

## TSX VENTURE EXCHANGE

### MANAGEMENT OF CONFLICTS OF INTEREST AND CONFIDENTIALITY

April 2014

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#### A. Overview

TMX Group Limited (“**TMX Group**”) and TSX Venture Exchange (“**TSXV**” or the “**Exchange**”) are committed to ensuring that the Exchange and its employees are subject to effective policies and procedures relating to the management of conflicts of interest and confidentiality. Furthermore, pursuant to the recognition orders dated July 11, 2012 (the “**Recognition Orders**”) of both the Alberta Securities Commission (the “**ASC**”) and the British Columbia Securities Commission (the “**BCSC**”), the Exchange is required to establish, maintain, comply with and require compliance with policies and procedures relating to conflicts of interest and confidentiality.

This document:

1. provides details of the overlying policies and procedures relating to the management of conflicts of interest and confidentiality that have been implemented by TMX Group and which apply to the Exchange and its employees;
2. sets forth additional Exchange-specific policies and procedures applicable to conflicts of interest management within the Exchange’s principal business of listing issuers; and
3. outlines how the Exchange will maintain compliance with the Recognition Order requirements applicable to the management of conflicts of interest and confidentiality.

NOTE: The Exchange is under no obligation to any person, other than TMX Group, the ASC and BCSC, to maintain and comply with the policies, practices and procedures contained in this document. The policies, practices and procedures contained herein: (a) are for the benefit of the Exchange and TMX Group and not for the benefit of any other person; and (b) shall be interpreted and applied as determined by the Exchange and TMX Group and not any other person.

## **B. Recognition Order Requirements**

Section 29 of the Recognitions Orders reads as follows:

### **Conflicts of interest and confidentiality**

#### **29. The Exchange must:**

- (a) establish, maintain, comply with and require compliance with policies and procedures that:
  - (i) identify and manage any conflicts of interest or potential conflicts of interest arising from the management or operation of the Exchange or the services and products it provides;
  - (ii) ensure that a person who is a director, officer, employer or partner of a Maple shareholder does not have any involvement with oversight or management of the Exchange, except in the capacity of a director of the Exchange;
  - (iii) require that confidential information regarding the Exchange's operations or regulatory functions, or regarding an Exchange marketplace participant or listed issuer, which is obtained by a director of the Exchange through their involvement in the management or oversight of the Exchange:
    - A. be kept separate and confidential from the business or other operations of the director, their employer or their business, except with respect to information regarding Exchange operations where disclosure is necessary to carry out the individual's responsibilities for the management or oversight of the Exchange and the individual exercises due care in disclosing the information; and
    - B. not be used to provide an advantage to the director, their employer, their business or any of their affiliated entities;
- (b) review, at least annually, compliance with the policies and procedures established in accordance with paragraph (a), and document each such review, and deficiencies it identifies and how it remedied those deficiencies; and
- (c) make the policies established in accordance with paragraph (a) publicly available on the Exchange's website.

## **C. Overlying TMX Group Policies and Procedures**

The principal TMX Group policies and procedures applicable to conflicts of interest and confidentiality are set forth in the following documents:

1. The TMX Group Board Code of Conduct, which governs the conduct of the members of the board of directors of TMX Group as well as the members of the board of directors of the Exchange including conduct related to conflicts of interest or potential conflicts of interest and confidential information (the "**Board Code of Conduct**"). All members of the board of directors of the Exchange are required to understand and comply with the Board Code of Conduct.
2. The TMX Group Employee Code of Conduct, which governs the conduct of employees of TMX Group as well as employees of the Exchange including conduct related to conflicts of interest or potential conflicts of interest, confidential information and

employee trading (the “**Employee Code of Conduct**”). All employees of the Exchange are required to understand and comply with the Employee Code of Conduct.

With respect to the requirements of the Recognition Orders, the comprehensive nature of both the Board Code of Conduct and the Employee Code of Conduct allow them to substantially address the conflicts of interest and confidentiality requirements of section 29(a) of the Recognition Orders, in particular those set forth in sections 29(a)(ii) and (iii).

#### **D. Conflicts Management for Listings and Issuer Matters**

The Exchange’s principal business is the listing of issuers. In conducting this business, the Exchange’s activities include soliciting issuers to apply to list on the Exchange, reviewing the listing merits of issuers that have applied to list on the Exchange, reviewing transactions conducted by listed issuers and ensuring ongoing compliance with the Exchange’s listings policies by listed issuers and their principals. In conducting its business and carrying out the aforesaid activities, actual or potential conflicts of interest may arise in respect of the Exchange’s review and consideration of any listing or other transaction or matter involving an issuer or its principals. The Exchange has identified the following general circumstances in which an actual or potential conflict of interest may arise in respect of the Exchange’s review and consideration of a listing or other transaction or matter involving an issuer or its principals:

- (i) **Employee Conflicts:** An employee of the Exchange has a direct or indirect financial or personal interest in the issuer, the transaction or the matter (“**Employee Conflicts**”).

