TSX:EQB | EQB.PR.C

EQB Inc. | Environmental, Social and Governance Performance Report

RETURNS
+16% ROE 10-YEAR AVERAGE

GROWTH
11.4% EPS GROWTH 10-YEAR CAGR

WEALTH
305% 10-YEAR TSR

DRIVE CHANGE
TO ENRICH PEOPLE'S LIVES

INNOVATION
TECHNOLOGY TO BETTER SERVE CANADIANS

SCALE
EQB WELCOMES CONCENTRA BANK

GAINS
515K CUSTOMERS

SUSTAINABILITY
CARBON NEUTRAL IN SCOPE 1 & 2 GHG EMISSIONS

December 31, 2022

Note: all cover measures as at December 31, 2022, except customer number as at March 31, 2023

Canada's Challenger Bank ™

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Cautionary Regarding Forward-Looking Statements

Statements made in this Report and in other filings with Canadian securities regulators and in other communications include forward-looking statements within the meaning of applicable securities laws (forward-looking statements). These statements include, but are not limited to, statements about EQB's objectives, strategies and initiatives, financial performance expectations and other statements made herein, whether with respect to EQB's businesses or the Canadian economy. The forward-looking information contained in this Report is presented for the purpose of assisting our stakeholders in understanding the ways EQB intends to address climate-related governance, strategy, risks, opportunities, and metrics & targets, and may not be appropriate for other purposes. Generally, forward-looking statements can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "scheduled", "guidance", "planned", "estimates", "forecasts", "outlook", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases which state that certain actions, events or results "may", "could", "would", "should", "might" or "will be taken", "occur", "be achieved", "will likely" or other similar expressions of future or conditional verbs.

Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, closing of transactions, performance or achievements of EQB to be materially different from those expressed or implied by such forward-looking statements, including but not limited to risks related to capital markets and additional funding requirements, fluctuating interest rates and general economic conditions including, without limitation, global geopolitical risk, business acquisition, legislative and regulatory developments, changes in accounting standards, the nature of our customers and rates of default, and competition as well as those factors discussed under the heading "Risk Management" herein and in EQB's documents filed on SEDAR at www.sedar.com.

All material assumptions used in making forward looking statements are based on management's knowledge of current business conditions and expectations of future business conditions and trends, including their knowledge of the current credit, interest rate, and liquidity conditions affecting EQB and the Canadian economy. Although EQB believes the assumptions used to make such statements are reasonable at this time and has attempted to identify in its continuous disclosure documents important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. These factors – many of which are beyond EQB's control and the effects of which may be difficult to predict – include, but are not limited to, the need for more and better climate data and standardization of climate-related measurement methodologies, EQB's ability to gather and verify data, and the evolving legal and regulatory environment. Certain material assumptions are applied by EQB in making forward-looking statements, including without limitation, assumptions regarding its continued ability to fund its loan business, a continuation of the current level of economic uncertainty that affects real estate market conditions including, without limitation, impacts as a result of COVID-19, continued acceptance of its products in the marketplace, as well as no material changes in its operating cost structure and the current tax regime. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. EQB does not undertake to update any forward-looking statements that are contained herein, except in accordance with applicable securities laws.

This Report discusses our interim targets and is provided solely for informational purposes and does not constitute an offer or a solicitation to buy or sell any security, product, or service in any jurisdiction; nor is it intended to provide investment, financial, legal, accounting, tax or other advice, and such information should not be relied or acted upon for providing such advice.

Nothing in this document shall form the basis of or be relied upon in connection with any contract, commitment, or investment decision. The recipient is solely liable for any use of the information contained in this document, and neither EQB nor any of its affiliates nor any of their respective directors, officers, employees, or agents shall be held responsible for any direct or indirect damages arising from the use of this Report by the recipient. Climate metrics, data and other information contained in this Report, including but not limited to information relating to financed emissions and interim targets, are or may be based on assumptions, estimates and judgements. Some of the information contained in this Report is based on estimated data with very limited supporting documentation & has not been independently verified or assessed, including any assumptions underlying the data obtained from third parties.

This Report and the information contained in it is unaudited. This Report is intended to provide information from a different perspective & in more detail than is required to be included in mandatory securities filings & other regulatory reports, including filings with Canadian securities regulators. While certain matters discussed in this Report may be of interest and importance to EQBs stakeholders, the use of the terms "material", "significant", "important" or similar words or phrases should not be read as necessarily rising to the level of materiality used for the purposes of securities or other laws and regulations. EQB has no obligation to update the information or data in this Report. All amounts in this document are in Canadian dollars unless otherwise noted. Measurements used in this Report are metric.

Message to our stakeholders

As bankers, we are the first to acknowledge the important role our industry plays in society. As Canada's Challenger Bank™, we seek to perform that role by driving change in banking to enrich people's lives. Over the past decade, our employees led the way as we became the first bank in Canada to be fully hosted in a state-of-the-art public cloud architecture. This advancement enabled us to bring transformative innovations such as no-fee, high-interest everyday digital banking, low-cost international money transfers and selfie-ID for account openings powered by informed artificial intelligence to Canadians.

We challenge the status quo as a lender by using our specialized expertise to bring capital to underserved, underbanked and sometimes overlooked communities. We're particularly proud of how we have built what is now a $1 billion wealth decumulation portfolio in the service of Canadian seniors and those planning to retire. While adhering to our well defined and prudent risk appetite, we extend credit to small and mid-sized businesses, newcomers to Canada and the self-employed, and participate with CMHC to provide insured financing for the creation of much-needed affordable housing. The acquisition of Concentra Bank in late 2022 further expanded our scale and reach in important areas that include trust and institutional banking services for credit unions and financing of First Nations' land claims.

Through good corporate governance, our Board of Directors applies a steady, proven, and no-nonsense approach to overseeing the Bank, challenging management in the formation of strategy and protecting an institutional reputation for prudence 50+ years in the making. We stand accountable for our actions and use this ESG Performance Report to explain our thinking, express our priorities and report on key outcomes.

Identification of material issues

The Bank's Board of Directors and Executive Management determine sustainability focus areas by assessing risks and opportunities related to our business model, strategies, operations, and markets. They also engage with stakeholders to understand their perspectives on ESG reporting and disclosure practices. Through these processes, we identified the following areas of focus within each ESG dimension and framed this Report accordingly:

Environmental	Social	Governance
• Climate strategy & climate-risk • Operational footprint including pathways to Net Zero • Task Force on Climate-related Financial Disclosures (TCFD) aligned reporting	• Customers and financial inclusion • Employees: safety, development, retention • Equity, Diversity & Inclusion • Community	• Code of conduct • Controls, capital, security, and privacy • Board diversity and development • Third party code of conduct

The foundation of our climate strategy

The Intergovernmental Panel on Climate Change (IPPC) recently released the final installment of its Sixth Assessment Report. Called the Synthesis Report, it amplifies what we learned from previous installments – that regions across the globe are experiencing extreme weather and climate events as a result of climate change, and the risks and adverse impacts will continue to escalate with every degree of warming. With this reality in mind, Equitable Bank remains committed to supporting the urgent global transition to net-zero.

Since the release of our TCFD action plan in our 2021 ESG Report, we have started to apply climate risk into our governance structures by establishing roles and responsibilities at the Board of Directors and management levels. This is fundamental progress. Building from our established approach to integrating ESG metrics into executive compensation, we are continuously evaluating the integration of climate metrics within our executive compensation program.

This past year, we initiated our first qualitative climate scenario analysis to identify and qualitatively assess our top climate-related risks and opportunities. Baselines inclusive of Concentra Bank will give us opportunities to set objectives specific to our top climate risks, assess financial impacts, and integrate climate-related considerations into lending processes and decision-making. We also continued to engage with stakeholders on our climate strategy, including with the Office of the Superintendent of Financial Institutions (OSFI) on its final B-15 Climate Risk Management Guideline throughout the consultation period. As you will read in this Report, our current loan portfolio has low exposure to carbon-intensive industries. We provide financing for green and net-zero assets, businesses, and projects, and soon plan to release a Sustainable Bond Framework to drive change in our industry and continue enriching the lives of people across Canada.

Building on current momentum, we are exploring available pathways for committing to and achieving targets for net-zero emissions across our operations and financed emissions that align with / support the goals of the Paris Agreement. Our digital and branchless operating approach gives us an inherently small carbon footprint and most of our offices are Leadership in Energy and Environmental Design (LEED) certified. These efforts are greatly assisted by greenhouse gas (GHG) and environmental data we collect, and metrics we measure and monitor.

Key highlights

We made good progress on sustainability matters in 2022. Among key accomplishments and developments, we:

- Prepared for Board succession through the appointment of three new Directors selected based on core personal attributes and qualities as well as diverse skills and experience
- Implemented changes to our executive compensation program including related share ownership requirements to support our vision of long-run pay-for-performance
- Established Board and management-level governance structures for climate-related actions
- Continued quarterly board engagement on environmental, social and governance affairs
- Evaluated ESG and climate metrics to incorporate into executive compensation
- Performed a qualitative climate scenario analysis to identify our top physical risks, transition risks, and transition opportunities
- Expanded engagement with key stakeholders regarding ESG and climate risks and opportunities
- Maintained carbon neutrality in Scope 1 and 2 greenhouse gas emissions since 2020
- Remained the only Schedule I Canadian bank to report all applicable categories of Scope 3 emissions from the entire portfolio (excluding Concentra) for the second year
- Served 308,286 Canadians with an innovative deposit account that doesn't charge any fees for everyday banking functionality, pays a competitive savings rate, and differentiates us from Canada's six big banks
- Brought EQ Bank's services and the innovative deposit account offering to Québec
- Introduced the free EQ Bank Card that facilitates zero-fee foreign transactions and ATM withdrawals in Canada with no fees
- Addressed the financial needs of underserved aging Canadians through growth in our reverse mortgage and insurance lending wealth decumulation businesses

We recognize that there is still much work to be done to reach our climate and social ambitions, support the very necessary transition to net zero by doing what's right for our employees, customers, shareholders, business partners, regulators, and the communities where we do business as we enrich people's lives.

Yours sincerely,

David LeGresley
Chair of the Board

Andrew Moor
President and Chief Executive Officer

About this Report

Scope

This Environmental, Social & Governance (ESG) Performance Report (the "Report") presents an overview of Equitable Bank's ("Equitable" or the "Bank") performance (a wholly owned subsidiary of EQB Inc.) as it relates to ESG risks, opportunities, and the initiatives taken to strengthen our stature as Canada's Challenger Bank™. Activities outlined in this report partially include the Bank's wholly owned subsidiaries, Concentra Bank and Bennington Financial.

This publication should be read alongside Equitable's Q4 and Annual 2022 MD&A, 2023 Management Information Circular, and other disclosure documents found on our Investor Relations website**.** Reference to 'Equitable', the 'Bank', 'us', 'our', and 'we' in this Report are to Equitable Bank unless otherwise specified.

All data in this Report is for the 2022 fiscal year: January 1, 2022 to December 31, 2022. Historical data where available and applicable has been provided for comparability purposes.

Reporting standards and frameworks

The Bank is committed to proactive and transparent ESG disclosures, including TCFD, and ensuring compliance with evolving regulations. We engage with ESG and climate rating agencies such as MSCI, Sustainalytics, Carbon Disclosure Project (CDP), and S&P Global through surveys, and feedback reports. In addition to ESG and climate reporting, we are committed to compliance with industry standards and emerging regulations.

The Bank's business activities align with three Sustainability Accounting Standards Board (SASB) industry classifications: Mortgage Finance, Consumer Finance, and Commercial Banks. Subsequent to the release of this Report, SASB disclosures will be made available separately on our Investor Relations website. The International Sustainability Standards Board has released an exposure draft with a comprehensive global baseline for sustainability- and climate-related disclosure standards. Once finalized, we intend to align with and report on the standards in future disclosures.

The Office of the Superintendent of Financial Institutions (OSFI) released its final Guideline B-15: Climate Risk Management in March 2023, which establishes clear expectations for federally regulated financial institutions (FRFIs) to disclose their management of climate risk. Guideline B-15 will be effective fiscal year-end 2025 for Equitable Bank. We are reviewing and will align with Guideline B-15 disclosure expectations in future reporting.

About Canada's Challenger Bank™ and our ESG framework

As Canada's Challenger Bank™, our purpose is to drive change in banking to enrich people's lives by continuously expanding our products and services to address evolving consumer needs. We leverage our capabilities and partnership models to rapidly bring innovative services to market. Our customer-centric approach aims to create uncomplicated, frictionless, and intuitive banking experiences. We're committed to our ESG framework, which is built on our five ESG pillars – Climate, Customers, Community, Challengers, and Controls. Our framework aligns with our corporate values (Respect, Integrity, Service, Empowerment, and Agility) and guides us in living our purpose every day.

Assurance from KPMG

Independent Practitioner's Limited Assurance Report

We have undertaken a limited assurance engagement on certain key performance indicators of Equitable Bank (the Entity), included in the accompanying 2022 Equitable Bank ESG Performance Report (the "Report") and as described below, for the period ended December 31, 2022.

Subject Matter Information	Units	Applicable Criteria
Scope 1 GHG emissions	530 tonnes CO2e	Greenhouse Gas Protocol Corporate Accounting and Reporting Standard, Revised Edition (the 'GHG Protocol')
Scope 2 GHG emissions (location-based) and (market-based)	166 tonnes CO2e	Greenhouse Gas Protocol Corporate Accounting and Reporting Standard, Revised Edition (the 'GHG Protocol') GHG Protocol Scope 2 Guidance, an amendment to the GHG Protocol Corporate Standard
Procurement and Retirement of Verified Emissions Reductions (VER)	696 tonnes CO2e	The entities own internal guidelines for ESG reporting.

Other than as described in the preceding paragraph, we did not perform assurance procedures on the remaining information included in the Report, and accordingly, we do not express a conclusion on this information.

Management's responsibilities

Management is responsible for the preparation and presentation of the subject matter information in accordance with the applicable criteria.

There are no mandatory requirements for the preparation or presentation of greenhouse gas emissions information. As such, the Entity has applied the World Resources Institute / World Business Council for Sustainable Development's Greenhouse Gas Protocol Corporate Accounting and Reporting Standard (the 'GHG Protocol' and its own internally developed criteria, which is presented on page 28 of the Report. Management is responsible for the development of such criteria.

Management is responsible for determining the appropriateness of the use of the applicable criteria.

Management is also responsible for determining the Entity's objectives in respect of sustainability performance and reporting, including the identification of stakeholders and material issues.

Management is also responsible for such internal control as management determines necessary to enable the preparation and presentation of the subject matter information that is free from material misstatement, whether due to fraud or error.

Practitioner's responsibilities

Our responsibility is to express a limited assurance conclusion on the subject matter information based on evidence we have obtained. We conducted our limited assurance engagement in accordance with Canadian Standards on Assurance Engagements (CSAE) 3000, *Attestation Engagements Other than Audits or Reviews of Historical Financial*

Information and CSAE 3410 *Assurance Engagements on Greenhouse Gas Statements*. This standard requires that we plan and perform our engagement to obtain limited assurance about whether based on the procedures performed and evidence obtained, any matter(s) has come to our attention to cause us to believe that the subject matter information is materially misstated.

The procedures performed in a limited assurance engagement vary in nature and timing from and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, it is not a guarantee that a limited assurance engagement conducted in accordance with this standard will always detect a matter that causes the practitioner to believe that the subject matter information is materially misstated.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users of our report.

The nature, timing and extent of procedures performed depends on our professional judgment, including an assessment of the risks of material misstatement, whether due to fraud or error, and involves obtaining evidence about the subject matter information.

Our engagement included: assessing the appropriateness of subject matter information, the suitability of the criteria used by the Entity in preparing the subject matter information in the circumstances of the engagement and evaluating the appropriateness of the methods, policies and procedures, and models used in the preparation of subject matter information and the reasonableness of estimates made by the Entity.

Our engagement included, amongst others, the following procedures:

- Inquiries with relevant staff at the corporate level to understand the data collection and reporting processes for the subject matter information;
- Assessment of the suitability, application and disclosure of the applicable criteria in respect of the subject matter information;
- Where relevant, performance of walkthroughs to understand the design of internal controls relating to data collection and reporting of the subject matter information;
- Comparisons of the reported data for the subject matter information to underlying data sources on a sample basis;
- Inquiries regarding key assumptions and the re-performance of calculations on a sample basis; and
- Review of the presentation of the subject matter information to determine whether the presentation is consistent with our overall knowledge of, and experience with, the GHG emissions performance of the Entity.

The engagement was conducted by a multidisciplinary team which included professionals with suitable skills and experience in both assurance and in the applicable subject matter, including environmental, social and governance aspects.

