

## FIDUCIARY TRUST COMPANY OF CANADA CONFLICTS OF INTEREST DISCLOSURE

This document is intended to provide you, our client, with important information about how Fiduciary Trust Company of Canada<sup>1</sup> (“**we**” or “**us**”) identify and address material conflicts of interest (“**conflicts**”) in your best interest. Canadian securities regulatory authorities have introduced changes to securities laws, known as the Client Focused Reforms (“**CFRs**”), whose purpose is to better align the interests of firms with the interests of their clients, improve outcomes for clients and make clearer to clients the nature and the terms of their relationship with their firm. As part of the CFRs, we are required to take reasonable steps to identify any material conflicts that arise for us and/or our advising representatives (“**representatives**”) when we are providing you with portfolio management services and make clear that we are addressing existing and reasonably foreseeable material conflicts in your best interest.

A conflict may arise in circumstances where we and/or our representatives have a separate business or personal interest and can give rise to a perception that we or our representatives may act in our own business or personal interests. In other words, conflicts may be perceived to influence our and/or our representatives’ decision-making regarding your account. We have adopted policies and procedures to assist us in identifying and controlling any conflicts that we may face, including those that are reasonably foreseeable. We avoid conflicts prohibited by law as well as conflicts that we cannot effectively control to ensure that we resolve them in our clients’ best interests.

We require our representatives to report to us any conflict, or reasonably foreseeable conflict, between themselves and clients. Our representatives must always use their best efforts to avoid or mitigate any conflict in providing services to clients. Our representatives must put your interest ahead of their own.

The material conflicts we have identified, how these conflicts may impact you and how we are addressing them in your best interest are described below. We disclose information about conflicts to you so that when you evaluate our services, you can independently assess the conflicts and how we address them in your best interest. It is important that you understand what conflicts exist and how we work to address them in your best interest. Ultimately, we seek to resolve all material conflicts in your best interest. If you have any questions or concerns, whether they involve conflicts or other matters, please ask your representative for an explanation and/or further information.

### **1. Outside Business Activities**

A potential conflict can arise if a representative is engaged in outside employment/outside business activities (“**outside activities**”) in addition to their employment with us. The conflict can arise as a result of compensation received, the time commitment required or the position held by the representative in respect of these outside activities. The potential impact and risk to you are that these outside activities may call into question the representative’s ability to carry out their responsibilities to you or properly service you, there may be confusion which entity(ies) the

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<sup>1</sup> Fiduciary Trust Company of Canada is an indirect wholly owned subsidiary of Franklin Resources, Inc., a global investment management organization operating as Franklin Templeton. When used in this document, Franklin Templeton refers to the global organization and/or its global policies and procedures.

representative is acting for when providing you with services and/or if the outside activity places the representative in a position of power or influence over you.

We address this conflict in the following ways: (i) Franklin Templeton has an Outside Employment/Outside Business Activities Policy and Procedures that requires all representatives to disclose any outside activities to us. Such activities must be disclosed when we register a representative and on an ongoing basis. We will not allow the representative to proceed with such outside activity if we determine that the outside activity will give rise to material conflicts that cannot be addressed in our clients' best interest; (ii) Franklin Templeton has a Code of Ethics and Business Conduct ("**Code of Ethics**") that requires all employees (including representatives) to discuss any conflicts associated with outside activities with their supervisor and/or Franklin Templeton's Human Resources Department prior to undertaking any such activities; (iii) Franklin Templeton has an Employee Service as an Outside Director Policy ("**Outside Director Policy**") which prohibits serving as a director or in a similar capacity with an outside for-profit private or public company without approval of a member of Franklin Templeton's Executive Committee and the Director of Regulatory Compliance, or their respective designees.

## **2. Acting as a Director of an Issuer**

A conflict may exist if a representative acts as a director of another entity, especially if the entity's securities are recommended or purchased for your account. In those situations, the representative's duties to the other entity may conflict with our duty to you. This could potentially negatively influence our decision-making for your account. Applicable securities laws prohibit a representative from serving as a director of an issuer whose securities we are investing in on your behalf unless we disclose this fact to you and obtain your consent prior to investment.

Franklin Templeton addresses this conflict by requiring representatives to comply with the Outside Director Policy which, among other restrictions, prohibits them from serving as a director or in a similar capacity with any outside for-profit private or public company without approval of a member of Franklin Templeton's Executive Committee and the Director of Regulatory Compliance, or their respective designees.

## **3. Dual Registration**

Individuals registered with us may also be registered with Franklin Templeton Investments Corp. The potential impact and risk to you are that there may be confusion which entity(ies) the representative is acting for when providing you with services.

