



## CONFLICTS OF INTEREST DISCLOSURE STATEMENT

Securities regulations applicable in Canada require Hexavest Inc. (“Hexavest”) to comply with certain rules in relation to conflicts of interest, especially with respect to disclosure in regard to such conflicts of interest. The purpose of this Conflicts of Interest Disclosure Statement is to provide Hexavest clients with a description of such conflicts as a registrant firm with roles as advisor and investment fund manager.

Hexavest is an independent investment management firm located in Montreal, Canada. The firm provides discretionary investment management services to a variety of institutional and individual clients and is also a fund manager to its pooled funds (the “Hexavest Pooled Funds”).

Hexavest wishes to inform its clients on how it identifies conflicts of interest and how it deals with them in the clients’ best interest in order to minimize their impact. We consider there to be a conflict of interest where the interests of different parties, such as interests of a client and those of Hexavest are inconsistent or divergent. We strive to take reasonable steps to identify all existing material conflicts of interest, and material conflicts of interest that we, in our reasonable opinion, would expect to arise. We then assess the level of risk associated with each conflict. We avoid any situation that would entail a serious conflict of interest or represent too high a risk for clients or the integrity of the markets. In any other situation entailing a conflict of interest, we ensure that appropriate measures are implemented to control the conflict of interest effectively.

### *Definitions*

For the purposes of this document:

“**Related Issuer**” means, in respect of Hexavest, an issuer of securities over which Hexavest exercises influence (for example, through the ownership of, or direction or control over voting securities) or an issuer of securities that exercises influence over Hexavest or an issuer that is in like relation to any other issuer also related to Hexavest. In this context, “influence” means having the power to exercise a controlling influence over the management and policies of Hexavest, whether alone or in combination with one or more other persons or companies and whether through ownership of voting securities or otherwise.

“**Connected Issuer**” means, in respect of Hexavest, an issuer or a selling securityholder distributing securities if the issuer, selling securityholder or any Related Issuer thereof has any indebtedness to (i) Hexavest, (ii) a Related Issuer of Hexavest, or (iii) a director, officer or partner of Hexavest or (iv) a director, officer or partner of a Related Issuer of Hexavest. It also means, in respect of Hexavest, an issuer any other type of relationship with any of the previously enumerated persons that would be material to a prospective purchaser of such securities. Accordingly, an issuer is “connected” to Hexavest if, due to indebtedness or other relationships, a prospective purchaser of securities of the Connected Issuer might question Hexavest’s independence from such Connected Issuer.

“**Responsible Person**” means, in respect of Hexavest, Hexavest itself, a partner, director or officer of Hexavest, and each of the following who has access to, or participates in formulating, an investment decision made on behalf of a client of Hexavest or advice to be given to a client of Hexavest: (i) an employee or agent of Hexavest; (ii) an affiliate of Hexavest; (iii) a partner, director, officer, employee or agent of an affiliate of Hexavest.

### *Disclosure in respect of securities of Related Issuers and Connected Issuers*

When Hexavest wishes to cause an investment portfolio managed by it to purchase a security of an issuer in which a Responsible Person or an associate of a Responsible Person is a partner, officer or director of this issuer (an “**Associated Issuer**”), National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant obligations* requires that (i) such fact be disclosed to the clients and (ii) before the purchase, a written consent of the client to the purchase be obtained.

### *Associated Issuers*

Should Hexavest wish to purchase securities of an Associated Issuer on behalf of a client or a Hexavest Pooled Fund, it must obtain its clients' prior consent thereto. Hexavest does not currently intend to acquire securities of any Associated Issuer. Should it wish to do so, it will follow applicable securities laws and obtain the prior consent of its clients.

### *Related Issuers*

The Hexavest Pooled Funds may be considered Related Issuers of Hexavest, as Hexavest acts as their manager.

Hexavest may use its discretion to purchase or sell securities issued by Related Issuers or Connected Issuers or provide advice in respect of such securities. Hexavest will only engage in such activities if it is confident that they are in the best interests of its clients and are in compliance with all requirements imposed by applicable securities laws and the particular client's investment policy. Moreover, any transactions in securities of Related Issuers or Connected Issuers will be made in accordance with the clients' investment objectives, guidelines and restrictions, or any other requirements contained in the investment management agreement entered into between the client and Hexavest.

