CIBC ASSET MANAGEMENT

2022 CLIMATE REPORT

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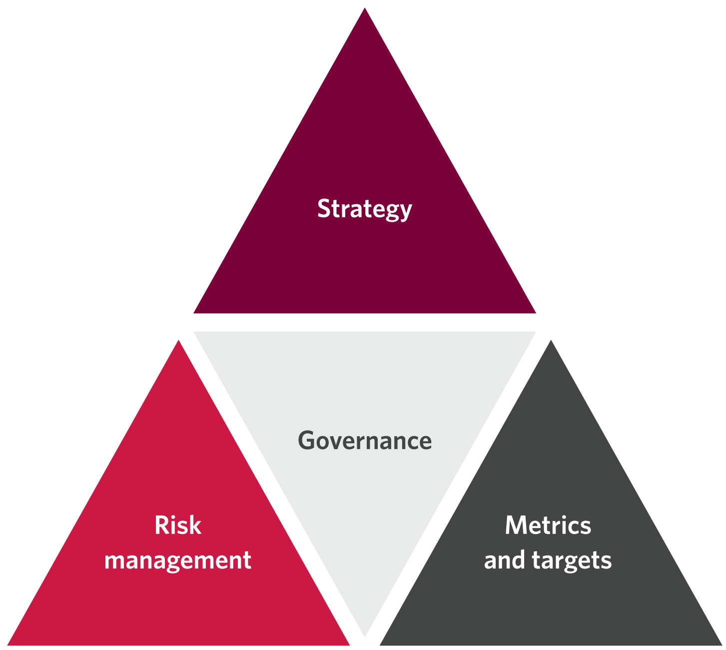
Introduction

CIBC Asset Management (CIBC AM) is a leading North American asset manager with a diverse client base, managing over $191 billion[1] in assets across retail, institutional, and advisor channels. We offer a broad set of investment solutions for corporations, pension plans, endowments and foundations, and individual investors.

At CIBC AM, we believe that climate risk is investment risk, and that there are both short- and long-term implications for the investment industry. Regulatory changes, the transition to a low-carbon economy, and changing weather patterns will expose companies to both physical and transition risks. They will also provide secular growth opportunities for innovative firms. Climate change is an evolving issue. We are committed to reviewing our policies, practices, and disclosures on a regular basis in order to be prepared for future developments and act in the best interests of our clients.

We work to ensure that our risk identification and management processes are implemented across the CIBC AM platform, and that these processes include evolving data and science tied to climate change. We're committed to being a trusted partner and responsible fiduciary for all our clients. This report is part of our continuous work to ensure that our processes around climate risk are transparent, appropriate, and improving.



$191 billion
Assets under management[1]

180
ESG engagements in 2022

2+ million
Clients served

ESG integration
Across all asset classes

Partnering to help build a more sustainable global financial system

Climate Engagement Canada

Signatory of: PRI Principles for Responsible Investment

RIA Responsible Investment Association

Center for Climate Aligned Finance

[1]This figure includes $37 billion in multi-asset and notional currency overlay mandates and $35 billion in third-party sub-advised assets. As at December 31, 2022.

Governance

Introduction

Effective governance is crucial in ensuring that climate change is integrated into organizational responsibilities. As a subsidiary of CIBC, CIBC AM has established a governance framework that interlinks ESG and climate-related risks and opportunities. This section outlines the governance structure and processes put in place to address the oversight of risks emanating from climate change.

Governance structure

Responsible Investment Committee

CIBC AM has established a Responsible Investment Committee (RIC) consisting of our executive leadership team, including the Chief Executive Officer, and complemented with subject matter experts across relevant business units. The RIC is responsible for the following:

- **Reviewing and approving climate change policy:** The RIC will review and approve CIBC AMs climate change policy, which outlines our approach to addressing climate risks within our investment portfolios.
- **Overseeing the implementation of climate change strategies:** The RIC will oversee the implementation of CIBC AM's climate change policy.
- **Monitoring performance:** The RIC will monitor the risks and opportunities identified in annual Taskforce for Climate-related Financial Disclosures (TCFD) reporting and ad hoc reporting on climate related risks.
- **Reporting on progress:** The RIC will oversee and approve reporting on our approach to climate change, including annual TCFD and ESG and stewardship reporting.

Portfolio Management and Research

The Portfolio Management and Research team is responsible for implementing the strategies outlined in CIBC AM's climate change policy that are approved by the RIC. The team works with the firm's sustainable investing professionals to conduct climate-risk assessments, identify opportunities, engage with portfolio companies, and integrate climate considerations into the investment process across various asset classes.