We have obtained exemptive relief from Canadian securities regulatory authorities to allow certain representatives to be registered with our affiliate. We address the potential conflict through adherence by our representatives to the Code of Ethics and other internal policies and procedures, including policies on privacy and confidentiality of client information and outside activities. Such restrictions are intended to minimize the potential for conflicts resulting from these relationships.

#### 4. Personal Trading

It is a conflict if one of our representatives, who has knowledge of trades being placed in your account, uses that information for their own benefit. This could potentially have a negative impact on your account by making the trade more expensive for you.

We address this conflict through adherence by our representatives to Franklin Templeton's Personal Investments and Insider Trading Policy ("**Personal Trading Policy**"). The Personal Trading Policy prohibits certain practices by representatives, including trading ahead of a fund or client account and trading in parallel to or against a fund or client account, short sales and participating in initial public offerings, all in recognition that the interests of funds and client accounts are paramount and come before the interests of any representative. The Personal Trading Policy also requires our representatives to pre-clear securities trades that exceed certain small quantity thresholds and imposes transaction reporting and annual certification requirements on representatives.

#### 5. Gifts & Entertainment

The receipt of gifts and/or entertainment from business partners that are excessive or frequent may give the appearance of a conflict. This could give rise to a concern that Franklin Templeton employees are placed in a position of obligation when making decisions regarding the use of business partners which may negatively impact the services we provide to you.

Franklin Templeton addresses this conflict through adherence to the Gifts & Entertainment Compliance Policy and Procedures (the "**G&E Policy**"), which applies to investment professionals, including our representatives. Under the G&E Policy, Franklin Templeton investment professionals, including representatives, are required to conduct themselves in a lawful, honest and ethical manner in their business and investment practices and are subject to restrictions on the value of gifts and/or entertainment they can receive from a business partner. The G&E Policy places limits and conditions on the gifts and/or entertainment a Franklin Templeton employee can receive and imposes reporting and recordkeeping requirements on representatives. In addition, the Code of Ethics prohibits a Franklin Templeton employee from soliciting a third-party for any gift or entertainment, regardless of value.

#### 6. Trading /Advising in Proprietary Products / Related and Connected Issuers

We generally only use investment funds, including mutual funds, pooled funds and/or exchange-traded funds ("**ETFs**"), managed by Franklin Templeton Investments Corp. or its affiliates (collectively, the "**Franklin Templeton Funds**") in the portfolios we manage on your behalf. The potential conflict is that we are using Franklin Templeton Funds and not using a wider universe of investment funds managed by third-party fund managers. Further, because we only use Franklin Templeton Funds, the suitability determination we conduct (if applicable) will not consider the larger market of non-proprietary products or whether those non-proprietary products would be better, worse, or equal in meeting your investment needs and objectives.

Under applicable securities laws, the Franklin Templeton Funds may be considered related or connected issuers to us.

- **Related Issuer** – A person or company is a related issuer to us if they are an influential securityholder of the firm, the firm is an influential securityholder of theirs or each of us is a related issuer of the same third person or company. An influential securityholder exercises influence over an issuer on the basis of direct or indirect ownership of securities aggregating more than 20% of the voting rights or entitlements to distributions of an issuer (or more than 10% if accompanied by the entitlement to nominate at least 20% of a board of directors).
- **Connected Issuer** – An issuer distributing securities is a connected issuer to us if there is a relationship between the issuer and the firm, a related issuer of the firm, or a director or officer of the firm (or the related issuer of the firm) that might lead a reasonable prospective purchaser of the securities of the connected issuer to question whether the firm and the issuer are independent of each other for the distribution of the issuer's securities.

We address this conflict by disclosing our use of Franklin Templeton Funds in our Relationship Disclosure Document (“**RDD**”). We also disclose the list of our related and connected issuers in the RDD. We have a very good understanding of these Franklin Templeton Funds based on the extensive due diligence we perform on the products and their portfolio management team, when we use them in our portfolios. Finally, with the exception of ETFs, we purchase a series of Franklin Templeton Funds for your account with no embedded compensation so you are only charged investment management fees by us. Our ETFs only offer series with embedded management fees and therefore, in addition to the investment management fees we charge, you will pay management fees on the Franklin ETFs if we purchase them on behalf of your account.

## **7. Referral Arrangements**

We may enter into referral arrangements from time to time with third parties pursuant to which the third party refers clients to us and for which we pay a referral fee. The impact to you is that you may pay higher fees than you otherwise would have if you came to us directly.

