



# **CORPORATE GOVERNANCE GUIDELINES**

**November 2022**

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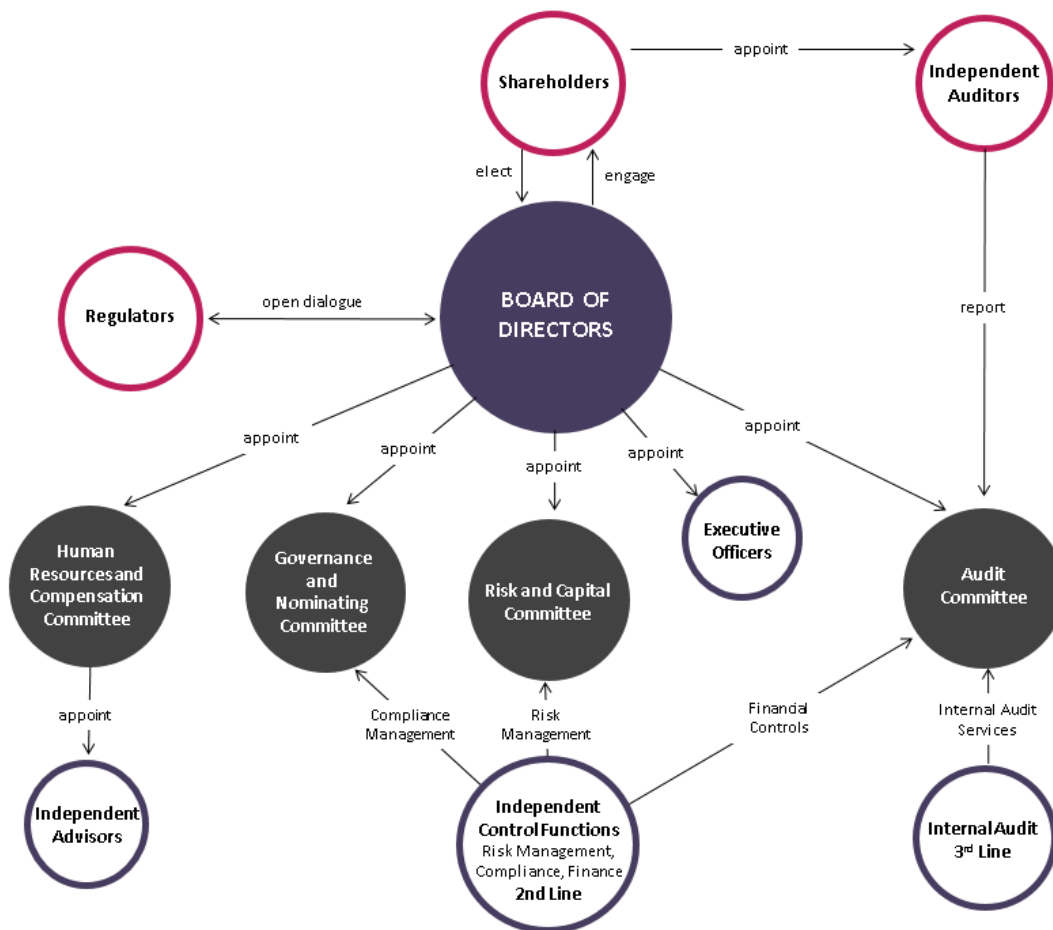
## General

The Board of Directors (the “Board”) of EQB Inc. and Equitable Bank (“EQB”) has adopted these Corporate Governance Guidelines to reflect the Board’s strong commitment to the highest standards of corporate governance practices and assist the Board in the exercise of its governance responsibilities and serve as a framework within which the Board may conduct its business. These Guidelines are consistent with the governance and regulatory expectations of the Office of the Superintendent of Financial Institution and the Canadian Securities Administrators.

The Governance and Nominating Committee will review these guidelines annually, or more often if warranted, and recommend to the Board any changes it determines necessary or appropriate in light of EQB’s needs, regulatory changes and evolving best practices.