Practitioner's independence and quality management

We have complied with the relevant rules of professional conduct / code of ethics applicable to the practice of public accounting and related to assurance engagements, issued by various professional accounting bodies, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Canadian Standard on Quality Management 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* which requires the firm to design, implement and operate a system of quality management, including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Significant inherent limitations

Historical non-financial information, such as that contained in the Report, is subject to more inherent limitations than historical financial information, given the qualitative characteristics of the underlying subject matter and methods used for determining this information. The absence of a significant body of established practice on which to draw allows for the selection of different but acceptable evaluation techniques, which can result in materially different measurements and can impact comparability. The nature and methods used to determine such information, as described in the applicable criteria, may change over time, and it is important to read the Entity's reporting methodology available on page 28 of the report.

Our conclusion

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion. Based on the procedures performed and evidence obtained, no matters have come to our attention to cause us to believe that the Entity's subject matter information as at May 12, 2023, for the period ended December 31, 2022, is not prepared and presented, in all material respects, in accordance with the applicable criteria.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants
May 12, 2023
Toronto, Canada

ESG Performance Summary

	2022	2021	2020
Environmental			
Total greenhouse gas emissions	675,335	610,999	537,445
Scope 1 emissions [1]	530 *	366 *	420
Scope 2 emissions [1,2]	166 *	124 *	133
Scope 3 emissions [3]	674,639	610,509	536,892
Procurement and retirement of verified emissions reductions	696 *	490	553
Square footage of LEED certified office space	126,972	126,972	126,972
% of office space that is LEED certified [4]	76%	78%	77%
Social			
Total monetary donations to our community	$558,527	$636,087	$405,532
Number of local artists supported	282	90	Not reported
Total number of digital customers with free everyday banking	308,286	250,423	173,399
Financing provided to Canadian seniors through reverse mortgages	$864MM	$247MM	$58MM
Percentage (%) of total funding to SMBs and self-employed customers	27%	26%	23%
% of women in our workforce	53%	51%	50%
% of employees who self-identify as a visible minority / racialized person [5]	39%	47%	50%
Investment in training for our employees	$1,059,280	$937,000	$328,000
Employee engagement score	80%	80%	81%
Governance			
% of directors who are independent [6]	92%	91%	91%
% of independent directors who are women	42%	50%	40%
% of independent directors who self-identify as a visible minority / racialized person	17%	20%	20%
% of active employees who have attested to the Code of Conduct [3]	100%	100%	100%
Average Board tenure (years)	7	7	8
% of employees who receive training on data privacy [3]	100%	100%	100%

[1] Data assured by KPMG noted with an *
[2] The Company applies the GHG protocol Scope 2 Guidance and report scope 2 emissions using both market-based and location based-methods. Based on current operations, the results for the location-based and market-based methods are equivalent.
[3] Excludes Concentra Bank.
[4] Calculated using time-weighted average for Concentra's operations as of November 1, 2022.
[5] Excludes Bennington employees.
[6] Figures may differ from those presented in the Management Information Circular, which highlights director election that occurs at the Annual General Meeting each spring.

Environmental

Equitable Bank's commitment to climate

Our unique branchless, cloud-based digital footprint gives us the advantage of low carbon operational footprint and enables efficient growth as we respond to changes inside and outside our organization. We do not lend directly to emissions-intensive industries. This strong foundation sets the stage for the Bank to challenge itself, with rigour and discipline, to grow and drive change as a contributor to Canada's transition to a net-zero economy.

2022 climate highlights

- Established Board and management-level governance structures for climate
- Continued quarterly board engagement on environmental, social and governance (ESG) and climate
- Performed a qualitative climate scenario analysis (CSA) to identify our top physical risks, transition risks, and transition opportunities, developed narratives for transition risks and opportunities, and the assessment of physical risk exposures across our loan portfolio
- Expanded engagement with key stakeholders regarding ESG and climate risks and opportunities
- Completed the Concentra Bank acquisition in November 2022 and integrated their Scope 1 and 2 emissions into our GHG inventory for the final two months of 2022
- Maintained carbon neutrality in Scope 1 and 2 greenhouse gas emissions since 2020
- Remained the only Schedule I Canadian bank to report all applicable categories of Scope 3 emissions from the entire portfolio (excluding Concentra) for the second year

Equitable Bank's TCFD action plan

In 2021, the Bank performed a comprehensive analysis of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). We then developed a three-phase TCFD action plan to guide our ongoing efforts to formalize climate risk and opportunity management practices.

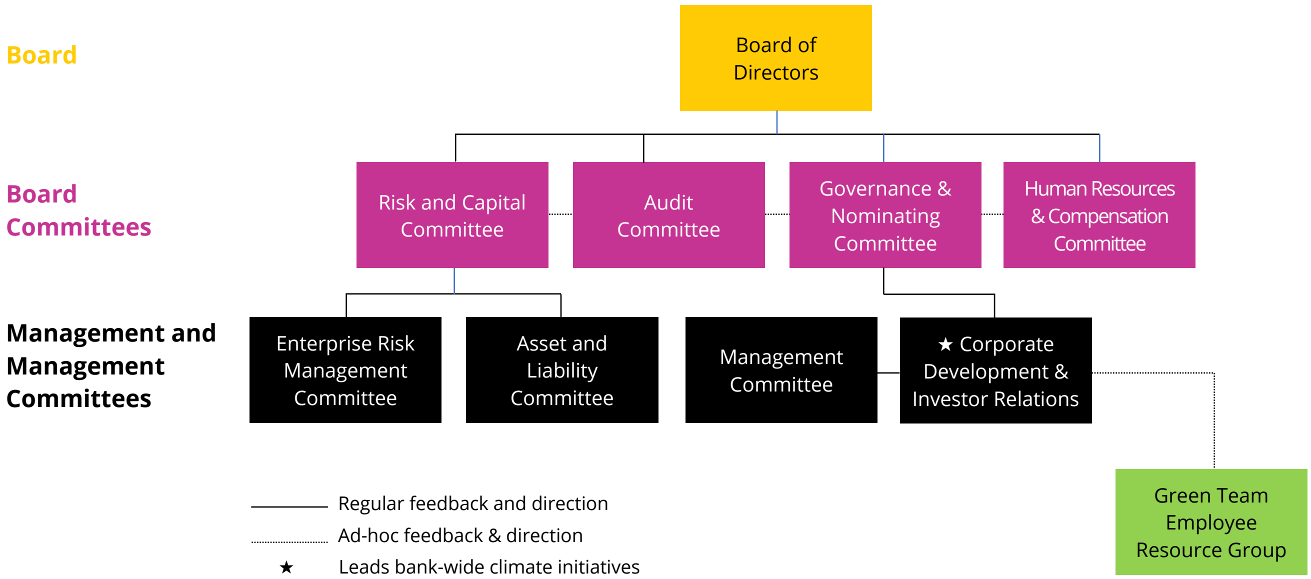
We expect phase one will be completed in 2023 as we integrate Concentra's portfolio and climate initiatives into our approach and develop a holistic current-state understanding of Concentra Bank's climate risks and opportunities. We will subsequently assign timelines to our TCFD action plan.

Completed actions are noted by "✓" and medium-term priorities are noted by "•" in the following **TCFD action plan**:

TCFD framework	Phase 1	Phase 2	Phase 3
Governance	✓ Designate Board responsibility for climate-related matters and define frequency of discussion. ✓ Designate management-level responsibility and processes for sharing climate-related information.	• Develop Board, executive, and management-level training on climate risk. • Integrate climate-related metrics and targets into executive compensation. • Establish management-level processes for assessment and management of climate-related risks.	• Establish process for Board management of climate-related information. • Increase integration of climate-related matters across Board committees. • Develop a Board competency matrix for climate risk and opportunity management.
Strategy	✓ Identify and prioritize physical and transition climate risks and opportunities. ✓ Conduct a qualitative climate scenario analysis to identify and assess exposure to top physical risks and develop narratives for transition risks and opportunities to understand potential impact.	• Integrate results of climate scenario analysis into existing risk management (mgmt.) processes.	• Understand and disclose how climate risks and opportunities will impact strategic planning. • Assess exposure and vulnerability to top transition risks and opportunities, • Assess vulnerability to top physical risks, assessing resilience to those risks.
Risk Management	✓ Categorize climate risks as per TCFD recommendations. ✓ Assign responsibilities for decision-making in relation to climate risks at the management level.	• Determine how climate-related risks are identified and assessed relative to other enterprise risks. • Integrate identified climate risks from scenario analysis in risk mgmt. processes, including materiality.	• Classify environmental and climate risk as a core risk under our ERM framework. • Establish processes for integration of climate-related risks within credit decision-making processes.
Metrics and Targets	✓ Integrated Concentra Bank's Scope 1 and 2 emissions into our GHG inventory. • Integrate Concentra's entire emission profile into our operational and financed emission inventories.	• Establish a baseline to inform target setting and emission reduction plans. • Establish scope 1 and 2 GHG emissions target that align with / support the goals of the Paris Agreement. • Establish metrics for measuring performance against all physical and transition risks.	• Establish sustainable finance target. • Establish an internal price on carbon. • Establish GHG emissions targets for all scopes that align with / support the goals of the Paris Agreement. • Establish metrics to track financing activities associated with climate-related risks and opportunities.

Governance

We believe that establishing strong governance by formalizing oversight and governance processes for climate-related matters is key to the successful implementation of our climate strategy. Below is our climate-related governance structure which we continue to evolve, and we are in the process of incorporating Concentra into the climate governance accountabilities.



Board oversight

The Board, in conjunction with its Governance & Nominating, and Human Resources & Compensation Committees, oversees our ESG initiatives which include climate risks and strategies. In February 2022, the mandates of our Board of Directors and its Governance and Nominating Committee (GNC) were expanded to include specific ESG (including climate) oversight responsibilities. The table below provides an overview of climate and risk governance responsibilities for the Board and its committees, and the frequency of their ESG and climate-related updates. We expect that the Board's responsibilities will be revised and expanded as we develop and implement Board training on climate risk.

Board and Board committees	Frequency of ESG, including climate updates	Climate-related governance responsibilities
Board of Directors	Quarterly updates from the GNC as necessary.	• Oversees EQB's ESG initiatives, risks, and reporting through the Board Committees, as part of its broader strategic planning responsibility. • Oversees Enterprise Risk Management (ERM) and internal controls, including approving and overseeing the implementation of the Risk Appetite Framework (RAF) and internal control framework.
Governance and Nominating Committee (GNC)	Quarterly updates from Corporate Development & Investor Relations.	• Supports the Board in its oversight of EQB's ESG strategy and initiatives, including climate-related matters, as well as integration of ESG into overall strategic planning and related reporting (i.e., ESG Performance Report and Public Accountability Statement, charitable giving strategy, human rights, and vendor code of conduct).

		• Monitors trends and best practices in ESG reporting and support engagement efforts with stakeholders. • Examples of topics discussed include climate commitments and related public announcements, environmental sustainability efforts, industry and regulatory trends and climate-related reporting.
Risk and Capital Committee (RCC)	Ad hoc updates as necessary.	• Assists the Board in fulfilling its oversight and governance of risk responsibilities. • Oversees core and emerging risks and implementation of controls to manage risks, including Operational Risks, which include environment and climate risk specifically. • Ensures capital allocation and strategic planning processes are aligned with risk management, including ensuring the adequacy of our Internal Capital Adequacy Assessment Process (ICAAP), which governs the quality and quantity of capital necessary to manage the Bank's risks including capital related to climate risk.
Audit Committee (AC)	Ad hoc updates as necessary.	• Oversees the design and effectiveness of internal controls, including controls over ESG data and disclosure, which includes climate metrics and data.
Human Resources and Compensation Committee (HRCC)	Ad hoc updates as necessary.	• Ensures that the Bank's executive compensation policy is aligned with our ESG goals, the Risk Appetite Framework (RAF) and ERM framework. • Oversees the executive compensation program.

Executive and management responsibility

Our Corporate Development and Investor Relations team, with oversight from the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO), is responsible for leading Bank-wide climate-related initiatives. This team maintains day-to-day accountability for climate disclosures and reporting.

Accountability for climate objectives, such as GHG emissions and net-zero pathways, climate risk, and business opportunities, has been established for specific Management Committee members including the CFO and the Chief Risk Officer (CRO). The table below provides an overview of key management groups across the Bank and their specific roles and responsibilities for climate-related matters.

Management group	Climate governance responsibilities
President and Chief Executive Officer	• Sets the vision for the Bank's climate ambitions, strategy, and actions. • Reports to the Board our approach and progress in managing climate-related risks and opportunities.
Management Committee	• Provides approvals for climate-related projects and initiatives. • Embeds climate-related targets and responsibilities into executive performance structures as required, working in collaboration with the HRCC. • Specific accountabilities for GHG emissions and pathways to net-zero, climate risk, and climate-related business opportunities have been assigned to members of committee including the CFO, CRO, and the Group Heads of Personal and Commercial banking.

Corporate Development and Investor Relations team	• • •	Leads Bank-wide climate initiatives and updates the Management Committee members and GNC on key industry developments. Refines climate strategy initiatives as required, based on industry and internal developments. Supports climate-related initiatives to meet externally communicated targets and ensures production of climate-related disclosures in compliance with regulatory requirements.
Business Lines and Corporate Functions	• •	Liaise with the Corporate Development and Investor Relations team to execute on climate goals and projects, as identified by the Management Committee. Provide feedback to the Corporate Development and Investor Relations team regarding feasibility of climate-related initiatives.
Green Team Employee Resource Group (ERG)	• •	Provides suggestions on green initiatives to the Corporate Development and Investor Relations team. Liaises with execution teams as required.
Enterprise Risk Management (ERM) Committee	• •	Assists RCC in fulfilling its oversight and governance responsibilities in relation to the Bank's risk management practices and ICAAP. Reviews and monitors the Bank's key and emerging risks (including climate), risk trends, results of enterprise-wide stress and scenario tests, relevant policies, and related risk management considerations.

Executive compensation

Leadership accountability for performance is reinforced through our executive compensation program, established and monitored by the Board through the Human Resources and Compensation Committee. As described on pg.59 of the 2023 Management Information Circular, we have incorporated select ESG metrics into executive compensation criteria. The Board continues to evaluate targets for GHG emissions reduction, sustainable lending practices, and stakeholder engagement with a view to tying a portion of at-risk executive compensation to key climate metrics.

Future plans and priorities

We will continue refining our Board and management-level responsibility for climate by enhancing processes for managing climate risks by integrating climate-related responsibilities across Board committees and enhancing executive compensation to include climate-specific metrics and targets. We are working towards offering increased Board, executive and management-level, and employee-level training on climate risk.

Strategy

We recognize that we must do our part to address climate change while also supporting the transition to a net-zero future in line with Canada's climate goals. Aligned to four core pillars as shown in the graphic below, our climate strategy focuses our efforts and will guide us in tackling important matters such as target setting, risk management, and governance over the short, medium, and long term. Our climate strategy aligns to our branchless, cloud-based digital all-Bank strategy as well as the Challenger ESG Framework and complements our enterprise risk management practices. We will continue to report on climate strategy progress going forward.

Equitable Bank's climate strategy for managing climate risks and opportunities

Core climate strategy pillars	Climate risks / opportunities managed per pillar
1 **Sharpening our capabilities** Ensuring proper governance and management of climate-related risks and opportunities and leveraging our data and technology capabilities to enhance analytics.	Establishing oversight by formalizing governance processes for climate-related matters is key to our climate strategy for managing climate risks and opportunities. In addition to transition risks, physical risks (acute and chronic) are considered within our governance and management of climate-related risks.
2 **Enriching people's lives** Identifying product and service offerings to drive growth and change in the lives of our customers, suppliers, and employees.	Opportunities: • Green loans, bonds, and financing • Adaptation financing Risks: • Shifts in production and consumption of commodities
3 **Committing to our strategy through tangible goals** Backing up our climate ambition through decarbonization of our operational emissions and setting scope 1, 2 and 3 reduction targets that align with / support the goals of the Paris Agreement.	Risks: • Regulation and policies on net zero and energy transition • Carbon pricing
4 **Reporting, disclosures, and compliance** Transparently disclosing results in keeping with industry standard practice.	Risks: • Regulation and policies on net zero and energy transition • Carbon pricing

Climate is one of five ESG pillars in our Challenger ESG Framework. To ensure we are managing climate-related risks and opportunities effectively, we have linked our top risks and opportunities to our core climate strategy pillars. Ensuring our risks and opportunities are aligned with our objectives is key to the success of our climate strategy.