We address this conflict by disclosing the referral fees we pay to the third party to you, either in our investment management agreement with you or through other disclosure. For every referral arrangement we have with a third party, we enter into a referral agreement with the third party which describes our respective obligations and we have a Referral Arrangements Policy, which governs the referral arrangements we have.

## **8. Full Control Over a Client's Financial Affairs**

We are a federally licensed trust company and we may act as a corporate executor, trustee, and/or agent under a power of attorney (each, a “**Fiduciary Role**”). In our capacity as executor, we have full control over property held by the estate of a deceased client. In our capacity as trustee, we have full control over property held in a living or testamentary trust. In our capacity as agent under a power of attorney, we have full control over property held by the estate of a living client who may lack

capacity to manage their own finances. When acting in a Fiduciary Role, we have a duty to prudently manage the property we control. We may fulfill this duty by utilizing the portfolio management services of our own representatives or those of related parties (the “**Portfolio Management Services**”). The potential conflict is that our total compensation will be increased by the amount of compensation we earn for the Portfolio Management Services. The impact to you is that the fees we earn for Portfolio Management Services may be higher than those of alternate providers of portfolio management services.

We address this potential conflict by disclosing that we may use the Portfolio Management Services, and the cost of those services, to you at the time that we agree to accept an appointment in a Fiduciary Role. This disclosure will be made in a Compensation Agreement or similar document signed by the person appointing us in a Fiduciary Role in a will, trust agreement and/or power of attorney. If the person who appointed us in a Fiduciary Role is deceased or incapacitated, we will also make this disclosure to the beneficial owners of the property.

## **9. Trade Allocation**

We may manage similar accounts for multiple clients and we may trade in the same security on their behalf at the same time. The potential for a conflict exists if one client is given preferential pricing or execution terms over another client. The potential impact to you is that it could make the security more expensive for your account.

Franklin Templeton addresses this conflict through its Equity Trade Allocation Policy and Procedures and Fixed Income Allocation of Investment Opportunities Policy and Procedures (collectively, the “**Trade Allocation Policies**”), which are designed to ensure that buy and sell investment opportunities are allocated fairly among clients and, over time, clients are treated equitably. A summary of the Trade Allocation Policies is available upon request.

## **10. Use of Client Brokerage Commissions**

We execute trades in securities on behalf of clients. We may direct trades and pay commissions to dealers that provide us with research and/or brokerage products and services. There is a potential conflict because the goods and services we receive may be used for the benefit of clients other than the client(s) on whose behalf the commissions were incurred.

Applicable securities laws limit the types of order execution and research goods and services we can obtain from a dealer or third party and require that we provide a disclosure document to you that summarizes our client brokerage commission practices. In addition, Franklin Templeton adheres to its Use of Client Commissions Compliance Policy and Procedures, which allows it to use client commissions only to acquire goods and services that are permissible under applicable securities laws.

## **11. Best Execution**

The selection of a dealer to execute a trade can create a potential conflict because the trade can be directed to a dealer who does not provide best execution (the most advantageous execution terms reasonably available under the circumstances). The impact of this conflict is greater if best execution is not achieved but the registered firm receives a benefit for directing the trade to that dealer. This could impact you as it could make the security more expensive for your account.

Applicable securities laws require us to make reasonable efforts to achieve best execution when acting for a client. Franklin Templeton addresses this conflict through adherence to its Equity Brokerage Allocation Policy and Procedure (the “**Brokerage Allocation Policy**”). The Brokerage Allocation Policy provides that we will attempt to obtain the best combination of low commission rates relative to the quality of brokerage and research services received with a view to maximizing value for clients. In assessing the quality of execution, Franklin Templeton assesses many different factors. Franklin Templeton has a committee that provides oversight of the brokerage allocation process, using both internal information, including trade execution, trade volume and trade count data, and external information, including independent data sources that rank dealers on trade execution and quality of service, to evaluate Franklin Templeton’s best execution practices.

## 12. Proxy Voting

Unless otherwise directed by a client, we vote proxies for securities that we purchase on behalf of a client. Voting securities can create a potential conflict if we have a business relationship, pecuniary interest or other relationship with an issuer whose securities we are voting. The risk to you is the potential for the relationship to influence our decision-making and for us to vote the securities in your account based on our own business or personal interests, which may not align with the best interests of clients.

Franklin Templeton deals with this conflict through its Proxy Voting Policies & Procedures (the “**Proxy Voting Policy**”). Under the Proxy Voting Policy, all conflicts are resolved in the best interests of our clients; when a material conflict arises, we may vote proxies consistent with the recommendations of a third-party proxy service or send the proxy directly to a client with our recommendation regarding the vote.