## Governance Structure

Our governance structure highlights the interdependencies and relationships among the Board, its committees, management, shareholders and other stakeholders through which EQB’s values and strategic priorities are established, and our plans for achieving those priorities and monitoring performance are determined.



## **Code of Conduct**

The Board has adopted EQB's Code of Conduct which applies to all levels of the organization. The Code provides guidance and expectations regarding ethical behavior of directors, officers and employees of EQB, and how to make sound decisions. It sets out the principles that guide us to do the right thing, to act ethically and with integrity.

The Board shall obtain reasonable assurance that there is an ongoing, appropriate and effective process in place for ensuring adherence to the Code. Annually, all employees and directors of EQB must acknowledge they have read and understand the Code's expectations, and attest to their ongoing compliance with the Code. The Chief Compliance Officer reports to the Governance and Nominating Committee on such compliance, noting any occurrences of material deviation from the Code and any corrective action taken.

## ***Director Conflict of Interest***

Directors have an ongoing obligation to provide EQB with complete and up-to-date information on all entities in which they have a material interest so that any conflict they may have regarding these entities can be identified. Directors are required to report to the Chair of the Governance and Nominating Committee the details on any actual or potential conflict of interest between themselves and EQB. The Chair of the Governance and Nominating Committee will lead the Committee in a review and discussion of the matter, and determine an appropriate course of action for the Director. The Director in question will not vote or participate in the decision. The details of any actual, potential or perceived conflicts and the Committee's decision will be recorded in the minutes of the meeting.

## **Whistleblower Policy**

EQB's Whistleblower Policy provides an open and effective communication channel for employees and third parties to report, on a confidential and anonymous basis, complaints regarding accounting, auditing or internal accounting controls and other ethical, legal or regulatory matters. All reports are investigated internally or by an independent third party, and appropriate action is taken. Significant concerns are raised with the Chair of the Audit Committee.

## **Role of the Board**

The primary responsibility of the Board is to supervise the management of EQB's business and affairs. The executive team, under the supervision of the Chief Executive Officer (CEO), is responsible for directing EQB's business on a daily basis. The Board's responsibilities are outlined in its mandate and include the following:

- foster a culture of integrity and ethical behaviour,
- approve the strategic plan and monitor its execution,
- oversee financial reporting, capital and liquidity management, and internal controls,
- ensure risks are managed effectively within the Board-approved risk appetite framework, and
- select and appoint the CEO, oversee succession planning, performance evaluation and compensation for the CEO and the executive team.

## **Board Composition**

### ***Board Size***

The size of the Board shall be fixed by resolution of the directors subject to a minimum of seven. Board. The Governance and Nominating Committee shall periodically review the size of the Board, which may be increased or decreased between annual meetings if determined to be appropriate by the Board. In considering the size of the Board, the Committee balances the competing goals of keeping the Board to a size which facilitates effective discussions and decision-making, while at the same time offering appropriate representation to meet the competency and diversity needs of the Board and its committees in the context of EQB's business and operating environment, and strategy.

The Board has the authority under the by-laws to fill any vacancy created as a result of an increase in the size of the Board except for a vacancy created from an increase in the maximum number of directors. Shareholders will have the right to vote for or withhold their vote from any director appointed between meetings at the next annual meeting of shareholders.

### ***Director Recruitment***

The Governance and Nominating Committee, in consultation with the Chair of the Board, has primary responsibility for identifying potential candidates for Board membership, and making recommendations to the Board. The Board believes its membership should be composed of highly qualified individuals with business and professional experience, including relevant financial services industry and risk management expertise.