Sharpening our capabilities

We have established a foundation for embedding climate-related risk and opportunities into our business strategy, operations, and financial planning. This includes formalizing a governance structure and assigning accountability at the

Board and executive level. See pages 11-12 for an overview of the Bank's governance of climate-related risks and opportunities.

EQ Bank is the first bank in Canada to leverage secure cloud-based technology front-to-back including core processing that supports cost-effective product development, efficient customer service, and the opportunity to implement innovative technologies. We rely on cloud and API-first design principles, which differentiate us from banks with legacy technology systems and allow us to adapt quickly in a rapidly evolving industry. Understanding that what gets measured gets managed, we leverage our systems to gauge supply chain associated emissions so that we can monitor and manage key metrics related to climate. We use a comprehensive ESG data management software that enables an integrated approach to collecting, aggregating, and reporting on important climate-related performance indicators and supports our decision-making in the management of climate-related risks and opportunities.

ESG has been included as part of the internal audit universe, subject to audits commencing 2023.

Enriching people's lives

We are committed to supporting our clients by helping them to thrive in the transition to a net-zero economy. We provide financing for projects, businesses, and assets that share our commitment to taking climate action. Over the last year, Equitable Bank has explored green products and services that assist in the creation of economically and environmentally resilient communities, while also driving growth for the Bank. As a result, we have developed a Sustainable Bond Framework that supports our ESG and climate strategy.

Our Sustainable Bond Framework will enable us to issue three types of bonds, as summarized in the table below. Our understanding of our customers' business activities gives us a clear line of sight into the loans in our portfolio that would qualify under this Framework. The details of eligibility, process for evaluation and selection, management of proceeds, and reporting requirements will be provided upon the release of our Sustainable Bond Framework.

Bond Type	Eligible Product Categories	Sustainable Development Goal (SDG) Alignment
1. Green Bonds	Green buildings Energy efficiency	
2. Social Bonds	Social and affordable housing Access to essential services	
3. Sustainability Bonds	Capital for businesses, projects, and assets that qualify under Green and/or Social Categories above. Proceeds are allocated across both categories.	See above.

Queensway Green Loan
Dymon Storage is committed to social responsibility with a priority to minimize its environmental footprint through carbon reduction efforts such as the installation of solar panels on its storage centres. We provided Dymon with financing for the retrofit / construction of a 2-storey building, which includes the installation of rooftop solar panel arrays. Our loan supported Dymon's investment in 3,540 solar panels, generating an estimated 1,731,743 kWh annual output of clean electricity. The Queensway rooftop solar installation is the largest in the Greater Toronto Area.

Equitable Bank also provides financing for small and medium-sized businesses pursuing green projects including GI Quo Vadis' Complexe Dompark. By demonstrating that it achieved zero-carbon operations, it was successfully certified under the Canada Green Building Council's Zero Carbon Building Performance Standard.

Committing to our strategy through tangible goals

We are proud to finance businesses and projects that are working to accelerate Canada's transition to a net-zero economy. Out of the nine largest banks on the S&P/TSX Composite Index, we are the only one that is branchless. This enables us to maintain low Scope 1 and 2 emissions relative to our peer group. Our current corporate office in Toronto was awarded Leadership in Energy and Environmental Design (LEED) Gold certification for core and shell in 2008. In 2022, 76% of our leased office space was LEED certified accounting for Concentra's operations effective November 1.

We track and report our Scope 1, 2 and 3 emissions, and have offset the entirety of our Scope 1 and 2 emissions since 2020 in order to remain carbon neutral in our operations. We aspire to set targets that align with / support the goals of the Paris Agreement for achieving net-zero GHG emissions in our operations and are exploring available pathways for committing to and achieving this aspiration. In future disclosures, we hope to establish and communicate operational and financed emissions targets that enable us to manage our climate-related risks while capitalizing on opportunities. For more information about our current progress related to key climate-related metrics, see pages 24-28.

Decarbonizing our operations: EQ Bank Tower
We will move to the new, state-of-the-art EQ Bank Tower in 2024. EQ Bank Tower is pursuing LEED Core and Shell certification for its construction, as well as LEED Interior Design, LEED Operations and Maintenance, and WELL Building Standards for our tenanted floors. Pursuing multiple LEED certifications throughout the project lifecycle ensures that our head office is aligned with our goals to conserve energy and use resources more efficiently and contributes to our efforts to reduce Scope 1 and 2 emissions as we actively work towards establishing targets for achieving net-zero emissions in our operations. The new building will be accessible by public transit users and will accommodate a hybrid working model from the start, allowing us to reduce employee commuting & travel-related emissions. The Bank's Green Team has also proposed several opportunities for weaving sustainability and climate action into everyday operations. We are energized by the opportunity to accommodate our growing workforce without compromising our climate initiatives.

Stakeholder engagement

We recognize that engagement with key stakeholders is key to the success of our ESG and climate strategy and contributes to our ability to effectively manage climate risks and opportunities. Through our targeted efforts, we aim to create a ripple effect in our sphere of influence through bottom-up stakeholder engagement.

Customers	In late 2022, we issued a survey to our customers to develop a clear understanding of our customers' priorities related to ESG. We asked our customers to tell us how important various climate-related policies are to them when evaluating a financial institution. The survey revealed that our customers believe it is important for financial institutions to take climate action and have plans in place to address climate change and its consequences.

Suppliers	Equitable Bank engages with its suppliers regularly to promote sustainable business practices, takes a systematic management approach to identifying climate-related risks along its supply chain, and ensures that its suppliers meet sustainability standards. We remain committed to directly engaging with our suppliers to better understand the impact of GHG emissions in our supply chain, to improve the accuracy of our reported Scope 3 emissions, and to engage with suppliers on their decarbonization plans where possible. We use various practices such as supplier assessments, audits, and due diligence to promote sustainability within our supply chain and engage directly regarding climate-related risks and opportunities. In 2022, we implemented our Third-Party Code of Conduct to enable engagement with suppliers and vendors on low carbon economy and carbon footprint topics. Surveys are now being sent to critical and major suppliers. We also engaged directly with the majority of our IT suppliers, who represent our highest procurement spend and exposure to climate risks, regarding climate risk and GHG data collection. To date, we have collected GHG emissions data from select suppliers and will continue to engage to increase our data collection.
Investors	In late 2022, we issued an investor-focused survey that included ESG and climate-related questions to understand and manage expectations on ESG and climate risk. We have used investor feedback to inform our management of climate risks and climate strategy.
Regulators	We provided comments to OSFI as part of the Guideline B-15 consultation period and remain engaged with OSFI regarding the final Guideline and its implementation.
Employees	We engaged with the management team and across the Bank to increase capacity for the successful operationalization of Equitable Bank's climate strategy, with execution efforts led by our Green Team Employee Resource Group (ERG).

Future plans and priorities

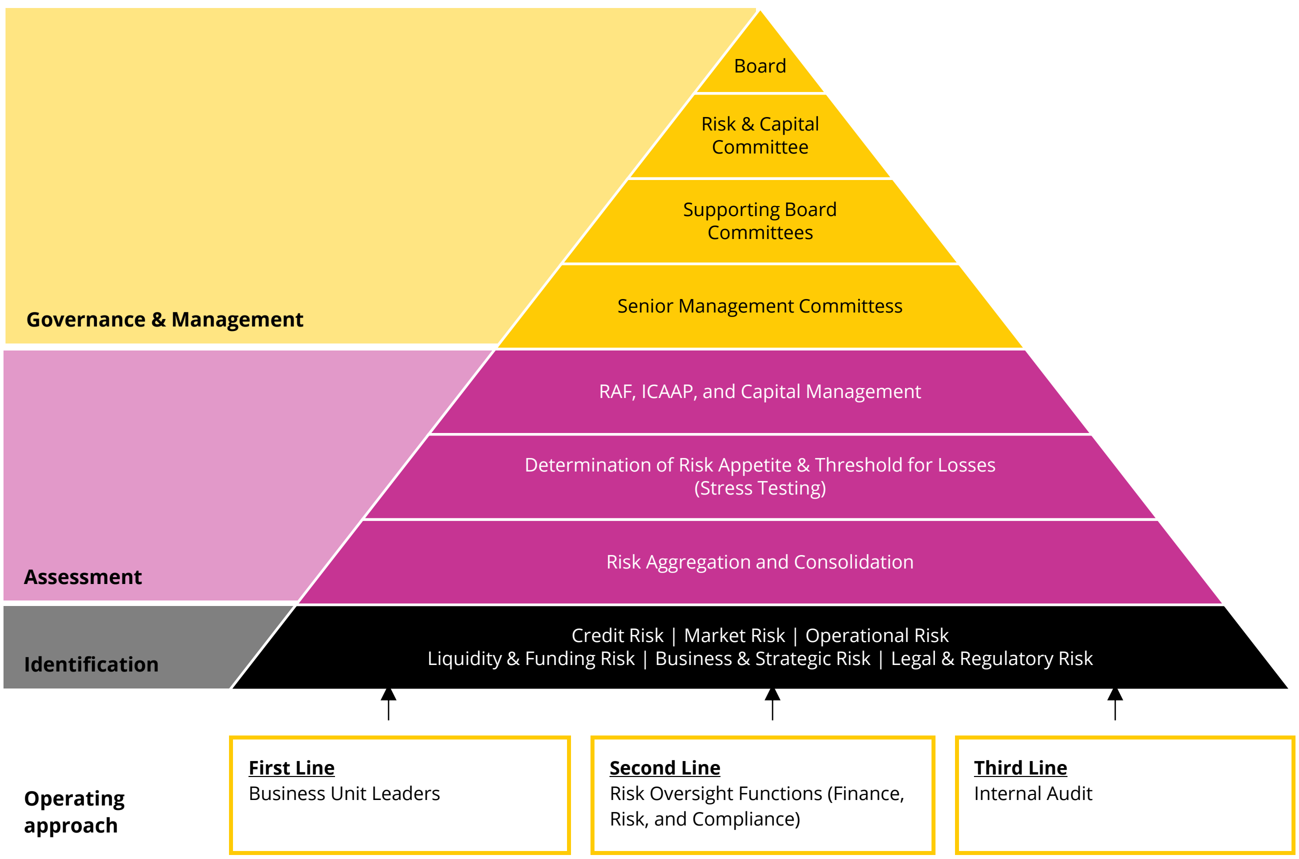
Building upon the climate governance foundation we established, we are working towards formally integrating approaches for managing identified climate risks and opportunities into overall business, financial and strategic planning processes. We will also expand our climate scenario analysis to assess the resilience of our strategy, operations, and lending activities under different climate-related scenarios, including a 1.5°C or lower temperature change scenario. We are also working to establish a baseline for operations, supplier, and financed emissions to inform reduction pathways, with the ultimate goal of establishing targets that align with / support the goals of the Paris Agreement.

Risk Management

Enterprise risk management framework

Equitable Bank's ERM framework establishes a process for identifying, assessing, managing, and reporting on the Bank's seven categories of core risks. Environmental and climate risks are considered within the Bank's ERM Framework as a component of Operational risk, which is managed using the Bank's Operational Risk Management program. The ERM framework ensures that all current and emerging risks are actively monitored and managed within our predefined Risk Appetite Framework (RAF), and that our risk management and capital allocation are aligned within our Internal Capital Adequacy Assessment Process (ICAAP). A comprehensive discussion of our current approach to ERM is available starting on pg. 56 of our 2022 MD&A.

Equitable Bank's ERM framework:



The Bank's ERM framework is operationalized using a three lines of defense approach. It establishes structure around risk management and internal controls by defining roles and responsibilities across the organization. The Board has oversight and ultimate responsibility for the Bank's ERM framework and internal controls and is supported primarily by its Risk and Capital (RCC) Committee. The RCC is supported by other Board and management-level committees such as the ERM Committee, chaired by the CRO, and the Asset and Liability (ALCO) Committee, chaired by the CEO.

Identifying, assessing, and managing climate risk

The Bank's approach to climate risk identification, assessment, and management within our ERM framework draws on industry best practice and guidance from the TCFD Framework and OSFI B-15 Guideline.

Identification. Environmental and climate risks, as components of the Operational risk category in our ERM framework, are environmental issues or concerns, including climate change, that may result in the loss of strategic, financial, operational, or reputational value. Business Unit Leaders are our first line of defense for identifying and reporting such risks and are supported by Risk Oversight functions (which include the Finance, Risk and Compliance departments). Risks identified, including those related to climate, are reported, and considered on a quarterly basis through the Business and Strategic Risk evaluation process, as part of our ERM Committee meetings. Our climate scenario analysis, discussed below, is also a key process for climate risk identification that we are continuing to evolve.

Assessment. Once identified, all risks are assessed using the RAF, which outlines the Bank's pre-defined risk appetite thresholds for the type and amount of risk that the Bank is capable and willing to take on. At periodic intervals throughout the year, we conduct analyses of environmental and climate risk to determine potential impact on the Bank's assets in certain geographical regions which are prone to physical risks. Based on the results of these stress tests and analysis, refinements may be made to our RAF. The ERM and RAF are updated by senior management and approved by the Board on an annual basis, or more frequently, if required.

Management. The Bank's Operational Risk Management program, which includes the management of climate risks, is governed by a Board-approved Operational Risk Management Framework and accompanying Policy. This system of management is designed to monitor, review, and report on operational risks across the Bank. Key management components of the Bank's Operational Risk Management program include: training for employees; annual risk and control self-assessments; key risk indicators for measuring, monitoring, and reporting; and operational risk taxonomies, among other tools. Specific to environment and climate risk, the Bank evaluates environmental factors within the underwriting process for commercial loans and maintains a diversified lending portfolio, which improves our resilience to geographic or sectoral-specific environmental developments or events.

Climate scenario analysis

We have advanced our understanding of climate risks and opportunities through a climate scenario analysis (CSA), which identified and qualitatively assessed our top physical climate-related risks over the short (2023-2027), medium (2028-2035), and long term (2036-2050). The resulting heat map visually displays Equitable Bank's exposure[7] to physical climate risks across our loan portfolio in each province and territory where we operate.

The heatmap below summarizes our analysis of eight different climate hazards across the latest IPCC CMIP6 datasets for climate scenarios SSP1-2.6, SSP2-4.5, and SSP5-8.5[8]. A low emissions scenario would present higher exposure to physical risks and lower exposure to transition risks, in comparison to a high emissions scenario. We shortlisted those eight hazards through a process which included peer assessment, review of industry thought leadership, and expert analysis. Our exposure to each risk was then assessed locally through a sampling approach which considered our loan portfolio's geographic distribution and the value of those loans.[9] Leveraging climate data from a best-in-class physical risk data provider, we considered over 775,000 climate risk data points, summarized across all hazards at a provincial/territorial level in the table below.

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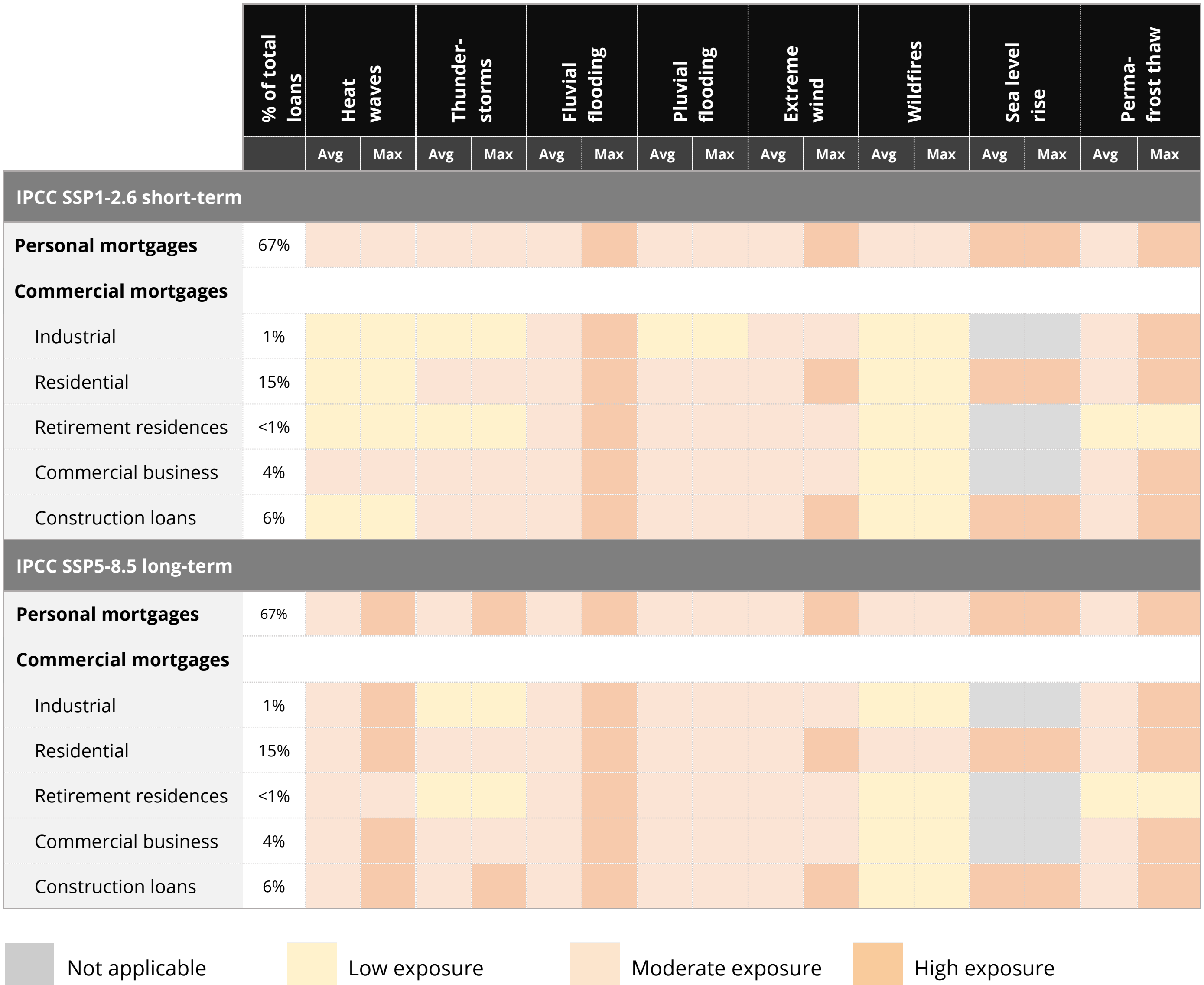
[7] Exposure as defined by the IPCC is the "inventory of elements in an area in which hazard events may occur". Therefore, exposure ratings are driven by the geographic locations where the underlying properties of Equitable Bank's mortgages are physically located.

