

# Conflicts of Interest Statement

BMO Nesbitt Burns | December 2021

## 1. Introduction and Scope

This document describes BMO Nesbitt Burns Inc.'s (**we, us or our**) Conflicts of Interest as required by applicable securities laws.

## 2. Identifying and Addressing Conflicts of Interest

A conflict of interest may arise where (i) our interests, including those of our Investment Advisors, and your interests as our client (**you or your**) may be inconsistent or different, or (ii) you may perceive us to be influenced to put our interests ahead of yours, or (iii) monetary or non-monetary benefits available to us, or potential negative consequences for us, may affect the trust you have in us.

We and our Investment Advisors address existing or reasonably foreseeable material conflicts of interest with you in your best interest. If a conflict cannot be so addressed, it is avoided.

When addressing material conflicts of interest, our Investment Advisors' conduct and business activities are expected to follow our Code of Conduct (**Code**) and regulatory requirements as set out in applicable policies and procedures so that our relationship with you is managed fairly, honestly and in good faith.

**Existing or reasonably foreseeable material conflicts of interest are as follows:**

### 2.1 Membership in BMO Financial Group

We are a member of BMO Financial Group, a highly diversified financial services provider based in North America. We and our affiliated financial services firms are wholly-owned subsidiaries of our parent, Bank of Montreal. In the course of providing services to you, we may enter into transactions with, or accept services from, other members of BMO Financial Group. We are compensated by providing products and services to you for which you pay us. We may also earn revenue from other sources, including from our affiliates, which may be seen as involving a conflict of interest or potential conflict of interest. In these situations of conflicts involving BMO Financial Group, we may be perceived to be financially motivated to encourage you to enter into transactions with other members of BMO Financial Group, or to enter into more transactions with us to our benefit. We have adopted policies and procedures to

identify and manage these conflicts. We will only enter into these transactions where they are permitted under applicable securities laws. We separate different business functions as required by regulations and have procedures in place to prevent or manage material non-public information held by one business from being disclosed to another.

### 2.2 Related and Connected Issuers; Principal Trading

We may act as your broker, advise you, or exercise discretion on your behalf with respect to securities issued by a related or a connected party (as defined in the **Related and Connected Issuers Disclosure** on page 5 below). This includes where we act as principal, where the securities purchased for you may be securities owned by us or a connected or associated party.

We address these conflicts of interest in the following manner:

- For fee based advisory accounts or managed accounts, our Investment Advisors are compensated by a fee charged as a percentage of the total value of the account, which does not incentivize them to invest you in securities owned by us or issued by a related party or a connected party over other securities.
- Recommendations or investments made in securities issued by a related or a connected party are evaluated using the same process used to evaluate securities issued by a third party.
- For advisory accounts, we ensure that the suitability of the securities held in your account is reviewed when we make a recommendation.
- For managed accounts, our investment decisions will be guided by your personalized Investment Policy Statement (**IPS**). We ensure that the suitability of positions in your account is reviewed on an initial and ongoing basis, in accordance with your account agreement.
- We disclose these conflicts so that you can independently assess if they are significant to you.
- The trade confirmation for each transaction will indicate whether we acted as principal or agent and, in the case of fixed income securities transactions, a stated yield to maturity to allow you to assess the competitiveness of the pricing.

See also **Related and Connected Issuers Disclosure** on page 5 below and also *2.4 Proprietary Products* below.

### 2.3 Acting as Underwriter

For securities that we recommend or purchase on your behalf, we may have provided advice or acted as underwriter to the issuer and received fees and non-public material information from the issuer. The issuer will be seeking to obtain the highest price possible for the securities being issued, while you may wish to obtain securities at the lowest price possible. We may be perceived to be financially motivated to offer, buy or advise on securities for which we are receiving other fees from the issuer. To address this material conflict of interest, where we act as underwriter for an issuance of securities, the offering document will contain a description of the nature of our relationship with the issuer. In addition, we separate our institutional corporate finance business, which provides services to the issuer, and our retail advisory businesses, which provides services to you, as required by regulations, and have procedures in place to prevent or manage material non-public information held by one business from being disclosed to another. See also *2.2 Related and Connected Issuers; Principal Trading* above.

### 2.4 Proprietary Products

We have managed accounts that invest only in BMO Financial Group products and services (**Proprietary Products**), such as BMO Mutual Funds and BMO Exchange Traded Funds (ETFs). We provide you with disclosure as to these Proprietary Products, and our relationship with their manager. For those managed accounts that invest only in Proprietary Products, the suitability determination conducted by us and our Investment Advisors 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.

