

# RESPONSIBLE INVESTING POLICY

CIBC Asset Management Inc., a subsidiary of the Canadian Imperial Bank of Commerce (CIBC) and one of the largest asset managers in Canada, has over 50 years of active management experience. We provide a range of high-quality investment management services and solutions to meet the needs of individual and institutional investors worldwide.

## Overview

CIBC Asset Management became a signatory of the United Nations-supported Principles for Responsible Investment (PRI) in November 2017 to reinforce our commitment to responsible investing for our clients. These principles guide our approach to managing investment products and our selection of sub-advisors.

## Background and philosophy

At CIBC Asset Management, we recognize that we have a responsibility to act in the best interest of our clients when managing their capital. We believe environmental, social, and governance (ESG) factors create risks and opportunities for investors and it is therefore in the best interest of our clients to consider these factors when making an investment decision.

Evaluating the sustainability of a company's business model and its impact on the communities and economies within which it operates is critical in assessing its long-term viability and success. It is our belief that ESG factors play a critical role in the evaluation of the long-term health and stability of a company. Integrating an evaluation of these ESG factors into our research process plays a fundamental role when assessing the value and performance of an investment over the medium and longer term.

We believe that integrating both sustainability and fundamental factors will ultimately enhance the financial performance of investment mandates and improve outcomes for our investors. This analysis should inform asset allocation, security selection, portfolio construction, and active ownership activities.

## Objective and scope

This policy formalizes and documents our commitment to incorporate responsible investing (RI) factors throughout our investment and sub-advisor selection processes.

The scope of this policy extends throughout CIBC Asset Management. The policy has become part of what we do every day and is intrinsic to the decision-making and investment process of our fundamental strategies. We believe ESG issues can affect the performance of investment portfolios and we integrate ESG analysis throughout our investment decision-making process. We expect the end result will be better risk assessment and investment decisions, and ultimately better outcomes for our clients.

When selecting sub-advisors for our investment funds and investment strategies, the sub-advisor's RI commitment and policies will be reviewed and included for consideration alongside other non-ESG factors.

Passively managed investment mandates, such as index mutual funds, and quantitative strategies, such as multifactor solutions, are excluded from our RI process unless otherwise stated.

## Governance

The policy is overseen by the CIBC Asset Management Responsible Investing Committee, which meets annually, at a minimum. It is mandated to review the effectiveness of the process, identify potential areas for improvement, and receive updates on changes that could impact our processes and approach to responsible investing.

The policy is implemented across CIBC Asset Management through the approaches identified in the policy. The teams at CIBC Asset Management work together through our Responsible Investing Working Group and collaborate continually to ensure the evolution of our capabilities.

This policy is a living document, intended to evolve with our firm as we pursue responsible investing excellence. The policy is evaluated and approved at least annually.

## Policy owner

This policy is owned by the Secretary, Responsible Investing Committee.



## Our principles

When CIBC Asset Management became a signatory of the PRI, we reaffirmed our commitment to include ESG factors in our investment process. We also recognize that applying the PRI principles can better align investment management with the broader objectives of society. As a signatory of the PRI, we're committed to the following six principles:

### Principle 1

Incorporate ESG issues into investment analysis and decision-making processes.

- Integrate consideration of ESG factors into our quantitative and fundamental analysis as well as our investment decisions.
- Incorporate ESG considerations into our evaluation of manager best practices and the manager selection process.

### Principle 2

Be active owners and incorporate ESG issues in our ownership policies and practices.

- Engage with companies and be proactive on ESG issues.
- Adhere to rigorous proxy-voting policy and monitor compliance with voting policy.
- Support proposals that contribute to more effective boards and improved governance.

### Principle 3

Seek appropriate disclosure on ESG issues by the entities in which we invest.

- We believe that true ESG integration is achieved through the timely identification of ESG risks via collaboration between all members of the investment management team
- We'll support initiatives that promote ESG disclosure by companies.
- We'll request that ESG issues be integrated into annual financial reports.

### Principle 4

Promote acceptance and implementation of the principles within the investment industry

### Principle 5

Work together to enhance our effectiveness in implementing the principles.