[8] As defined by the IPCC AR6, the climate scenarios "cover the range of possible future development of anthropogenic drivers of climate change". SSP1-2.6 is a scenario representing "low GHG emissions and CO2 emissions declining to net zero around or after 2050, followed by varying levels of net negative CO2 emissions"; SSP2-4.5 is a scenario representing "intermediate GHG emissions and CO2 emissions remaining around current levels until the middle of the century"; SSP5-8.5 is a scenario representing "very high GHG emissions and CO2 emissions that roughly double from current levels by 2100 and 2050".

[9] The scope of the analysis included our personal and commercial mortgages and excluded loans not tied to a physical stationary asset and/or represent a very small portfolio of the on-balance sheet loan portfolio (i.e., insurance lending, equipment financing, consumer lending, specialized finance loans).

Heatmap visualizing physical climate risk exposure by hazard:



Our lending is focused on urban centres and their surrounding areas across Canada. The physical exposure analysis showed that overall, for our personal and commercial mortgage loans in urban centres, the exposure to physical risk is low to moderate across all climate scenarios and time horizons. This finding reinforces our risk management principle of focusing on large and stable markets.

We also assessed relevant transition risks and opportunities that may impact our business and portfolio using a narrative CSA aligned to TCFD. This is a first step for transition risk identification and assessment, which forms the basis of future climate scenario analyses. Our ERM team, including our CRO, was deeply engaged during this process and is considering impacts on the Bank's current ERM framework and procedures. Our analysis focused on Canada-wide trends relating to transition risks arising from the transition to a low carbon economy. Two transition climate scenarios, including one business-as-usual scenario and one rapid policy and technology transition to a low emission economy, were included. These scenarios are consistent with the scenarios provided by the International Energy Agency, the Network for Greening the Financial System, and the Bank of Canada.

Narratives for our top transition risks and opportunities:

Category	**Climate Risk / Opportunity**	**Impact Narrative**
Transition Risk - Policy & Legal	Carbon pricing Carbon prices will impact the supply chain either through carbon taxes or carbon emission obligations (Scope 2 & 3). Similarly, carbon pricing will directly impact operations that have a relatively high carbon footprint (Scope 1).	Under a current policies scenario, carbon prices do not increase markedly from their current levels because no further meaningful action is taken to limit global warming and emissions rise along with global growth in an unconstrained way. Under a net zero by 2050 scenario, carbon pricing is key to achieving Canada's climate objectives and the government has established a globally recognized pricing system, incentivizing decarbonization throughout the economy. Equitable Bank's portfolio does not include carbon-intensive activities or industries, and therefore, would not likely be significantly impacted by carbon prices in Canada. However, an increasing carbon price will make carbon-intensive building materials more costly for construction and increase energy use operating costs for commercial buildings. Increases in costs may impact the borrower's ability to honour its financial obligations, thereby posing a potential credit risk.
Transition Risk - Policy & Legal	Regulations and policies on net zero and energy transition Increasing regulations and policy pressures relating to stricter building standards and additional reporting requirements may impact properties, construction, and/or equipment that are not in accordance with the latest changes in regulations.	Under a current policies scenario, implemented policies are preserved and Equitable Bank's commercial real-estate loans, construction loans and equipment financing are not likely to be materially impacted. Under a net zero by 2050 scenario, it is likely that additional government regulations and policies relating to building standards and reporting requirements will be implemented and become more rigorous. An increase in regulatory policies and reporting requirements may result in additional costs associated with adhering to more stringent reporting requirements due to investment costs to upgrade existing real estate in line with new requirements. These cost increases may impact the Bank's commercial real-estate loans, construction loans and equipment financing by making it more difficult for borrowers to honour their financial obligations, thereby posing a potential credit risk.

Category	Climate Risk / Opportunity	Impact Narrative
Transition Risk - Technology	Emerging technology and innovations As efforts to limit global warming increase, carbon-intensive technologies will likely become relatively more expensive if carbon taxes or more stringent regulations are introduced, resulting in higher probability of default for equipment financing and commercial specialized financing in particular. Tenants and potential buyers will be expecting more from the real estate sector regarding emissions reductions as preferences shift toward high-efficiency buildings and incorporating renewable energy sources.	Under a current policies scenario, increasing prices of carbon-intensive technologies will not likely be significant and the Bank's commercial and residential real-estate loans, construction loans and equipment financing are not likely to be impacted. Under a net zero by 2050 scenario, it is likely that energy costs of existing infrastructure that are less energy efficient may increase. We can also expect a decrease in subsidies for certain carbon-intensive technologies. Research has shown a correlation between high energy bills and low commercial and residential property values, suggesting that energy efficiency can be a predictor of mortgage defaults and that energy efficiency is also an important factor when determining real estate values. These cost increases may impact the Bank's commercial real-estate loans, residential real-estate loans (particularly multi-unit and apartment buildings) construction loans and equipment by making it more difficult for borrowers to honour their financial obligations, thereby posing a potential credit risk.
Transition Risk - Market	Shifts in production and consumption of commodities As climate continues to change, access to commodities specifically needed for construction activities may become limited in supply and disruptions to supply chains from extreme climate events may impact construction scheduling and drive-up costs. In addition, activities related to construction can be a significant indirect emission source, for example, through the production and transportation of construction materials. These carbon-intensive materials will increase in cost.	Under a current policies scenario, carbon-intensive commodities are not likely to be impacted by regulatory policies. However, extreme climate events are still projected to increase in frequency and intensity which may impact the Bank's commercial construction loans through increased costs due to scheduling interruptions. Under a net zero by 2050 scenario, carbon-intensive commodities are likely to be more expensive, thereby driving up construction costs. As mitigation efforts continue under this scenario, higher expectations on energy efficient infrastructure will also be needed. These cost increases may impact the borrower's ability to honour its financial obligations, thereby posing a potential credit risk.
Transition Opportunity - Products and Services	Green loans, bonds, and financing The transition to a low carbon economy in Canada will create opportunities for finance and capital providers, especially banks, to develop products and services that will help both decarbonize the economy. The main ways this is being undertaken to-date include:	Under a current policies scenario, the relatively small market for sustainable finance products and services continues to grow at a steady pace. Those who develop sustainable finance products and services early-on open the opportunity for new and diversified revenue streams, as well as customer markets as a result of changing consumer preferences. Under a net zero by 2050 scenario, financial institutions face

	• financial institutions issuing green bonds to finance low carbon projects and companies and to reduce their own operational emissions particularly from their own offices and branches • financial institutions offering clients green, sustainable, and sustainability-linked loan products as a means of aligning to changing consumer preferences • financial institutions developing green deposit products as a means of attracting depositors	increased attention and scrutiny as sustainable finance needs to be ramped up significantly to ensure net zero by 2050 targets remain attainable. Financial institutions work proactively, creatively, and collaboratively to (i) ramp down funding of carbon intensive sectors that can't be decarbonized; (ii) finance decarbonization of carbon-intensive sectors which can be decarbonized and (iii) finance zero and low carbon companies and projects as quickly as possible.
Transition Opportunity - Market	<u>Adaptation financing</u> Local, provincial/territorial, and federal governments are addressing climate hazards by funding large-scale adaptation projects throughout regions vulnerable to climate hazards. As these programs are rolled-out and adaptation measures are implemented in high-risk areas, the physical risk of loans located in these regions will decrease and the property values will potentially increase.	Under a current policies scenario, adaptation projects currently planned for implementation may decrease Equitable Bank's physical risk exposure for personal and commercial real-estate loans. Therefore, the Bank has a potential opportunity even under a business-as-usual scenario, as climate hazards are only projected to increase in frequency and intensity, which may increase funding of adaptation projects and reduce the physical risk of loans located in areas with adaptation funding, resulting in a potential increase in property values. Under a net zero by 2050 scenario, the Bank will likely benefit from an increase in adaptation projects and funding opportunities as climate hazards are projected to continue occurring even if net zero is achieved.

Future plans and priorities

We look forward to completing a full qualitative and quantitative climate scenario analysis to assess our vulnerability to identified physical climate-related risks and our exposure and vulnerability to identified transition risks and opportunities. The results from this analysis and assessed impacts will in the medium-term be incorporated into enterprise strategic planning. As we continue to enhance our processes to identify and assess climate risks and opportunities, we will formally integrate top climate risks and opportunities into key risk management processes such as the ERM framework, RAF, and ICAAP. As part of this process, Equitable Bank is considering classifying environmental and climate risk as a core risk under the Bank's ERM framework, rather than as a component of Operational Risk.

Metrics and Targets

Road to net-zero

We are committed to maintaining carbon neutrality. Through the purchase of Verified Emissions Reductions (VERs), we have maintained our carbon-neutral position (Scope 1 and 2) since 2020. In 2021, we became the first Schedule I Canadian bank to disclose our Scope 3 GHG emissions portfolio, including financed emissions. Following the acquisition of Concentra in November 2022, we began working towards full integration of its loan book and operations into our climate goals and strategy.

We quantify and report our Scope 1, 2 and 3 emissions, using the GHG Protocol as well as the Partnership for Carbon Accounting Financials (PCAF) for financed emissions. We use these metrics, among others, to measure and manage our performance, as well as monitor our exposure to climate-related risks and opportunities. The table below shows the metrics we established to monitor the management of our top climate risks. We are now working to establish metrics, and eventually targets, for the remaining risks and opportunities.

We are actively exploring target-setting for Scope 1, 2 and 3 emissions and aim to establish operational, sustainable finance, and financed emissions targets that enable us to manage our climate-related risks while capitalizing on opportunities. We intend to disclose progress in future reporting.

Climate metrics and targets linked to select risks and opportunities:

Metrics	Transition risks monitored by identified metrics
• Scope 1, 2, and 3 GHG emissions (tCO2e) • Carbon credits purchased (tCO2e) • Energy use (GJ) • Electricity consumed (GJ) • LEED certified office space (sq ft)	• Regulations and policies on net zero and energy transition
• Scope 1, 2, and 3 GHG emissions (tCO2e) • Scope 1, 2, and 3 GHG emissions (tCO2e)	• Carbon pricing

Operational emissions

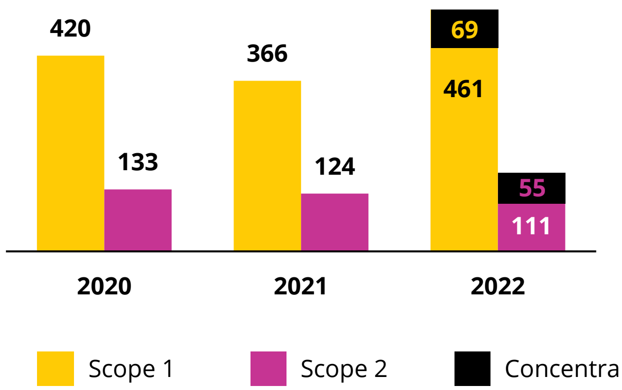
Our operational emissions are those resulting from carbon-producing activities at our office locations. Relative to our peers, we maintain a relatively low operational footprint due to our branchless structure, cloud-based operating system, and energy-efficient office spaces. Refer to the climate performance data table on page 28 of this Report for our GHG emissions intensity by full-time equivalent (FTE) and occupied space in square feet (sq ft). We have taken actions such as leasing LEED certified office spaces, integrating energy-efficiency design features such as LED lighting and motion sensors, and reducing employee travel through hybrid office / work-from-home options and video conferencing in lieu of travel where appropriate.

Scope 1 and 2

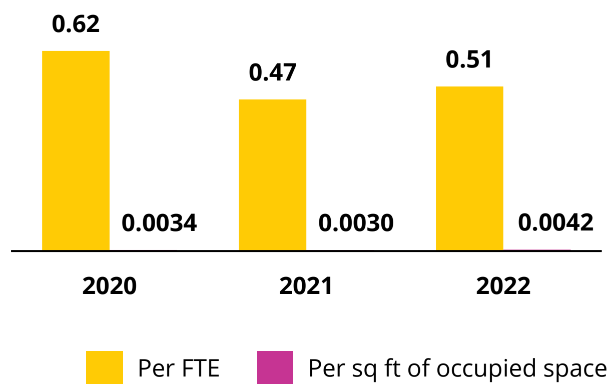
Our Scope 1 and 2 emissions for 2022 include Concentra emissions for the two months following the completed acquisition. We calculate our Scope 1 and 2 GHG emissions following the GHG Protocol Corporate Accounting and Reporting Standard. Refer to the appendix for more information on our application of the GHG protocol.

Overall, our Scope 1 and 2 emissions have increased by 45% and 34%, respectively, since 2021. With the addition of Concentra as of November 1, 2022 in our Scope 1 and 2 emissions inventory – a further absolute increase in emissions is expected over 2023 due to the incorporation of Concentra's emissions over a full twelve month period. Without Concentra's emissions data, our Scope 1 emissions increased by 26% since 2021, while our Scope 2 emissions decreased by 10% since 2021.

Absolute Scope 1 and 2 GHG emissions performance over time[10]

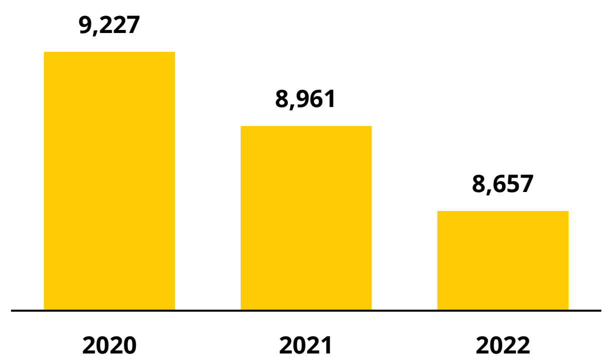


GHG emissions intensity, tCO2e per FTE and tCO2e per sq ft of office space, over time[11]



We also track and disclose our electricity consumption over time. We have included Concentra Bank in our electricity calculations for the months following the acquisition. Even when considering the addition of Concentra's electricity consumption for November and December of 2022, we have reduced our electricity consumption by 3.4% since 2021. While our overall electricity consumption decreased year over year, our overall Scope 2 emissions increased because of regional emissions factors, with some of our offices operating in provinces with higher emissions intensity in their electricity grid.

Electricity consumption (GJ) over time[10]



Darkwoods Forest Conservation Project
In alignment with our climate change commitments, we feel it is important to offset our Scope 1 and 2 emissions to maintain carbon neutrality. Since 2020, we have purchased Verified Carbon Standard (VCS) VERs for the Darkwoods Forest Conservation Project, a Climate Impact Partners initiative, to offset our annual operational emissions. Darkwoods Forest Conservation is North America's first project to be certified under the Sustainable Development Verified Impact Standard (SD VISta), which assesses the sustainable development benefits of the project and its contribution to the United Nations SDGs. Located in British Columbia, Darkwoods is the single largest private land conservation project in Canada. It protects approximately 156,000 acres of private Boreal forest from development, high-impact logging, and other environmental threats. For more information, visit their website.