Employee Conflicts are principally managed by the Employee Code of Conduct. Additional conflicts management practices and procedures applicable to Employee Conflicts are set out in Part D.1. below.

- (ii) **Insider Conflicts:** An Insider (as such term is defined under applicable Canadian securities laws) of the Exchange or TMX Group has a direct or indirect financial or personal interest in the issuer, the transaction or the matter (“**Insider Conflicts**”).

Insider Conflicts are managed by the Board Code of Conduct and Employee Code of Conduct<sup>1</sup>. No additional conflicts management practices and procedures applicable to Insider Conflicts are set out in this document.

- (iii) **TMX Group Conflicts:** TMX Group (or any subsidiary thereof) has a direct or indirect financial interest in the issuer, the transaction or the matter (“**TMX Group Conflicts**”).

TMX Group Conflicts are principally managed by internal conflicts policies of TMX Group or its subsidiaries. These include, without limitation, TMX Equicom’s and TMX Equity Transfer Services’ practices and procedures to mitigate conflicts of interest with the Exchange. Additional conflicts management practices and procedures applicable to TMX Group Conflicts are set out in Part D.2. below.

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<sup>1</sup> It should be noted that per the articles of incorporation of TMX Group, applicable securities laws and the requirements of the Ontario Securities Commission (the “**OSC**”) and Autorité des marchés financiers (the “**AMF**”), no person or combination of persons acting jointly or in concert may beneficially own or exercise control or direction over more than 10% of the voting securities of TMX Group without prior approval of the OSC and AMF. At present, no such 10% shareholders exist. As such, at present, the only relevant Insiders would be individuals whom are subject to either or both of the Board Code of Conduct and Employee Code of Conduct.

- (iv) **Business Development Conflicts:** The Exchange's business development activities (in terms of soliciting listings) having any influence on the Exchange's assessment of the suitability and acceptability of issuers, their management teams or relevant transactions ("**Business Development Conflicts**").

Conflicts management practices and procedures applicable to Business Development Conflicts are set out in Part D.3. below.

#### **D.1. Employee Conflicts**

The following conflicts management practices and procedures are applicable to the Exchange and its employees in respect of Employee Conflicts:

1. First and foremost, all employees of the Exchange are governed by and must comply with the Employee Code of Conduct and the provisions thereof pertaining to conflicts of interest and confidentiality.
2. Any employee of the Exchange that has a direct or indirect financial or personal interest in an issuer shall be precluded from the Exchange's review and consideration of any matter involving such issuer. See 4 below.
3. Any employee of the Exchange that has a direct or indirect financial or personal interest in a transaction or matter that is subject to Exchange review and acceptance shall be precluded from the Exchange's review and consideration of such transaction or matter. See 4 below.
4. For the purposes of assessing whether an Employee Conflict exists, what constitutes or is considered a direct or indirect financial or personal interest shall be interpreted broadly by the Exchange. A direct or indirect financial interest will include the employee being in a position where they may receive a direct or indirect economic benefit from, as applicable: (a) the issuer or its securities; (b) the completion of the transaction; or (c) the resolution of the matter. A direct or indirect personal interest will include family relationships and close personal friendships with, as applicable: (a) a director, officer or control person of the issuer; or (b) a party to the transaction or matter or a director, officer or control person of a party to the transaction or matter. See 5 below.
5. Each employee of the Exchange has a positive obligation to immediately disclose any actual or potential Employee Conflict involving them of which they are aware to their supervisor. Such disclosure should be made in writing (with e-mail correspondence being satisfactory for these purposes). If an employee is unsure if they are in a position of conflict or potential conflict in respect of a particular issuer, transaction or matter, they should discuss the specific circumstances with their supervisor. The supervisor and, where applicable, the department head will then make a determination as to whether or not an Employee Conflict exists. Where there is an Employee Conflict, the supervisor, the department head (where applicable) and the employee will then take such steps as are prudent to ensure that the employee has no involvement in the Exchange's review and consideration of the applicable issuer, transaction or matter. The supervisor or department head shall be responsible for keeping a record of all: (a) disclosed actual, potential and possible Employee Conflicts; (b) the ultimate determination in respect thereof as to whether or not an actual or potential Employee Conflict exists; and (c) as applicable, the steps taken to mitigate the Employee Conflict.

