Second-Party Opinion

Equitable Bank Sustainable Bond Framework

Evaluation Summary

Sustainalytics is of the opinion that the Equitable Bank Sustainable Bond Framework is credible and impactful and aligns with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021 and Social Bond Principles 2023. This assessment is based on the following:

USE OF PROCEEDS The eligible categories for the use of proceeds – Green Buildings, Energy Efficiency, Social and Affordable Housing and Access to Essential Services – are aligned with those recognized by the Green Bond Principles and the Social Bond Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental or social impact and advance the UN Sustainable Development Goals, specifically SDGs 1, 7, 8, 10 and 11.

PROJECT EVALUATION AND SELECTION Equitable Bank's Sustainable Bond Committee will evaluate, select and monitor eligible projects and assets per the eligibility criteria defined in the Framework. The committee will be chaired by the Vice President and Treasurer and include senior representatives from the bank's Treasury, Capital Markets, ESG and Legal departments. The bank has adopted internal processes to address environmental and social risks associated with the assets financed under the Equitable Bank Sustainable Bond Framework. This is in line with market practice.

MANAGEMENT OF PROCEEDS Equitable Bank's Treasury Department will be responsible for allocating and tracking proceeds to eligible projects. Equitable Bank intends to allocate all proceeds within 24 months of each issuance. Pending full allocation, unallocated proceeds will be temporarily held or invested in cash, cash equivalents or other liquid marketable investments in line with Equitable Bank's normal liquidity policies or be used to pay outstanding debt not associated with carbon-intensive activities. This is in line with market practice.

REPORTING Equitable Bank intends to report on the allocation of proceeds and the corresponding impact on its website on an annual basis until full allocation. Allocation reporting will include the category-wide allocation of proceeds, the share of financed versus refinanced projects or assets, and the balance of unallocated proceeds. In addition, the bank is committed to reporting on relevant impact metrics. Sustainalytics views Equitable Bank's allocation and impact reporting as aligned with market practice.

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Issuer Location	Toronto, Canada

Report Sections

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Introduction

Equitable Bank (the "Bank"), a subsidiary of EQB Inc., is a Canadian Bank serving more than 600,000 customers through personal and commercial banking services. Equitable Bank's wholly owned subsidiary Concentra Bank supports credit unions across Canada that serve more than six million members. Founded in 1970, the Bank had a workforce of approximately 1,800 employees and has more than CAD 100 billion (USD 73.6 billion) in combined assets under management and administration, as of January 2024. The Bank is headquartered in Toronto, Ontario.

Equitable Bank has developed the Equitable Bank Sustainable Bond Framework (the "Framework"), under which it intends to issue green, social or sustainability bonds (together, the "Sustainable Bonds"), and use the proceeds to finance or refinance, in whole or in part, existing or future projects that are expected to reduce greenhouse gas emissions, contribute to the decarbonization of the Canadian economy and provide social benefits to defined target populations in Canada. The Framework defines eligibility criteria in four areas:

1. Green Buildings
2. Energy Efficiency
3. Social and Affordable Housing
4. Access to Essential Services

Equitable Bank engaged Sustainalytics to review the Equitable Bank Sustainable Bond Framework, dated March 2024, and provide a Second-Party Opinion on the Framework's environmental and social credentials and its alignment with the Sustainability Bond Guidelines 2021 (SBG), Green Bond Principles 2021 (GBP) and Social Bond Principles 2023 (SBP).[1] The Framework has been published in a separate document.[2]

Scope of work and limitations of Sustainalytics' Second-Party Opinion

Sustainalytics' Second-Party Opinion reflects Sustainalytics' independent[3] opinion on the alignment of the reviewed Framework with current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework's alignment with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, and Social Bond Principles 2023, as administered by ICMA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer's sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.15, which is informed by market practice and Sustainalytics' expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of Equitable Bank's management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. Equitable Bank representatives have confirmed (1) they understand it is the sole responsibility of Equitable Bank to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Equitable Bank.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market

[1] The Sustainability Bond Guidelines, Green Bond Principles, and Social Bond Principles are administered by the International Capital Market Association and are available at https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/
[2] The Equitable Bank Sustainable Bond Framework is available on Equitable Bank's website at: https://eqb.investorroom.com/esg-overview
[3] When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics' hallmarks is integrity, another is transparency.

standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner. Upon twenty-four (24) months following the evaluation date set stated herein, Equitable Bank is encouraged to update the Framework, if necessary, and seek an update to the Second-Party Opinion to ensure ongoing alignment of the Framework with market standards and expectations.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realized allocation of the bond proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that Equitable Bank has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Equitable Bank Sustainable Bond Framework

Sustainalytics is of the opinion that the Equitable Bank Sustainable Bond Framework is credible, impactful and aligns with the four core components of the GBP and SBP. Sustainalytics highlights the following elements of the Framework:

- Use of Proceeds:
  - The eligible categories – Green Buildings, Energy Efficiency, Social and Affordable Housing and Access to Essential Services – are aligned with those recognized by the GBP and SBP.
  - Equitable Bank has established a look-back period of 36 months for its refinancing activities. Sustainalytics considers this to be in line with market practice.
  - Under the Green Buildings category, Equitable Bank may finance residential and commercial buildings that have achieved or are expected to achieve:
    - At least a 20% energy or GHG emission reduction compared to the National Energy Code of Buildings (NECB) 2015,[4] based on the attestation by energy consultants.
    - One of the following green building certification levels: i) LEED Gold or Platinum;[5] ii) BOMA Best Gold or Platinum;[6] iii) BREEAM Excellent or Outstanding;[7] iv) Energy Star score of at least 85;[8] v) Toronto Green Standard (v3) Tier 2 or higher;[9] vi) BC Step Code Step 3 or higher;[10] vii) Built Green Canada High Density Gold or Platinum;[11] viii) NovoClimat Big-Multiple Unit Building;[12] ix) Passive House Classic Plus or Premium;[13] or x) CaGBC Zero Carbon Building Design Standard Flexible, Passive or Renewable,[14] where the Passive or Renewable levels achieve at least a 20% improvement in the energy efficiency of buildings over NECB 2015 or later.
    - Third-party assessments that affirm that the buildings are among the top 15% in terms of GHG emission performance in their respective regions of financing.

[4] Government of Canada, "National Energy Code of Canada for Buildings 2015", at: https://nrc.canada.ca/en/certifications-evaluations-standards/codes-canada/codes-canada-publications/national-energy-code-canada-buildings-2015
[5] LEED: https://www.usgbc.org/leed
[6] BOMA Best: https://bomacanada.ca/bomabest/aboutbomabest/levels/
[7] BREEAM: https://bregroup.com/products/breeam/
[8] Energy Star: https://www.energystar.gov/buildings/benchmark/understand_metrics/how_score_calculated
[9] Toronto Green Standard: https://www.toronto.ca/city-government/planning-development/official-plan-guidelines/toronto-green-standard/toronto-green-standard-version-3/
[10] BC Energy Step Code: https://energystepcode.ca/compliance-tools-part3/
[11] Built Green Canada: https://builtgreencanada.ca/high-density
[12] Novoclimat Big Multiple-Unit Buildings: https://transitionenergetique.gouv.qc.ca/en/residential/programs/novoclimat/novoclimat-big-multiple-unit-buildings
[13] Passive House Standard: https://passipedia.org/certification/passive_house_categories
[14] Zero Carbon Building Design Standard: https://www.cagbc.org/news-resources/technical-documents/zcb-design-standard-v3/

- Sustainalytics considers the criteria for financing green buildings to be in line with market practice.