The Committee selects director candidates possessing business and professional expertise, including relevant financial services industry and risk management expertise and diversity considerations. Potential candidates are identified through executive search firms and referrals from other directors and management. The Committee may also use the service of search firms to perform reference and background checks. The Chair of the Board, the Chief Executive Officer, the Committee Chair, and at least two other Committee members are involved in the interview process where they will discuss with the candidate their interest and willingness to serve on EQB's Board, potential conflicts of interest, and their ability to devote sufficient time and energy to the Board. The Committee's review of potential nominees includes an assessment of the input received from all of these sources as well as an assessment of independence, suitability and potential conflicts of interest with EQB. All Board appointments will be based on merit, taking account of the skills and experience, independence and knowledge needed on the Board while having due regard for the benefits of diversity on the Board.

### ***Skills and Competencies***

The Board should be composed of members with a broad spectrum of skills, competencies, educational background and experience that reflect the nature and scope of EQB's business.

The Governance and Nominating Committee maintains a skills and competencies matrix to assess the collective skill and experience the Board as a whole should possess and of the director nominees it recommends to the Board taking into consideration EQB's strategy, opportunities, risk profile and overall operations. The matrix is regularly reviewed by the Committee to ensure it continues to reflect the Board's current and long-term needs as well as EQB's strategic priorities. Each director self-assesses their skills and experiences identified in the matrix, and the Committee uses the results to help identify gaps in the Board's collective skill set. The Committee also considers the results of Board and director

performance evaluations in determining to nominate a director for election or re-election. The matrix is disclosed in EQB's annual management information circular.

### ***Board Diversity Policy***

EQB is committed to equity, diversity and inclusion at all levels of the organization. Diversity promotes the inclusion of different perspectives and ensures EQB has the opportunity to benefit from all available talent to help drive growth, innovation and success. The Board's approach to its membership supports that commitment.

The Board recognizes the value of diversity among its members and believes it should be composed of highly qualified individuals with a broad spectrum of competencies, experience, and perspectives which produces better corporate governance and effective decision-making. When identifying and considering the selection of qualified candidates for Board membership, the Governance and Nominating Committee will consider diversity criteria including gender and gender neutral, geographic and cultural background, age, ethnicity, racial status, members of visible minorities, Indigenous peoples, persons with disabilities, and sexual orientation.

The Board has established a target for women to represent at least 30% of its independent members. While targets have not yet been established for other diverse groups due to the small size of the Board and the broad range of criteria to consider when appointing a director, the Board recognizes the importance of enhancing the representation of other diverse and historically under-represented groups. A commitment to further improving diversity on the Board will be considered when reviewing any anticipated vacancies.

Any recruitment firm engaged to assist the Committee in a director search will be required to identify a diverse slate of candidates with particular competencies. The Committee will assess the effectiveness of this Policy by considering the level of diversity on the Board annually. A summary of this Policy will be included in EQB's Management Information Circular.

### ***Director Independence Policy***

The Board believes that to be effective, it must be independent of management. As a result, a substantial majority of its members should be independent at all times and each committee should be composed entirely of independent directors.

The Board has delegated responsibility to the Governance and Nominating Committee for reviewing the independent status of each director annually prior to recommending their re-election to the Board by the shareholders, or prior to the initial appointment to the Board between annual meetings. The review is based on the results of questionnaires completed by each director, as well as other factual circumstances considered by the Committee on an ongoing basis such as interlocking Board and committee memberships. Directors have an ongoing obligation to inform the Board of any material changes in their circumstances or relationships which may affect their independence.

A director is considered independent if the Board affirmatively determines that the director has no material relationship with EQB that could, in the view of the Board, be reasonably expected to interfere with the exercise of a director's independent judgment. The Board has adopted categorical standards of independence which are based on the definition of "independence" in the CSA and criteria from the "affiliated persons" regulation under the *Bank Act*. These standards are attached as Appendix "A".

All relationships will be reviewed by the Committee such as the nature of the director's banking relationship, and a director's role in a charitable organization which has received a certain level of contributions from EQB.

Disclosure in EQB's management information circular will include confirmation that the Committee has evaluated the independence of the directors and proposed directors in accordance with this policy and the basis for any Committee determination that a relationship is immaterial despite the fact that it does not meet the Independence Standards.

