

# HOW SCOTIA CAPITAL INC. MANAGES CONFLICTS OF INTEREST

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This document is intended to describe and inform you how Scotia Capital Inc. (“SCI”) Global Banking and Markets businesses (“GBM”) identify, consider, manage, disclose and avoid, as applicable, material conflict of interests that may arise.

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

- Conflicts of interest between GBM and its clients,
- Conflicts of interest between GBM derived from GBM employees and GBM clients,
- Conflicts of interest amongst GBM clients,
- Conflicts of interest between GBM employees and GBM; and
- Conflicts of interest between GBM and the Bank’s related and associated companies.

GBM’s approach to managing conflicts of interest is supported by Scotiabank’s Code of Conduct, which applies to all employees and sets out expectations regarding ethical behavior, identification, and escalation of conflicts. When employees become aware of a real or potential conflict of interest, they must notify their manager and Compliance as soon as possible. The conflict is then analyzed in detail to determine whether a conflict truly exists, and if so, is the conflict material and whether GBM can implement controls to sufficiently manage it in the best interest of the client. Conflicts that cannot be reasonably managed should be avoided.

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

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

In all instances where the conflict is material and where it involves SCI, written disclosure must be provided to impacted clients that includes descriptions of the nature and extent of the conflict, the potential impact and risk it could pose, and how the conflict has been or will be addressed. Disclosure to a client will occur before the client enters into a transaction to allow them to make an informed decision.

In addition, GBM has specific policies and procedures in place to address conflicts of interest and employees receive mandatory training on conflicts of interest and the Scotiabank Code of Conduct.

**Set out below are examples of potential conflicts of interest and how they are managed by GBM. If employees believe a matter creates or may create a conflict of interest which is not identified and addressed below and for which they need assistance, the employee should contact the Compliance for further guidance.**

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 products (Cross-selling)	<b>Manage</b>	Cross-selling is permitted so long as we do not engage in “tied selling” 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. This may include commissions, referral fees or other forms of remuneration, where applicable, disclosed in accordance with regulatory requirements.
We may sell a client’s 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’s securities of companies that are related or connected to us	<b>Disclose</b>	Our <a href="#">related issuers</a> are disclosed on the GBM website. We inform clients whether a transaction involved a related or connected security on the trade confirmation.

Conflict of Interest	Address By	How Conflicts Will be Addressed
<p>We are paid by issuers of securities when we advise on or underwrite a new issue which we may recommend to a client.</p> <p>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.</p>	<p><b>Manage</b></p>	<p>We have structurally segregated our Corporate and Investment Banking group and trading businesses and have policies and procedures which prevent the sharing of material non-public information by our Corporate and Investment Banking group (with the relationship with the issuer) with trading businesses.</p>
	<p><b>Disclose</b></p>	<p>The offering documents provide full disclosure of all relationships we may have with the issuer.</p>
	<p><b>Manage</b></p>	<p>We have structurally segregated our Corporate and Investment Banking group and trading businesses and have policies and procedures which prevent the sharing of material non-public information by our Corporate and Investment Banking group (with the relationship with the issuer) with trading businesses.</p>
<p>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.</p>	<p><b>Disclose</b></p>	<p>The offering documents provide full disclosure of all relationships we may have with the issuer.</p>
	<p><b>Disclose</b></p>	<p>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. Such disclosure should be provided to the client prior to entering into any agreement.</p>
<p>We provide equity research on securities of companies that may have other business relationships with us.</p>	<p><b>Manage &amp; Disclose</b></p>	<p>Our equity research recommendations are subject to extensive and detailed regulatory requirements and internal standards that include the disclosure of potential conflicts of interest.</p>

We provide equity research on companies for which we also have an advisory or mergers and acquisition mandate.	<b>Manage</b>	Equity research is subject to reviews and at times, we will restrict the release of equity research to meet regulatory requirements.
We provide equity research on companies that the Bank may hold securities in.	<b>Disclose</b>	Disclosure of the Bank's interest is included in our equity research reports.
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" regulatory requirements. We have controls in place to detect and manage potential conflicts which includes managing the firm's information barrier and watch and restricted lists; enforcing wallcrossing procedures; and performing post-trade surveillance monitoring.
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. Where applicable, clients may be informed of any material economic interests we have in execution venues at the transaction level.
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.

Conflict of Interest	Address By	How Conflicts Will be Addressed
<p>We are the lender or advisor to a company while an officer of the company sits on the Bank's Board of Directors</p>		<p>For CIRO registrants, these relationships are subject to legislative and industry regulatory requirements 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.</p>
	<p><b>Manage/Avoid</b></p>	<p>We have policies to ensure employees serving on a Board of Directors will recuse themselves from voting or other decision-making process when the Bank/SCI is pitching for a mandate with the outside entity or is otherwise working with the outside entity on a mandate.</p>
	<p><b>Avoid</b></p>	<p>Securities legislation prohibits an individual from serving as a director of another registered investment dealer that is not an affiliate of SCI.</p>
	<p><b>Disclose</b></p>	<p>We will disclose these relationships in equity research and other materials where required by regulatory requirements.</p>
	<p><b>Manage</b></p>	<p>Information related to the transaction is not provided to the officer of the company in the capacity of a director of the Bank's Board. The officer will recuse themselves from discussions on the transaction within the Bank's Board.</p>
<p>Gifts and Entertainment</p>	<p><b>Avoid &amp; Manage</b></p>	<p>We have policies and procedures setting out what types of gifts and entertainment are permissible, and which need business and compliance approvals.</p>

Conflict of Interest	Address By	How Conflicts Will be Addressed
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, equity 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 between the groups.
We may be selling or buying securities to or from a client when we may be providing advisory services to the Issuer of the securities.	<b>Manage</b>	We have structurally segregated our Corporate and Investment Banking group 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 used to repay a separate loan or financial obligations to us.	<b>Manage</b>	We have structurally segregated our Investment Banking and Corporate Banking businesses via deal teams and have policies and procedures which prevent the sharing of material non-public information 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 Banking businesses via deal teams and have policies and procedures which prevent the sharing of material non-public information by between the groups.