## 13. Valuation of Assets

When we charge you fees based on assets under management, there is a potential conflict in valuing the assets in your account because a higher value could result in better performance for your account and a higher fee paid by you to us.

Franklin Templeton addresses this conflict through compliance with its Valuation and Pricing Conventions Policy (the “**Valuation Policy**”). Franklin Templeton has a valuation committee that is responsible for overseeing the Valuation Policy and valuing all investments, including securities held in your account, which are valued at fair value. Franklin Templeton uses third-party pricing vendors to value investments and selects such vendors based on their ability to provide accurate and reliable pricing data. Where possible, Franklin Templeton identifies multiple pricing vendors for each

investment so that, when the primary pricing vendor is unavailable to price a security on a given day, additional pricing providers are available for use in valuation. Franklin Templeton will employ market level fair valuation in circumstances where independent pricing from a pricing vendor is unavailable or where closing prices in foreign markets are not considered reliable because of market events.

#### **14. Error Correction**

An error made by us in connection with your account can create a potential conflict because correcting the error in a certain manner may be more advantageous to us and not in your best interests.

Franklin Templeton has an Error Correction Policy and Procedure (the “**Error Correction Policy**”) which identifies errors that relate to Franklin Templeton’s investment advisory, trade execution and administration services provided to our clients. The Error Correction Policy is intended to expeditiously address an error and identify how each type of error may be corrected, procedures for the escalation and approval of proposed corrective action and documentation and reporting of an error and the corrective action taken.

#### **15. Inter-Account Trading**

Trading securities between funds and/or accounts managed by us may be a conflict where the trade may benefit one fund or account without a corresponding benefit to the other fund or account. In addition, the price at which the securities are traded may result in a conflict because it could benefit either the selling fund or account (if priced too high) or the purchasing fund or account (if priced too low).

Applicable securities laws permit trades between mutual funds if certain conditions are met, including the price at which securities must be traded. Franklin Templeton has obtained exemptive relief from Canadian securities regulatory authorities to allow us to effect trades between mutual funds, pooled funds and/or client accounts that we or certain affiliates manage. Franklin Templeton has an Inter-Account Transaction Policy (the “**Inter-Account Policy**”) which governs inter-account trades and incorporates the conditions imposed by applicable securities laws and the exemptive relief order. Franklin Templeton Funds have an independent review committee which reviews and approves the actions Franklin Templeton takes under the Inter-Account Policy.

#### **16. Client Complaints**

Addressing a complaint by a client can create a potential conflict if we have a choice between addressing the complaint in a manner that is beneficial to us or addressing the complaint in the best interests of the client. The potential risk to you is that we act in our own business interests.

To control this potential conflict, we have a client complaints policy (the “**Complaints Policy**”) which generally applies to our activities as a portfolio manager<sup>2</sup>. If we receive a complaint, the Complaints

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<sup>2</sup> The Complaints Policy does not apply to “permitted clients” (as that term is defined in applicable securities laws) who are not individuals.

Policy requires us to provide you with an acknowledgment which includes a description of our obligations under applicable securities laws, the steps you must take to avail yourself of the Ombudsman for Banking Services and Investments (“**OBSI**”), an independent dispute resolution mechanism, and the name and contact information for OBSI. If we decide to reject a complaint or make an offer to resolve a complaint, we must provide you with written notice of our decision as soon as possible and we must make OBSI available to you at our expense. Any claims to OBSI must be no greater than \$350,000.

## **17. Portfolio Holdings Release**

If we selectively release portfolio holdings of a Franklin Templeton Fund, it may benefit one client over another as that client will have access to non-public information that potentially creates an unfair advantage.

To address the potential conflict, Franklin Templeton has adopted a Portfolio Holdings Release Policy & Procedures (the “**Holdings Release Policy**”) which provides that, subject to certain limited exceptions described in the Holdings Release Policy, a mutual fund or pooled fund’s portfolio holdings will not be made available to anyone until such holdings are released to all investors in the mutual fund or pooled fund or to the general public. We generally release portfolio holdings to the public no sooner than 20 days after the end of each month; however, the release of all or a portion of a fund’s holdings may occur sooner so long as they are made available to all existing and potential investors. Exceptions to the Holdings Release Policy are permissible only when there is a legitimate business purpose for the fund (such as providing holdings information to various external service providers), the recipient is subject to a duty or agreement to maintain the confidentiality of the holdings information, and the release of the holdings information will not otherwise violate applicable law.