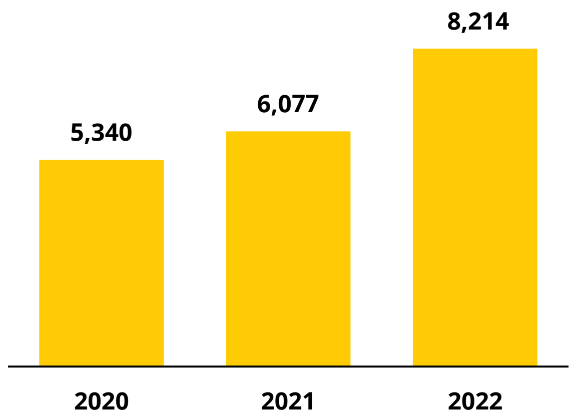
[10] 2022 emissions and electricity figures include emissions from Concentra's operations and Concentra's electricity purchases for November and December 2022, respectively.
[11] 2022 GHG emission intensities have been calculated using time-weighted averages for Concentra's operations as of November 1, 2022.

Scope 3 (operational)

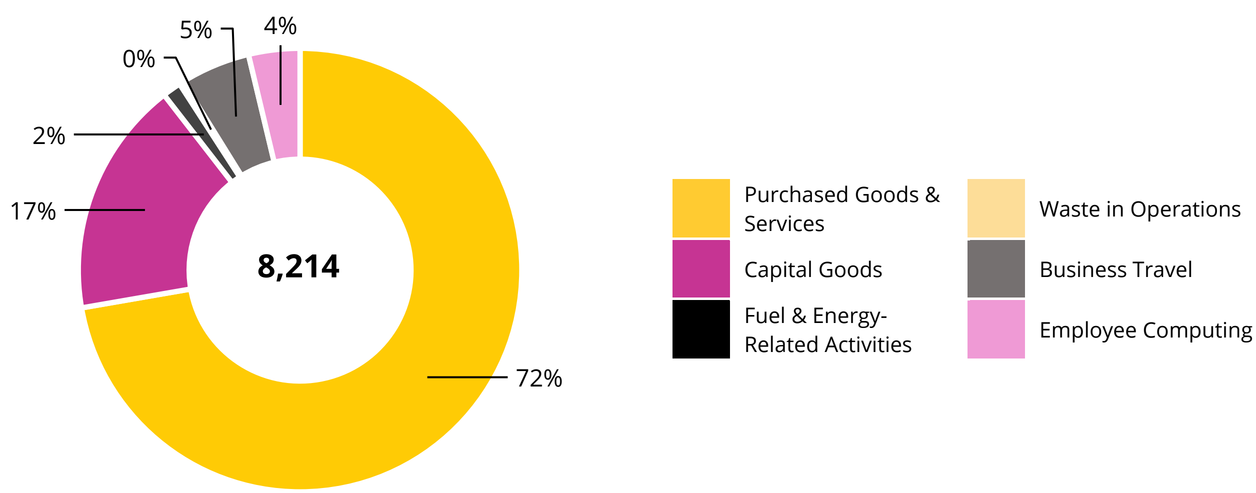
In addition to our direct emissions, we also track and disclose Scope 3 emissions associated with our value chain. Equitable Bank relies on an international supply chain to source software, services, and products, which are crucial to its ability to serve customers. We leverage supplier assessments, audits, due diligence, and engagement with core suppliers to promote sustainable practices, including engaging directly with core stakeholders regarding climate. To reduce emissions associated with employee commuting and business travel, we have adopted a hybrid office-home work environment.

Our Scope 3 emissions currently do not include Concentra but these will be integrated in future disclosures. Following the GHG Protocol Corporate Value Chain (Scope 3) Guidance, we have identified applicable Scope 3 categories. In 2022, nearly 72% of our operational Scope 3 emissions were due to Category 1: Purchased Goods & Services. Since 2021, our Scope 3 operational emissions increased by 35%, largely due to increased expenditure for purchased goods and services, particularly for IT services, as well as updated emissions factors from the EPA (Environmental Protection Agency).

Scope 3 (operational) emissions over time



Scope 3 (Operational) emissions by category



Financed emissions

Financed emissions form the largest component of our Scope 3 emissions; however, we do not lend directly to carbon-intensive industries[12]. As the first Schedule I bank to disclose our entire Scope 3 emissions portfolio in accordance with PCAF guidance, we are committed to maintaining transparency in reporting and accountability in managing our financed emissions.

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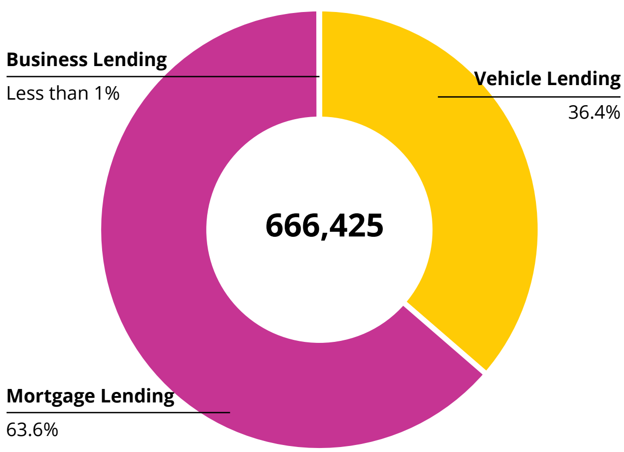
[12] Carbon intensive industries include oil and gas, transport, and heavy industry as per Canada's 2019 emissions profile from the Government of Canada's 2030 Emissions Reduction Plan.

Our financed emissions Scope 3 figures do not include Concentra at this time; however, we are working towards a full integration of Concentra's financed emissions into our portfolio and will report the full scope of Concentra's emissions in next year's disclosures. In 2022, our financed emissions were 666,425 tCO_2e, a 9% increase over 2021 primarily due to growth in our equipment leasing business, including an increase in vehicle count, improved internal vehicle data classifications, and updated Natural Resources Canada (NRCan) data assumptions.

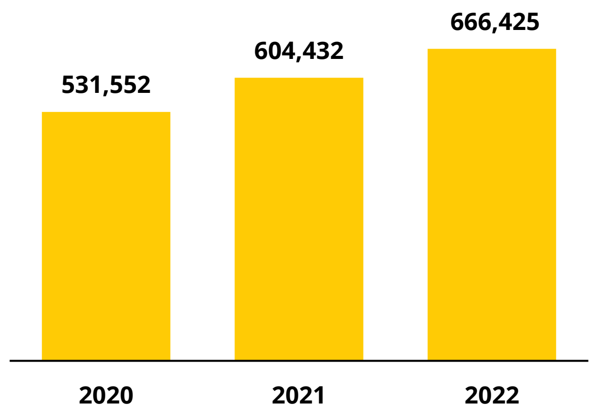
Our mortgage lending was responsible for nearly two thirds of our financed emissions in 2022, followed by vehicle lending, with business lending representing less than 1% of our total annual financed emissions. The graph below shows the composition of our lending portfolio. Approximately two-thirds of our total lending supports residential mortgages, and more than 10% supports multi-unit residences.

Financed emissions by category, and financed emissions over time:

2022 financed emissions by portfolio



Financed emissions over time



Carbon-related assets

Carbon-related assets are those assets associated with industries that are more likely to be financially impacted than others due to their exposure to transition and physical risks around GHG emissions, energy, or water dependencies. In its 2021 guidance, the TCFD encouraged banks to consider carbon-related assets tied to the following four non-financial groups: 1) energy; 2) transportation; 3) materials and buildings; and 4) agriculture, food, and forest products.

While we do not lend directly to carbon-intensive industries, a small portion of our lending activities are exposed to carbon-related assets. As we integrate Concentra's loan portfolio, we are working towards establishing a complete picture of our carbon-related assets relative to our total assets.

Future plans

Our immediate priority for our metrics and targets is to fully integrate and calculate Concentra's emissions into our inventory, including reporting and disclosing on Concentra's financed emissions. Once integrated, we will establish a base year to inform targets and reduction plans, with the intention of setting targets that align with / support the goals of the Paris Agreement for Scope 1 and 2 emissions within Phase 2 of our TCFD action plan, and Scope 3 emissions targets, including financed emissions, in Phase 3.

Climate performance table

Metric	2022[13]	2021[13]	2020
Absolute GHG Emissions (tCO2e)			
Scope 1 [14, 15, 16, 17]	530 *	366 *	420
Scope 2 [15, 18]	166 *	124 *	133
Scope 1 + 2 (including Concentra for months following acquisition)	696	490	553
Procurement and retirement of verified emissions reductions	696 *	490	553
Scope 3 [19]	674,639	610,509	536,892
- Category 1: Purchased goods and services [20]	5,937	4,882	4,371
- Category 2: Capital goods [20]	1,415	539	117
- Category 3: Fuel and energy-related activities	112	90	104
- Category 5: Waste in operations [21]	25	12	8
- Category 6: Business travel	419	121	279
- Category 7: Employee Commuting [22]	307	433	461
- Category 15: Investment emissions (i.e., financed emissions) [23]	666,425	604,432	531,552
Total Scope 1, 2 and 3 GHG Emissions	675,335	610,999	537,445
GHG Emissions Intensity (tCO2e per FTE) [24]	0.51	0.47	0.62
GHG Emissions Intensity (tCO2e per sq ft of occupied space) [25]	0.0042	0.0030	0.0034
Energy and waste			
Energy use (GJ)	18,485	15,866	17,178
Electricity consumed (GJ)	8,657	8,961	9,227
Total waste generated (metric tonnes) [21]	56.4	50.2	33.9
Diversion rate (%) [21]	57%	61%	61%
Total occupied space - leased and owned space (square feet) [25]	211,122	163,142	164,527
LEED certified office space (square feet)	126,972	126,972	126,972
LEED certified office space (%)	76%	78%	77%

[13] Data assured by KPMG noted with an *
[14] We apply an Operational Control approach to define our organizational boundaries.
[15] Scope 1 and 2 emissions are calculated using activity data (e.g., fuel and electricity consumption) and emissions factors sourced from the Canadian National Inventory Report (NIR) (2021).
[16] The GHG emissions included in our inventory are CO2, CH4, N2O, and R-410A.
[17] Immaterial sources include fugitive emissions associated with the release of CO2 from fire extinguishers.
[18] We apply the GHG Protocol Scope 2 Guidance and report using both market and location-based methods. Based on our current operations, the results for both methods are equivalent.
[19] Scope 3 categories not listed were not applicable or relevant to the Bank's operations. Concentra is not included within Scope 3 emission calculations.
[20] Emissions have been estimated using spend data and the US EPA EEIO database, adjusted for inflation.
[21] Waste generated, waste recycled, and emissions estimated using a 2022 waste survey for the Bank's Toronto office. Diversion rate is defined as the percentage of waste recycled out of total waste generated. A diversion rate per waste type was not available. Therefore, it was assumed that the diversion rate was applicable to the following waste categories only: paper and card, mixed plastic, electronics, and organics (composting).
[22] Passenger kilometers estimated per office based on employee home address (city). Mode of travel assumed based on city-specific data.
[23] Vehicle lending: Emissions were estimated using motor vehicle type, with distance traveled assumed based on regional statistical data. Mortgage and commercial real estate lending: Emissions were estimated based on number of buildings, building type, and location-specific average energy consumption. Business lending: very small proportion of financed emissions, estimated using economic activity-based emission factors and company revenue. Construction for commercial relate estate lending: excluded from inventory as they are currently optional under the PCAF standard.
[24] Scope 1 and 2 including Concentra emissions for months (November and December 2022) following the acquisition.
[25] As at December 31, 2022 including office space leased and owned by Concentra.

Social

As Canada's seventh largest bank by assets, we play a growing role in the economy and in the lives and livelihoods of many people and businesses.

To do our part, we developed and continually invest in a diverse and inclusive high-performance culture, advanced, cloud-based digital technologies, and community causes that are important to our Challenger workforce and the social fabric of our country. Community work is not just important to our Challenger workforce, the support of those causes are initiatives that are frequently led by our employees. Their lived experiences and cultural awareness allow us to support the mental and physical health needs of myriad communities, and provide critically needed support, expediently, to communities in need.

For customers, we choose to offer services that challenge the status quo in banking, leverage our capabilities and those of specialist fintech partners, and engender trust and confidence for reliability, convenience, and value. Our areas of focus include:

- payment solutions that facilitate the movement of money in Canada and abroad through our award-winning EQ Bank digital platform and our recently launched EQ Bank Card, as well as international transfer services via our Wise partnership and *Interac* e-Transfers® (Trademark of Interac Corp. Used under licence.)
- deposit products such as EQ Bank Savings Plus Account that offer a competitive savings rate and zero fees on everyday banking – a gamechanger for customers that differentiates us from many other banks
- lending to individuals, communities, and businesses often underserved by other banks including retired Canadians, the self-employed, Indigenous peoples and newcomers to our country who are establishing credit through single family and insured multi-unit residential property mortgages, commercial loans, equipment financing, economic development initiatives, and First Nations specific claims financing
- loan syndication, trust services and dedicated institutional banking services for Canada's credit unions as they care for the needs of six million customers

Through these activities, the Bank's economic contribution has a multiplier effect on the Canadian economy.

2022 highlights

- Achieved an 80% employee engagement score
- Served 308,286 Canadians with an innovative deposit account that doesn't charge any fees for everyday banking functionality and pays a competitive savings rate
- Brought EQ Bank's services and the innovative deposit account to Québec
- Introduced the free EQ Bank Card that facilitates zero-fee foreign transactions and ATM withdrawals in Canada with no fees
- EQ Bank has been named the best bank in Canada on the Forbes' list of the World's Best Banks three years in a row (2023, 2022 and 2021)
- Introduced process enhancements to align with the new Financial Consumer Protection Framework
- Embraced Concentra Bank's Empowering Your Community partnership with Canadian credit unions

Inclusion, Diversity, Equity, Accessibility, and Anti-Racism

Canada is a diverse country – our customers reflect that reality, and we are proud to say our workforce does as well.

Category	Subcategory		Number of Employees	Percentage of Employees
Employees by Gender	Female		893	53%
	Male		792	47%
Employees by Ethnic/Racial Group	Indigenous		15	0.9%
	Visible Minority / Racialized Person		660	39%
Employees by Age Group	Under 30		332	20%
	Between 30 and 60		1,293	77%
	Over 60		60	3%
Employees by Self-Identification	Visible Minority / Racialized Person		660	39%
	Persons with a Disability		90	5%
	Senior / Exec. Management – Female		8	40% *
	Senior / Exec. Management – Male		12	60% *
	Non-exec / middle mgmt. – Female		142	40% *
	Non-exec / middle mgmt. – Male		216	60% *
	All Other Employees – Female		743	57% *
	All Other Employees – Male		564	43% *
Employees by Category & Ethnic/Racial Group	Senior/Executive Management		Indigenous	0 (0%) *
	Senior/Executive Management		Other (Non-Caucasian)	4 (20%) *
	Non-executive/Middle Management		Indigenous	3 (0.8%) *
	Non-executive/Middle Management		Other (Non-Caucasian)	134 (37%) *
	All Other Employees		Indigenous	12 (0.9%) *
	All Other Employees		Other (Non-Caucasian)	525 (40%) *
Employees by Region	Alberta		48	3%
	British Columbia		51	3%
	Ontario		1,306	78%
	Quebec		43	2%
	Saskatchewan		237	14%

*Percentage of the specific Employment Category subgroup, not the entire employee population.

Inclusion, diversity, equity, accessibility, and anti-racism (IDEAA) work at our Bank supports positive workforce engagement, and amplifies our coworkers' stories, which lead to stronger connections within employees and more committed service for customers.

Our Board of Directors and Executive leaders work collaboratively with our human resources team to advance IDEAA work at all levels. Please see Governance and the role of the Board's Human Resources and Compensation Committee for more details. We know that our organization is stronger because we are guided by our employees' recommendations, intelligence, and lived experiences. The six Employee Resource Groups (The Black Collective ERG, Indigenous ERG, The Green Team ERG, Women in Tech ERG, LGBTQ+ ERG and Newcomers to Canada ERG) provide valuable insights and leadership education to all levels, making the Bank stronger because of their contributions and collective wisdom. In addition, the IDEAA committee brings the depth of their collective knowledge forward and serves as an organizational guiding light around allyship. They are a key supporter of equity- and inclusion-focused programs, supporting compliance with Employment Equity legislation while furthering employee engagement and consistently expanding our inclusive culture. In 2022, approximately 200 Challengers or more than 10% of FTEs generously contributed their time and wisdom to ERGs and the IDEAA committee.

