

Information on Conflicts of Interest

In accordance with new securities laws effective June 30, 2021, this letter is intended to provide you with enhanced disclosures related to existing and reasonably foreseeable material conflicts of interest that may affect you as our client, including how we manage these types of conflicts with your best interests in mind. These disclosures apply to all your Co-operators Financial Investment Services Inc. (CFIS) accounts.

Read the information and updated disclosures below to better understand the nature and extent of material conflicts of interest, and any potential impact and risks to you as a CFIS client.

Please note, these updated disclosures are also available at <https://www.cooperators.ca/en/Investments/Investment-solutions/Mutual-funds/Mutual-fund-disclosure.aspx>. The requirement to provide them is part of our regulatory obligations and does not form part of your account agreement. If there are any additional material conflicts of interest identified after you receive this information, we will inform you in a timely manner.

If you have any questions about our conflict of interest disclosures, or how they may relate to your investment plan, please contact your CFIS mutual fund investment specialist (also referred to as a representative throughout this document).

What is a Material Conflict of Interest?

A conflict of interest may arise in the following situations:

- *CFIS or its representative has separate business or personal interests that differ from a client's interests;*
- *CFIS or its representative may be influenced to put their own interests ahead of a client's interests;*
- *Monetary or non-monetary benefits or disadvantages to CFIS or its representative might compromise trust between a reasonable client and CFIS;*
- *There are differing interests amongst clients, resulting in preferential treatment for some in the operation and management of their account and execution of trades*

Generally, a conflict of interest is material if the conflict may be reasonably expected to influence either your decisions as a client, or a representatives' recommendations to you.

CFIS seeks to identify and address material conflicts of interest through various controls that require representatives to avoid any situation in which their personal interests conflict, or appear to conflict, with their duties as a representative. Our policies and procedures take a broad view of "conflicts of interest," and provide a clear definition of responsibilities between CFIS and its representatives, along with the appropriate resources, independence, and authority for the Chief Compliance Officer and other internal control functions to address conflicts of interest. We have a system in place for disclosing material conflicts to you.



Co-operators Financial Investment Services Inc.

How we manage Material Conflicts of Interest

1. Relationship between Co-operators Financial Investment Services Inc. (CFIS) and The Co-operators Group of Companies

Managed through policies and procedures, including confidentiality policies.

Co-operators Financial Investment Services Inc. (CFIS) is a wholly owned subsidiary of Co-operators Financial Services Limited (CFSL), a holding company that owns an extensive group of companies, including Co-operators General Insurance Company (CGIC) and Co-operators Life Insurance Company (CLIC). The nation-wide sales force of independent business owners is contracted through CGIC and CLIC to distribute a broad selection of primarily proprietary financial services products. CFIS partners with Credential Asset Management Inc.. ("Credential") as a Level 4 Carrying Dealer. The Co-operators Group has a long-standing relationship with Credential.

These entities are separate from each other, with information barriers and tailored compliance systems. To provide you with the best services, we may, from time to time, enter into transactions or arrangements or accept services from other Co-operators companies, or other people or companies related or connected to us.

Our membership in the group of Co-operators companies, together with the transactions and arrangements we make with other members of the group of companies, may give rise to conflicts of interest, and we have adopted policies and procedures to identify and respond to these conflicts. We will enter into these transactions or arrangements where it is appropriate and permitted under applicable securities laws.

In all cases, we recognize that the conflicts arising from transactions with our affiliates could raise the perception that we favour the business interests of these entities, and you may have concerns about those products and services that we provide to you which are sourced from or provided by those Co-operators companies.

We and the other Co-operators companies, like other financial services firms, are commercial businesses and seek to provide stakeholder value, while also providing fair, honest and suitable products and services to our clients. We are compensated by selling products and services to you for which you pay us. We may also earn revenue from other sources, including from our affiliates, some of which may be seen as involving a conflict of interest or potential conflict of interest.

Co-operators Life Insurance Company, which is an affiliate of CFIS, is a majority owner of The CUMIS Group Limited and, as a result, indirectly owns approximately 12% of Credential Asset Management Inc.. CU CUMIS Wealth Holdings LP, a subsidiary of The CUMIS Group Limited, owns 50% of Aviso Wealth LP which in turns owns Aviso Wealth Inc. (Aviso). Credential is a wholly owned subsidiary of Aviso, and Aviso Wealth LP is owned 50% by Desjardins Financial Holding Inc. (Desjardins) and 50% by CU CUMIS Wealth Holdings LP.

