

Conflicts of Interest Disclosure Statement

Conflicts of interest – Why This Disclosure Statement is Important to You

In the course of providing services and financial products to you, there will be situations where a conflict will arise between HSBC Global Asset Management (Canada) Limited (“our”, “we”) interests and yours. These conflicts may be actual conflicts of interest or you may perceive that we have a conflict of interest.

Conflicts may cause concern that we or our representatives may act or will act in their own business or personal interest, which may result in financial gain to us or our representative. Conflicts can also arise in circumstances where there are differing interests amongst clients, which may lead to a perception that we are favouring a client or set of clients over other clients.

We seek to avoid or minimize conflicts where reasonably possible. We seek to avoid actual or perceived favouritism or discrimination amongst clients, and to ensure that no client receives preferential treatment over another when we provide financial products and services to you. Some conflicts cannot be avoided, including those conflicts that are inherent in the business model we use and our relationship with our affiliates. However, at all times, we address these conflicts by implementing controls that we believe to be effective.

Canadian securities laws require us to take reasonable steps to identify and respond to material conflicts of interest and tell you about them. This Conflicts of Interest Disclosure Statement identifies the conflicts of interest we consider are material when providing financial products and services to you. We also describe the potential impact on and the risk that the conflict could pose to you, and how we address the conflict to minimize its impact and risks to you and our other clients.

In situations where we do not or cannot avoid a conflict of interest, or where our interests may compete with yours, we will always strive to give your interests priority over ours. This allows you to be confident that we address conflicts in your best interest. In addition, there may be other situations that pose unique conflict of interest issues; in those cases we will provide you with supplemental disclosure. Unless otherwise specified, we deal with and manage conflicts as follows:

- We avoid conflicts which are prohibited by law as well as conflicts that we cannot effectively control.
- Our representatives are required to comply with various policies and procedures, which are designed to ensure our representatives follow ethical and client-first business practices. These policies and procedures include HSBC Group’s global code of ethics, anti-bribery and corruption policies and procedures, and procurement requirements. We have a robust oversight process to ensure these policies and procedures are effective.
- We control or manage acceptable conflicts by separating different business functions and restricting the internal exchange of information.
- Our internal compensation practices are designed to ensure our representatives are not incented or influenced to make recommendations to you about specific products or services we offer.
- For each material conflict, we seek to resolve it in your best interest.
- We disclose information about conflicts of interest we consider are material when we and our representatives provide financial products and services to you so that you can assess independently if these conflicts are significant to you.

Material Conflicts of Interest

In order to help you be informed about the conflicts of interest we consider are material to you, we have described below these conflicts of interests and how we manage them to ensure we act in your best interests.

Conflicts Arising from Being a Member of the HSBC Group

We are a direct subsidiary of HSBC Bank Canada (“HSBC Bank”), a Schedule II chartered Canadian bank. We and HSBC Bank are a member of a group of related companies known as the HSBC Group, whose ultimate parent entity is HSBC Holding plc, headquartered in London, UK. All members of HSBC Group are separate entities from each other with information barriers and robust compliance systems.

In the course of providing services and financial products to you, we may from time to time, enter into transactions or arrangements with a person or company that is related or connected to us (“HSBC Group Member(s)”). Specifically, these transactions or arrangements can include:

- purchase or sale of securities from or to a HSBC Group Member,
- purchase or sale (or recommend) securities or investment funds that are issued, underwritten or managed by a HSBC Group Member. For example, in our role as portfolio manager of discretionary managed accounts, we may, in certain circumstances, purchase securities offered in a distribution in respect of which a member of the HSBC Group acts as an underwriter, or
- accept services from a HSBC Group Member. For example, we may allocate brokerage business to a related person provided that such transactions are made on terms and conditions comparable to those offered by unrelated brokers and dealers.

Our membership in the HSBC Group, together with the transactions and arrangements we make with other HSBC Group Members, will give rise to conflicts of interest, and we have adopted policies and procedures to identify and respond to these conflicts. We will only enter into these transactions or arrangements where they are permitted under applicable securities laws, and where we believe they are in the best interests of the applicable clients, including the HSBC Mutual Funds and HSBC Pooled Funds, in the applicable circumstances.

Some of our directors and officers are also directors or officers of HSBC Bank and/or other HSBC Group Members. In addition, we have various governance committees where some HSBC Group Members sit on more than one of these committees. Our directors and officers receive specific training on their corporate and regulatory responsibilities including conflict of interest issues arising from holding positions at several HSBC Group Members.

In all cases, we recognize that the conflicts described in this disclosure statement raise perceptions that we will favour the business interests of HSBC Group Members, and that you may have concerns about our financial products and services that are sourced from or provided by those members. We have provided further details below of the conflicts associated with the products and services that we provide you and how we manage these conflicts of interest in your best interest.