Hexavest established the following policies aimed at avoiding any conflicts of interest that may arise as a result of Hexavest's relationship with Related Issuers and Connected Issuers and ensuring that all investment decisions and their execution are made in the best interest of Hexavest's clients:

- (a) All investment decisions relating to purchases and sales of client portfolio securities will be made in the ordinary course of business without involvement of any of its related or affiliated entities. Hexavest will maintain operational and decision-making autonomy in the management of clients' funds and the selection of portfolio investments.
- (b) Investment decisions will be made on the basis of the business judgment of responsible portfolio managers uninfluenced by considerations other than the best interest of the clients.
- (d) Hexavest may, from time to time, use its discretion to purchase or sell securities of any Related Issuer and/or Connected Issuer. However, Hexavest will only do so if:
  - it considers a purchase or sale to be in the best interests of its client;
  - any purchase will not give rise to any duplication of management fees for Hexavest or an affiliate thereof; and
  - the prior client consent has been obtained.

### *Ethics*

In meeting its fiduciary responsibilities to its clients, Hexavest expects each and every employee to demonstrate the highest standards of ethical conduct for continued employment with Hexavest. Strict compliance with the provisions of Hexavest's *Code of Ethics and Standards of Professional Conduct* (the "**Code**") shall be considered a basic condition of employment with Hexavest. Moreover, all Hexavest employees, officers and directors, are required to comply with the rules of professional associations governing Hexavest employees' professional activities, such as the CFA Institute, rules of applicable securities legislation as well as various investment restrictions imposed by Hexavest.

It is fundamental to the fair treatment of investors that the highest standards of integrity and ethical business conduct be maintained. Hexavest's portfolio managers have a duty to act honestly, in good faith and in the best interest of Hexavest's clients and exercise the degree of care, diligence and skill that a reasonably prudent manager would exercise under the same circumstances. The Code establishes rules of conduct for all employees of Hexavest and is designed to, among other things, govern personal securities trading activities in the accounts of employees. Hexavest and its employees owe a fiduciary duty to Hexavest's clients to conduct their affairs, including their personal securities transactions, in such a manner as to avoid (i) serving their own personal interests ahead of clients, (ii) taking inappropriate advantage of their position with the firm and (iii) any actual or potential conflicts of interest or any abuse of their position of trust and responsibility.

### ***Personal Trading***

All Hexavest employees are required to put the interests of clients ahead of their own personal interests and must comply with the personal trading policy in effect. Hexavest believes that in order to avoid any potential for conflict of interest, its employees and other covered persons must not invest in any securities other than mutual funds, pooled funds, market indices and their derivatives (e.g. iShares, listed futures) of any equity asset class managed by Hexavest. Furthermore, if mutual funds or pooled funds managed by Hexavest are purchased, a one-month holding period applies. Hexavest employees are required to report all personal transactions to the Chief Compliance Officer for pre-approval.

### ***Privileged Information***

The use of privileged information (also referred to as *material non-public information*) and the disclosure of such information to any person not entitled to receive it are prohibited. Moreover, no personnel of Hexavest may trade, either personally or on behalf of others (such as investment funds and private accounts managed by Hexavest), while in the possession of material, non-public information.

### ***Gifts and Entertainment***

Giving, receiving or soliciting gifts in a business setting may create an appearance of impropriety or may raise a potential conflict of interest for Hexavest. The overriding principle is that all Hexavest employees should not accept inappropriate gifts, favours, entertainment, special accommodations, or other things of material value that could influence their decision-making or make them feel beholden to an individual or firm.

Hexavest has adopted and implemented firm policies in order to prohibit any person acting on its behalf from paying or accepting any fee or commission, or providing or receiving any non-monetary benefit that is likely to conflict to a material extent with any duty that Hexavest owes to its clients or any duty which the recipient firm owes to its clients.

### ***External Business Activities***

Conflicts may arise when employees of Hexavest are involved in external business activities. Hexavest controls this type of potential conflict by requiring its employees to disclose, on an annual basis, any involvement in external activity that may be construed as a conflict of interest. Further, Hexavest has implemented a pre-approval process to restrict any outside business activity that would interfere or give the appearance of interfering with an employee's ability to act in the best interests of, or perform work for, Hexavest and its clients.