For all our other accounts, our Investment Advisors also may invest in, or recommend Proprietary Products. Proprietary Products and non-proprietary products are both subject to the same due diligence, selection and ongoing monitoring processes; we offer a selection of products and services that are suitable for our accounts; before we make a recommendation or trade on your behalf, and as otherwise required by law, we will determine that the action is suitable for you; and for managed accounts, our investment decisions will be guided by your IPS. In addition, for fee based advisory accounts or managed accounts, our Investment Advisors are compensated by a fee charged as a percentage of the total value of the account, which does not incentivize them to invest you in Proprietary Products over other securities.

In addition, we make available for investment only high interest rate savings accounts (HISAs) issued by members of BMO Financial Group and cashable guaranteed investment certificates (cashable GICs)

issued by members of BMO Financial Group; in such situations, the suitability determination conducted by our Investment Advisors will not consider the larger market of HISAs and/or cashable GICs or whether those non-proprietary HISAs and/or cashable GICs would be better, worse or equal in meeting your investment needs and objectives. See also **Related and Connected Issuers Disclosure** on page 5 below.

### 2.5 Relationship with Other Issuers

BMO Financial Group may have a variety of relationships with unrelated issuers, such as a commercial lender or underwriter. We may be perceived to be financially motivated to offer, buy or recommend the securities of these issuers so that BMO Financial Group as a whole can benefit. To address this, we separate different business functions as required by regulations and have procedures in place to prevent or manage material non-public information held by one business from being disclosed to another. In addition, the issuer's offering documents would provide disclosure, as required by securities laws, of relationships BMO Financial Group may have with the issuer. Our compensation arrangements are reasonably designed to not incentivize our Investment Advisors to offer, buy or recommend these securities over other securities. See *2.3 Acting as Underwriter* above.

### 2.6 Relationship with Ameriprise Financial, Inc.

In April 2021, Bank of Montreal entered into an agreement with Ameriprise Financial, Inc. (together with its affiliates, "Ameriprise") pursuant to which, provided closing conditions are met, Ameriprise will purchase and acquire Bank of Montreal affiliates comprising Bank of Montreal's Europe, Middle East, Africa and Asia asset management business, including BMO Asset Management Limited, BMO Global Asset Management (Asia) Limited, LGM International Limited and Pyrford International Limited (the "European Transaction"), as well as purchase and acquire certain sub-advisory mandates comprising Bank of Montreal's U.S. asset management business (together with the European Transaction, the "Transaction").

As part of the completion of the European Transaction, which is expected to close in the fourth quarter of calendar 2021, Bank of Montreal will enter into an agreement (the "Relationship Agreement") with Ameriprise. The Transaction and Relationship Agreement set forth a framework of mutual cooperation and give rise to conflicts of interest that relate to mandates within the Architect and Blueprint Programs for which Ameriprise acts as a sub-advisor.

Upon closing of the Transaction, Ameriprise may act as a sub-advisor for mandates within the Architect and Blueprint Programs that were formerly performed by Bank of Montreal affiliates in Europe, Asia and the U.S. Under the Relationship Agreement, we will agree to consider Ameriprise, and hire them, for certain new third party sub-advisory mandates where their offering is suitable for the

mandate under consideration. In order to be hired as a sub-advisor, Ameriprise must meet competitive performance criteria and other conditions under the Relationship Agreement. Ameriprise currently includes Columbia Management Investment Advisers.

We will address these conflicts of interest in the following manner:

- There are the above-mentioned performance and other standards Ameriprise must achieve before we hire them under the Relationship Agreement.
- Ameriprise will be subject to our ongoing sub-advisory monitoring and oversight procedures.
- We are not obligated to hire or keep Ameriprise as a sub-advisor if the engagement does not satisfy, among other things, our policies and procedures or our fiduciary, regulatory, contractual and other legal obligations.
- You are not obligated to be invested in any mandate sub-advised by Ameriprise and alternative investment products are offered in each of the Architect and BluePrint Programs.
- We disclose this conflict so that you can independently assess if it is significant to you. Each time we engage a new Ameriprise entity to sub-advise on a mandate, we will disclose this by updating this Statement on our website at [https://www.bmo.com/assets/pdfs/nesbittburns/coistatement\\_en.pdf](https://www.bmo.com/assets/pdfs/nesbittburns/coistatement_en.pdf).