While the Board does consider a director's tenure on the Board during the nomination process, it does not believe that length of board service alone affects a director's ability to act independently, with integrity, and in EQB's best interests. The director's overall relationship with management and EQB will be considered.

### ***Retirement Age and Term Limits***

Directors will not stand for re-election at the annual meeting following their 72<sup>nd</sup> birthday.

Subject to the retirement age and being re-elected annually by the shareholders, each non-management director may serve on the Board for up to 12 years following their initial election to the Board by the shareholders.

In exceptional circumstances, and subject to the retirement age and being re-elected by the shareholders, on the recommendation of the Governance and Nominating Committee, the Board may extend the director's term for an additional one-year term up to three additional terms if it is in EQB's best interests and the director remains below the retirement age. This decision is subject to annual review by the Board.

A 12-year tenure for directors helps to create the appropriate balance between the need to have experienced directors who have been able to develop, over a period of time, increased insight into the Company and the need to ensure that fresh ideas, viewpoints, and perspectives are available to the Board. The Board does not feel that imposing a Board term limit is a substitute for regular Board succession planning or a rigorous annual evaluation of Board and individual director performance. Directors do not have guaranteed tenure or the expectation that they will be nominated for re-election each year until they have reached the maximum years of service.

Pursuant to the *Bank Act* (Canada), the Chief Executive Officer serves on the Board so long as they hold that office.

### ***Majority Voting Policy***

In an uncontested director election, each director nominee must receive a majority (50% + 1 vote) of votes "for" of the total votes cast. Accordingly, any director nominee who receives a greater number of votes "withheld" than votes "for" his or her election (a "Majority Withheld Vote") will immediately tender his or her resignation for consideration by the Governance and Nominating Committee. (In this policy, an "uncontested election" means an election where the number of nominees for director equals the number of directors to be elected).

The Governance & Nominating Committee will review the resignation offer and, absent any exceptional circumstances as prescribed by the TSX majority voting policy requirements, recommend to the Board

that such resignation be accepted. The Board shall act on the Governance & Nominating Committee's recommendation within 90 days of the applicable shareholders' meeting. *If the resignation is not accepted* because of exceptional circumstances, active steps will be taken to resolve those circumstances in the following year.

The Board will immediately disclose, via press release, its decision whether to accept the resignation offer including the reasons for rejecting it, if applicable. The director's resignation will be effective when accepted by the Board. If the resignation is accepted, the Board may appoint a new director to fill the vacancy or reduce the size of the Board.

Any director who tenders his resignation pursuant to this policy shall not participate in any deliberations of the Governance and Nominating Committee regarding the resignation, even if the director is a member of the Committee. However, if each member of the Governance and Nominating Committee received a Majority Withheld Vote in the same election, or a sufficient number of Committee members where the Committee would no longer have a quorum, then the independent directors who received a majority of votes "for" shall appoint a committee amongst themselves to consider the resignation offers and recommend to the Board whether to accept them.

In the event that any director who received a Majority Withheld Vote does not tender their resignation in accordance with this policy, they will not be renominated by the Board.

The Governance and Nominating Committee may adopt such procedures as it sees fit to assist it in its determinations with respect to this policy.

#### ***Non-executive Independent Chair***

The Chair of the Board will be a non-executive independent director.

The appointment of the Chair shall take place annually at the first meeting of the Board following the annual meeting of shareholders at which directors are elected or re-elected. The Chair of the Board presides over every Board meeting (including *in camera* sessions) and shareholder meetings. The Chair's key responsibilities are set out in the mandate for the position which is approved by the Board.

#### ***Service on other Boards and Board Interlock Policy***

The Board recognizes that Board membership requires a significant dedication of time. While the Board imposes no fixed limit on the number of boards on which a director may serve, the Committee will review all directorships held by each director to ensure that there are no conflicts of interest.

