



Environmental Credit Risk Management at CIBC

Presented to the
UNEP-FI North American Task Force Workshop

Toronto, Canada

June 5, 2006

Bill Christmas, CIBC Environmental Risk Management

Theme:

- Integration of environmental due diligence in lending and investment banking relationships
- Role of CIBC Environmental Risk Management within those relationships
- Integration of new issues and changing conditions



CIBC Environmental Risk Management

- A division of Corporate Risk & Insurance Services
 - Credit Risk Management
 - Environmental Programs, Performance & Integration
 - Governance Responsibilities
- Corporate Reputation a key driver



CIBC Environmental Risk Management:

- Environmental Policy 1993
- Environmental Credit & Investment Risk Management Policy 1999
- Formalized procedures & guidelines developed in 1990's



Fundamental Questions:

- Past and current exposures?
- Potential exposures?
- Materiality?



CIBC Retail Markets (Small Business)

- Low or high risk determination
- Checklist/site inspection/third party assessment
- Credit Risk evaluation – expertise required?



Challenges:

- Changes in lending processes
- Comprehension
- Training and communication



Mid-market Lending:

- Generally between \$5MM and \$25MM
- Increasing importance of EMS review
- Existing relationship/exposure considerations



“Partnering” Relationship:

- Transaction Team
- Credit Risk Management
- Environmental Risk Management



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- Understanding context is critical
 - Environmental Risk is not isolated from other transactional risks



Risk Mitigation:

- Environmental management abilities (EMS)
- Full knowledge of the environmental condition
- Regulatory engagement
- Well-sponsored indemnifications
- Risk transfer tools (example: cost-cap insurance)



Consultants

- Competence must be scrutinized regularly
- Many reasons for incomplete or inferior work
- Laymen need to know when to seek help



Risk Assessment:

- Becoming more common/accepted?
- Marketability/liquidity concerns?
- Expensive



CIBC World Markets (Large Corporate)

- Review of transaction team due diligence
- Corporate management and legal counsel discussions
- Quantification and management of potential risks



Transaction types (examples):

- CMBS
- M&A
- Income trust conversions
- REITs



Reputation Risk

- Formal policy and process for all transactions
- Environmental “risk trigger”
- Environmental Risk Management “sign-off” required



Future Risks

Environmental Risk's responsibility is to:

- Evaluate
- Determine additional due diligence requirements
- Incorporate into ongoing processes



Thank You!



Bill Christmas, CIBC Environmental Risk
Management

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