



Shareholder Proposal

Canadian Imperial Bank of Commerce (CIBC) Vertical Comparison of Executive Compensation

Be it resolved that:

The Management Resources and Compensation Committee of the Board provide a report to shareholders by September 2014, at reasonable cost and omitting proprietary information, assessing the results and risks of basing senior executive compensation on horizontal comparison with peer companies. The report should discuss the potential to integrate vertical comparison metrics, such as average employee compensation within the company; and indicate if the company plans to change its approach to setting total compensation, or explain the rationale for not doing so.

Supporting Statement

We believe the Canadian Imperial Bank of Commerce's goal of value creation for stakeholders is not best served by primarily using horizontal comparison with peer companies to establish total compensation targets for senior executives.

This practice assumes that top executives can easily transfer their skills to competitor companies. However, as Elson and Ferrere showed in their recent paper *Executive Superstars, Peer Groups and Over-Compensation*, senior managers tend to be less successful after switching companies. Horizontal comparisons also seem to assume that executives are motivated solely by money, although human resources experts tell us consistently that this is not the only criterion that influences commitment.

Experience suggests that the comparator group paradigm drives compensation in an upward spiral because of companies compensating above the median. Senior executives of major companies already rank among the highest-paid individuals in the economy. In the absence of mechanisms to assess whether levels of compensation are reasonable, the vast gap that has opened over recent years between the compensation of senior executives and other workers will continue to grow.

Increasing disparity with compensation at lower levels within a company may reduce productivity of employees – undermining strategic objectives relating to employee engagement. Increasing disparity with income levels in the wider economy poses risks to the company, the industry and society as a whole.

At a time when many people are facing stagnant or declining economic prospects, allowing top executive compensation to reach unreasonable levels may not only alienate bank customers, but also contribute to fractures in society. The Board has a corporate citizenship responsibility to help reverse this trend and ensure that senior executive compensation increases do not outpace income growth in the economy as a whole. Changing the current compensation model is a challenge, but it must be addressed for the long-term sustainability of our economic and social system.

This proposal was filed in 2012 at Canada's five largest banks, in recognition of the systemic nature of the risk, and the competitive challenge for one company to act if peers do not. The banks were asked to report back to shareholders in advance of

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their 2014 annual general meetings. The proposal was withdrawn when each bank agreed to explore the issues raised. The banks commissioned independent research, which was completed in summer 2013. However, the Canadian Imperial Bank of Commerce has not yet committed to providing a report to shareholders responding to the request in the 2012 proposal.