



CIBC Energy Supply Ratio Methodology

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Energy Supply Ratio overview

CIBC has developed the Energy Supply Ratio (ESR) methodology to support internal tracking and enhance our understanding of how we finance energy supply activities. This document aims to provide stakeholders with information regarding the development of our ESR methodology.

We understand that the energy transition is multifaceted, presenting distinct challenges and opportunities across different industries and regions. For this reason, CIBC will consider the ESR alongside our other climate-related metrics.

In the absence of established industry standards, CIBC has developed our own methodology for calculating the ESR. Our approach draws on guidance from Bloomberg New Energy Finance's (BNEF)'s [Energy Supply Banking Ratios: Implementation Guide](#) and the Institute of International Finance's (IIF)'s [White Paper on Energy Supply Ratio for Bank Disclosures](#) and will continue to evolve as data quality and industry practices advance.

While CIBC has designed our ESR methodology to align with our business profile and the resources available to us, we recognize that other financial institutions may employ different methodologies based on their specific circumstances and priorities. We intend to update this methodology as market practices, industry guidelines, frameworks and standards evolve.

CIBC's Energy Supply Ratio methodology

This section offers an overview of the key components of our methodological approach, outlining the rationale behind each element and their influence on the ESR. Our approach is designed to align with CIBC's existing climate-related methodologies and targets—including our [Net-Zero Approach](#), [Sustainable Finance Methodology](#) and [Sustainability Issuance Framework](#)—though some differences in scope and approach remain due to the distinct aims of the ESR and our targets.

CIBC's ESR methodology was developed by addressing four key design components:

1. Energy supply scope & definition
2. Scope of financing activities
3. Measurement approach of financing activities
4. Adjustment & allocation approach

Energy supply scope & definition

CIBC's ESR is calculated by including the following energy supply sectors as reflected in the numerator and denominator in the table below.¹ Other activities, such as energy-related manufacturing, are excluded at this time in favour of a supply-focused ratio approach. This decision was influenced by the complexity of manufacturing and energy supply chain activities, as well as limited data availability, which makes it challenging to accurately assess their contribution to overall energy supply.

The table below defines energy supply activities that are included in our ESR methodology.

Ratio Component	Category	Energy Supply
Numerator	Emissions-Free Power Generation ²	Solar
		Wind (offshore and onshore)
		Geothermal
		Tidal
		Energy production with feedstock using hydrogen or ammonia generated using clean energy sources
		Renewable biofuels whose sources include sustainable agriculture and forestry
		Hydroelectric
	Nuclear	
	Electricity Grids	Electric transmission & distribution (T&D) ³
	Decarbonization Activities	Decarbonization activities associated with the supply of energy as per CIBC's Sustainable Finance Methodology
Denominator	Oil & Gas	Upstream
		Midstream
		Downstream
	Power Generation	Coal-fired power
		Gas-fired power
		Oil-fired power
	Thermal Coal Supply	Mining

¹ Energy demand is excluded at this point in time.

² Refers to entities which have all their generation from the following sources: solar, offshore and onshore wind, geothermal, tidal, energy production with feedstock using hydrogen or ammonia generated using clean energy source, hydroelectric, waste biomass and renewable biofuels whose sources include sustainable agriculture and forestry and nuclear energy. Refer to the Adjustment and allocation section on how mixed power generation is accounted for in the methodology.

³ T&D is allocated 100% to the numerator as it is considered to enable the low-carbon transition, as outlined by [BNEF](#): Grid technology upgrades often tend to accompany cleaner capacity and also allow the smoother integration of renewables; therefore, transmission and distribution is considered green.

Overall, the scope of the ESR is broader and more comprehensive than our current methodology approach for our 2030 emissions reduction targets for the oil and gas and power generation sectors.⁴ We are working towards a more comprehensive ESR and capturing our energy supply activities across our product and business units as data capabilities are enhanced and industry practices and standards for ESR mature.