Total Investment Solutions

The Total Investment Solutions (TIS) team is responsible for integrating climate-related considerations into the selection and monitoring of our external sub-advisors. The team works in collaboration with our sustainable investment professionals to conduct regular assessments of our external managers' approach to ESG and climate integration throughout their investment process. We focus on engagement and work directly with our managers to highlight the importance of the robust integration of ESG and climate risks and opportunities within their investment process. The TIS team is also responsible for the oversight of our managed solutions platform and evaluation of climate impacts on strategic asset allocation and manager selection and fulfillment decisions.

Responsible Investing Working Group

The Responsible Investing Working Group (RIWG) is comprised of members from various functional groups at CIBC AM, and serves as the primary group for actioning RIC proposals. As part of its mandate, the RIWG drafted the CIBC AM climate policy, and is working toward further implementation actions for the effective monitoring of climate risks across the organization.

Training

We recognize the importance of providing the investment teams and other relevant stakeholders with the training and resources to effectively address climate change within our investment portfolios. We offer opportunities for our staff to receive training on climate change science, ESG analysis, and responsible investment practices.

Oversight and approval

Responsible Investment Committee

- Executive and senior leadership
- Oversight and implementation of climate change strategies
- Monitor risk and opportunities identified
- Reporting oversight and approval

Implementation

Portfolio Management and Research Team

- Integrate climate and other sustainability risk factors into the investment decision-making process
- Engagement and stewardship
- Participation in collaborative climate engagements
- Contribute to scenario analysis and stress testing

Total Investment Solutions

- Evaluate and engage with sub-advisors on their integration of climate considerations
- Oversight and evaluation of climate impact on CIBC AM managed solutions, strategic asset allocation, and fulfillment decisions

Research and expertise

Responsible Investing Working Group

- Senior leaders across the organization to advise on integrating RIC decisions
- Contribute to policy development and implementation
- Provide RIC with competitive and industry intelligence
- Make recommendations to RIC for approval

Strategy

Introduction

We recognize that climate change poses a significant risk to long-term investment performance. It is a global challenge that requires the active participation of the financial industry to mitigate its impacts and facilitate the transition to a low-carbon economy. As an asset manager, we believe ESG factors and climate considerations represent financially material inputs within a robust investment process. We are committed to investing in data and resources that will allow us to continue to advance our understanding of physical and transition risks and opportunities. We are also committed to developing and adopting best practices that effectively integrate these considerations across our organization.

We recognize the uncertainty of both the timing and magnitude of these risks and opportunities. While this presents challenges in terms of forecasting and adoption, the global momentum driven by commitments to net-zero and countries' nationally determined contributions, leaves little doubt in the direction and its inevitable impact on investment decision-making. We understand the importance of taking a measured approach, which focuses on a transition that is inclusive of all Canadians, and meets the needs of our existing and prospective clients.

Our approach to climate change

Our approach to climate change is guided by the following principles:

Support for the Paris Agreement and acknowledgement of the scientific evidence of climate change	We support the objectives of the Paris agreement to limit warming to well below 2°C above pre-industrial levels. We understand that to achieve this ambition the global economy will be exposed to significant transition risk.
Financial materiality	We recognize that climate change presents financial risks and opportunities that are relevant to the performance of our portfolio.
Integration of climate risks and opportunities into investment processes	We integrate climate change considerations into our investment processes, including risk management, fundamental analysis, and engagement with portfolio companies. We currently conduct this analysis at the issuer level, and we are investing in the resources to better understand these risks and opportunities at the portfolio level.
Collaboration	We work with stakeholders, including clients, industry associations, and peers to address climate change in the financial industry. We understand that climate-related risks represent systemic risk to markets that can be better addressed by working with other financial market participants.