- Identify and support appropriate coalitions whose beliefs are aligned with the principles.
- Participate in networks and forums to share tools and resources that promote and advance the implementation of PRI principles.

### Principle 6

Report on our activities and progress towards implementing the principles.

- Disclose how ESG issues are integrated within investment practices.
- Disclose active ownership activities (i.e. voting, engagement, and/or policy dialogue).
- Communicate with stakeholders about ESG issues and the principles



## Implementation and approach

### Portfolio management and ESG integration

#### Equity and Fixed Income

Analysis of a company's ESG policies and practices are important inputs when assessing its long-term viability. At CIBC Asset Management, fundamental credit and equity analysts perform in-depth assessments of companies. Their primary goal is to value investments and drive alpha ideas for both fixed-income and equity portfolios. We believe an analysis of ESG risk factors is fundamental to the accurate valuation of a company. A comprehensive assessment of the risks and the range/magnitude of potential outcomes associated with company valuations is also critical. By combining both financial and ESG risk analysis, we produce a deeper understanding of the companies in which we invest.

To facilitate the consistent and robust application of research into ESG factors, we have implemented a rigorous procedure to integrate ESG factors in our fundamental analysis and investment process. In addition to our normal-course analysis, we incorporate ESG risk assessments on companies to determine how ESG risks are being managed at the company level relative to peers. These assessments are sector-specific, because the materiality of the E, S, and G factors differs between sectors, based on our proprietary model.

#### Global Sovereign

Our global sovereign ESG framework is consistent with our disciplined top-down investment process implemented across all of our macro investment strategies. This process rigorously integrates quantitative inputs with qualitative fundamental research. Macro ESG investing is no different.

We integrate:

- 1 Quantitative scoring of ESG risk factors
- 2 Qualitative assessment of economic risk factors, sovereign idiosyncrasies and ESG dynamics

We have developed a proprietary quantitative process to grade countries across ESG dimensions. In addition, a qualitative overlay is provided by our analysts based on their regional macroeconomic, fiscal, and monetary policy knowledge

See Appendix for an illustration of the ESG integration framework for both equity/fixed income and global sovereigns at CIBC Asset Management.

#### Portfolio manager due diligence and research

Our Total Investment Solutions (TIS) team is responsible for researching potential portfolio managers to manage existing or upcoming investment mandates. TIS uses a comprehensive process to evaluate manager best practices in the following categories when determining whether a manager would be suitable for an investment mandate:

- Organization of the firm
- Investment staff
- Decision making
- Idea generation
- Security selection
- Sell discipline
- Research
- Portfolio construction

In addition to a fundamental manager assessment, our TIS team performs, in collaboration with the Sustainable Investments team, an in-depth ESG due diligence of all prospective and existing managers. The process culminates in an overall ESG rank for each firm. At its core, the assessment is focused on identifying how ESG and responsible investing principles are integrated into the firm's culture and investment process. The team looks at the following categories during the ESG due diligence:

- ESG integration process
- Active ownership policies/practices
- Dedicated resources
- Industry collaboration
- Incentives and compensation

We encourage our sub-advisors to further integrate ESG factors into their investment processes and procedures. We encourage their adherence to the PRI when these conditions are not currently being met.



## Proxy voting

Proxy voting is a critical part of our investment process. It allows us, as investors, to express our views on the governance of the companies in which we invest, and it 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 corporate governance, effective management of environmental and social issues, and comprehensive reporting according to credible standards.

CIBC Asset Management actively engages in proxy voting decisions. Our analysts and portfolio managers coordinate discussions and messaging with company management and Boards of Directors, and are responsible for reviewing and voting the proxies in their coverage universe. The proxy analysis and recommendations provided by our third-party proxy advisor are starting points for further review, guided by the issues at hand.

In order to facilitate the logistics of the proxy voting process, our portfolio management and research team ensures that the instructions on base-case voting guidelines from our third-party advisor best reflect our evolving views on governance standards and sustainability best practices.

We spend the most time on proxies we can have the greatest impact on, either through the size of the ownership position or the strength of our relationship with the company. As a result, we will place greater reliance on the proxy advisor for international investments.