Scope of financing activities

CIBC's financing activities that are included in our ESR methodology include Corporate lending and facilitation activities (Equity and Debt Capital Markets).⁵ At this point in time, products related to investments are excluded from the methodology.⁶

Financing Activity	Inclusion	Exclusion
Corporate Lending ⁷	<ul style="list-style-type: none"> Bilateral lending Syndicated lending Project finance Trade finance Tax equity bridge loans/tax credit bridge loans 	<ul style="list-style-type: none"> Fund finance Global Markets activities (e.g., Securitization and Global Credit Finance)
Facilitation	<ul style="list-style-type: none"> Debt Capital Markets (DCM) Equity Capital Markets (ECM) 	<ul style="list-style-type: none"> Advisory Services (M&A and Debt) Global Markets activities (e.g., Securitization and Global Credit Finance)

Measurement approach of financing activities

Our measurement approach maintains consistency with our existing methodology approaches for our 2030 financed emissions reduction targets.⁸

CIBC will calculate the ratio using two approaches: (1) inclusion of revolving credit facilities (RCF) and (2) exclusion of RCFs. This approach was considered for the following reasons:

- RCFs can be used for liquidity or working capital purposes (rather than for capital expenditures) while the ESR is meant to capture actual capital expenditure in energy supply, and;
- As liquidity facilities, RCFs often remain undrawn or partially drawn, briefly and at a point in time, thereby distorting CIBC's lending towards low-carbon energy, which may be financed with longer-term capital.

Financing Activity	Measurement
Corporate Lending	Authorized committed amounts as at October 31 of each year.
Facilitation	CIBC's economic share of underwritten and arranged financings in DCM and ECM.

⁴ Refer to our Net-Zero Approach to learn more about our 2030 emissions reduction target-setting approach.

⁵ Financing activities related to Canada Wealth Management (including CIBC Asset Management), US Wealth Management as well as CIBC Caribbean are currently excluded. Commercial Banking clients are included in-scope.

⁶ Investments, including tax equity and credit investments, climate fund investments and corporate treasury holdings, are excluded to maintain consistency with our 2030 financed emissions target-setting approach. This is also in alignment with existing BNEF ESR Methodology.

⁷ Projects that are in construction (have not reached commercial operating date) are captured in the methodology.

⁸ Clients with committed exposure less than \$5 million are excluded from the ESR methodology, maintaining consistency with our 2030 financed emissions reduction target-setting approach.

Adjustment & allocation approach

CIBC's ESR methodology relies on both internal and external data sources to support our ability to split and apportion client business activities into the numerator and denominator of our ESR.

CIBC does not employ a 'use of proceeds' approach within our ESR methodology. Instead, all financing is treated as general corporate purpose and allocated on a binary basis—**100% to either numerator or denominator**—at the client level, based on their industry code. An exception is made for mixed power generation clients, where financing is split between energy supply based on a client's generation mix data (in MWh), which is a more accurate representation of the asset profiles of our power generation clients.

Client Type	Adjustment Approach
Pure-Play Energy Suppliers	Financing is allocated based on industry code. ⁹
Pure-Play T&D	For clients classified under relevant T&D industry codes, financing is allocated entirely to the low-carbon energy numerator. ¹⁰
Mixed Power Generation Producers	Allocation is based on the client's generation mix, sourced from S&P Capital IQ.
Integrated Power Producers (Generation & T&D)	Allocation is based solely on the power generation mix from S&P Capital IQ; T&D activities are excluded. ¹¹
Clients with Thermal Coal Mining Activities	Allocation is based on the proportion of annual revenue derived from thermal coal, per CIBC's analysis and the client's audited financial statements.

Limitations & considerations

The ESR has inherent challenges and limitations regarding comparability and its ability to drive the energy transition, as banks do not control the absolute or relative level of financing opportunities available for energy supply. Furthermore, our methodology has been developed in the absence of an established industry standard. We remain committed to continuously enhancing our ESR methodology, which may involve updates to our methodology, approach, and data sources over time.

The following limitations apply to the ESR methodology:

- The required information for an ESR calculation is fragmented and often relies on subjective assessment when data is unavailable. This is particularly in relation to the adjustment factors used to categorize financings. These gaps in data can impede the ability to fully account for all financing activities that facilitate the energy transition. Consequently, an ESR should be viewed as part of a broader collection of climate-related indicators to ensure a more complete understanding of how an institution's energy-related financing is evolving over time.
- Furthermore, the lack of a standardized ESR methodology means approaches vary across institutions and are not directly comparable as each institution tailors its approach based on business model and data availability.
- Finally, financial institutions are influenced by regulatory, government, and market-driven events, which may impact the volume of lending and facilitation contributed towards the energy supply value chain.

⁹ Financing from these sectors (oil and gas, fossil-based power generation and thermal coal supply) towards emissions-free power generation, T&D and decarbonization activities, are included if Special Purpose Vehicles (SPV) are set up.

¹⁰ Lending to pure-play T&D clients is allocated to the numerator as it is considered to enable the transition to a low-carbon economy.

¹¹ For integrated power producers operating both generation and T&D activities, allocation is based on a client's generation mix (in MWh), with T&D activities not currently considered at this time due to data limitations.

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