Flexible work arrangements, gender-neutral role descriptions, mentorship and leadership-focused programs for members of equity-seeking groups, and equal access to learning and development opportunities – including training through EQ University – support our efforts. Our policies and practices are designed to celebrate diversity and prevent discrimination based on race, colour, religion, gender, sexual orientation, gender identity, age, national origin, disability, veteran status, or any other characteristic protected by law.

Pay equity

Our employee compensation system lives up to our name, to be equitable in line with our corporate values, particularly integrity, empowerment, and respect. We ensure that our employees are paid based on their role, experience, and impact, not who they are.

We have clear structures and policies in place to ensure consistency to base salary and variable compensation decisions. This system supports internal equity while recognizing differences in experience, tenure, and performance. We utilize a clear set of criteria for decision making and robust mechanisms to review the consistency of outcomes. In addition, our Executive leaders and Board regularly review compensation practices and receive the results of regular workforce reviews from our Pay Equity Committee. This will be supplemented in 2023 with a formal pay equity report to be filed with the Government of Canada in accordance with the Pay Equity Act.

The table below provides a summary of the compensation by level for women compared to men and for visible minorities compared to non-visible minorities. Pay gaps in the aggregated summary for Executive and Middle Management reflect differences in gender and race distribution in different job functions and in employee tenure. Put more simply – we pay our staff equally for the same work, regardless of gender, race, or other characteristics of who they are.

Position group	Total compensation of women relative to men[1]	Total compensation of visible minorities relative to non-visible minorities[1]
Executive Management [2]	87%	89%
Middle Management [3]	94%	99%
All other employees [4]	100%	99%

[1] Weighted average by level. Excludes Concentra Bank and Bennington Financial Corp.
[2] Includes Senior Vice Presidents and Vice Presidents. Excludes President and Chief Executive Officer.
[3] Includes Levels 8 to Level 11.
[4] Excludes commission based regional business managers.

We always consider factors that should impact pay differences, such as job function, location, performance, and tenure. If we find differences in pay between men and women or by race, ethnicity or age that have nothing to do with those factors, we make upward adjustments to eliminate pay gaps. It is essential to apply pay equity principles in setting the starting wages for new Challengers and we bear that in mind as we grow our workforce.

Our Pay Equity Committee's report for 2023 will include employees from Concentra Bank, which had its own compensation program and job classifications. It will also outline how we preserve and enhance the integrity and fairness of our compensation practices through regular audits, transparent compensation policies, and equitable hiring and promotion practices.

Flexible work arrangements and parental leave

We strive to balance in-office and remote work opportunities for our employees as reflected in our return to the office policy with a hybrid work approach implemented in 2022. We encourage in-office participation by offering lunches on all days with vegetarian, gluten-free, and halal options to accommodate employees' dietary restrictions. In-office work is essential for maintaining and cultivating company culture, fostering stronger and faster relationship building, orienting new employees, and coaching for career development. Meantime, work-from-home provides additional flexibility that is welcome by many employees including those with children or lengthy commutes.

Equitable Bank recognizes that flexible hours benefit employees by enabling them to meet the needs of work, home, and community. We developed our Flexible Work Hours Policy and Procedures to help employees balance their work-life schedules. Refer to page 62 of the 2021 ESG Performance Report for more details.

We also recognize the importance of parental leave in fostering a supportive and inclusive work environment. Accordingly, we operate with maternity, paternity, and adoption leave policies. We also offer flexible work arrangements for employees returning from leave, which is reflected in our retention rate. To further improve these benefits, Equitable Bank increased Maternity and Paternity leave top-up from eight to 12 weeks for 2023.

Recruiting with an Inclusion, Diversity, Equity, Accessibility, and Anti-Racism mindset

To build even greater diversity for the future in alignment with our measurable diversity goals, we look beyond traditional recruitment channels with the help of various community partners to attract high-potential people. Organizational hiring and promotion practices are dedicated to eliminating biases that prevent equity and inclusion.

We welcomed 571 new employees in 2022 with the composition of hiring shown in the following table:

Category	Subcategory	Number of Employees	Percentage of Employees
New employees by Gender	Female	276	48%
	Male	295	52%
	Non-binary	0	0%
New employees by Age Group	Under 30	210	37%
	Between 30 and 60	357	62%
	Over 60	4	1%
New employees by Category	Non-executive/Middle Management	84	15%
	All Other Employees	487	85%

New employees by Ethnic / Racial Group	Indigenous	2	0.4%
	Visible Minority / Racialized Person	244	43%
	Non-visible Minority	327	57%

Top talent at Canada's bigger banks seems to be especially attracted to the opportunities available within Canada's Challenger Bank™ and our empowered, high-performance culture where they can see the value of their contributions daily. Overall, the number of new hires increased compared to 2021 due to organic growth and the acquisition of Concentra Bank in November 2022.

Incenting performance with an attractive total compensation package

We offer a competitive employee benefits package that includes coverage for health care, dental, travel, critical illness, short-term disability, long-term disability as well as survivor benefits and a group retirement savings plan. The retirement savings plan includes an employer contribution of 3% of base salary and a dollar-for-dollar match up to 2.5% of base salary for employees with less than five years of service and up to 5% for employees with five or more years of service.

Additionally, an Employee Stock Ownership Plan (ESOP) provides members of our Challenger workforce with an opportunity to invest in common shares of EQB alongside public shareholders with employer-matched contributions. 74% of Equitable's eligible employees participated in the program in 2022. The program aims for over 70% participation and continues to grow in popularity with employees as they invest in the future of Equitable Bank.

Metric	2022	2021	2020
Participation Rate	74%	74%	72%
Bank's ESOP Contribution	$1,354,711	$1,175,856	$1,065,753

Employee engagement and Canada's Challenger Bank™ empowerment

Employee engagement is an organizational priority that is measured and benchmarked through annual workforce surveys conducted independently by the Great Place to Work® Institute. The 2022 survey showed an 80% engagement score with employees expressing strong trust in the Bank's leadership and the freedom to be themselves. Our Executive Leaders review the results of these surveys with particular focus on qualitative comments provided by our Challenger workforce. In 2022, the Bank was recognized by Great Place to Work® in Financial Services & Insurance and Best Workplaces in Ontario, excelling in learning & development and maintaining its status as a top hybrid workplace.

Metric	2022	2021	2020
Engagement score	80%	80%	81%
Voluntary turnover	16%	15.3%	9.5%
Involuntary turnover	7%*	2.7%	Not reported
Absenteeism rate	1.7%	1.0%	Not reported
Average tenure of employees	4.3 years	3.6 years	Not reported

**Impacted by unfortunate redundancies and addition of higher average tenure employees from Concentra Bank.*

Average employee tenure of 4.3 years aligned with industry standards despite a competitive market for talent particularly in the Greater Toronto Area where over 42% of our workforce is located. In 2022, overall tenure improved year over year because of the acquisition of Concentra Bank where average tenure is nine years.

In 2022, our voluntary employee turnover rate, calculated as a weighted average between Equitable Bank, Bennington, and Concentra Bank, was elevated. This was due to turnover at Concentra Bank due to insecurity created by the acquisition. As we build relationships and trust with our Concentra colleagues, we anticipate a reduction in this rate in 2023.

Our absenteeism rate in 2022 was slightly elevated year over year but remains in-line with industry standards.

Supporting career advancement

Our employees invest their time and talents to deliver our corporate purpose and we continually invest in them through multi-faceted, formal training with emphasis on:

- **Leadership development** (through the EQ Leadership Program, Aspiring Leaders Program, and High Potential Employee Program)
- **Individual talent development** (through customized programs for career coaching and training in financial services, diversity, and mental health, internal rotation and job shadowing)
- **Student advancement** (Rotational Leadership Development and Summer Internship programs)

Our approach is comprehensive, tailored and augmented by our formal mentor/mentee program. Our Justice, Equity, Diversity, and Inclusion (JEDI) mentorship-meets-leadership program expands upon allyship opportunities and cultivates future leaders who come from marginalized or underserved groups.

Our Human Resources team oversees the development and delivery of training programs. Our business unit managers ensure their teams attend and complete required training in areas such as compliance and fraud prevention and encourage Challengers to take full advantage of learning opportunities.

Since 2020, EQ University has served as our in-house platform for providing customized learning as well as training to help employees apply company-wide policies. At a more basic level, the platform allows us to reinforce a culture of continuous learning.

Metric	2022	2021
Total training hours	11,425	10,245
Employee training investments ($) excluding Bennington and Concentra	$1,059,280 ($913 per employee)	$937,000 ($902 per employee)

Equitable Bank reimburses $2,500 per year of employee tuition costs, including expenses for those seeking professional accreditations. Annual investments in training and development have significantly enhanced employee performance and satisfaction, which in turn improves customer service and enables us to foster a capable, risk-aware, and highly empowered culture. Empowerment is a differentiator that helps us to respond faster and more effectively in addressing customer needs.

Regular, structured performance and career development reviews are vital in maintaining an engaged, motivated Challenger workforce. These reviews align employees' objectives with the Bank's goals, identify each individual's strengths and areas for improvement, facilitate open communication, and support succession planning and talent management. During 2022, 100% of the Bank's employees received a performance and career development review.

Metric		2022	2021
Open positions filled by internal candidates	Promotions	324	187
	Internal Transfers	164	297
	Total	**488**	**484**
Percentage of new hires sourced through referrals[1]		16%	12%

[1] Concentra Bank operated without a formal employee referral program in 2022 and did not track referral sources.

Workforce planning

Equitable Bank's growth plan envisions a sizeable increase in our workforce in the next five years. Our workforce planning process brings rigour to our expansion efforts. It begins with a needs assessment, is informed by the identification of required skills to ensure a strong talent pool for key positions and is aided by the work of our dedicated HR analytics team. The HR data we collect helps optimize talent acquisition, engagement, and performance management. We operate with a mature HR reporting dashboard for Equitable Bank and are in the process of integrating more of Bennington and all of Concentra Bank data into it.

Keeping Challengers healthy and safe

We consider employee health and safety a moral and ethical responsibility, not just a legal obligation. Our Health and Safety policy applies to all employees and locations. The Enterprise Risk Management Committee of management is responsible for approving and monitoring the policy, while the Senior Vice President of Human Resources is responsible for drafting, updating, and implementing it. Business Unit leaders must ensure a safe work environment and provide employees with necessary training and support. Employee feedback as well as inspections, incident report analysis and periodic assessments by our Internal Audit team ensure effectiveness. Results of these audits are shared with senior management and our Board.

All employees are expected to comply with applicable regulations and follow Equitable Bank policies and practices. Violations of the policy may result in disciplinary action, including termination. The Bank has had zero fatalities or accidents to report in 2022, 2021 and 2020.

Enriching our customers' lives

Customer service is at the heart of our Canada's Challenger Bank™ approach. Put simply, we seek to provide a better deal for customers through innovative, no-nonsense digital banking supported by an empowered workforce that is engaged, capable and focused on responsive service.

As a digital bank, we are uniquely positioned to reach all Canadians, including underserved, underbanked communities whose needs are overlooked by other institutions or who have difficulty accessing services. To fulfill our purpose of driving change in Canadian banking to enrich people's lives, we provide financial education and access to free everyday banking for all customers.

Financial inclusion: Free everyday banking for all

The majority of our retail products including the new EQ Bank Card, digital banking services, Savings Plus Accounts, credit deposit services and *Interac*® e-Transfers are free or at cost. The introduction of the EQ Bank Card – now in the hands of more than 50,000 customers – is an important advancement. It serves as an everyday payment solution that works on a fee-free basis from any ATM in Canada with no charges on foreign exchange purchases and cashback on all purchases. Fees for other our products and services are as per industry practice.

Metric	2022	2021	2020
Financial inclusion			
# of customers with bank accounts with free everyday banking	308,286	250,423	173,399
% of total bank accounts with free everyday banking	100%	100%	100%

Financial inclusion is also achieved because we have the expertise to originate and underwrite loans for individuals (including the self-employed and new Canadians) and businesses across a wider credit spectrum than other banks. In so doing, we foster economic growth, support entrepreneurship, and empower communities that other banks do not. In 2022, we served almost half a million Canadians including over 300,000 people through our EQ Bank platform.

Consumer financial protection

On June 30, 2022, Parliament put in place the Financial Consumer Protection Framework overseen by the Financial Consumer Agency of Canada. Accordingly, we implemented changes to our approach. Among enhancements made, customers with low account balances and low available credit now receive electronic alerts, we updated our policies and procedures, and used websites, brochures, and posters to inform customers and staff about the revised regulations. Employees also received updated Consumer Protection and Whistleblower training.

Of note, consumer protection training is a mandatory e-learning module on EQ University for all employees. A quarterly compliance attestation ensures that any employees who have yet to complete training do so before quarter end. The few who have not completed are typically on leave or new to the organization.

<table>
<tr><th>Metric</th><th>2022</th><th>2021</th><th>2020</th></tr>
<tr><td>Number of employees who completed consumer financial protection training</td><td>1,235</td><td colspan="2" rowspan="2">Financial Consumer Protection Framework in the Bank Act (Canada) implemented in 2022</td></tr>
<tr><td>Percentage of employees who have completed a consumer financial protection training</td><td>92%</td></tr>
</table>

Customer satisfaction

In April 2023, EQ Bank was named the best bank in Canada on the Forbes list of the World's Best Banks list for the third consecutive year. The World's Best Banks are selected based on surveys of more than 48,000 consumers representing 32 different countries. Participants in the global surveys were asked to rate every bank at which they have a chequing or savings account on overall recommendation and satisfaction, as well as rate the banks on five different criteria: Trust, Terms & Conditions, Customer Services, Digital Services, and Financial Advice. All credit institutions in Canada offering chequing and/or savings accounts were eligible to be considered for this recognition.

While awards like this encourage us, they are not the driving force in our business. Our employees and our digital innovations are animated by our deeply held belief in customer service.

Enriching the Canada's Challenger Bank™ experience and customer welfare

Our EQ Bank digital platform was our first foray into direct-to-consumer relationships. It was launched in 2016 with the goal of delivering better savings solutions for Canadians while diversifying our sources of funding. At year-end 2022, the platform accounted for $7.9 billion of our $30.8 billion deposit book.

Over the last two years, we have transitioned EQ Bank from a savings bank to a primary bank option for our customers through the expansion of capabilities and functionality. We began by adding international money transfer services and U.S. dollar accounts. In late 2022, we brought EQ Bank services to Quebec and in early 2023 we introduced the EQ Bank Card. With each step, we invited customers to rely more on the platform to meet their everyday needs.

We built the technology stack for the EQ Bank Card in late 2022, which positions us up for rapid payments innovation going forward which will be critical to our primary banking ambitions. Primary banking in future with EQ Bank will include various new options such as mobile wallets, EQ Bank Card in Quebec, and business services.

In 2022, we used our technology knowhow to create a payments-as-a-service business that leverages our ability to issue Visa and Mastercard on behalf of fintechs – known as BIN sponsorship – and in turn share interchange revenue. Supporting fintechs through service offerings and direct equity investments contributes to the development of financial system innovation in Canada.

In an industry characterized by significant market concentration and limited consumer choice, we believe the provision of competitive, high-valuable digital banking products is essential to customer welfare. We are proud of our ability to offer no-fee everyday banking with no minimum balance requirements, unlimited number of transactions, competitive everyday deposit account and GIC interest rates, low-cost international money transfers with market exchange rates and faster speeds, and robust fraud monitoring to protect customers' money.

Product design and lifecycle management: Serving underserved Canadians

We recognize the significance of a comprehensive product lifecycle and have invested in establishing an organizational structure that emphasizes the importance of each stage. The product lifecycle commences with a product strategy phase, grounded in market analysis, customer research, and business requirements – all designed to help us better understand how to address underserved Canadians’ banking needs. From there we move to the product design stage, which concentrates on defining the challenge and devising solution(s) that focuses on the underserved customer and incorporates user research to build the highest performing products. This approach enables us to develop a product roadmap and transition into the product development stage, ultimately launching the product in the market. Following this, we enter the product growth stage, where we evaluate how the product resonates with customers and make necessary iterations to foster growth.

For example, over 12 million Canadians (or about one third of the population) are now over the age of 55 and many wrestle with how to provide for themselves during their retirement years. This is the fastest-growing demographic in the country, and yet it is overlooked by the big six Canadian banks where services focus on wealth accumulation rather wealth decumulation. We took note of this industry deficit in 2012 and set out to determine if we could develop products for underserved Canadians in or nearing retirement that would help them meet their long-term needs for cash without resorting to a home equity line of credit or a mortgage that requires income to service.