- Under the Energy Efficiency category, the Bank intends to finance building improvement expenditures that aim to achieve at least a 25% improvement in energy efficiency or GHG emission intensity of existing residential or commercial buildings.
    - The Framework excludes investments in fossil fuel-powered equipment under the category.
    - Specific investments under the category may include projects related to: i) energy-efficient heating and cooling systems and lighting; ii) equipment and systems that reduce energy consumption, such as battery storage and lighting or HVAC sensors; or iii) smart grid equipment and systems, including electric smart meters.
    - Sustainalytics notes that Equitable Bank may finance energy-efficient mechanical cooling systems. Sustainalytics recommends the Bank to consider financing cooling systems that use low-GWP refrigerants and promote robust refrigerant leak control, detection and monitoring, while ensuring the recovery, reclamation, recycling or destruction of refrigerants at the end of life.
    - The Framework allows for allocation to smart grid investments. Despite the variety of definitions and applications of smart grid technology, Sustainalytics views positively investments that are designed to improve grid efficiency and encourages the Bank to select projects that are clearly anticipated to deliver tangible efficiency improvements.
    - Equitable Bank has confirmed to Sustainalytics that financing under the category will be limited to just retrofit costs and not the entire building development cost.
    - While noting that retrofits that result in performance improvements of 25% will result in some environmental benefit, Sustainalytics considers it market practice to ensure that retrofits achieve emission or energy performance improvements of at least 30%.
- Under the Social and Affordable Housing category, Equitable Bank intends to finance: i) development loans for affordable housing projects; and ii) retail mortgages to purchase single-family units.
    - For development loans, the Framework considers financing projects that meet either one of the following criteria:
        - Development projects that target households with incomes less than 80% of area median income ("AMI"); or ii) 120% of AMI for projects situated in high-cost areas.[15] For such projects, the monthly rent for the target populations is restricted to less than 30% of the monthly pre-tax income of the household. Sustainalytics is of the opinion that such investments are expected to enhance access to affordable housing for the target populations in Canada and, therefore, views these investments as socially impactful.
        - Assets that meet the criteria set in the Canada Mortgage and Housing Corporation (CMHC)'s Multi-family Mortgage Loan Insurance (MLI) Select programme.[16,17] For such assets, the Bank has communicated to Sustainalytics that CMHC requires lenders to commit to a minimum 10-year cap (which may extend to 20 years) on rents for affordable units at 30% of the median renter income. The Bank has also confirmed that there will be no double counting of the securities issued under the Framework and those issued under other sustainable finance frameworks. Sustainalytics recognizes the potential for government-backed programmes that cap rents below the market rental thresholds to create positive social impacts, and notes that the eligible properties may include a proportion of market-rate units. In Sustainalytics' opinion, it is best practice that at least 90% of the units financed meet the affordability criteria and notes that the programmes allow

[15] "High-cost areas" comprise the City of Toronto, the City of Vancouver, Mississauga, North Vancouver, Ottawa and Victoria. Sustainalytics notes that the selection of high-cost areas in the Framework is informed by a source based on user-generated statistics on the cost of living and may not have been externally verified against actual expenditures.
[16] The Bank intends to employ Statistics Canada's low-income definitions for identifying the target populations for the financed properties.
Statistics Canada, "Low income definitions", at: https://www150.statcan.gc.ca/n1/pub/75f0011x/2012001/notes/low-faible-eng.htm
[17] CMHC, "MLI Select", at: https://www.cmhc-schl.gc.ca/en/professionals/project-funding-and-mortgage-financing/mortgage-loan-insurance/multi-unit-insurance/mliselect

for investments in properties with as little as 10% affordable housing units. In such cases, the Framework specifies that the Bank would take a pro-rata approach to allocate the bond proceeds proportionate to the number of affordable housing units in a property. Sustainalytics views this approach as aligned with good practice for such affordable housing investments.

- For retail loans, Equitable Bank targets individuals with incomes less than 80% of area median income ("AMI"); or ii) 120% of AMI for projects situated in high-cost areas.[18] The Bank has communicated to Sustainalytics that, under the Framework, these loans are accessible to the target populations with interest rates that are lower than the unregulated private lending segment in Canada. The Bank also communicated that the monthly mortgage cost[19] is required to be less than 30% of the monthly pre-tax income of the household and that it has adopted internal processes at a mortgage origination level to manage the risk of predatory lending. Sustainalytics believes that such retail loans have the potential of enhancing access to financing among the identified target populations in Canada.

- Under the Access to Essential Services category, the Bank intends to finance retail loans for individuals and households to purchase residential properties, as well as corporate loans to support micro, small and medium enterprises (MSMEs) in Canada.
  - The financing of loans for purchasing housing will be limited to individuals whose income is: i) below 100% of the AMI; or ii) below 120% of the AMI and purchase properties situated in high-cost areas as defined above.
    - The Framework targets individuals who: i) identify themselves as women, Black, Indigenous and people of colour (BIPOC), newcomers to Canada,[20] LGBTQ+ or people with disabilities ("Other Equity Deserving Groups"); ii) have no or low[21] FICO or equivalent credit scores; or ii) are self-employed.
    - Equitable Bank has communicated to Sustainalytics that these loans will be made accessible to the target populations with interest rates that are lower than the unregulated private lending segment in Canada. The Bank has further communicated that it has adopted internal processes at a mortgage origination level to manage the risk of predatory lending. Sustainalytics is of the opinion that such retail loans have the potential to enhance access to mortgages for the target populations in Canada.
  - For corporate MSME loans, the Framework limits investments to MSMEs[22] that are at least 51% owned, managed or controlled by individuals from the Other Equity Deserving Groups. Sustainalytics believes that such investments are expected to create positive social impact for the targeted MSMEs in Canada.
- Sustainalytics notes that Equitable Bank has established exclusionary criteria which apply to all categories under the Framework and excludes financing of activities that involve fossil fuel, predatory lending, weapons, tobacco, gambling and adult entertainment.