Credential Qtrade Securities Inc. (CQSI) is an investment dealer and is also a wholly owned subsidiary of Aviso. Northwest & Ethical Investments LP (NEI) is responsible for the management of mutual funds which may from time to time make up the family of NEI Funds which are offered in Canada. Northwest & Ethical Investments LP is also a wholly owned subsidiary of Aviso. Desjardins is a wholly owned subsidiary of Fédération des caisses Desjardins du Québec, a federation of financial services cooperatives owned by the Desjardins caisses. Desjardins Investments Inc. is responsible for the management of mutual funds which may from time to time make up the family of Desjardins funds which are offered in Canada. Due to its indirect ownership interest in Credential, through Aviso Wealth LP, Desjardins is a related issuer to Credential. Fiera Capital Corporation (Fiera) is responsible for the management of mutual funds which may from time to time make up the family of Fiera Capital Funds which are offered in Canada. Fiera is a related or connected issuer of Desjardins and is therefore a related or connected issuer to Credential.

As a result, Co-operators Financial Investment Services Inc., may be considered connected with: Aviso, Credential, CQSI, and NEI.

2. Sale of proprietary products

Sale of proprietary products, and products and services of related and connected issuers, including mutual funds manufactured and managed by Northwest & Ethical Investments LP (NEI), and non-monetary benefits and cooperative marketing and sales practices: *Managed through product due diligence review process, compensation plan review process, disclosures and reporting to clients, transaction suitability checks, and recommendation review with clients.*

CFIS makes a broad range of mutual funds available to clients, from some of Canada's leading fund managers – including AGF, CI Investments, Dynamic Funds, Fidelity Canada, Franklin Templeton, Invesco Canada, Mackenzie Investments and NEI Investments.

The selection of mutual funds and the type of investment and financial planning services available to you depends on your particular circumstances and investment needs, which may change over time.

Our suitability determination will not consider the larger market of products or whether those products would be better, worse, or equal in meeting a client's investment needs and objectives.

- **Related and connected issuers** – *Because CFIS distributes NEI mutual funds, it makes securities of related and connected issuers available to you. An issuer of securities is "related" to CFIS if, through the ownership of, or direction or control over, voting securities, CFIS exercises a controlling influence over that issuer, or that issuer exercises a controlling influence over CFIS, or the same third party exercises a controlling influence over both CFIS and the issuer. An issuer is "connected" to CFIS if, due to indebtedness or other relationships, a prospective purchaser of securities of the connected issuer might question CFIS's independence from the issuer. Northwest & Ethical Investments LP (NEI) is a connected issuer of CFIS.*
- **Conflicts of interest within the CFIS available mutual funds** – *CFIS manages the conflicts of interest it has as a distributor of NEI mutual funds in the best interests of clients. The product review committee has policies and procedures in place to ensure that no preferential treatment is given to NEI mutual funds, and that all products are reviewed in the same way and held to the same standards.*

3. Representatives of CFIS may also be licensed to sell insurance

Managed through policies and procedures, including confidentiality policies.

A mutual fund investment specialist is sponsored by CFIS to offer mutual funds and other investment products. As a licensed insurance representative, the CFIS mutual fund investment specialist may also market and sell insurance products offered by Co-operators affiliated companies. Depending on the products the client is purchasing, the client will be working with one or a combination of companies. The representative will be compensated by the companies providing the insurance products, mutual funds, and investment products that the client purchases. CFIS does not foresee any material conflict of interest arising from the representative being dually licensed as an insurance representative for insurance products and a CFIS mutual fund investment specialist for investment products, as disclosed above. All business activities undertaken by the representative that are not specifically designated as CFIS business interests are not the responsibility of CFIS, nor does CFIS assume any liability for such activity.

4. Representatives receiving referral fees for referring clients to another company for products and services not offered through CFIS

Managed through allowing only approved referral arrangements and documenting all referrals in the CFIS referral management system.

CFIS representatives must determine that making a referral is in the client's best interest and that the benefits received by the client outweigh other alternatives. Referral fees paid to CFIS are disclosed in the referral fee disclosure document and



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are paid to CFIS by the entity participating in the referral arrangement. These fees are deducted from the management fees charged by the participating entity and are not charged to the client.

CFIS and its representatives do not have any approved referral arrangements in place at this time.

5. Offering both fee-based accounts with ongoing account fees and accounts with trailing commission-paying mutual funds

Managed through account type suitability assessment and appropriateness considering a client's investment needs and objectives, tools and controls for clients to assess the benefits of trailing commission-based versus fee-based accounts for their particular situation, and policies and procedures.