Directors are required to notify the Chair of the Governance and Nominating Committee, the Chair of the Board and the Chief Executive Officer of any opportunity to serve on another Board (public or private) prior to accepting such opportunity. The Chief Executive Officer will consult with the Chair of the Governance and Nominating Committee and the Chair of the Board of any opportunity to join another board prior to accepting any invitation.

The Committee will consider the following guidelines when reviewing directorships held by new director candidates or existing directors:



- (i) directors who are CEOs or hold senior executive positions of public companies should hold a maximum of two public company directorships, including the company of which he or she is CEO or a senior executive officer;
- (ii) other directors should hold a maximum of five public company directorships.

In addition, no director should sit on more than three public company audit committees without the consent of the Governance and Nominating Committee and the Board.

No more than two directors may sit on the same company Board.

### ***Change in Principal Occupation***

The Board does not believe that directors who change from the position they held when they joined the Board should necessarily leave the Board. A director who makes a change in principal occupation shall notify the Chair of the Governance and Nominating Committee and/or the Chair of the Board. The Governance and Nominating Committee will review the continued appropriateness of Board membership under such circumstances.

### **Board Function and Performance**

#### ***Attendance and Preparation***

Directors are expected to attend meetings of the Board, and any committee meetings on which he or she is a member, and each annual meeting of shareholders. Directors are required to attend a minimum of 75% of Board and committee meetings held in a year, except where the Governance and Nominating Committee determines that factors beyond a director's control prevented them from achieving this requirement. Attendance will also be taken into consideration in the nomination process.

Directors are expected to devote sufficient time to be an effective and fully contributing member of the Board and the committee(s) on which they serve.

Each Board committee approves a calendar of standard agenda items to be discussed at each meeting scheduled for the course of the ensuing year. The Chair of the Board, in consultation with the Chief Executive Officer, establishes the agenda for each Board meeting. Any director may suggest the inclusion of additional item(s) on the agenda. Material for each Board and committee meeting will be provided to all directors via the Board portal approximately one week in advance of each meeting.

#### ***In Camera Sessions***

The Board and each Committee will meet at the beginning and/or the end of each regularly scheduled meeting without management present. Such sessions will be included on the agenda for each regularly scheduled meeting. The Chair of the Board or applicable Committee Chair will preside at each of these sessions.

After each *in camera* session, the Chair shall provide feedback to the Chief Executive Officer on the contents and decisions of any relevant discussion.

Any decision made during an *in-camera* session of a Board or committee meeting shall be included in the formal minutes of that meeting.

### ***Director Orientation and Education***

The Governance and Nominating Committee oversees the orientation of new directors and ongoing education for all directors.

New directors:

- (i) can access detailed background information about EQB such as the role and expectations of the Board and its Committees, EQB's strategy and operations, meeting material and minutes, governance practices, and annual and quarterly financial information. This information can be accessed through Diligent, the secure on-line Board portal.
- (ii) meet with key legal and oversight function heads to learn about their obligations and the internal controls and practices in place at EQB.
- (iii) are provided with deep-dives into EQB's businesses with Executive Officers and senior management.
- (iv) are matched with a more seasoned member of the Board to enhance their understanding of Board culture and dynamics, and governance processes, receive coaching and feedback, and to debrief between meetings.

Orientation is tailored to the new director's specific needs and experiences, and expected Board committee responsibilities. The Governance and Nominating Committee will solicit feedback from the new director to determine where improvements or enhancements could be made to the orientation program.

New directors are encouraged to attend all Board Committee meetings during their first year, and to request any supplemental information they need to further their understanding and knowledge to equip them for service on the Board and its committees.

Educational needs of directors are identified through the annual Board evaluation process, in one-on-one meetings with the Chair of the Board, and during discussions of certain topics at Board and committee meetings. Presentations are regularly made at Board and committee meetings on various aspects of EQB's business and operations, including regular updates on emerging regulatory and governance matters, and periodically made on topical areas to deepen the directors' familiarity with EQB and its affairs.