- Project Evaluation and Selection:
  - Equitable Bank's Sustainable Bond Committee is responsible for evaluating, selecting and monitoring eligible projects and assets per the eligibility criteria in the Framework. The committee will be chaired by the Vice President and Treasurer and include senior representatives from the Bank's Treasury, Capital Markets, ESG and Legal departments.
  - The Bank has adopted internal processes to identify and address environmental and social risks associated with the assets financed under the Framework. Please refer to Section 2 for more details.

[18] "High-cost areas" comprise the City of Toronto, the City of Vancouver, Mississauga, North Vancouver, Ottawa and Victoria. Sustainalytics notes that the selection of high-cost areas in the Framework is informed by a source based on user-generated statistics on the cost of living and may not have been externally verified against actual expenditures.
[19] The monthly mortgage cost is defined in the Framework as the sum of the monthly principal, interest, taxes and heat divided by the gross annual income of the household. The Bank has communicated to Sustainalytics that the "rent" component in the definition is not applicable to retail loans.
[20] Under the Framework, newcomers are defined as individuals who have been admitted to Canada permanently in the five years or less prior to the date the person obtained the financial product from Equitable Bank.
[21] The Framework defines a "low" FICO score as ≤660.
FICO, "FICO® Score", at: https://www.fico.com/en/products/fico-score
[22] The Framework defines micro and small enterprises as those that have fewer than 100 employees and medium enterprises as those with 100 to 499 employees.

  - Based on the establishment of the Sustainable Bond Committee for project selection and evaluation and processes for identifying and addressing environmental and social risks under the Framework, Sustainalytics considers this to be in line with market expectation.
- Management of Proceeds:
  - Equitable Bank's Treasury Department will be responsible for allocating and tracking proceeds.
  - The Bank intends to allocate all proceeds within 24 months of each issuance. Pending full allocation, unallocated proceeds will be temporarily held or invested in cash, cash equivalents or other liquid marketable investments in line with the Bank's normal liquidity policies or be used to pay outstanding debt not associated with carbon-intensive activities.
  - Based on the delineation of responsibility and the disclosure of the temporary use of proceeds, Sustainalytics considers this process to be in line with market practice.
- Reporting:
  - Equitable Bank commits to reporting on the allocation of proceeds and the corresponding impact on its website on an annual basis until full allocation.
  - Allocation reporting will include the category-wide allocation of proceeds, the share of financed versus refinanced projects or assets, and the balance of unallocated proceeds.
  - Impact reporting may include metrics such as GHG emissions avoided per year (in tCO_2e); the amount of energy saved (in MWh); the number of people with access to safe, affordable or sustainable housing; and the number of of Indigenous communities supported.
  - Based on the commitment to both allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

Alignment with Sustainability Bond Guidelines 2021

Sustainalytics has determined that the Equitable Bank Sustainable Bond Framework aligns with the four core components of the GBP and SBP.

Section 2: Sustainability Performance of Equitable Bank

Contribution to Equitable Bank's Sustainability Performance

Sustainalytics is of the opinion that Equitable Bank demonstrates a commitment to integrating sustainability considerations into its operations with a focus on the following ESG areas: i) climate risks and opportunities; ii) promoting financial inclusion and affordable housing; and iii) supporting local communities, particularly underserved groups.[23]

The Bank has also established an ESG scorecard, which identifies opportunity areas that have a significant impact on the Bank's long-term sustainability, growth and performance, including GHG emissions, energy efficiency and financing investments that promote affordable housing.