Proxy voting information for the CIBC Mutual Funds and CIBC Family of Managed Portfolios and Imperial Pools can be found at the following link: <https://www.cibc.com/en/personal-banking/investments/mutual-funds/reporting-and-governance/proxy-voting.html/>

## Engagement

CIBC Asset Management acknowledges that stewardship is an essential part of our fiduciary duty. We focus on direct interaction with management and engage on a variety of issues including strategy, financial performance, capital structure, and ESG risks and opportunities. A substantial portion of our company research is informed by direct, persistent contact with company management and boards of directors, both in meetings and visits to operations. Portfolio managers and analysts have a shared responsibility for ongoing dialogue with investee companies under coverage. This ongoing dialogue is a key element in effectively implementing our stewardship responsibilities and informs the investment decisions we make on behalf of our clients.

CIBC Asset Management engages with issuers across both equity and debt markets, leveraging our expertise across the capital structure to most effectively identify key priorities for engagement. We select issuers based on the size of our ownership position and our relationship and access with company management. As a result, we have a greater ability to engage with Canadian issuers.

We focus on two types of engagement, centered around strategic priorities for our organization and ad hoc engagements led by ESG risks identified at the issuer by our portfolio managers and analysts. Through our proprietary ESG analysis and deep understanding of the companies and sectors, our team is equipped to identify material factors facing our investee companies. We work with their management teams to ensure appropriate steps are being taken to mitigate those risks. We take a stakeholder approach, recognizing that companies have a duty to both the shareholder, and the communities and societies within which they operate.

We believe that divestment is a last resort, as we lose our opportunity to influence the sustainability practices within the company and industry.

## Policymakers

Where possible, CIBC Asset Management will engage directly with policymakers to advance the sustainability of capital markets. When possible, we will make our responses and advocacy publicly available. We will actively contribute to collaborations where applicable to the strategies that we manage.



## Climate policy

### Introduction

CIBC Asset Management supports the Paris Agreement and we acknowledge the scientific evidence of climate change. We are cognizant of the future implications it may have on our clients' assets. As a result, we have formally accepted that climate risk is investment risk, and we are diligent in assessing climate risk as an extension of our fiduciary duty.

The impacts of climate change carry both short- and long-term implications for investment returns. Regulatory changes, the transition to a low-carbon economy, and changing weather patterns will expose companies to both physical and transition risks. It will also provide secular growth opportunities for innovative firms. We will continue to evaluate the materiality of these factors with our investee companies and will engage with them when appropriate.

### Our approach

The materiality of climate-related risks and opportunities varies by company and industry. We assess all of these factors on a case-by-case basis within our fundamental, bottom-up company research process. The conclusions reached are an important input into the overall investment thesis and contribute to company valuation and portfolio construction decisions. Investment team members have a responsibility to identify relevant climate factors, the financial implication of any material risks or opportunities, and to communicate their findings to the team.

We favour an active ownership approach to investing in fossil fuels, rather than divestment. This enables our team to identify areas where companies may be lagging, and to work with management on developing an appropriate response. This ongoing dialogue facilitates a greater understanding of the company's business model, strategy, and challenges. We also recognize that some heavy-emitting companies will have a significant role to play in our transition to a low-carbon economy. We will encourage them to adopt emissions reduction strategies where applicable. We also commit to being active participants in collaborative engagement efforts to encourage best practice adoption at some of the highest emitting corporations in Canada.

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.

### Conclusion

We believe that climate risk is investment risk, and that there are both short- and long-term implications for the investment industry. This policy applies to all asset classes at CIBC Asset Management and covers all investment staff and actively managed investment products. Climate change is an evolving issue, and we are committed to reviewing this policy on an annual basis in order to be prepared for future developments, and to enable us to act in the best interests of our clients.

### Exclusions

CIBC Asset Management adheres to all regulatory requirements to exclude securities required by domestic and international law. CIBC Asset Management does not have any values-based exclusions that apply firm-wide. For certain strategies with values-based exclusions outlined in the investment policy, we partner with external data providers to construct the investment-approved lists on a monthly basis. These strategies have publicly available frameworks that establish the process and revenue thresholds for all exclusions.

### Disclosure and reporting

CIBC Asset Management will report on its responsible investing progress at least annually in our ESG and Stewardship report. As PRI signatories, we will report annually on our ESG integration approach through the PRI Reporting Framework.