Strategies for addressing climate change in our portfolios

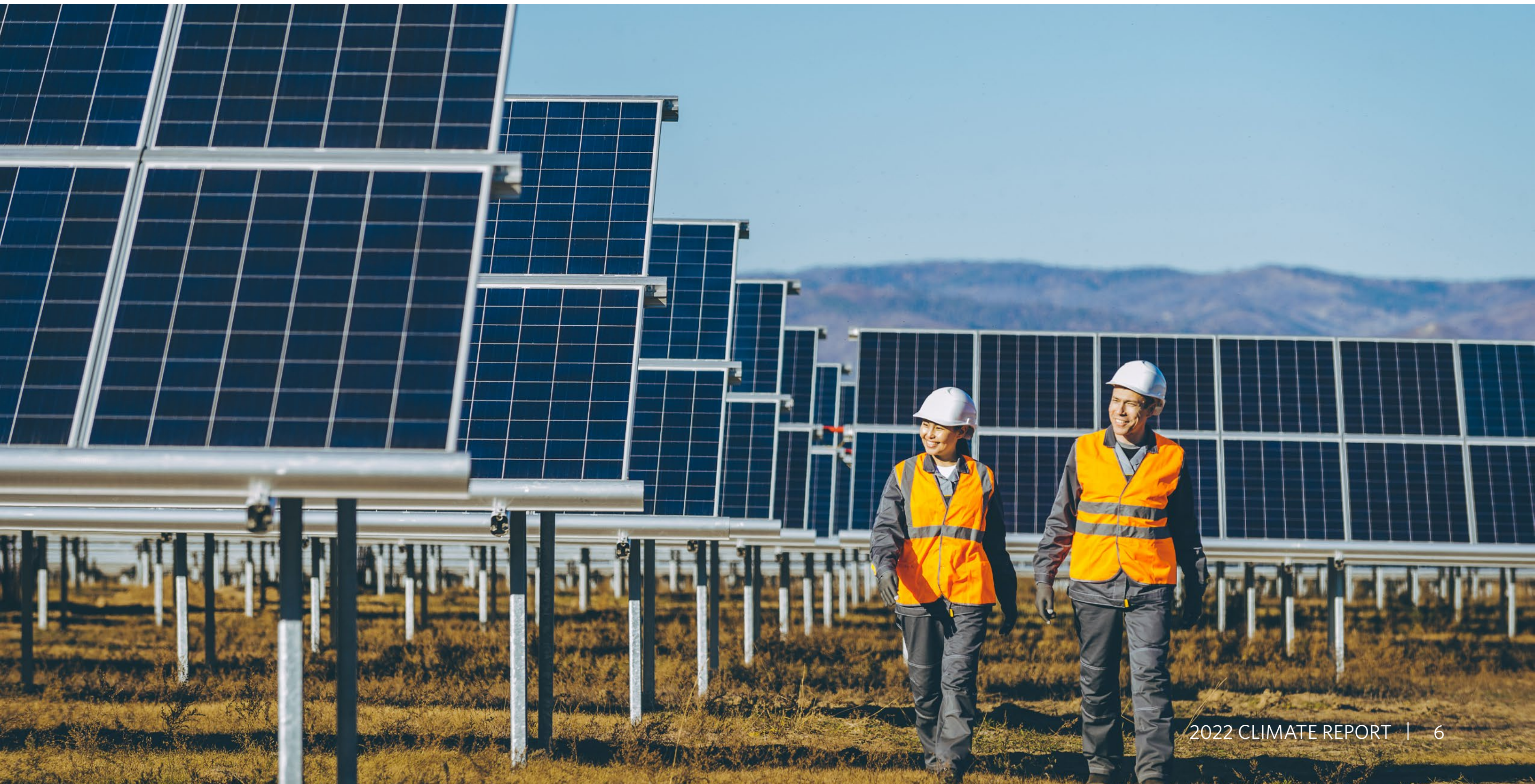
1. **Carbon footprint assessment and scenario analysis –** As part of a broader initiative to enhance our issuer-level ESG analysis, we have developed a climate risk snapshot to be included within our ESG assessment framework. This allows our investment teams to determine the degree to which companies are exposed to various climate risks. In addition, we are in the process of developing a scenario analysis tool for use at both the company and portfolio level in order to assess long-term exposures to both physical and transition risks under various climate pathways.

2. **Transition investing –** The CIBC Clean Energy Index ETF is positioned to take advantage of a structural shift towards a low carbon economy by investing in companies that primarily operate in clean energy businesses. The ETF provides diversified exposure across renewable energy (solar, wind, hydro, geothermal, bioenergy) and clean technology (electric vehicles, energy management and storage, fuel cells, hydrogen) business segments.

3. **Fossil fuel divestment approach –** We favour an active ownership approach to investing in fossil fuels, rather than blanket divestment across portfolios.. This enables our team to identify areas where companies may be lagging, and to work with management on developing an appropriate response. For clients looking to fully divest from fossil fuels, the CIBC Sustainable Investment Solutions offer investors an option to fulfill this goal alongside exclusions from other harmful industries, while also employing CIBC AM's proprietary best-in-class ESG research.

4. **ESG integration –** Investment teams at CIBC AM integrate ESG factors throughout the investment processes. These factors are key inputs into the overall assessment of a company's long-term risk and return profile, and help to inform our assumptions on valuation, range of outcomes, or tail risks.