Our first step was to launch an intensive study of so-called equity release markets in the United Kingdom, Australia, and the United States. There, banks provide their customers with the means to access home equity through reverse mortgages. In the United States, the first such conversion mortgage was underwritten in 1961 and through actions by the U.S. government and encouragement by the American Association of Retired Persons (AARP), the market grew substantially beginning in the late 1980s. Experiences in those countries showed that many older adults preferred to stay in their homes and communities for as long as possible and found reverse mortgages a convenient way of aging in place. The dynamics and structure of the United States and United Kingdom markets make reverse mortgages a more acceptable solution, at least from a perception basis, than in Canada. In the U.S., the federal government insures most of the reverse mortgages originated. In the UK, where reverse mortgages are referred to as “equity releases,” private insurers back the offering.

Over the course of numerous years of study, we developed a detailed understanding of the risks and dynamics involved in equity release lending products and became increasingly convinced of the need for a made-in-Canada reverse mortgage solution. In 2018 as a culminating action, we established a wealth decumulation business line as part of our Canada’s Challenger Bank™. The first product was an Equitable Bank reverse mortgage that allowed Canadians

55 and over who live in a major urban centre in Ontario, Québec, Alberta, and British Columbia to turn their home equity into an additional source of cash – tax and payment free.

Noting that this is a complex product not well understood in Canada, we developed an in-house team of reverse mortgage specialists, introduced our solution to the country's independent mortgage brokers, created a dedicated website and expanded our offering to consumers directly. With a heavy focus on building consumer and broker knowledge, product features like a no-negative-equity guarantee (i.e., product users never owe more than the fair market value of their homes) and competitive interest rates and fees, we set out to give older Canadians a new choice for funding their retirement lifestyles and a better deal.

To ensure our services are accessible to the elderly and differently abled, we maintain a user-friendly website. It features a minimum font size of 16pt to enhance readability for seniors. Additionally, all printed documents use a minimum font size of 14pt to ensure accessibility. Today, over 85% of our reverse mortgage customers are over the age of 65.

Recognizing that we could do even more for this demographic, we also introduced whole life insurance policy lending through two consumer solutions. One provides whole life insurance policy holders with the ability to monetize a portion of their Cash-Surrender Value (CSV) while their policy continues to grow. The second is called an Immediate Financing Arrangement (IFA), which provides whole life policy holders with the ability to borrow 100% of the current year premium paid. Both offerings allow seniors to preserve/optimize cash flow.
Since launch four years ago, our wealth decumulation business (inclusive of reverse mortgages and whole life insured policy lending) has attracted almost $1 billion in assets, clear evidence of the growing need for our dedicated solutions. This is only the beginning. More consumer familiarity with the advantages of reverse mortgages, a greater desire on the part of Canadians to age in place, and the fact that Canadians are living longer, need more retirement cash (especially in an inflationary environment) and cannot count entirely on government pension support will act in concert to expand these markets.

The National Seniors Council (NSC), which provides advice to the federal government on issues that matter to seniors, recognizes the need to further support Canadians who wish to age within the comfort of their own homes. It recently launched a public consultation and research project to gather insight into this important subject. NSC's objectives include identifying international best practices as well as assessing new ideas that could help Canadians in future years. We believe reverse mortgages should be part of the solution and will make our position known to the NSC. Please refer to Equitable's 2022 MD&A and Financial Statements for details on volume and growth of wealth decumulation products for seniors.

Serving small and medium-sized businesses (SMBs) and self-employed borrowers

Small and medium-sized businesses (SMBs) and self-employed individuals play vital roles in the Canadian economy and yet often find it difficult to obtain credit and banking services that meet their unique needs. We understand these needs and for many years have provided tailored products and lending criteria that enable us to support these underserved customer segments. SMBs and self-employed borrowers comprised 4.5% and 22.3%, respectively of total loans under management at year end 2022.

Loans under management by lending business:

Values in $'000s	Q4 2022	SMBs	Self-Employed
Personal			
Uninsured single-family mortgages	19,227,589		11,992,965
Insured single-family mortgages	10,971,498		724,563
Decumulation loans	951,950		924
Consumer lending	891,656		
Commercial			
Mortgages – to Corporates	2,971,525		
Mortgages – to Small Business	1,327,917	1,327,917	
Equipment leases	1,262,584	1,262,584	
Insured Multi-unit residential mortgages	15,763,160		
Specialized financing loans	1,069,963		
Construction loans	2,570,361		
Loans under management	**57,008,203**	**4.5%**	**22.3%**

Self-employed is defined as borrowers who derive their income from a business in which they hold a controlling interest or borrowers who do not own a business, but who derive their primary income from commissions, consultation fees, interest, capital gains, gratuities, or real estate rents.

Financing affordable housing

Affordable housing is vital for the wellbeing of individuals, families, and communities in Canada. Building new and preserving existing affordable housing units are top priorities for government and non-profit organizations for several reasons including high rates of homelessness in major urban centers.

Equitable plays a part in the solution by participating in CMHC-insured mortgage financing for multi-residential properties including the national housing agency's MLI Select program. Introduced in March 2022, it further incents the construction and preservation of affordable housing by offering insurance premium reductions and up to 50-year amortizations. Borrowers may access this program using one or a combination of affordability, accessibility, and energy efficiency qualifiers.

Between MLI Select and its predecessor affordable housing program, we funded 138 multi-unit residential properties across Canada in 2022 with total loans of $2.1 billion (117 insured term loans and 21 insured construction loans).

Our ongoing commitment to Reconciliation

We proactively support the rights of Indigenous peoples in Canada and contribute to truth and reconciliation efforts in several ways, starting with education and awareness.

We inform employees about Indigenous history, culture, and rights, promote learning opportunities available through sites such as Coursera (which partners with more than 275 leading universities) and invite guests to address our team. We acknowledge that our offices are located on the traditional territories of Indigenous Nations, and we inhabit those lands without consent. Welcoming and respecting Indigenous Elders and the wisdom they share, past and present, is an honoured tradition here.

We also look to increase Indigenous representation in our workforce – an important part of our diversity, equity and inclusion mandate – and recently created the role of Director, Indigenous Trust Services. This dedicated business leader is tasked with strengthening client relationships, enhancing mutual understanding, and advancing reconciliation efforts across our organization.

Scholarship programs for Indigenous students and Indigenous-focused financial literacy initiatives (including funding of scholarships at the Edwards School of Business at the University of Saskatchewan) furthers our commitment. Forming community partnerships and understanding cultural sensitivities enables us to offer financial products and services that are relevant to many Indigenous peoples. In 2022, we introduced what we call selfie ID to make it easier to open an EQ Bank account. It uses informed artificial intelligence to enable customers to verify their own government issued ID, a FINTRAC regulatory requirement. In the recent past, providing physical IDs required customers to visit a Canada Post branch. Our solution was engineered to accept the photo recognition of Status cards for First Nations peoples. This is a Canadian first that is emblematic of our determination to do what we can to eliminate systemic discrimination and advance inclusion for Indigenous peoples.

Another new service we offer – as a result of acquiring Concentra Bank in late 2022 – is the First Nations Specific Claims financing initiative. Through this specialized capability, we assist First Nations in covering the costs associated with preparing and pursuing specific land claims with the Government of Canada. Concentra partnered with two Canadian insurance companies to create this cost-effective financing option, adding to Concentra's boutique trust solutions that serves several Indigenous Nations across Canada today.

Corporate citizenship and philanthropy: Challenging ourselves to build resilient communities

Our purpose of enriching people's lives drives us to be active contributors in communities across Canada. Community giving is a cornerstone of our culture and our ESG program and helps Challengers to build stronger connections with the world around us – and each other.

To maximize the value of our social investments, we are intentional about where we contribute, and we leverage our people power through volunteerism. Volunteerism offers many rewards including the opportunity for members of our Challenger workforce to act together as community leaders.

Main focus areas are education, health, including mental health and homelessness. The Bank's charitable donations are frequently made in collaboration with our employees and business partners. Recipients include institutions such as Madison Community Services (in the field of addiction and mental health), CRC – 40 Oaks (food donations and neighborhood revitalizations), Mount Sinai Hospital Health Foundation (hospital – healthcare and research facility) and Fred Victor (homelessness-centered social service). Additionally, we participate in financial literacy programs and partnerships with other non-profits.

In 2022, Microsoft launched an initiative called The CEO Pledge to Bridge the Digital Divide with 25 CEOs of the largest companies in Canada. The goal of this initiative is to create a movement by CEOs to donate their organization's end-of-life corporate devices to be recycled through a Federal program and redistributed to underserved families across Canada. As part of this program, Equitable donated more than 600 laptops and desktop computers to Renewed Computer Technology of Ontario, a not-for-profit charitable organization with a request to direct devices to Ontario Indigenous organizations as much as possible.

In 2022, we also embraced Concentra Bank's Empowering Your Community Program, a partnership with Canadian credit unions formed in 2011 to build healthy, strong communities. The program awards $200,000 in support of initiatives related to the environment, community, First Nations, and innovation.

While we do not operate with an official charitable giving policy, our social investments are planned, deliberate and reliable. More information can be found and is disclosed in our Public Accountability Statement.

Investing in Canadian art

Established in 1993, the Equitable Bank art collection consists of over 200 works of contemporary Canadian art spanning painting, drawing, printmaking, photography, textiles, sculpture, and digital media. As a collector, our sole mandate is to support early-career artists and emerging practices, striving toward an alternative, socially responsible and ethical approach to arts patronage.

In 2022, we sponsored several initiatives geared to increasing opportunities for emerging artists and expanding audience engagement with digital art practice.

Metric	2022	2021
Number of Canadian Artists Supported	282	192
Number of Local Arts Organizations Supported	18	23
Financial Support Provided to Local Artists	$308,000	$232,000

As a leading digital bank, we understand the importance of fostering innovation and finding new ways to use technology to better people's lives. The strong affinity we feel for all things digital is what led us to launch the Emerging Digital Artists Award (EDAA) in 2015. It celebrates early-career artists who demonstrate a critical and creative use of digital technology in their work, including video, animation, websites, apps, and games. Since 2017, EDAA has been a collaborative effort with Canada's oldest media arts centre, Trinity Square Video.

The five grand prize recipients of the 2022 EDAA were Kasra Goodarznezhad, Wei Li, Taylor McArthur, Matt Nish-Lapidus, and Zebv Diez, who each received $5,000 in recognition of their boundary-pushing art. Through the EDAA, the Bank has awarded a total of $127,000 to 47 emerging digital artists to assist them in further developing their craft.

Governance

We drive change in Canadian banking to enrich people's lives. This is our purpose and with it all stakeholders rightly have high expectations of how we behave as a Bank.

Using a governance structure fit for purpose, our Board of Directors serves as the guardian of our corporate values, and the arbiter of the strategies upon which we operate as Canada's Challenger Bank™.

At a high level, our Directors:

- seek to apply best-practice governance with an understanding of the needs of all stakeholders
- use their diverse and relevant skill sets, experience, and independent mindedness to challenge management in the formation and implementation of strategies that keep us at the forefront of digital banking and address ever-changing market and business conditions
- monitor our strong risk culture for ongoing effectiveness
- challenge themselves to continually improve by participating in Director education programs and annual Board effectiveness assessments (see 2023 Management Information Circular)

By setting the tone for integrity, engagement and personal accountability, and incenting behaviour that is aligned with our values, our Board of Directors helps our Bank deliver its purpose.

2022 governance highlights

- Completed the due diligence, regulatory approval, and acquisition of Concentra Bank; assessed its governance structure for effectiveness and began the integration process
- Appointed three new Directors with governance, risk management, technology, senior executive leadership, and retail banking experience
- Maintained strong Board diversity (42% of the independent directors self-identify as women, 17% self-identify as a visible minority / racialized person)
- Tested and reinforced our leading cybersecurity capabilities
- Newly established accountabilities for consumer provisions of the *Bank Act* (Canada) including whistleblower and customer complaint handling
- Introduced our Third Party Code of Conduct
- Defined values-based behaviours expected of people at all levels

Key resources

- Corporate governance guidelines
- Management Information Circular
- Annual Information Form
- Q4 and Annual 2022 MD&A
- Board of Directors
- Code of Conduct
- Board and Committee mandates

Governance Overview

Our Board of Directors operates within a governance framework designed to create value for all stakeholders, enhance long-term corporate sustainability, reduce business, technology, and governance risk, and reinforce accountability. Through its four committees, the Board oversees our approach to ESG and its integration into our strategy, business processes, and operations. Board and committee responsibilities are outlined below:

	Summary of ESG responsibilities
Board	• oversee a culture of integrity and ethical business conduct, and approve the Code of Conduct • approve EQB's strategy, oversee its implementation and monitor its execution • approve risk appetite framework and oversee its implementation
Audit Committee	• oversee the quality and integrity of financial reporting and the effectiveness of internal controls over financial reporting • oversee the effectiveness of the whistleblower program • oversee the effectiveness of the Internal Audit function and review reports on ESG-related audits
Governance and Nominating Committee	• oversee the Bank's ESG initiatives and related reporting, specifically the ESG Performance Report and the Public Accountability Statement • receive updates on current and emerging trends, standards, and best practices in ESG matters and disclosure of non-financial performance • support the Board in its oversight of the Bank's purpose and review disclosure on and alignment with its purpose • develop and recommends corporate governance guidelines and Code of Conduct, and review the Third Party Code of Conduct • monitor the effectiveness of the Board Diversity Policy • oversee compliance with the consumer protection provisions of the *Bank Act* (Canada) • oversee engagement efforts with stakeholders, including ESG rating agencies
Human Resources and Compensation Committee	• oversee and monitor Equitable's policies, programs and practices designed to: • promote workplace equity, including pay equity for equal work • protect the mental health and physical health and safety of employees in the workplace, and promote employee wellbeing and engagement • ensure a respectful workplace free from harassment • support an inclusive workplace culture and business environment that emphasizes the importance of reconciliation and is actively anti-racist • oversee the executive compensation program and consider the interests of our customers and the long-term interests of shareholders • oversee senior management succession and leadership development
Risk and Capital Committee	• review and recommend the Bank's risk appetite framework and oversees the Bank's performance against its risk appetite • review and approves significant risk management frameworks and policies • oversee the promotion of a sound risk-aware culture throughout the Bank • receive reports on the integration of significant environmental and social risk exposures within the enterprise risk management framework

Further information on the Board and Committee mandates can be found on EQB's Investor Relations website.

All Committee members are independent of management. Each committee meets in camera at each Board meeting and gathers at least quarterly to allow for detailed analysis and discussion and enable Directors to effectively fulfill their oversight responsibilities. Director attendance across each committee was 100% in 2022. More detail can be found in the 2023 Management Information Circular.

Board Diversity

We remain committed to best-in-class Board diversity.

	2022	2021
% of independent directors	**92%**	91%
% of executive board members	**8%**	9%
% of independent directors self-identify as women (target is at least 30%)	**42%**	50%
% of independent directors self-identify as visible minority / racialized person	**17%**	20%
Average board tenure	**7 years**	7 years
Average board tenure of independent board members	**6.1 years**	6.4 years
Age diversity of directors: Youngest director	**46 years**	49 years
Age diversity of directors: Oldest director	**71 years**	70 years
Board age limit	**72 years**	72 years
Average mandates of board members (ex. Chair of the Board and President & CEO)	**2**	3
Number of independent board members with four or fewer mandates	**12**	10
% of independent board members with four or fewer mandates	**100%**	100%

As at December 31, 2022 EQB Inc. and Equitable Bank had 12 and 13 board members, respectively. Figures may differ from those presented in the Management Information Circular, which highlights director election that occurs at the Annual General Meeting each spring.

Management's role and accountability for ESG performance

Our ESG approach starts with our Board and Executive Leadership but responsibility for sustainable business practices is shared with our Challenger workforce of 1,685 people.

The Board recognizes that delegation of authority for the management of certain ESG matters is necessary and appropriate to ensure we leverage the talents, skills, and resources of all employees. To be effective, delegation is planned, intentional, and comes with accountability for outcomes achieved. The Board works collaboratively with the Bank's Executive Leadership team to:

- **Establish policies and procedures** for the delegation of authority, including guidelines for decision-making, monitoring, and reporting.

- **Set clear responsibilities and objectives** for the Bank's economic, environmental, and social performance and define the responsibilities of senior executives and other employees.
- **Assign specific ESG-related roles** for each senior executive and other employees taking into account their skills, experience, and expertise. For example, privacy, compliance, governance, risk management, legal, and cyber security teams have dedicated members with established roles and oversight of ESG-related processes. The Corporate Development and Investor Relations team reporting to the Chief Financial Officer plays a central role in coordinating ESG-related efforts.
- **Ensure appropriate training and support are provided** to senior executives and other employees to carry out their delegated responsibilities effectively. The Bank engages external experts to assist with ESG efforts and benchmark performance against industry practices and metrics.
- **Monitor and evaluate the performance** of senior executives and other employees to ensure the achievement of intended outcomes. This annual ESG Performance Report is a cornerstone of the Board's monitoring process, although the Bank's Executive Leadership team provides ESG updates at every Board meeting and regular updates at committee meetings of the Board.