## **D.2. TMX Group Conflicts**

The specific circumstance where a TMX Group Conflict may arise is if one of the subsidiaries of TMX Group other than the Exchange (such as, without limitation, TMX Equicom, TMX Equity Transfer Services or TSX Private Markets) (a “**TMX Subco**”) is providing services to, or otherwise has a financial interest in, an issuer that is listed or applying to list on the Exchange. TMX Subcos are subject to their own conflicts management practices and procedures applicable to them and their employees to address TMX Group Conflicts. The following conflicts management practices and procedures are applicable to the Exchange and its employees in respect of TMX Group Conflicts:

1. The involvement of any TMX Subco with any issuer, transaction or other matter that is being reviewed by the Exchange shall not influence the Exchange's review and consideration of any such issuer, transaction or other matter.
2. No TMX Subco or any employee of a TMX Subco shall have any decision-making authority with respect to the Exchange's review and consideration of any issuer, transaction or other matter.
3. No Exchange employee, while carrying out their duties as an Exchange employee, shall be under the direct oversight or supervision or report to any employee of a TMX Subco. For greater certainty, the foregoing shall not restrict an Exchange employee from being seconded to or otherwise performing occasional functions for another TMX Subco in respect of that TMX Subco's business and operations and, while acting in such capacity, being under the direct oversight or supervision or reporting to an employee of such TMX Subco provided that: (a) such Exchange employee's supervisor and department head at the Exchange are aware of and have consented to such arrangement with the TMX Subco; and (b) there is no actual or potential conflict of interest with the business and operations of the Exchange created by such Exchange employees's performance of its duties and functions for the TMX Subco.
4. The Exchange shall not, as a condition to acceptance of a listing or other transaction or as a condition to the resolution of a matter, require an issuer or other person to retain or otherwise make use of the services of a TMX Subco.

## **D.3. Business Development Conflicts**

The following conflicts management practices and procedures are applicable to Business Development Conflicts. These practices and procedures are intended to maximize the overall benefit of effective communication at the Exchange while also mitigating any actual or potential conflicts of interest between certain internal groups. These practices and procedures apply to the Exchange internal groups currently known as Listed Issuer Services (“**LIS**”), Compliance & Disclosure (“**C&D**”) and Business Development/Relationship Management (“**BD**”). For greater certainty, these practices and procedures are not intended to restrict or discourage communications among LIS, C&D and BD except in the specifically enumerated circumstances listed below.

1. **Pre-Listing Application Communications:** Before an issuer applies to list, they may have interaction with BD who will help them to understand the Exchange and when or whether a listing may be appropriate. BD communicates with LIS and C&D to understand issues that may arise with a listing application, for the purpose of

understanding listing requirements and educating potential listing applicants. LIS and C&D may also participate in calls and meetings with BD for such purpose, including with a potential applicant, as necessary.

**2. Post-Application and Post-Listing Communications:**

- (a) Once an issuer applies for listing, the listing application is assigned to a listing manager. BD is not involved in the review of the listing application.
- (b) BD and the applicant, and BD and LIS and/or C&D, may continue to communicate. For example, applicants may call BD because of their pre-existing relationship with BD, and BD should be responsive to such calls and inquiries, while at all times acting in accordance with the spirit of this policy. BD shall not use such communications to attempt to influence LIS or C&D with respect to an applicant.
- (c) Listing decisions are made by the Executive Listings Committee. BD is not part of the Executive Listing Committee and has no decision-making authority with respect to the approval of listing applications.
- (d) Suspension and delisting decisions are made by C&D. BD is not part of C&D and has no decision-making authority with respect to the suspension and delisting of listed issuers.
- (e) LIS and C&D make issuer management suitability decisions. BD is not part of LIS or C&D and has no decision-making authority with respect to issuer management suitability decisions.
- (f) BD will not make, nor will LIS accept, recommendations to the Executive Listings Committee with respect to listing decisions.
- (g) BD will not make, nor will C&D accept, recommendations with respect to suspension and delisting decisions.
- (h) BD will not make, nor will either LIS or C&D accept, recommendations with respect to issuer management suitability decisions.
- (i) No staff member of LIS or C&D reports to any BD staff.
- (j) BD is independent from LIS and C&D and operates as a separate department. BD staff do not perform LIS or C&D functions.

- 3. Educational Activities:** BD may work with LIS and C&D to present educational seminars to potential applicants and listed issuers. Relationships developed through such seminars may continue in accordance with the foregoing practices and procedures.

**E. Compliance with Ongoing Recognition Order Requirements**

In accordance with section 29(b) of the Recognition Orders, the Exchange's management team will, on an annual basis, review this document and the specific Exchange policies and procedures set forth herein to assess their continuing efficiency and completeness. Each such

review, any identified deficiencies and corresponding action to address such deficiencies shall be documented. The Exchange shall endeavour to conduct such reviews in the first quarter of each calendar year.

In accordance with section 29(c) of the Recognition Orders, this document shall be made publicly available on the Exchange's website.

***This document has been approved and implemented by the management team of the Exchange effective April 24, 2014.***

***This document replaces the previous "Management of Conflicts of Interest and Confidentiality" document dated December 2012.***