5. **Active ownership –** Stewardship is an essential part of our fiduciary duty. In 2021, CIBC AM became a founding participant of Climate Engagement Canada, and has participated in and led a number of climate-focused engagements with Canadian corporate issuers. These engagements (collaborative or independent), allow us to understand the full scope of climate related risks that companies are exposed to, and what management is doing to mitigate the company's exposure. It also allows us to provide input into a company's climate transition plan and targets. Alongside engagement, proxy voting is a critical part of our climate stewardship process, and is one of the most important ways in which we act in the best interest of our clients. We aim to support a strong culture of transparency and action as it pertains to climate-related resolutions, and will consider each vote on a case-by-case basis.



Risk management

Introduction

In 2022, we formally introduced a climate policy that recognizes climate risk as investment risk, and also recognizes that climate change presents risks to our own operating model. As a result, we are developing new processes and procedures in order to identify and manage various climate risk exposures within our portfolios and operations.

We have identified a number of key climate-related investment risks and their related impacts, and are working to manage risk within each category:

Risk category	Description	Potential impact(s)
Physical risk	Increased frequency and severity of extreme weather events	• Damage to assets • Disruption in operations • Higher insurance/prevention costs
Transition risk	Increased regulation related to greenhouse gas (GHG) emissions	• Stranded assets • Higher cost of capital • Structural challenges to business model
Reputational risk	Negative stakeholder perception on climate	• Changing consumer preferences • Impacts to demand • External pressures
Legal risk	Increased potential for climate-related litigation, regulation, or enforcement	• Introduction of new laws • Adoption of new policies • More comprehensive disclosure requirements • Direct costs from litigation

Risk management strategies

We have implemented the following risk management strategies to address the identified climate risks.

- **Governance:** The RIC is tasked with assessing industry trends, including climate related risks and opportunities, and establishing CIBC AM's strategy and its implementation. The committee is also tasked with understanding the evolving regulatory landscape to ensure that our organization is aligned with industry expectations.
- **Integration of climate risks:** We have established a proprietary approach to the integration of ESG risks across our internally managed active portfolios. This includes evaluating the climate risks and opportunities at the issuer level and integrating those considerations into our holistic view of each investment opportunity. A significant percentage of our business is also managed by external sub advisors. We've continued to evolve our process of assessing the ability of our external managers to effectively integrate ESG risks and opportunities, including climate, within their investment processes.
- **Scenario analysis:** The RIC is committed to furthering its understanding of climate-related risks and opportunities. This included the investment in 2022 to secure additional tools and resources to conduct robust scenario analysis on portfolios and holdings. We increased the access to data and expertise for portfolio managers and analysts, and improved transparency through reporting to our institutional clients.
- **Engagement and disclosure:** We're focused on engaging with investee companies on their approaches to mitigating climate risks. We work with our investee companies to understand their exposure and how management is implementing policies and commitments to minimize the impacts of climate risk on the company and its investors. We are active in voting our proxies and exercising our influence to ensure that climate risks are appropriately managed. We are active participants in Climate Engagement Canada, a collaborative engagement platform that allows us to extend our influence by working with other like-minded investors. We are committed to continuing to improve our disclosure on these activities through our regular and annual reporting to clients.

2022 progress

In 2022 we addressed resourcing gaps by executing a data vendor change, which significantly expanded our access to climate data. We hired three additional dedicated ESG specialists to our team in order to further develop intellectual capital on climate, and to build additional tools for issuer- and portfolio-level climate analysis. We also enhanced our subadvisor assessment and engagement model in 2022 to ensure that our external portfolio managers are assessing relevant climate factors throughout their investment process.

During the year, we undertook an exercise to evaluate industry best practices to ensure that our framework remains industry-leading in its approach to integrating ESG factors and climate risk into our issuer assessment. We anticipate that this exercise will result in an evolution of our approach in 2023 and lead to a better understanding of the risks and opportunities presented by climate change at the issuer level.

Our commitment

We have identified climate-related risks and opportunities as a priority for the firm and are committed to furthering the understanding and implementation of climate risk tools across the organization.

Metrics and targets

Climate change and our clients' investments

We acknowledge climate risk as investment risk and recognize the importance of understanding the scientific basis and political imperative to transition the world's energy economy. We have invested in tools and resources to help our investment teams better understand these risks and provide access to the information they need, at both the company and portfolio level, to adequately assess these risks and opportunities. We recognize that this is an evolving area where investors must continue to adapt their understanding of the science and data to inform portfolio decision making.

We continue to explore the suite of available metrics and methodologies to best reflect the risk that climate presents for various securities, asset classes, and portfolios managed on behalf of our clients. In 2022 we increased the available metrics for our analysts and portfolio managers related to climate risks to ensure they have a complete understanding of the greenhouse gas emissions and climate-related performance data of the securities in which we invest. We improved the availability of scenario analysis and stress-testing tools at both the portfolio and security level to ensure we understand the full range of outcomes for physical and transition risks based on global policy intervention.