### ***Investment Decisions***

Hexavest has put in place policies aimed at avoiding any potential conflicts of interest and ensuring that all investment decisions and their execution are made in the best interest of its clients.

Clients typically will retain Hexavest on a discretionary basis. Where the client chooses to grant investment discretion to Hexavest, Hexavest will have the authority to supervise and direct the investments of and for the client's account without prior consultation with the client. Pursuant to this discretionary authority, Hexavest will determine which securities are bought and sold for the account, the total amount of such purchases and sales, the brokers or dealers through which transactions will be executed and the commission rates paid to effect the transactions. Hexavest's authority may be subject to conditions imposed by the client (e.g., where the client restricts or prohibits transactions in certain types of securities or directs that transactions be carried out through specific broker-dealers.).

Investment decision shall be made on the basis of the judgment of a responsible portfolio manager uninfluenced by considerations other than in the best interest of its clients.

### ***Fair Allocation***

Fair treatment of investors is a fundamental policy of Hexavest. To ensure fairness in allocation of investment opportunities among its clients, Hexavest will ensure that orders from clients are allocated on a fair and equitable basis given the specific investment objectives and constraints of each client and with a view to minimizing transaction costs. In the case of a new securities issue, where the allotment received is insufficient to meet the full requirements of all accounts on whose behalf orders have been placed, allocation is made given the specific investment objectives of each client and

with a view to minimizing transaction costs. Every effort will be made by Hexavest to ensure that these allocation policies result, over time, in the fair and equitable treatment of all clients.

### ***Best Execution and Client Brokerage Commissions***

Hexavest has an ongoing duty to act in the best interest of its clients and to obtain best execution of client transactions. Hexavest shall consistently take all reasonable steps to achieve best execution and obtain the best possible result for the executions. Hexavest may utilize research or brokerage products/services obtained from broker-dealers on a soft dollar commission basis. As a result, the client may pay more than the lowest available commission in return for brokerage and research service. Furthermore, the research products and services paid may or may not be used in the decision-making process for the account that generated the soft dollars.

### ***Proxy Voting***

Hexavest, as a matter of policy and as a fiduciary to its clients, has the responsibility, except for clients that have retained the right to exercise their voting right, for voting proxies for portfolio securities consistent with the best economic interests of the clients. Hexavest maintains written policies and procedures as to the handling, research, voting, and reporting of proxy voting, and ensures to appropriately disclose the firm's proxy policies and practices. The firm's policy and practice include the responsibility to monitor corporate actions, to receive and vote client proxies and to disclose any potential conflicts of interest as well as making information available to clients about the voting of proxies for their portfolio securities and maintaining relevant and required records.

### ***Trading Error***

As a fiduciary, Hexavest has the responsibility to effect orders correctly, promptly and in the best interests of its clients. Should any error occur in the handling of any client transactions due to Hexavest's actions, inaction, or actions of others, Hexavest's policy is to seek to identify and correct any errors as promptly as possible without disadvantaging the client or benefiting Hexavest in any way.

### ***Other Conflicts of Interest***

From time to time, other potential or actual conflicts of interest may arise. Hexavest undertakes to continue taking the steps necessary to identify and respond to such situations fairly and reasonably, in keeping with the standard of care to which Hexavest is subject in its relationships with its clients.

This Conflict of Interests Disclosure Statement of Hexavest shall be updated should there be any change in the situation with respect to material conflicts of interest. Clients shall be promptly advised of such updates.

### ***Head Office of Hexavest***

Under existing legislation, Hexavest is required to notify its clients of the following information:

- (a) Its head office is located in the province of Québec.
- (b) It is a non-resident company in several other Canadian provinces where it exercises its activities as a portfolio manager.
- (c) The client's legal rights may, depending on the circumstances, not be enforceable in its local jurisdiction due to the non-resident registrant status of Hexavest.

The names and addresses of the agents of Hexavest in the provinces other than Québec where it carries on its activities are set out below:

#### **ALBERTA**

Clarke D. Barnes  
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