Under its commitment to combat climate change, the Bank purchased 1,739 Verified Carbon Standard emission reduction credits to become carbon neutral in its scope 1 and 2 emissions in 2020, 2021, and 2022.[24,25] In 2022, the Bank performed a climate scenario analysis to identify and assess the physical and transition risks and opportunities across its lending portfolio.[26]

In 2022, Equitable Bank invested CAD 2.1 billion (USD 1.6 billion) in 138 affordable housing projects in Canada, and offered insurance premium reductions and amortization of up to 50 years by participating in the CMHC-insured mortgage financing programmes.[27] Equitable Bank also provided CAD 308,000 (USD 228,380) in the acquisitions of art collections in support of 282 early-career Canadian artists.[28] In the same year, loans to SMEs and self-employed borrowers made up approximately 4.5% and 22.3%, respectively, of the Bank's total lending portfolio.[29]

[23] Equitable Bank, "Environmental, Social, and Governance Performance Report 2022", at: https://eqbank.investorroom.com/download/Equitable+Bank+-+2022+ESG+Performance+Report.pdf
[24] Equitable Bank, "How did we achieve carbon neutrality?", at: https://eqb.investorroom.com/carbon-neutrality
[25] Equitable Bank, "Environmental, Social, and Governance Performance Report 2022", at: https://eqb.investorroom.com/esg-overview
[26] Equitable Bank, "Environmental, Social, and Governance Performance Report 2022", at: https://eqbank.investorroom.com/download/Equitable+Bank+-+2022+ESG+Performance+Report.pdf
[27] Equitable Bank, "Environmental, Social, and Governance Performance Report 2022", at: https://eqbank.investorroom.com/download/Equitable+Bank+-+2022+ESG+Performance+Report.pdf
[28] Ibid.
[29] Ibid.

Sustainalytics is of the opinion that the Equitable Bank Sustainable Bond Framework is aligned with Equitable Bank's overall sustainability initiatives and will further the Bank's action on its key environmental and social priorities. Nevertheless, Sustainalytics encourages the Bank to continue its efforts to build out baselines for its emissions reduction and sustainable finance strategy, with the aim of eventually setting up time-bound and quantitative targets for its ongoing sustainable finance initiatives.

Approach to managing environmental and social risks associated with the projects

Sustainalytics recognizes that the proceeds from the bonds issued under the Framework will be directed towards eligible projects that are expected to have positive environmental and social impacts. However, Sustainalytics is aware that such eligible projects could lead to some negative environmental and social outcomes. While Equitable Bank has limited involvement in the development of specific projects that will be financed under the Framework, it could be exposed to environmental and social risks associated with the loans that it may finance which may be mitigated, if identified during the project lending stage. Some key environmental and social risks possibly associated with the eligible projects may include loss of biodiversity from land use for large-scale infrastructure development; emissions, effluents and waste generated in construction projects financed by the Bank; community and stakeholder relation issues; and predatory lending to financially vulnerable individuals.

Sustainalytics is of the opinion that Equitable Bank is able to manage or mitigate potential risks through the implementation of the following:

- Under the Bank's risk management framework, the Chief Risk Officer and Chief Financial Officer oversee the ESG-risk-related matters, including identifying, measuring and monitoring these risks for the Bank.[30] The Bank has adopted an Enterprise Risk Management Framework, which addresses environmental risks as an extension of operational risks.[31]
- The Bank addresses land use and biodiversity-related risks associated with its lending activities through environmental risk assessments conducted by third-party consultants. This assessment is part of the Bank's underwriting process and applies to all non-retail lending activities.[32]
- Regarding the risks related to emissions, effluents and waste generated in construction projects, Sustainalytics notes that all financing under the Framework will take place in Canada, where the country's laws and regulations provide stringent oversight of construction activities. The Bank has confirmed that it ensures compliance of all financed projects with applicable laws and regulations, including those related to occupational health and safety standards, environmental protection and remediation requirements for land use, waste management and emissions and pollutants as part of its due diligence process at the lending stage.
- The Bank engages with its stakeholders to better understand ESG issues and opportunities and to inform its lending decisions. As a participant in the Canadian Bankers Association and the Banks and Trust Companies Association, the Bank engages with multiple stakeholders, including the country's prudential regulator, the Office of the Superintendent of Financial Institutions and other public and private entities to promote industry policies and practices that support the banking needs of consumers, and ensure their fair treatment.[33]
- Regarding the risk of predatory lending, Equitable Bank has established internal guidelines to ensure anti-predatory lending practices. These guidelines lay out the requirements and commitments to prevent unfair lending practices during the mortgage application and processing stage, such as misguiding borrowers to steer them away from a lower-cost to a higher-cost mortgage; frequent refinancing that deprives borrowers of financial benefit; and approving a mortgage without regard for the borrowers' ability to pay.[34] Equitable Bank's internal policies also include a statement on anti-predatory lending and ensure that all mortgages are originated in accordance with accepted industry standards for Schedule I Banks. Additionally, the Bank's Code of Conduct requires its employees to deal with its customers in a fair, ethical and honest manner to help them make informed financial decisions.[35]
- Equitable Bank operates in Canada, which is recognized as a Designated Country under the Equator Principles, demonstrating the presence of strong environmental and social governance systems,