CFIS and its representatives do not offer fee-based accounts at this time.

6. Internal compensation arrangements and incentives

Internal compensation arrangements and incentives (e.g. contests, promotional activities, items, events, charitable donations with tax benefits to representatives), where higher compensation is linked to product type, account balance, investment amount, revenue/sales targets, product complexity and advice, and referrals:

Managed through complying with suitability obligations, commission caps, process controls, alignment with representatives' work effort and complexity of advice, regular compensation review, performance reviews of representatives and controls for identifying variance from ordinary product distribution mix.

Certain internal compensation arrangements and incentives may influence a representative to act in various self-interested ways such as recommending a product that will result in more compensation as opposed to an equivalent (or better) product that more closely meets the client's investment needs. Alternatively, such arrangements may have the effect of representatives encouraging clients to invest more money in their account or seeking to generate as much client business as possible in order to receive additional compensation. We have policies in place that require representatives to comply with their Know Your Client, Know Your Product and suitability obligations.

It is the client's interest, not the CFIS representative's interest, that must guide the recommendations made by a representative to their clients. CFIS representatives must put clients' interest first when recommending one product or service over another. CFIS representatives must not recommend a product or service because it pays them better than a suitable alternative product available.

7. Gifts and entertainment (from clients, third parties or other employees) that may influence representatives or compromise their judgement

Managed through value limits, prior approvals, and policies and procedures for eligibility, disclosure and tracking.

CFIS is responsible to ensure that its representatives do not receive excessive non-monetary benefits from fund companies that have the potential to influence them to act in a manner that is not in the best interest of their client.

Non-monetary benefits may include, but are not limited to:

- Trips, food, beverages, entertainment, sporting event tickets, rounds of golf, invitations to seminars or conferences and any other goods or services that could be perceived to be of benefit to the recipient. CFIS is prohibited from providing financial incentives to representatives to promote the sale of one mutual fund over another. The commissions paid directly to CFIS may vary by fund company. CFIS representatives are paid a constant percentage of commissions for all mutual funds sold. Only CFIS can pay commission to a representative. Under no circumstances should a CFIS representative solicit or accept commission directly from a fund company.

Cash in any amount must not be accepted or given as a gift or favour under any circumstances.

CFIS annually tracks fund company incentives and requires fund company confirmation of its promotional item policies and limits. Permission for ongoing fund company events is contingent upon the fund company's cooperation with CFIS.

Representatives are not allowed to accept or provide clients with gifts over a specified value. Entertainment is allowed but should not be of excessive or unreasonable value. Cash in any amount must not be accepted or given as a gift or favour under any circumstances.

8. Outside business activities

Outside business activities (including external and cross-directorships with subsidiaries/affiliates and other gainful employment), for direct or indirect payment, access to material non-public information, personal or professional financial dealings, and potential financial control and privacy concerns: Managed through approvals, disclosures, policies and procedures, and annual acknowledgement.

A CFIS mutual fund investment specialist may be involved in outside activities (occupations or volunteer), provided it is approved by CFIS. When assessing a representatives' outside activity for approval, CFIS will consider the following:

- Whether the individual will have sufficient time to properly carry out their registerable activities, including remaining current on securities law and product knowledge
- Whether the individual will be able to properly service clients
- The risk of client confusion
- Whether the outside business activity presents a conflict of interest for the individual and whether that conflict should be avoided or can be appropriately controlled
- Whether the outside business activity places the individual in a position of power or influence over clients or potential clients, in particular clients that may be vulnerable
- Whether the outside business activity provides the individual with access to privileged, confidential or insider information relevant to their registerable activities

There are a number of activities that may be restricted or prohibited and taken into account when assessing if the activity potentially places the representative in a position of power or influence over clients, and in particular, vulnerable clients. If CFIS determines that this outside activity presents a conflict that cannot be managed, the activity will not be approved and the CFIS representative will cease that activity. If CFIS determines that the outside activity presents a conflict that can be managed through proper disclosure, the CFIS representative will provide the client with an *Outside Activity Disclosure Document* before opening an account.

9. Representatives' personal financial dealings with clients

Representatives' personal financial dealings with clients (e.g. lending, borrowing, private investment schemes, purchasing client's assets, or sharing an account with a client like an investment club), which may include non-monetary benefits: Managed through training and policies generally prohibiting representatives from accepting appointments of fiduciary roles (e.g., power of attorney, mandataire, executor, trustee, administrator, liquidator) or inheritances from a client.