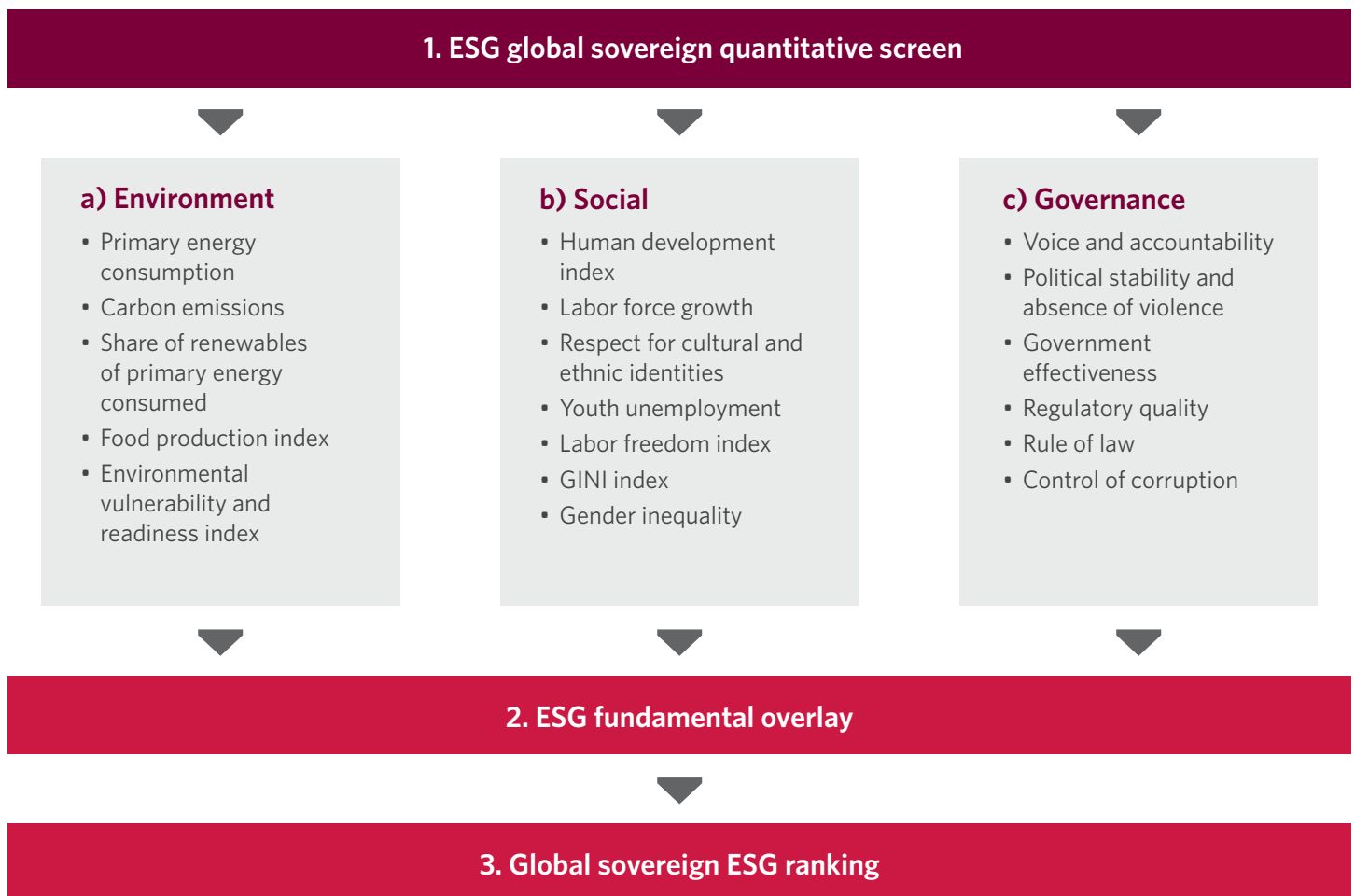


## Appendix: ESG integration framework

Equity and fixed income



## Global sovereign



All information in this document is as at 01/18/2023, unless otherwise indicated, and is subject to change.

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