We are focused on furthering the use and development of this data as we work towards application of industry best practices for integrating all ESG risks in our assessment of investment opportunities.

Data integrity and quality

The sustainability data currently disclosed by companies and produced by third parties is still evolving. We therefore continue to engage with investee companies to improve these disclosures. We're optimistic that with growing calls for global cohesiveness in disclosure standards and the formation of the International Sustainability Standards Board (ISSB), that the accessibility and comparability of issuer data will continue to improve and lead to more consistent and relevant application within the investment process.

In this report we focus our disclosures around the current industry best practice and may adjust disclosures in future reports as these standards evolve. We will highlight carbon emissions, net-zero alignment, and climate value at risk across our six core asset classes. Note that all emissions-related metrics include Scope 1 and 2 emissions. Scope 3 emissions have been excluded due to data challenges.

Metric	Unit	Definition
Total financed emissions	tCO2e (tonnes (t) of carbon dioxide (CO2) equivalent (e))	Allocated emissions to all financiers based on Enterprise Value including Cash (EVIC). Measures the total carbon emissions for which an investor is responsible. $\sum_{n}^{i}\left(\frac{\text{current value of investment}_i}{\text{issuer's EVIC}_i} \times \text{issuer's Scope 1 and Scope 2 GHG emmissions}_i\right)$
Weighted average carbon intensity	tCO2e/$M revenue	Measures a portfolio's exposure to carbon-intensive companies, defined as the portfolio weighted average of companies' Carbon Intensity (emissions/sales). $\sum_{n}^{i}\left(\frac{\text{current value of investment}_i}{\text{current portfolio value}} \times \frac{\text{issuer's Scope 1 and Scope 2 GHG emmissions}_i}{\text{issuer's \\$M revenue}_i}\right)$
Emissions per million dollars invested	tCO2e/$M invested	Allocated emissions to all financiers normalized by $M invested. Measures the carbon emissions, for which an investor is responsible. $\frac{\sum_{n}^{i}\left(\frac{\text{current value of investment}_i}{\text{issuer's EVIC}_i} \times \text{issuer's Scope 1 and Scope 2 GHG emmissions}_i\right)}{\text{current portfolio value (\\$M)}}$
% AUM invested with SBTI targets	Percentage of portfolio	Indicates what portion of portfolio companies have developed climate targets listed on the Science Based Targets Initiative (SBTi) database.
% AUM with ITR below 2°C	Percentage of portfolio	Indicates what portion of portfolio companies align with the ambitions of the Paris Agreement.
Implied Temperature Rise (ITR) (°C)	Degrees Celsius	Provides a portfolio level number in degrees of Celsius demonstrating how aligned the companies in the portfolio are to global temperature goals.
Climate Value at Risk (CVaR)*	Potential percentage change in market value	A measure of possible financial implications of climate-related risks and opportunities, under a range of possible scenarios. Aggregates exposure from physical risk, policy risk, and technology opportunities to develop an estimate impact to company asset values under different climate scenarios (1.5°C, 2°C, 3°C).

Source: MSCI

*CVaR = climate value at risk. It reflects the expected net portfolio loss from physical risk, transition risk and climate opportunities for a specific scenario. This differs from another meaning of CVaR—conditional value at risk.