### ***Board Evaluation***

The Board evaluates the effectiveness of the Board, its Committees, the Board Chair and individual directors. The Governance and Nominating Committee, in consultation with the Chair of the Board, determines the process by which the evaluation will be conducted annually, which may include written questionnaires and one-on-one meetings between each Director and the Chair of the Board.

The Board may determine to periodically engage an independent third party to facilitate the Board's evaluation.

### *Board and Committee*

Each director will assess the Board's performance against its mandate and the objectives it establishes for itself annually at the beginning of the year. Directors will also provide recommendations on what the Board's priorities should be for the following years. Directors will also assess other matters relating to the operation of the Board and its Committees, including strategic, risk, and operational issues and the effectiveness of Board processes or structure. The results of the evaluation are collected and analyzed by the Chair of the Board and discussed with the Governance and Nominating Committee and the full Board. Management is advised of any suggestions for process improvements flowing from the evaluation in order to support the work of the Board.

### *Board and Committee Chairs*

On a periodic basis as determined by the Governance and Nominating Committee, each director will assess the effectiveness of the Board chair and respective committee chairs against the duties specified in the respective mandates. The Chair of the Governance and Nominating Committee will provide the Board Chair with feedback on his or her effectiveness, and the Board Chair will provide feedback to Committee Chairs.

### *Individual Directors*

Directors periodically participate in written peer reviews to assess other directors on the key qualities and behaviours that the Board considers essential for any director to successfully discharge his or her oversight responsibilities. The frequency of these reviews is determined by the Governance and Nominating Committee. Input from this process is used to identify development opportunities and taken into account when considering the director nominees to be recommended to shareholders.

### ***Director Compensation***

The Governance and Nominating Committee is responsible for reviewing director compensation every two years to ensure it remains competitive in the marketplace, aligns the interests of directors and shareholders, and is commensurate with the responsibilities, time commitment and risks associated with being an effective director. The Board determines the adequacy and form of director compensation based on the recommendation of the Governance and Nominating Committee.

Non-management directors, including the Chair of the Board, receive half their annual retainer in Deferred Share Units which must be held until their retirement from the Board, and may elect to take up to 100% of the cash portion of their annual retainer in the form of DSUs. A director appointed to the Board between annual meetings will receive a pro-rated equity grant of DSUs.

### *Directors' Expenses*

Directors are reimbursed for reasonable out-of-pocket expenses incurred while attending meetings of the Board or any committee thereof, or in connection with the performance of their service as a director. Expenses include return airfare from the director's principal residence for regularly scheduled Board meetings, accommodation, meals, parking, and other travel-related costs. Expense claims should be supported by receipts.

### ***Director Share Ownership***

Each non-management director is required to attain a level of share ownership of at least three times the total retainer for non-management directors (i.e. 3x \$120,000). The Chair of the Board is required to attain a level of share ownership of at least three times the total retainer for that position (i.e. 3x \$265,000).

Directors have five years of joining the Board or, in the case of the Board chair, five years from the initial appointment to that position, to meet the share ownership requirement. Share ownership includes both common shares and deferred share units.

Compliance with this share ownership requirement is determined annually on March 15<sup>th</sup> and is based on the higher of acquisition cost or the market price of the common shares on that day.

### ***Communication and Shareholder Engagement***

The Board is committed to regular and effective communication with EQB's shareholders and values their input and insight.

The Board and Management communicate with shareholders in a number of ways:

- The Board and management discuss financial performance and business developments at annual shareholder meetings. EQB's external auditor also attends and can answer questions about the most recent audit of EQB's financial statements.
- Management holds conference calls for quarterly earnings releases as soon as practical after they are publicly released, and audio replays are accessible for three months on EQB's website in the Investor Relations section.
- EQB communicates through its annual and quarterly reports, management information circular, annual information form, news releases, Public Accountability Statement, the corporate website, and presentations at industry and investor conferences.

EQB's disclosure control policy outlines its commitment to providing timely, accurate and balanced disclosure of all material information about EQB and the fair and equal access to such information.