## 2.7 Referral Arrangements

We may enter into arrangements where we receive or pay a referral fee for referring you. As required by applicable securities laws, the terms of the referral arrangement will be set out in writing, you will be provided with disclosure of the arrangement, and, prior to the referral, we will satisfy ourselves that the other party has the appropriate qualifications to provide the specific services to you. We have policies and procedures that are reasonably designed to ensure fees received are appropriate and do not encourage undue incentives. We undertake periodic reviews of our referral arrangements. You do not pay any additional charges and fees in connection with such referrals and are not obligated to purchase any product or service in connection with a referral. See “Referral disclosure statement” within the Client Account Agreement available at [https://www.bmo.com/assets/pdfs/nesbittburns/Terms\\_En.pdf](https://www.bmo.com/assets/pdfs/nesbittburns/Terms_En.pdf) for further details of the referral arrangements among certain members of BMO Financial Group.

## 2.8 Sales Practices, Internal Compensation Arrangements and Incentive Practices

For fee based advisory accounts or managed accounts, our Investment Advisors are compensated by fees charged as a percentage of the total assets in your account, and can also be based on the type of investments held in the account and, in certain account types, the number of trades placed in the account. For a commission-based account, our Investment Advisors are compensated by a commission

based on the value of the trade and the type of security being traded. In addition, our Investment Advisors receive compensation for sales, achievements and referrals.

We address the conflict of interest that our Investment Advisors may be perceived to be financially motivated to make recommendations that provide them with better compensation in a variety of ways. For fee based advisory accounts or managed accounts, our Investment Advisors are compensated by a fee charged as a percentage of the total value of the account, which does not incentivize them to invest you in particular securities. For advisory accounts, we ensure that the suitability of the securities or investment product held in your account is reviewed when we make a recommendation. We conduct an account appropriateness review of new accounts. The compensation of our compliance and supervisory staff is not tied to sales or revenue. We have daily trading reviews reasonably designed to detect, among other things, conflicts of interest between Investment Advisors and client trading activity and unsuitable trading. Our management fees, advisory fees and trading commissions are disclosed to you. See also 2.7 *Referral Arrangements* above.

## 2.9 Issuer Compensation

We may receive compensation from an issuer of a security or a manager of an investment fund. Such compensation may include fees paid directly or indirectly in connection with new issues of shares and/or other investment products such as investment funds, principal protected notes and other structured notes. We address this by having products and services evaluated through a “know-your-product” process that does not consider potential compensation. We also disclose to you all compensation, including through offering documents, as required by securities law. See also 2.3 *Acting as an Underwriter* and 2.7 *Referral Arrangements* above and 2.11 *Fee-Based Accounts and Trailing Commissions* below.

## 2.10 Fee-Based Accounts and Commission Based Accounts

Fee-based accounts generally charge a fixed fee as a percentage of the total assets in your account; while commission-based accounts generally charge fees on a transaction basis. The conflicts of interest inherent in offering these two types of accounts are addressed by having account types monitored for suitability as well as account appropriateness considering your investment needs and objectives.

## 2.11 Fee-Based Accounts and Trailing Commissions

Fee-based accounts may include securities that pay us a trailing commission. Ongoing trailing commissions may be paid to us by managers of investment funds for the services and advice we provide you. You are not directly charged the trailing commission. But this fee affects you because it reduces the amount of the fund’s return to you. We have addressed this conflict of interest by removing the value of the securities that pay trailing commissions from fee calculations for all fee-based and managed programs.

## 2.12 Personal Financial Dealings with Clients

A conflict of interest can arise where an Investment Advisor has personal financial dealings with you, including where they are appointed as a trustee or granted a power of attorney and have control or authority over your financial affairs or we acquire assets from you outside of our investing relationship. As these dealings could cause the Investment Advisor to put their interests ahead of yours in taking any investment action, we have policies and procedures in place which generally prohibit personal financial dealings with clients who are not family members.