2022 results

Scope

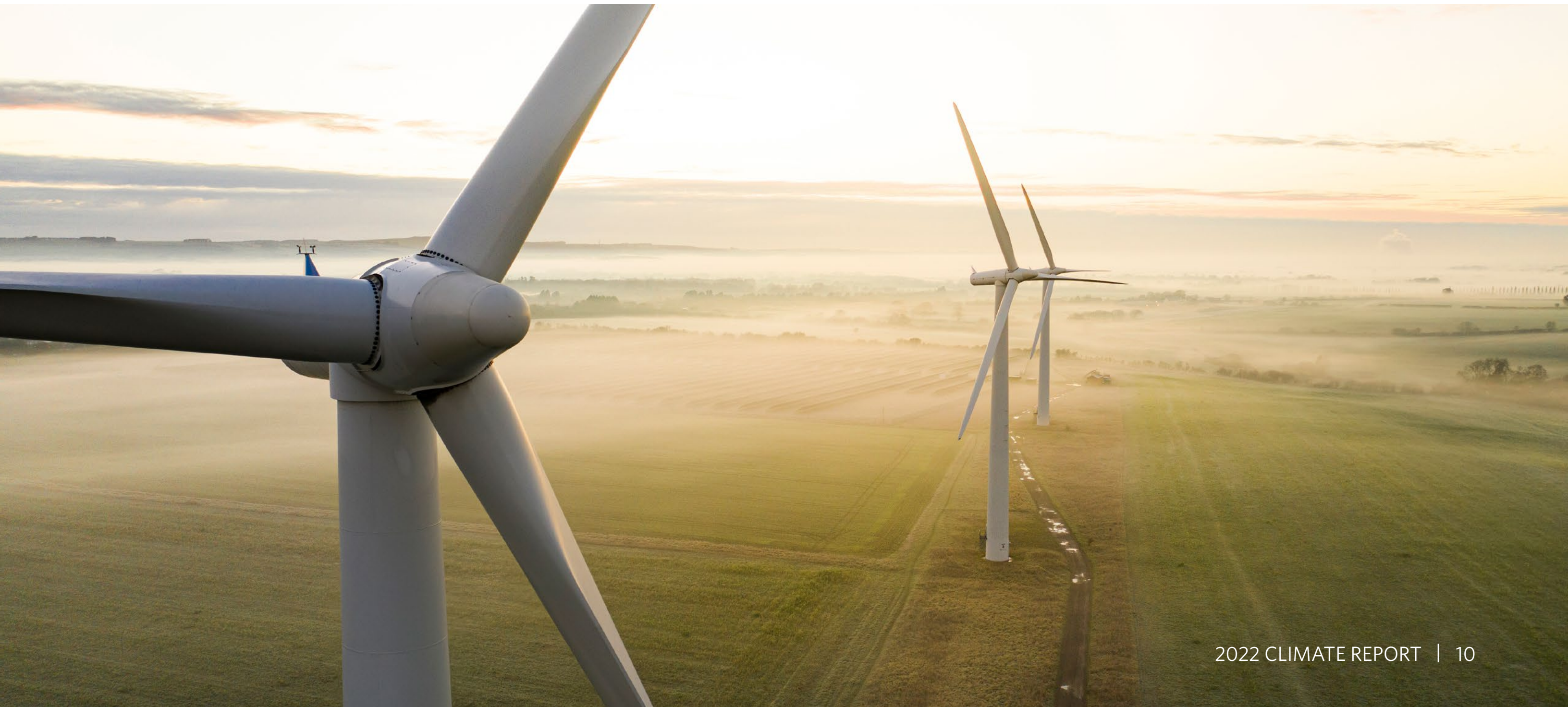
This report includes analysis conducted on approximately $97.8 billion of CIBC Asset Management AUM, which represents approximately 51% of total AUM. Both long term active strategies and passive strategies are included within the analysis, as well as assets managed by third party subadvisors. Data coverage at the issuer level varies by asset class and geography.

The investment vehicles within scope of this analysis include CIBC Mutual Funds and ETFs, Renaissance Mutual Funds and ETFs, CIBC Imperial Pools, Renaissance Private Pools, and CIBC Institutional Pools. Holdings have been aggregated by asset class and geography and are compared against the broad market indices indicated below.

Securities that do not fall within the scope of this analysis include government bonds, fund or ETF units, asset backed securities, cash and equivalents, derivatives, and currencies. These assets have been excluded primarily due to existing metrics focusing on corporate equity and credit applicability, as well as data availability limitations.

Portfolio	AUM in scope	% data coverage (portfolio)	% data coverage (benchmark)	Benchmark
Canadian equity	$22,042,611,590	98.2	99.1	S&P/TSX Composite Index
US equity	$25,615,942,641	99.6	99.7	S&P 500 Index
International equity	$17,141,526,502	99.6	99.9	MSCI EAFE Index
Emerging market equity	$2,954,764,552	97.6	99.5	MSCI Emerging Markets Index
Canadian corporate fixed income	$21,681,916,813	75.7	74.7	FTSE Canada All Corporate Bond Index
Global corporate fixed income	$8,346,223,786	58.8	87.1	Bloomberg Global Agg Corporate Index
Total AUM in scope	**$97,782,985,887**	**-**	**-**	**N/A**

Source: MSCI. Data as at December 31, 2022.



Carbon emissions analysis

Provides information on benchmark-relative climate exposure related to policy, technology, or market risks. While this data is useful in assessing any potential exposures (intended or unintended), it is also based on static and backward-looking data, and does not account for company transition plans, targets, or goals.