[30] Equitable Bank, "Environmental, Social, and Governance Performance Report 2022", at: https://eqb.investorroom.com/esg-overview
[31] Equitable Bank, "2023 Annual Report", at: https://eqb.investorroom.com/annual-reports?cat=115
[32] Equitable Bank, "2020 Sustainability Report and Public Accountability Statement", at: https://eqb.investorroom.com/esg-overview
[33] Equitable Bank, "Environmental, Social and Governance Performance Report 2022", at: https://eqb.investorroom.com/esg-overview
[34] These guidelines are part of Equitable Bank's Single-Family Residential Mortgage Procedures document and has been shared with Sustainalytics.
[35] Equitable Bank, "Code of Conduct", at: https://eqb.investorroom.com/policies

legislation and institutional capacity to mitigate environmental and social risks possibly associated with the projects funded under the Framework.[36]

Based on these processes and regulations, Sustainalytics acknowledges that Equitable Bank manages the noted portfolio-level risks through existing internal processes and encourages it to develop a formal policy that addresses these risks at an asset-origination level. Sustainalytics nonetheless believes that the Bank has implemented adequate measures and is well positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

Section 3: Impact of Use of Proceeds

All four use of proceeds categories are aligned with those recognized by the GBP and SBP. Sustainalytics has focused on two below where the impact is specifically relevant in the local context.

Importance of improving buildings' energy efficiency in Canada

The buildings sector is a key contributor to GHG emissions in Canada, accounting for 13% of total GHG emissions in the country, the third largest emitter after oil and gas and transportation.[37,38] Although the energy intensity of buildings in Canada has fallen in recent years, absolute energy demand has increased by 8% for residential buildings and 35% for commercial buildings between 1990 and 2015.[39] The majority of the energy consumption in residential buildings comes from space heating, which is primarily powered by natural gas, and accounts for approximately 61% of a building's energy use.[40, 41] The remaining energy use relates to water heating (18%), appliances (15%), lighting (4%) and space cooling (3%).[42] In commercial and institutional buildings, space and water heating combined represent 63% of the total energy consumed.[43]

As a signatory to the Paris Agreement, the Government of Canada has committed to reducing the country's total GHG emissions by 40-45% by 2030 compared to 2005 and achieving net zero GHG emissions by 2050.[44] In line with its climate targets and as part of the Canada Green Buildings Strategy, Canada aims to achieve a 37% emission reduction in the buildings sector by 2030 versus 2005 levels and net zero emissions by 2050.[45] The Government of Canada has identified complementary actions to achieve its emissions reduction targets, including strengthening codes to ensure that new buildings are more energy efficient, retrofitting existing buildings, encouraging fuel switching, improving the efficiency of appliances and equipment and supporting mandatory energy labelling and disclosure.[46] According to the Canada Green Building Council, Canada can reduce GHG emissions from its building sector by 17% from a 2005 baseline by constructing all new large buildings in accordance with zero carbon standards between 2017 and 2030.[47]

Sustainalytics expects Equitable Bank's investments in projects that enhance the energy efficiency of buildings to contribute positively to the building sector in Canada and help meet global environmental objectives.