Our Products and Services

We act as a portfolio manager for discretionary managed accounts which we may invest in securities, investment funds, and other financial products issued, underwritten or managed by us or a HSBC Group Member and/or we may retain a HSBC Group Member to act as a sub-adviser to the discretionary managed accounts. As an exempt market dealer, we act as a dealer in facilitating trades for our clients in, securities, investment funds or financial products issued, underwritten or managed by us or a HSBC Group Member.

Where we invest or recommend investment funds for which we act as the investment fund manager, trustee and primary portfolio manager, such as the HSBC Mutual Funds and HSBC Pooled Funds, we may engage affiliated and non-affiliated portfolio managers as sub-advisers to assist us in managing the investment funds. We pay a portion of the management fees we receive from the investment funds to these portfolio managers for their services.

Because we do not recommend or offer investment funds managed by unaffiliated managers, where a suitability determination is required or where evaluating our product shelf, we and our representatives will not consider the larger market of third party funds or whether those third party funds would be better, worse, or equal in meeting your investment needs and objectives.

There are conflicts of interest inherent in our client relationships where we invest in or recommend securities, financial products and services issued, underwritten or managed by us or a HSBC Group Member ("HSBC Products and Services"). We manage this conflict of interest by conducting thorough due diligence on those products and services. Our view is to ensure that such products and services are suitable and competitive within the market for the range of clients opening accounts with us. We also have in place a robust oversight process to ensure we have effective know-your-client, know-your-product and suitability procedures. This ensures the HSBC Products and Services we recommend for your account will be suitable for you and that we put your interests first. Further, we evaluate our policies, procedures and controls periodically to ensure we have addressed this conflict of interest.

In most cases, our connection to HSBC Products and Services will be obvious to you because the names of the investment funds or other financial products will be sufficiently similar to our name. For example, in most cases the names will include the word "HSBC". If we believe that the name of any investment fund or financial product is not similar enough to convey its relationship to us, we will discuss with you the related nature of the fund or financial product when we cause your account to invest in it.

There are also conflicts of interest inherent in our management of the HSBC Mutual Funds and HSBC Pooled Funds. We address those conflicts of interest in the best interests of the funds and refer them for consideration and recommendation or approval by the Independent Review Committee for those funds. The members of the Independent Review Committee are independent of us and other members of the HSBC Group. The conflicts of interest referred to and considered by the Independent Review Committee for the funds are described in the annual report to unitholders of the funds by the Independent Review Committee, which is available on our website, as well as SEDAR.com.

Fees and Charges

We and the other members of the HSBC Group, like other financial services firms, are commercial businesses and seek to maximize profits while also providing fair, honest and suitable financial products and services to clients. We earn compensation from your account through direct fees payable by you. Some of the fees you pay us are paid to a HSBC Group Member who provide services to us. For certain arrangements where an investment is made in financial products and services of a HSBC Group Member, we may receive a fee from them for our services that we provide you.

We may also earn revenue from other sources, some of which may be seen as involving a conflict of interest or potential conflict of interest. In addition, we or our affiliates may earn revenue from foreign exchange spreads resulting from currency conversions transactions in your accounts. We balance our commercial, regulatory and HSBC Group responsibilities with the best interests of our clients. This includes pricing our financial products and services in a way that represents value for money for you and overall profitability for the applicable members of

the HSBC Group. Your representative can discuss your questions about our fee, charges and revenue from other sources as they apply to the financial products and services you invest in.

Referral Arrangements

We may enter into referral arrangements from time to time where we refer clients to another entity and receive a benefit, or another entity refers clients to us and receives a benefit from us. These arrangements may be with other members of the HSBC Group or parties unrelated to us. This can create a potential conflict of interest because the arrangements provide a financial incentive to make referrals to the person we are receiving a referral fee from. We currently do not have any such arrangements where we receive a fee. However, if we did, the details of these referral arrangements, including the parties to the referral arrangement, the manner in which the referral fee for referral services is calculated and the party to whom it is paid, will be provided to you in writing.

HSBC Bank and its affiliates may, from time to time, introduce customers to each other in accordance with the financial needs of the customers.

HSBC Group Decisions

Certain decisions that affect our business and the financial products and services we provide you may be made at a HSBC Group level. Those decisions may be made to favour the commercial interests of the HSBC Group as a whole. We are required to comply with Canadian securities laws and no HSBC Group decision will impact our compliance in this regard. We will address this conflict by continuing to follow our policies and procedures that are designed to put clients' interests first and comply with Canadian securities laws.