## 2.13 Trade Execution

Our selection of a dealer, intermediary and/or a marketplace to execute a trade can create a potential or perceived conflict of interest because we may direct trades to a dealer, intermediary and/or a marketplace who provides us with benefits (including research reports or terminals with access to market information) or rebates. This conflict of interest is addressed through our compliance with applicable securities laws, including National Instrument 23-102 – *Use of Client Brokerage Commissions*. More information about our trade execution is contained in the BMO Nesbitt Burns Trade Execution Disclosure available at [https://www.bmo.com/pdf/nesbitt/BMONB\\_TradeExecutionDisclosure.pdf](https://www.bmo.com/pdf/nesbitt/BMONB_TradeExecutionDisclosure.pdf)

## 2.14 Fair Allocation

For an issuance of new securities, there may be a higher expression of interest from our clients than the amount of securities we were allocated for the offering. Trades can be effected at different prices which could be perceived to favour one client over another.

We allocate investment opportunities among our clients fairly, so as not to intentionally favour one client over another. For new issuances, we allocate with a view to the equitable allocation of such opportunities, generally through the use of a formula that determines allocation percentages to branches and Investment Advisors that express interest. Securities are available to clients based on certain conditions set by issuers, regulatory requirements and us. Not all securities are available to all clients. We execute trades in accordance with best execution requirements under applicable law. In addition, for managed accounts (other than new issuances): (i) we allocate securities purchased or sold, as the case may be, on a pro rata basis based on order size; and (ii) when orders are entered as a combined order, and transactions are executed at varying prices, we endeavour to treat all clients on a basis that is fair and reasonable in the context of the nature of the particular transaction and the transaction costs.

## 2.15 Outside Business Activities (OBA)

Some of our Investment Advisors may participate in an OBA including acting as a director, officer, shareholder, owner or partner of another entity, having a private investment in a company or participating in community events. The Investment Advisor's OBA could cause the

Investment Advisor to put such interests ahead of yours. To address this conflict of interest, we have policies and procedures to review any proposed OBA to ensure that conflicts of interest do not exist, are not likely to exist in the future or can be mitigated in a manner that is consistent with the best interest of our client; otherwise the proposed OBA must be avoided. Any OBA by Investment Advisors must be pre-approved by us. If the OBA presents a potential conflict with you, we will disclose it before recommending the security. Most OBAs are required to be disclosed to our regulator and the regulator must be satisfied that it does not create a conflict of interest.

## 2.16 Personal Trading

Our employees, including Investment Advisors, could use non-public information about you, and the securities in your account, for their personal trading. Our Code and other policies are designed to ensure that our Investment Advisors act in accordance with applicable laws and that they do not engage in personal securities transactions that are prohibited, such as insider trading. This can include seeking approval from us prior to making trades in their personal securities accounts. Employees are prohibited from accessing non-public information of our clients for their direct or indirect personal benefit. We place shares on a "restricted list" to prevent trading when we have non-public information. We review on a regular basis securities transactions made in Investment Advisors' and certain other employees' personal securities accounts.

## 2.17 Borrowing to Invest

If a member of BMO Financial Group lends you money, or provides a margin loan to invest in securities, they may earn revenue from the investment and/or the lending activity itself. A margin loan is a loan that is secured against your account. To address this conflict of interest, we have policies and procedures to ensure a heightened level of due diligence is conducted when a "borrow to invest" strategy is recommended to you or your Investment Advisor becomes aware of such strategy. Any margin lending is reviewed, adjudicated and monitored independently from your Investment Advisor. We provide you with disclosure of the potential risks and costs associated with borrowing money to invest.

## 2.18 Gifts and Entertainment

We and our Investment Advisors may receive offers of gifts and/or entertainment from business partners. We could be perceived to be financially motivated to put our interests ahead of your interests because of the gifts and entertainment. To address this conflict of interest, employees are required to comply with our Code, which requires employees not to accept any gift or entertainment which is intended to improperly influence a business decision. As well, Investment Advisors are obligated by applicable regulations and policy and procedures to make only suitable investments and recommendations.

### 3. Review

We will notify you of any significant changes to this document by posting an updated version of this Conflicts of Interest Statement on our website at [https://www.bmo.com/assets/pdfs/nesbittburns/coistatement\\_en.pdf](https://www.bmo.com/assets/pdfs/nesbittburns/coistatement_en.pdf). We will also notify you by sending a notice explaining the updates via portal, email, or postal mail.

### 4. Further Inquiries

If you have any questions about this Conflicts of Interest Statement, please contact your Investment Advisor.

### Related and Connected Issuers Disclosure

BMO Nesbitt Burns Inc. may deal with or for you in securities transactions where the issuer of the securities is related or connected to us. Securities laws require us to inform you of any related or connected issuers to us.