[36] Equator Principles, "Designated & Non-Designated Countries", at: https://equator-principles.com/about-the-equator-principles/designated-countries/
[37] Government of Canada, "Annex: Homes and buildings", at: https://www.canada.ca/en/services/environment/weather/climatechange/climate-plan/climate-plan-overview/healthy-environment-healthy-economy/annex-homes-buildings.html
[38] Government of Canada, "Greenhouse gas emissions", at: https://www.canada.ca/en/environment-climate-change/services/environmental-indicators/greenhouse-gas-emissions.html
[39] Standing Senate Committee on Energy, the Environment and Natural Resources, Reducing Greenhouse Gas Emission from Canada's Built Environment, (2018), at: https://sencanada.ca/content/sen/committee/421/ENEV/reports/ENEV_Buildings_FINAL_e.pdf
[40] Canada Energy Regulator, "What is in a Canadian residential natural gas bill?", at: https://www.cer-rec.gc.ca/en/data-analysis/energy-commodities/natural-gas/report/canadian-residential-natural-gasbill/index.html
[41] Natural Resources Canada, "Energy Fact Book 2023-2024", at: https://energy-information.canada.ca/sites/default/files/2023-10/energy-factbook-2023-2024.pdf
[42] Natural Resources Canada, "Energy Fact Book 2023-2024", at: https://energy-information.canada.ca/sites/default/files/2023-10/energy-factbook-2023-2024.pdf
[43] Natural Resources Canada, "Energy Fact Book 2023-2024", at: https://energy-information.canada.ca/sites/default/files/2023-10/energy-factbook-2023-2024.pdf
[44] Government of Canada, "Net-zero emissions by 2050", at: https://www.canada.ca/en/services/environment/weather/climatechange/climate-plan/net-zero-emissions-2050.html
[45] Government of Canada, "2030 Emissions Reduction Plan – Sector-by-sector overview", (2023), at: https://www.canada.ca/en/services/environment/weather/climatechange/climate-plan/climate-plan-overview/emissions-reduction-2030/sector-overview.html#sector2
[46] Government of Canada, "Complementary actions to reduce emissions", at: https://www.canada.ca/en/services/environment/weather/climatechange/pan-canadian-framework/complementary-actions-reduce-emissions.html#3_2
[47] Canada Green Building Council, "Canada's Green Building Engine: Market Impact and Opportunities in a Critical Decade", (2020), at: https://portal.cagbc.org/cagbcdocs/advocacy/CaGBC_CanadasGreenBuildingEngine_EN.pdf

Importance of affordable housing in Canada

In 2021, 10.1% of households in Canada were in a core housing need, indicating that these households live in unsuitable, inadequate or unaffordable dwellings[48] and have to spend more than 30% of their total pre-tax income on rent.[49] In addition, an insufficient housing supply is a leading factor making housing more expensive in Canada, where the number of homes per person is lower than the OECD average.[50] In 2020, Canada had 424 housing units per 1,000 residents – the lowest number in the G7, which averages 471 housing units per 1,000 residents.[51] Furthermore, the current rate of new construction will yield approximately 18 million housing units by 2030.[52] However, Canada will still need an additional 3.5 million units to restore housing affordability in the country by the same year.[53]

Low-income individuals are suffering acutely from high housing costs in Canada.[54] Nearly 72% of people in poverty lived in households that spent more than 30% of their total income on shelter, whereas only 20% of the total population in Canada lived in similar households.[55] Furthermore, middle-income households also face challenges with access to housing, primarily due to the lack of affordable housing, whether for rent or ownership.[56] This issue is especially prevalent in high-cost areas in Canada. For example, the median household income in Toronto, a high-cost area, grew by 30% between 2006 and 2018, while average home ownership costs increased by 131% during the same period.[57]

In 2017, the Government of Canada launched the National Housing Strategy (NHS), a 10-year plan to raise CAD 82 billion (USD 60.8 billion) to support affordable housing and reduce homelessness in Canada.[58] The NHS sets targets for "removing" 530,000 households from housing needs, reducing chronic homelessness by 50%, building 160,000 new homes and renovating 300,000 existing units over the 10-year period.[59] Additionally, in 2022-23 the Government of Canada earmarked CAD 4 billion (USD 2.93 billion) to the New Housing Accelerator Fund with a target of adding 100,000 net new housing units over a five-year period, and CAD 1.5 billion (USD 1.1 billion) for the Rapid Housing Initiative aimed at creating at least 6,000 new affordable housing units over two years, with at least 25% of the funds supporting women-focused housing projects.[60] In its 2023 budget, the Government of Canada proposed an additional CAD 4 billion (USD 2.97 billion) towards the Urban, Rural and Northern Indigenous Housing Strategy over the next seven years (with 2024 as a

