manage</b>	We have structurally segregated our corporate finance and trading businesses and have policies and procedures which prevent the sharing of material non-public information by our corporate finance business (with the relationship with the issuer) with trading businesses.
	<b>Disclose</b>	The offering documents provide full disclosure of all relationships we may have with the issuer.
When we advise on or underwrite a new issue, we are acting for the issuer that wants to obtain the highest price while selling the investment to purchasers who are interested in obtaining the lowest price.	<b>Manage</b>	We have structurally segregated our corporate finance and trading businesses and have policies and procedures which prevent the sharing of material non-public information by our corporate finance business (with the relationship with the issuer) with trading businesses.

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	<b>Disclose</b>	The offering documents provide full disclosure of all relationships we may have with the issuer.
If a client holds an applicable security, we may be paid by issuers, offerors or others to solicit proxies or votes in their favour with respect to takeover bids, corporate reorganizations, solicitation of proxies and other corporate actions.	<b>Disclose</b>	Securities regulations require specific disclosure of such arrangements and the compensation we will receive in documents such as information circulars, takeover bid circulars and issuer bid circulars.
We provide investment research on securities of companies that may have other business relationships with us.	<b>Manage &amp; Disclose</b>	Our research recommendations are subject to extensive and detailed regulatory requirements and internal standards that include the disclosure of potential conflicts of interest.
We provide investment research on companies for which we also have an advisory or mergers and acquisition mandate.	<b>Manage</b>	At times, we will restrict the release of investment research to meet regulatory requirements.
We may engage in trading of securities for our own account that we also trade for clients.	<b>Manage</b>	Firm and employee trades are identified as such and client trades are given priority to firm and employee trades in accordance with industry “client priority” and “frontrunning” regulations.
We may receive compensation from trading destinations, including electronic communication networks, market makers and exchanges in connection with trades on markets we direct to such destinations through affiliates or directly.	<b>Manage</b>	Industry regulations dictate our best price and best execution obligations to clients and we have policies and procedures in this regard, including routing to TMX related market places.
We may permit employees to engage in outside business activities, including serving on Boards of Directors.	<b>Manage</b>	We have adopted internal policies and procedures that supplement regulatory requirements related to outside business activities.  For IIROC registrants, these relationships are subject to legislative and industry regulatory requirements

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		that impose restrictions on dealings between related registered firms and/or individuals that are dually registered with a related registered firm. Such restrictions are intended to minimize the potential for conflicts of interest resulting from these relationships.
	<b>Avoid</b>	Securities legislation prohibits an individual from serving as a director of another registered investment dealer that is not an affiliate of SCI.
	<b>Disclose</b>	We will disclose these relationships in investment research and other materials where required by regulatory requirements.
Gifts and Entertainment	<b>Avoid &amp; Manage</b>	We have policies and procedures setting out what types of gifts and entertainment are permissible and which needs business and compliance approvals.
We may be advising a client on a proposed M&A transaction to which we have an ownership interest in the target company.	<b>Disclose</b>	We will disclose these activities in agreements with clients, investment research and other materials where required by regulatory requirements.
	<b>Manage</b>	We have structurally segregated our investment banking and businesses trading on behalf of the Bank and have policies and procedures which prevent the sharing of material non-public information by between the groups.
We may be selling or buying securities to or from a client when we may be provided advisory services to the Issuer of the securities.	<b>Manage</b>	We have structurally segregated our investment banking and trading businesses and have policies and procedures which prevent the sharing of material non-public information by between the groups.
We may be providing financing services to a client while the proceeds could be wholly or partially	<b>Manage</b>	We have structurally segregated our investment banking and corporate businesses and have policies and

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used to repay a separate loan or financial obligations to us.		procedures which prevent the sharing of material non-public information by between the groups.
We may be providing advisory services to a client while we have a credit exposure in on the parties involved in the transaction.	<b>Manage</b>	We have structurally segregated our investment banking and corporate businesses and have policies and procedures which prevent the sharing of material non-public information by between the groups.