

HOW SCOTIA CAPITAL INC. (GLOBAL BANKING AND MARKETS) MANAGES CONFLICTS OF INTEREST

Scotia Capital Inc. (“SCI”) is required to identify, consider, manage, disclose and avoid, where appropriate, material conflict of interest that may arise. This describes conflict of interest management at the Global Banking and Markets (“GBM”) business within SCI.

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

- 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, and
- Conflicts of interest between GBM and the Bank’s related and associated companies.

When employees become aware of a real or potential conflict of interest, they should notify their manager and Compliance as soon as possible. The conflict should be 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:

- **Avoidance** – GBM avoids conflicts that are prohibited by law as well as conflicts that cannot effectively be addressed.
- **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.

In all instance 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 should occur before the client enters into a transaction to allow them to make an informed decision.

In addition to having policies and procedures that provide guidance to employees and outline GBM’s conflict of interest approach, as well as specific disclosure of a particular conflict provided to a client described above, SCI also publishes a *Statement of Policies* that is available on the GBM website for clients to access that discloses potential conflicts of interest with related and other parties.

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 Department 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-sell)	Manage	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	Disclose	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	Disclose	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	Disclose	All of our related parties are disclosed in the SCI Statement of Policies. We inform clients 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.	Manage	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.

Conflict of Interest	Address By	How Conflicts Will be Addressed
	Disclose	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.	Manage	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.
	Disclose	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.	Disclose	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.
We provide investment research on securities of companies that may have other business relationships with us.	Manage & Disclose	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.	Manage	Investment research is subject to reviews and at times, we will restrict the release of investment research to meet regulatory requirements.
We provide investment research on companies that the Bank may hold securities in.	Disclose	Disclosure of the Bank's interest is included in our research reports.
We may engage in trading of securities for our own account that we also trade for clients.	Manage	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.

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<p>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.</p>	<p>Manage</p>	<p>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.</p>
<p>We may permit employees to engage in outside business activities, including serving on Boards of Directors.</p>	<p>Manage</p>	<p>We have adopted internal policies and procedures that supplement regulatory requirements related to outside business activities.</p> <p>For IIROC 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>Manage/Avoid</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>Avoid</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>Disclose</p>	<p>We will disclose these relationships in investment research and other materials where required by regulatory requirements.</p>

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We are the lender or advisor to a company while an officer of the company sits on the Bank's Board of Directors	Manage	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.
Gifts and Entertainment	Avoid & Manage	We have policies and procedures setting out what types of gifts and entertainment are permissible and which need 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.	Disclose	We will disclose these activities in agreements with clients, investment research and other materials where required by regulatory requirements.
	Manage	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 provided advisory services to the Issuer of the securities.	Manage	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 used to repay a separate loan or financial obligations to us.	Manage	We have structurally segregated our investment banking and corporate businesses 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.	Manage	We have structurally segregated our investment banking and corporate businesses and have policies and procedures which prevent the

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