[48] Definitions of "Unsuitable housing", "Inadequate Housing", and "Unaffordable Housing" are extracted from Statistics Canada. More information at: https://www150.statcan.gc.ca/n1/pub/11-627-m/11-627-m2022056-eng.htm
[49] Statistics Canada, "Core housing need in Canada", (2022), at: https://www150.statcan.gc.ca/n1/pub/11-627-m/11-627-m2022056-eng.htm
[50] Government of Canada, "Chapter 1: Making Housing More Affordable", at: https://www.budget.canada.ca/2022/report-rapport/chap1-en.html
[51] Scotiabank, "Estimating the Structural Housing Shortage in Canada: Are We 100 Thousand or Nearly 2 Million Units Short?", (2021), at: https://www.scotiabank.com/ca/en/about/economics/economics-publications/post.other-publications.housing.housing-note.housing-note--may-12-2021-.html
[52] Canada Mortgage and Housing Corporation, "Housing Shortages in Canada: Updating how much housing we need by 2030", (2023), at: https://www.cmhc-schl.gc.ca/professionals/housing-markets-data-and-research/housing-research/research-reports/accelerate-supply/housing-shortages-canada-updating-how-much-we-need-by-2030#
[53] Ibid.
[54] Canada Mortgage and Housing Corporation, "Governments alone cannot fix Canada's housing affordability challenges", (2022), at: https://www.cmhc-schl.gc.ca/en/blog/2022/governments-alone-cannot-fix-canadas-housing-affordability-challenges
[55] Government of Canada, "Housing Experiences in Canada: People in poverty", (2022), at: https://www150.statcan.gc.ca/n1/pub/46-28-0001/2021001/article/00017-eng.htm
[56] Canada Mortgage and Housing Corporation, "Governments alone cannot fix Canada's housing affordability challenges", (2022), at: https://www.cmhc-schl.gc.ca/en/blog/2022/governments-alone-cannot-fix-canadas-housing-affordability-challenges
[57] City of Toronto, "Toronto Housing Market Analysis", at: https://www.toronto.ca/legdocs/mmis/2019/ph/bgrd/backgroundfile-140633.pdf
[58] Canada Mortgage and Housing Corporation, "What is the Strategy", at: https://www.cmhc-schl.gc.ca/en/nhs/guidepage-strategy
[59] Ibid.
[60] Government of Canada, "Making Housing More Affordable", (2022), at: https://www.canada.ca/en/department-finance/news/2022/04/making-housing-more-affordable.html

baseline).[61] Despite these government-led efforts, the private sector's involvement is imperative given the scale of the affordable housing challenges in Canada.[62]

Sustainalytics is of the opinion that the investments in affordable housing projects under the Framework are expected to create positive social impacts for low- and median-income households in Canada.

Contribution to SDGs

The Sustainable Development Goals were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by 2030. The bonds issued under the Equitable Bank Sustainable Bond Framework are expected to advance the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Green Buildings	11. Sustainable Cities and Communities	11.3 By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated, and sustainable human settlement planning and management in all countries
Energy Efficiency	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency
Social and Affordable Housing	8. Decent Work and Economic Growth 11. Sustainable Cities and Communities	8.10 Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all 11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums
Access to Essential Services	1. No Poverty 8. Decent Work and Economic Growth 10. Reduced Inequalities	1.4 By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance 8.10 Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all 10.2 By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status

Conclusion

Equitable Bank has developed the Equitable Bank Sustainable Bond Framework, under which it may issue green, social or sustainability bonds and use the proceeds to finance or refinance, in whole or in part, existing or future projects that are expected to reduce greenhouse gas emissions, contribute to the decarbonization of the Canadian economy and provide social benefits to defined target populations in Canada. Sustainalytics

[61] Government of Canada, "Chapter 1: Making Life More Affordable and Supporting the Middle Class", (2023), at: https://www.budget.canada.ca/2023/report-rapport/chap1-en.html
[62] Iorwerth, A. (2022), "Governments alone cannot fix Canada's housing affordability challenges", Canada Mortgage and Housing Corporation, at: https://www.cmhc-schl.gc.ca/en/blog/2022/governments-alone-cannot-fix-canadas-housing-affordability-challenges

considers that the eligible projects are expected to generate positive environmental and social impacts in the country.

The Framework outlines a process for tracking, allocation and management of proceeds, and makes commitments for reporting on allocation and impact. Sustainalytics considers that the Framework is aligned with the overall sustainability strategy of the Bank and that the use of proceeds categories are expected to contribute to the advancement of the UN Sustainable Development Goals 1, 7, 8, 10 and 11. Additionally, Sustainalytics considers that Equitable Bank has adopted adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects.

Based on the above, Sustainalytics is confident that Equitable Bank is well positioned to issue green, social and sustainability bonds and that the Framework is robust, transparent and in alignment with the four core components of the Green Bond Principles 2021 and Social Bond Principles 2023.

Disclaimer

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