Best Execution and Soft Dollars

When placing orders for and on behalf of clients' accounts, we will select those brokers and dealers from whom we reasonably can expect to obtain the best execution (after considering all transaction costs and research or other benefits). We may receive soft dollars in connection with trades in securities on behalf of clients and our funds. Soft dollars create a perceived or potential conflict of interest to the extent that we may use soft dollars for services that benefit us but not necessarily any or all of our clients or our funds. We address this conflict by complying with Canadian requirements for soft dollar practices.

Allocation of Investment Opportunities

We are appointed to act as an adviser to many clients and as such, we may aggregate orders for a number of client accounts on the purchase of a particular security. To avoid any potential conflicts of interest in favouring one client or group of clients over another, we have adopted trading policies designed to ensure fair allocation of securities amongst clients.

Proxy Voting

We, along with any sub-adviser we engage, generally have discretion in voting the portfolio securities purchased for clients or the funds. A perceived conflict of interest arises because of the opportunity for us to vote securities or to agree to certain corporate actions in our own interest or based on the interests of our other clients. To ensure that we exercise voting rights in the best interest of our clients and to prevent material conflicts of interest from influencing our proxy voting decisions, we have established proxy voting guidelines which sets out standards on how we exercise the voting rights attributable to securities held by our clients. In addition, we hired an independent third party to provide proxy research and to recommend and cast votes consistent our proxy voting guidelines. We do not invest in securities of issuers in order to exercise control over, or participate in, the

management of issuers nor do we vote on units of affiliated funds held by funds for which we act as portfolio manager.

Valuation

Given that our fees are based on the value of assets in accounts, and we market our services based on performance of our various accounts, it is critical that valuation of assets is conducted in an objective and transparent basis to mitigate any perception of conflicts of interest. We have appointed a third party service provider to obtain the prices of securities in clients' accounts so that we may be accurate in our valuation. We have valuation policies and procedures designed to mitigate any potential conflicts of interest.

Conflicts of Our Representatives

Our representatives receive remuneration, which may be comprised of a base salary and a variable pay based on performance criteria. Performance criteria may include the representative's role in introducing our clients to other financial products or services offered by our affiliates as appropriate. In addition, from time to time, we or our affiliates may also award other incentives (such as merchandise or corporate events) to our representatives for their role in managing your account. Such incentives will be paid by us or our affiliates and be based on pre-set targets or other variable criteria. All incentive programs provided by us or our affiliates are designed so that financial products or services will only be introduced to you if they are suitable for you.

Our representatives may offer financial products and services to clients that they have a personal relationship with or are related to. Under these circumstances, these representatives are not permitted to favour those clients over clients with whom they do not have those relationships.

Personal Trading and Code of Ethics

We have a Personal Trading Account Dealing Policy and a Statement of Business Principles & Code of Ethics, which is designed to ensure that our representatives:

- Act in accordance with applicable securities laws and other laws;
- Act in the best interests of us and our clients;
- Avoid actual or potential conflicts of interest; and
- Do not engage in personal securities transactions that are prohibited by law, such as insider trading, or that negatively impact our clients.

Our representatives, officers and directors put the interests of our clients first, ahead of their own personal self-interests. We have policies prohibiting our representatives from engaging in certain personal trading activities including speculative trading activity, participating in an investment club, or performing any trading that may give the impression of wrongdoing by the representatives or us.

In addition, any individual who has, or is able to obtain access to, non-public information concerning the portfolio holdings, the trading activities or the ongoing investment programs of our clients, is prohibited from using such information for their direct or indirect personal benefit. They are also prohibited from using the information in a manner which would not be in the best interests of our clients.

These individuals must not use their position to obtain special treatment or investment opportunities not generally available to our clients or the public. They are only allowed to make certain personal trades if it falls within our Personal Account Dealing Policy, and they have received approval from their managers and HSBC's Global Personal Account Dealing team to ensure such trade will not conflict with our clients' best interest.

Outside Business Activities

At times, our executive and representatives may participate in outside business activities such as serving on a board of directors, participating in community events, or pursuing personal outside business interests. We have policies in place that require individuals to disclose situations where a conflict of interest may arise before engaging in any outside business activity, to determine how such conflicts may be addressed. Employees may only engage in such outside business activities if approved by an applicable supervisor according to our policies.

Gifts and Entertainment

Our executive and representatives are not permitted to accept gifts or entertainment beyond what we consider consistent with reasonable business practice and applicable laws. We set maximum thresholds for such permitted gifts and entertainment, so that there cannot be a perception that the gifts or entertainment will influence decision-making.

We May Change this Conflicts of Interest Disclosure Statement

The information disclosed in this Conflicts of Interest Disclosure Statement may change from time to time. For example, we may later consider we have another material conflict that we have not previously disclosed to you, or we may change how we address the conflict in your best interest. You can obtain the current version of this Conflicts of Interest Disclosure Statement free of charge at any time by visiting our website at www.assetmanagement.hsbc.ca/en/institutional-investor/conflict_of_interest