### ***Contacting the Board***

Shareholders may communicate directly with the independent directors by contacting the Chair of the Board by mail at EQB Bank, EQB Bank Tower, 30 St. Clair Avenue West, Suite 700, Toronto, Ontario M4V 3A1, or by email at: [corporatesecretary@eqbank.ca](mailto:corporatesecretary@eqbank.ca).

Topics suitable for Board-shareholder communication include:

- Corporate governance practices
- Board structure and composition
- Board performance
- Board and CEO succession planning
- Committee mandates
- Executive compensation

Any communication with shareholders will be reported to the Board or the appropriate Board Committee.

## ***Access to Management and Independent Advisors***

Directors have complete access to EQB management. EQB senior management regularly attend board and committee meetings. The Board encourages individual directors to make themselves available for consultation with senior management outside board meetings in order to provide specific advice and counsel on subjects where such directors have special knowledge and experience.

The Board and each Committee have the authority to retain the services of independent financial, legal, compensation, or other advisors, at the Company's expense, without consulting or obtaining the prior approval of EQB management.

## **Committees of the Board**

### ***Board Committees***

The Board currently has four committees: the Audit Committee, the Governance and Nominating Committee, the Human Resources and Compensation Committee, and the Risk and Capital Committee. The Governance and Nominating Committee also serves as the conduct review committee as required under the *Bank Act*. In addition, the Risk and Capital Committee has established a sub-committee, called the Credit Risk Sub-Committee. The Board may from time to time establish additional committees, including ad hoc committees to deal with specific matters, or to dissolve committees as deemed necessary or appropriate.

All Board Committees are comprised entirely of independent directors. Members are appointed annually by the Board on the recommendation of the Governance and Nominating Committee. The Chair of the Board will serve as an ex-officio member of each Board Committee.

### ***Committee Operations***

Each Committee has its own written mandate outlining the Committee's authority, responsibilities, structure and procedure. The mandates are reviewed annually and any changes thereto are approved by the Board.

Committee Chairs, in consultation with senior management and the Corporate Secretary, develop the respective Committee agendas and annual workplans and ensure meeting material is timely and sufficiently detailed to allow for preparation of meaningful discussion and decision-making at Committee meetings. The agenda and supporting materials are provided to Committee members approximately one week in advance.

Each Committee may conduct all or part of any meeting in the absence of management, and such sessions are included on each meeting agenda.

Each Committee may invite to its meetings any director, member of senior management or other persons as it deems appropriate in order to carry out its responsibilities. Agendas and supporting materials for all Committees are available on the Board portal which all directors can access.

The Board, through the Audit Committee, Governance and Nominating Committee and the Risk and Capital Committee, is responsible for overseeing the effectiveness of EQB's oversight functions and the heads of these functions. The Audit Committee oversees Finance and Internal Audit, the Governance and Nominating Committee oversees Compliance, including the Anti-Money Laundering function, and the Risk

and Capital Committee oversees Risk Management. Annually, the effectiveness of the oversight functions and the heads of these functions are assessed by the relevant committee. Third party reviews of the oversight functions are periodically conducted as determined by the Board.

### ***Assignment and rotation of Committee Members***

Committee chairs and members are appointed annually by the Board upon the recommendation of the Governance and Nominating Committee, with input from the Chair of the Board. Committee assignments are based on Committee needs, director experience, interests, availability and applicable regulatory considerations. Each committee shall be composed entirely of independent directors.

Committee members are rotated upon the recommendation of the Governance and Nominating Committee. Specific knowledge or experience may determine the need for a director serving for an extended period on a particular committee.

### **Executive Management**

#### ***Senior Management Oversight***

The Board delegates to senior management the authority and responsibility for the day-to-day activities, and oversees the operationalization of the Board's decisions. This enable the Board to constructively challenge and provide advice and guidance to senior management.

#### ***Succession Planning***

The Human Resources and Compensation Committee (HR Committee), with the full involvement of the Board, is responsible for succession planning (including plans in the event of an emergency) for key executive officer positions, including the oversight function heads.