Purpose-built risk management

Like other financial institutions we face our own set of credit, financial, operational, and reputational risks. Our Board of Directors recognizes this reality and that Canada's Challenger Bank™ has similar but not necessarily the same set of risks and opportunities as other institutions because of our size, industry-leading, cloud-native digital capabilities, and the differentiated nature of our culture and services.

For that reason, we employ purpose-built risk frameworks, policies and controls approved by the Board of Directors. These are designed to:

- identify and assess all risks; those related to ESG and core risks including credit, liquidity, and interest rate
- align business strategy and risk
- maintain an appropriate risk appetite
- empower the Bank's business units to pursue opportunities within pre-defined risk tolerances
- ensure a proper control and reporting/monitoring environment exists
- ensure that best-in-class risk management tools and training are in place
- preserve our well-established risk culture

We believe the culture and shared values of our organization – service, integrity, empowerment, respect, and agility – are fundamental to effective risk management and to earning the trust and confidence of customers, employees, and regulators. Our Board-approved Enterprise Risk Management, Risk Appetite and Operational Risk Management frameworks and policies are described in our 2022 MD&A (beginning on page 57) as is the central role played by the Board's Risk and Capital Committee.

Our Board receives regular reports from management and engages external experts to provide independent assessments of the Bank's risk management practices.

Management's role and accountability for risk

Our corporate leaders including Chief Executive Officer, Chief Risk Officer, Chief Credit Risk Officer, Chief Compliance Officer, and Chief Financial Officer are hands-on in the management of risk as well as the preservation of our risk culture and philosophy of always doing the right thing. We also employ experienced personnel with dedicated responsibilities for the management of operational risk, fraud protection/prevention, compliance, risk policy, credit risk, risk modelling, and reporting. We deliver related training for our customer-facing teams and our internal audit team and external auditors monitor and report outcomes.

To ensure that all significant and emerging risks are considered, our Enterprise Risk Management (ERM) Committee reviews the risk profile of our core risks on a continuous basis and reports to the Board at least quarterly. The ERM Committee receives consolidated reports on key operational risk management trends, significant events, if any, and key risk indicators across the Bank from our centralized Operational Risk Management Team. These reports are shared with the Risk and Capital Committee of our Board quarterly. The work of our ERM Committee helps us to make informed decisions, allocate resources effectively, and maintain our reputation as a trusted financial institution.

Living our values

Our Board and Executive Leadership team believe that they and all members of Equitable Bank must live our values through mindful personal behaviour, which is the key to acting with integrity. To assist, we defined the values-based behaviours expected of people at all levels.

The Board-approved Code of Conduct sets expectations regarding ethical behavior of directors, officers and employees, provides guidance on how to make sound decisions, reinforces our risk culture and addresses conflicts of interest, data protection, and environmental sustainability.

Our Code of Conduct speaks to our five key values – service, integrity, empowerment, respect, and agility – that underlie the Bank's activities. The Code of Conduct outlines minimum standards of behavior expected from all employees, including contractors and directors. It also sets out principles to guide our actions and decisions and is supported by various policies and procedures. All employees and directors demonstrated commitment to the Code of Conduct in 2022 through an annual Code compliance attestation.

In addition to the Bank's Code of Conduct which sets out the Bank's expectations as it relates to ethical conduct and behaviour, the Bank also captures various elements of ethics via other ethics related policies such as Insider Trading Policy, Related Party Policy, and Conflict of Interest Policy.

Major attributes of our ethics related policies include clarity and simplicity; relevance to the Bank's operations, products, services, values, and commitments; compliance/consistency with Canadian and international laws, regulations, and best banking practices; and flexibility to adapt to changing circumstances (including changes in technology).

Whistleblower policy

Stakeholders may raise concerns anonymously and confidentially through our Whistleblower Ethics phone and online reporting system operated independently by a third party. Our Whistleblower Policy, referenced in the Bank's Code of Conduct, commits the Bank to timely investigations and resolutions of all concerns. When concerns are raised, they are reported by our Chief Compliance Officer to the Chair of the Audit Committee of the Board following a thorough investigation. Anyone who in good faith reports a concern is protected from retaliatory action or discipline. All employees receive training on the policy as well as their rights and protections.

Respecting human rights

We operate solely in Canada where human rights are enshrined in the *Canadian Human Rights Act* (Canada), the *Canadian Charter of Rights and Freedoms*, and the *Canada Labour Code*. We respect and are proudly compliant with all relevant federal, provincial, regional, and other human rights regulations. To operationalize human rights, we operate with internal policies including our Code of Conduct, Employee Handbook, and our Violence and Harassment in the Workplace Policy.

We also expressly prohibit discriminatory lending practices that are biased against people based on their race, gender, age, religion, and other protected characteristics. We have policies and procedures in place including training for our team, regular community outreach and education –to help all customers access our products and services. We recognize that equitable human rights are a precursor to successful business and societal development. We strive to give employees, customers, and communities equality and dignity. For more information, please refer to the Equity, Diversity, and Inclusion section of this Report.

Advancing public policy that is good for people and the banking system

To deliver our purpose, we periodically participate in public policy debates to ensure Canadians are treated fairly and with respect by the banking industry.

Recently, we spoke out in support of open banking (see our Open Banking web page) and publicly advocated for an increase in the coverage provided depositors through the Canada Deposit Insurance Corporation. Our Chief Executive Officer leads these outreach efforts. He is our only registered lobbyist and lobbying represents under 20% of his duties.

Public affairs efforts include making responses during government consultations, holding memberships in the Banks and Trust Companies Association and Canadian Bankers Association, and engaging with the Office of the Superintendent of Financial Institutions (OSFI), our prudential regulator, as well as appropriate public and private bodies to gather insights, research, and opinion on public policy matters. Our approach is respectful, collaborative, data-driven, and stakeholder focused. We engage in constructive dialogue in support of the integrity of the financial system, avoid political activities that compromise our impartiality or impact our corporate reputation, refrain from making political endorsements, and do not make political donations.

All activities are driven by the Bank's Code of Conduct and with strict adherence to our corporate values. Our Regulatory Compliance Management Policy contains an overview of how the Bank complies with its regulatory compliance obligations.

Paying our fair share of taxes

We believe in paying our fair share of corporate taxes. Doing so ensures we contribute to the development and wellbeing of society. We acknowledge the mutual benefit of tax-paying activities and comply with all filing obligations and tax disclosure requirements. Refer to 2022 Public Accountability Statement for additional details.

Governance for the people: responsible products, services, and competition

Our purpose causes us to think and act differently by setting new standards for customer value and convenience. It also encourages us to be bold and innovative in our product and service offerings. As Canada's Challenger Bank™, we feel a social responsibility to show there are new and better ways of doing business. Beginning on page 35 of this Report, you will read about our approach to customer service and how we strive to differentiate our Bank by being exceptionally responsive and respectful and expressing that responsiveness through our industry-leading digital capabilities and fee-free services.

While innovating, we ensure that our savings and lending products and services comply with consumer protection laws, regulations, and voluntary industry codes of conduct.

Our Board of Directors is actively involved in reviewing new product and service strategies to ensure we meet our legal obligations, uphold our values, and manage our risks. Our Board is well suited to provide this oversight: six of our 13 Directors have retail banking experience and five have marketing/branding experience.

Comprehensive workforce training is provided to encourage and perpetuate our customer service ethos and was recently expanded to include information on Canada's new Financial Consumer Protection Framework. We also monitor customer satisfaction closely. Customer satisfaction is integrated into our executive compensation program.

We make it easy for customers to get help through contact with our EQ Bank Customer Care team or Mortgage Services teams for help with lending products. Our front-line Challengers follow a 3-step customer complaint handling process – Customer Complaint Handling Procedures, found on our websites and in brochures at our office locations – which all employees are expected to follow per our internal Complaint Handling Policy & Corporate Procedure. The

Bank's Dispute Resolution Office (DRO), the final step in the Bank's Customer Complaint Handling Procedure, conducts investigations of complaints that were unable to be resolved within the first two steps. This Office is committed to providing an impartial review based on the evidence available to help customers and Equitable Bank reach a fair, reasonable, and transparent resolution. Where appropriate, the Office recommends improvements to our operations, products, and services.

	2022	2021
Total contacts received by the DRO (formerly, Office of the Ombudsman) [1]	*	300
Full investigation complaints conducted by the DRO	7	8
Number of full investigation complaints that were resolved by the DRO to the satisfaction of the person who made the complaint	**3**	5

[1] As part of the new complaints requirements under the Financial Consumer Protection Framework (FCPF) that came into force in June 2022, the term, "Ombudsman", can no longer be used. The Dispute Resolution Office (DRO) is the new name for Equitable Bank's most senior designated level for addressing complaints (step 3 of the Bank's complaint handling process). The Bank's new process no longer requires the Compliance department to triage incoming complaints. As a result, for 2022, there was a significant decrease in contacts to the DRO due to the transfer of triaging duties from Compliance to the Customer Care team.

With the introduction of the FCAC's *Guideline on Complaint Handling Procedures for Banks and Authorized Foreign Banks*, there will be new data requirements to incorporate into the DRO Annual Report which will be significantly different than the data found in the Bank's 2021 Ombudsman Annual Report, as can be seen in the stats provided above. The 2022 DRO Annual Report will be published on the Bank's website in May 2023.

No-nonsense marketing and sales

In pursuing our purpose, we believe in a no-nonsense approach to banking and it extends to how we communicate with customers. Our responsible marketing and sales practices are founded on six principles:

- **Ensuring fair treatment** of all customers regardless of their financial status.
- **Encouraging customers to ask questions** and providing them with the information they need to make informed decisions.
- **Being transparent** about the terms, fees, rates, and conditions associated with our products and services across all operations including our EQ Bank digital platform, deposit services, single-family and commercial lending, leasing, and credit union services.
- **Avoiding conflicts of interest** in sales practices which means putting the best interests of customers ahead of promoting our products or services and avoiding high-pressure sales tactics.
- **Providing accurate information** to customers about the products and services we offer, and never making false or misleading statements or overstating product/service benefits.
- **Protecting customer information** (see page 49-50)

We believe in honest, plain, transparent, and no-nonsense communication. We state our obligations to responsible customer-facing and shareholders communications in our Disclosure of Information Policy.

Responsible competition

As Canada's Challenger Bank™, we compete vigorously for customers with differentiated products, services, and digital capabilities. We believe in the value of competition conducted legally and ethically.

Our Code of Conduct expressly prohibits anti-competitive practices such as price fixing, collusion, or prohibited conduct (including coercive selling) and we have processes in place to live by our commitments. Employees are taught to identify potential red flags, how to handle such situations and are assessed on their knowledge.

We also eschew anti-competitive conduct such as market division, are cautious when contemplating exclusive deal arrangements and regularly review best practices under the supervision of our General Counsel and Chief Compliance Officer. Moreover, we also employ a Conflict of Interest Policy, which holds our people, including Executive Management and our Directors, to high ethical standards and promotes transparency and fairness.

Doing our part to fight crime

As Canada's 7th largest independent bank by assets, we play an important role in helping Canadian and international authorities stop financial crimes and corruption. We operate with a strictly enforced Anti-Money Laundering (AML) and Anti-Terrorist Financing (ATF) program to prevent these crimes. Well-defined roles and responsibilities for our Challenger workforce – including our Chief AML Officer who is accountable for the implementation and maintenance of the program – set the stage for effective governance.

Select customer-facing employees and those supporting customer-facing efforts receive and complete AML training when they onboard and annually thereafter. Our culture of ethical behaviour demonstrates zero tolerance for any deviations. We employ robust internal controls, keep appropriate customer and transaction records, conduct customer due diligence, log, and report, when required, suspicious activities, assess risks and mitigants while developing new products, conduct regular risk assessments as well as internal and external audits and reviews to detect and prevent money laundering and terrorist financing activities including corruption.

We comply with all appropriate rules, regulations, and guidelines applicable to the Bank, including the *United Nations Act* (Canada), *Canada's Criminal Code*, the *Corruption of Foreign Public Officials Act* (Canada), *Freezing Assets of Corrupt Foreign Officials Act* (Canada), and *Special Economic Measures Act* (Canada).

Safeguarding our customers and technology advantages

EQ Bank, our digital platform, is the first in the Canadian banking industry to be hosted entirely in the cloud. It is also a three-time winner of the best bank in Canada on the Forbes list of the World's Best Banks, in no small part because of the innovative way we use our capabilities to deliver enriching products and services to Canadians. Since launching EQ Bank in 2016 and seeing it become an important source of value-added banking for 308,286 customers, we have sought to expand our digital solutions to other Equitable Bank business lines using a proven, extendable, and composable architecture that allows re-use across channels, segments, products, and services.

How we develop, apply, protect, and govern these technology advantages are all part of our competitive strengths and are of utmost relevance to our Board and Executive Leadership in their deliberations/actions. Our advanced security frameworks and standards and the continuing investments we make in our systems help us to deliver digital banking services that are safe, secure, private, and efficient; in short, worthy of the trust and confidence of our customers.

Data collection and privacy policies and principles

We strive to conduct all business activities in compliance with the *Personal Information Protection and Documents Act* (Canada) (PIPEDA) which requires us to obtain customer consent before collecting, using, or disclosing their personal information. Equitable's Privacy Program is governed by the Privacy Principles as set out in Schedule 1 of PIPEDA. Strict controls are in place to ensure only authorized personnel within our organization have access to customer data and we encrypt sensitive information to protect against unauthorized access. We also limit data collection to essentially mandated information and do not retain it longer than deemed necessary.

Our privacy program is backstopped by our publicly accessible Privacy Agreement which we jointly sign with each customer, and our Code of Privacy Principles which outlines the ways in which we protect the integrity and security of customer information. Our data privacy team, which includes our Chief Privacy Officer and Chief of Information Security, is responsible for system design and compliance.

Policies not in the public domain, but that are key to our approach include:

- **Privacy Policy and Privacy Corporate Procedures** which include regulatory guidelines and other applicable regulatory norms, privacy management key steps, compliance agreements and roles and accountabilities. The Privacy Policy is a Board-approved policy.
- **Mandate of our Chief Privacy Officer** including scope of work, accountability, and key duties
- **Privacy Breach Investigation Report** which codifies key steps for investigating and, where applicable, reporting of privacy breaches

In keeping with our rigorous approach, we invest in the latest best global practices and privacy tools available in banking. We provide mandatory privacy training for all employees within 60 days of hire and annually thereafter which covers (among other topics) how to classify data and handle it appropriately based on its sensitivity levels. Employees are encouraged to report privacy concerns to our privacy office.

Active collaboration involving our Chief Privacy Officer, Chief Compliance Officer, Chief Technology Officer, and Group Heads of Personal Banking and Commercial Banking allows us to advance our strategies and practices. We also operate in an environment where any stakeholder – employee, customer, partner, or investor – can recommend privacy-related improvements.

We adhere to the provisions of Canada's Anti-Spam Legislation and associated guidance through our Electronic Messaging Policy and the requirements of the Financial Consumer Agency of Canada.

	2022	2021
Data privacy policy in place	**Yes**	Yes
Number of regulatory observations on Equitable Bank's data privacy	**0**	0
Number of data privacy customer complaints	**0**	0
Monetary losses from legal proceedings associated with customer privacy breaches (excluding Concentra Bank)	**$0**	$0

Reinforcing cybersecurity and resilience

Cyber security continues to present a significant risk to financial institutions, with potential impacts that could include service disruptions, theft of customer information, reputational damage, and litigation. The tactics and techniques used in cyber attacks have increased in sophistication, while the hackers behind these attacks have become more organized and well-financed.

To protect the Bank and its customers, the Bank's Information Security team operates and manages cyber security controls, with alignment to regulatory expectations and standards defined by the National Institute of Standards and Technology (NIST). As the technology and cyber security landscape is constantly changing, we update our cyber security strategy annually and execute several projects each year that improve our security controls. We also use a continual loop of measurement and testing practices to validate the quality and completeness of security controls, identify opportunities for improvement, and action those improvements to enhance the bank's cyber security operational functions. In addition to executive oversight, the Risk and Capital Committee of the Board of Directors provides oversight through a quarterly update on the Bank's cyber security risk posture; the Board also approves our Cyber Security Policy bi-annually.