Results

Category	Weighted average carbon intensity (tCO_2e/$M revenue)	Carbon emissions/$M invested ($tCO_2e$/$M)	Total financed emissions (tCO_2e) (000s)
Canadian equity - Portfolio	328.5	94.2	1532.9
Benchmark	346.5	115.2	N/A
US equity - Portfolio	157.4	34.0	642.8
Benchmark	230.4	64.2	N/A
International equity - Portfolio	103.4	50.1	634.5
Benchmark	114.4	68.0	N/A
Emerging market equity - Portfolio	205.2	76.1	166.0
Benchmark	326.7	135.2	N/A
Canadian corporate fixed income - Portfolio	249.1	50.0	800.0
Benchmark	250.3	33.2	N/A
Global corporate fixed income - Portfolio	187.4	94.9	585.0
Benchmark	219.6	62.0	N/A

Source: MSCI. Data as at December 31, 2022.

Net-zero alignment

Net-zero alignment measures the degree to which portfolios and issuers are aligned with a low-carbon economy. Using metrics recommended by the Science Based Targets Initiative (SBTi), we're able to track and monitor our portfolios' net-zero alignment. This data provides a forward-looking view to assess relative climate risks versus the broad market and economy.

Results

Category	% AUM invested with SBTi targets	% AUM with ITR below 2°C	Implied Temperature Rise (ITR) (°C)
Canadian equity - Portfolio	14.9	37.2	4.7
Benchmark	5.5	39.6	3.8
US equity - Portfolio	34.9	58.8	2.6
Benchmark	26.0	58.4	2.6
International equity - Portfolio	53.6	65.0	2.3
Benchmark	47.8	64.7	2.4
Emerging market equity - Portfolio	4.9	41.2	3.0
Benchmark	7.7	37.0	3.2
Canadian corporate fixed income - Portfolio	11.4	37.2	3.7
Benchmark	11.2	36.1	3.2
Global corporate fixed income - Portfolio	10.6	36.4	2.6
Benchmark	27.6	55.3	2.4

Source: MSCI. Data as at December 31, 2022.

Climate scenario analysis (Climate VaR)

While the underlying factors tied to a low-carbon transition are well documented (i.e., physical and transition risks), the magnitude and timing of these factor impacts, as well as the global response, remains less certain. Scenario analysis enables us to view and assess the potential impacts of climate risk across our portfolios under various climate pathways, varying in terms of timing and degree of policy action, extreme weather, and technological advancement. Despite the models not including actions that issuers can take to mitigate these risks, and reliance on several assumptions, Climate VaR provides a snapshot of potential outcomes that is useful in assessing tail risks and the range of outcomes associated with climate change.

Description of Network for Greening the Financial System (NGFS) Scenarios

Scenario	Description
Net Zero 2050 (NGFS 1.5°C Orderly)	Net Zero 2050 is an ambitious scenario that limits global warming to 1.5 °C through stringent climate policies and innovation, reaching net zero CO_2 emissions around 2050. Some jurisdictions such as the US, EU and Japan reach net zero for all greenhouse gases by this point. This scenario assumes that ambitious climate policies are introduced immediately.
Delayed Transition (NGFS 2°C Disorderly)	Delayed Transition assumes global annual emissions do not decrease until 2030. Strong policies are then needed to limit warming to below 2 °C. Negative emissions are limited. This scenario assumes new climate policies are not introduced until 2030 and the level of action differs across countries and regions based on currently implemented policies.
Nationally Determined Contributions (NDCs) (NGFS 3°C Hot House)	Nationally Determined Contributions (NDCs) includes all pledged policies even if not yet implemented. This scenario assumes that the moderate and heterogeneous climate ambition reflected in the conditional NDCs at the beginning of 2021 continues over the 21st century. Emissions decline but lead nonetheless to 2.6 °C of warming associated with moderate to severe physical risks. Transition risks are relatively low.