The candidacy of all proposed Executive Officer appointments shall be reviewed by the HR Committee and subsequently submitted to the Board for approval. All Vice-President appointments made by the President and CEO shall be reported to the HR Committee.

The President and CEO creates opportunities for directors to become acquainted with high potential employees as part of a broader program of talent management.

#### ***CEO Performance***

The HR Committee annually reviews and approves the mandate of the President and CEO (the "CEO") and recommends for Board approval the corporate goals and objectives for which the CEO is responsible. The HR Committee together with the Chair of the Board monitors the CEO's performance against these goals and objectives and evaluates the CEO's performance annually. The results of this assessment are reported to the Board by the Chair of the HR Committee and the Chair of the Board. The Chair of the HR Committee and the Chair of the Board subsequently meet with the CEO to provide feedback.

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Amended by the Governance and Nominating Committee on November 7, 2022.  
Approved by the Board of Directors on November 8, 2022.

**Director Independence Standards**

A director is considered independent if the Board affirmatively determines that the director has no material relationship with EQB or other conflict of interest. A material relationship is a relationship that could, in the view of the Board, be reasonably expected to interfere with the exercise of a director's independent judgment.

In considering the nature and extent of a director's relationships with EQB, the Board shall apply the standards listed below. These standards are based upon the definitions of "independence" under National Policy 58-201 (the Canadian Corporate Governance Guidelines). The Board shall also consider all relevant facts and circumstances that it deems relevant in its determinations.

A director is not independent if:

- the director is, or has been within the last three years, an employee or executive officer of EQB or a subsidiary, or has an immediate family member who is, or has been within the last three years, an executive officer of EQB or a subsidiary.
- the director or an immediate family member of the director, is, or was within the last three years, employed as an executive officer of another entity or company where any of EQB's current executive officers serve or served at that same time on that entity's or company's compensation committee.
- (i) the director or an immediate family member of the director is a current partner of a firm that is EQB's internal or external auditor; (ii) the director is a current employee of such firm; (iii) the director has an immediate family member who is a current employee of such firm and who personally works on the Bank's audit, or is an employee of such firm and participates in the firm's audit, assurance or tax compliance (but not tax planning) practice; or (iv) the director or an immediate family member was, within the last three years, a partner or employee of such a firm and personally worked on EQB's audit during that time.
- the director has received, or an immediate family member of the director has received for service as an executive officer of EQB, during any 12-month period within the last three years, more than \$75,000 in direct compensation from EQB, other than director and committee fees or other forms of deferred compensation (provided such compensation is not contingent on continued service).
- the director is "affiliated" with the Bank as that term is used in the Affiliated Persons (Banks) Regulations made under the *Bank Act* (Canada).

In addition to satisfying the above independence standards, members of the Audit Committee must satisfy the following additional independence requirements:

- Audit Committee members may not accept, directly or indirectly, any consulting, advisory or other compensatory fee from EQB, other than as compensation for service as a director or any fixed amount of compensation under a retirement plan (including deferred compensation) for prior service with the Bank (provided such compensation is not contingent on continued service).
- Audit Committee members may not be an “affiliated person” of EQB, as defined in National Instrument 52-110 - *Audit Committees*.

The indirect acceptance by an Audit Committee member of any consulting, advisory or other compensatory fee includes acceptance of such fee by (i) a spouse, minor child, minor stepchild, child or stepchild who shares a home with the Audit Committee member, or by (ii) an entity in which the Audit Committee member is a partner, member, managing director, executive officer, or occupies a similar position (other than a limited partner, non-managing member, or other similar position which has no active role in providing services to the entity) and which provides accounting, consulting, legal, investment banking or financial advisory services to EQB.

An “immediate family member” means a spouse or common-law partner, parent, child, sibling, mother or father-in-law, son or daughter-in-law, brother or sister-in-law, and anyone (other than an employee of the director or his or her immediate family member) who shares the individual’s home.

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