- An issuer is **related** to us if we are an influential securityholder of theirs, or they are an influential securityholder of ours, or if we have a common influential securityholder.
- An issuer is **connected** to us where a reasonable prospective purchaser of their securities might question the issuer's independence from us, a party related to us, one of our directors or officers or a director or officer of our related party.

#### Bank of Montreal

We are a wholly-owned indirect subsidiary of **Bank of Montreal**, a reporting issuer with securities listed and trading on the Toronto Stock Exchange and the New York Stock Exchange. Because Bank of Montreal is an influential securityholder of ours it is considered to be a related party, and where its securities are being distributed to the public it would be considered to be a connected party under Canadian securities laws.

#### Issuers and Mutual Funds

The following are also considered to be issuers that are related and/or connected to us:

- the mutual funds in the **BMO Mutual Funds** group of funds which are managed by our affiliate BMO Investments Inc.;
- the mutual funds in the **BMO Private Portfolios** group of funds which are managed by our affiliate BMO Private Investment Counsel Inc.;

- the exchange traded funds in the **BMO ETFs** group of funds which are managed by our affiliate BMO Asset Management Inc.;
- the pooled funds in the **BMO AM Pooled Funds** group of funds which are managed by our affiliate BMO Asset Management Inc.; and
- such issuer corporations as may in certain circumstances be deemed to be connected issuers under applicable securities laws when BMO NB or its affiliates are members of the underwriting group for a new issue of securities.

Additionally, we or one of our affiliates act as managers or sub-advisors to certain of these investment funds: BMO Asset Management Inc.; BMO Asset Management Corp.; BMO Asset Management Limited; BMO Private Investment Counsel Inc.; and Taplin, Canida & Habacht LLC.

#### Where to Find Information

Where we act as underwriter for an issuance of securities of a related or connected issuer, the **prospectus** (or other document being used to qualify those securities) will contain a description of the nature of our relationship with the issuer.

Where we buy or sell securities of a related or connected issuer for your account, the **confirmation of the trade** and your **monthly statement** will indicate that the issuer is a related and/or connected party.

Where we advise you with respect to the purchase or sale of securities of a related and/or connected issuer we will **notify** you of our relationship with the issuer when giving you the advice.

Where we exercise discretion, under your authority, in the purchase or sale of securities for your account, we will obtain your **prior specific and informed written consent** before exercising that discretion for transactions involving related and connected issuers.

#### Principal Trading

In certain instances where we act as your broker or exercise discretion on your behalf, securities purchased for you may be bought from us, a party associated with us or, in the course of distribution, a connected party. A party is **associated** with us if we beneficially own, directly or indirectly, securities carrying more than 10% of the voting rights of the party, or if the party is a trust, it is associated with us if we have a substantial beneficial interest or we, or another party in a close relationship to us such as one of our salespeople, directors or officers serve as trustee.

## Relationships with other Members of BMO Financial Group

### Disclosure of Related Registrants

Bank of Montreal, either directly or indirectly through its subsidiaries, controls and certain of our officers and directors are also directors and officers of certain of the following Canadian registrants: BMO Asset Management Corp.; BMO Asset Management Inc.; BMO Private Investment Counsel Inc.; BMO Investments Inc.; and BMO InvestorLine Inc.

In connection with our ongoing business activities we may obtain or provide management, administrative, referral and/or other services from or to the following affiliates: Bank of Montreal; BMO Asset Management Inc.; BMO Capital Market Corp.; BMO Capital Markets Limited; BMO Estate Insurance Advisory Services Inc.; BMO Harris Bank N.A.; BMO Investments Inc.; BMO InvestorLine Inc.; BMO Nesbitt Burns Securities Ltd.; BMO Private Investment Counsel Inc.; BMO Trust Company; and Clearpool Execution Services, LLC.



BMO Private Wealth is a brand name for a business group consisting of Bank of Montreal and certain of its affiliates in providing private wealth management products and services. Not all products and services are offered by all legal entities within BMO Private Wealth. Banking services are offered through Bank of Montreal. Investment management, wealth planning, tax planning, philanthropy planning services are offered through BMO Nesbitt Burns Inc. and BMO Private Investment Counsel Inc. Estate, trust, and custodial services are offered through BMO Trust Company. BMO Private Wealth legal entities do not offer tax advice. BMO Trust Company and BMO Bank of Montreal are Members of CDIC.

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