Source: NGFS Scenario Portal https://www.ngfs.net/ngfs-scenarios-portal/explore/

Results

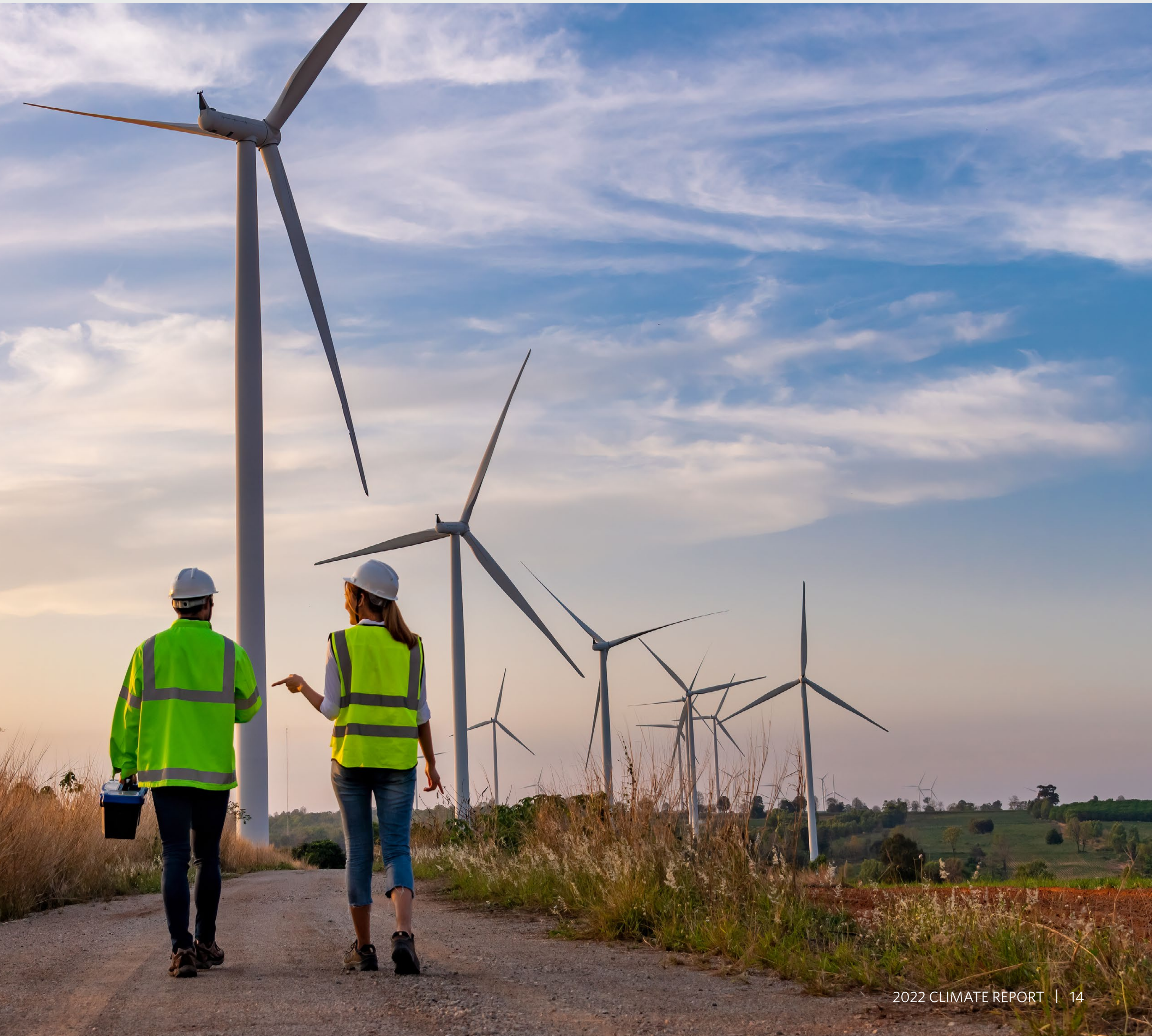
Category	CVaR - NGFS 1.5°C Orderly (%)	CVaR - NGFS 2°C Disorderly (%)	CVaR - NGFS 3°C Hot House (%)
Canadian equity - Portfolio	-33.7	-26.9	-15.6
Benchmark	-30.4	-23.8	-12.5
US equity - Portfolio	-12.4	-10.8	-7.3
Benchmark	-20.1	-18.1	-12.8
International equity - Portfolio	-20.6	-18.1	-12.80
Benchmark	-29.4	-25.9	-18.2
Emerging market equity - Portfolio	-34.4	-29.8	-23.8
Benchmark	-37.6	-32.3	-26.2
Canadian corporate fixed income - Portfolio	-1.9	-1.1	-0.01
Benchmark	-1.0	-0.5	-0.1
Global corporate fixed income - Portfolio	-5.8	-4.5	-1.8
Benchmark	-2.1	-1.6	-1.0

Source: MSCI. Data as at December 31, 2022.

Conclusion

Publication of our first climate report represents our commitment to continued progress on assessing and integrating the risks and opportunities associated with climate change. Recent years have brought significant change, both within our organization and throughout the broader market, related to climate risk assessment. We're focused on developing the necessary tools and expertise to effectively manage these risks over the long term.

By remaining committed to continuous improvement, working with investee companies, and providing innovative solutions to our clients, we strive to support our clients in addressing the global climate crisis and its impact to financial markets.



To gain more insight on our commitment to sustainability, contact your CIBC Asset Management representative or visit: cibcassetmanagement.com

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