Environmental Credit Risk Management at CIBC

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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
• 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!