

## **GUIDELINE**

### **CIBC Canadian Buyback Index**

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## **Introduction**

This document is to be used as a guideline with regard to the composition, calculation, and management of the CIBC Canadian Buyback Index. Any changes made to the guideline are initiated by the Committee specified in section 1.5. The CIBC Canadian Buyback Index is calculated and published by the Index Calculator.

## **1 Index Specifications**

The CIBC Canadian Buyback Index (the “Index”) is comprised of an equally weighted portfolio of equity securities of TSX-listed companies with active share buyback programs that have significantly and consistently reduced issued and outstanding share count. The Index was developed by CIBC World Markets Inc. based on empirical evidence showing that companies who implement share buyback programs, and subsequently achieve a significant reduction in outstanding share count, have a tendency to also be more profitable companies with strong core business models, and a greater capacity to return cash-flows to shareholders. The CIBC Canadian Buyback Index uses a proprietary rules-based methodology to select its constituents securities and is reconstituted monthly and rebalanced quarterly to equal weight.

The Index is calculated and distributed by the Index Calculator.

The Index is calculated and published in CAD.

### **1.1 Short Name and ISIN**

The total return version of the CIBC Canadian Buyback Index is distributed under ISIN DE000SLA2GD0; the WKN is SLA2GD. The Index is published in Reuters under the code .CIBCCBBT and in Bloomberg under the ticker CIBCCBBT Index.

The price return version of the CIBC Canadian Buyback Index is distributed under ISIN DE000SLA2GK5; the WKN is SLA2GK. The Index is published in Reuters under the code .CIBCCBBP and in Bloomberg under the ticker CIBCCBBP Index.

### **1.2 Initial Value**

The Index is calculated since Sep 8 2016, where the index is based on with a value of 100. Backtested data is available since Jun 22, 2000.

### **1.3 Distribution**

The Index is published via the price marketing services of Boerse Stuttgart AG and is distributed to all affiliated vendors. Each vendor decides on an individual basis as to whether the vendor will distribute/display the Index via the vendor’s information systems.

### **1.4 Prices and Calculation Frequency**

The value of the index is calculated on each Business Day based on the prices on the respective Exchanges on which the Index Components are listed. The most recent prices of all Index Components are used.

The Index is calculated once every Business Day at 4:50pm, EST. In the event that data cannot be provided to Reuters or to the pricing services of Boerse Stuttgart AG the Index cannot be distributed.

Any incorrect calculation is adjusted on a retrospective basis.

## **1.5 Decision-Making Bodies**

A Committee, composed of members of CIBC is responsible for decisions regarding the composition of the Index as well as any amendments to the rules (in this document referred to as the “Committee” or the “Index Committee”).

## **1.6 Publication**

All specific and information relevant for calculating the Index are made available on the webpage of the Index Calculator (<http://www.solactive.com>)

## **1.7 Licensing**

Licenses, if any, to use the Index as the underlying value/index for index funds, ETFs, or derivative instruments are issued to stock exchanges, banks, financial services providers, and investment houses by CIBC World Markets Inc.

## 2 Composition of the Index

### 2.1 Index Universe

On Rescreening Dates, all Eligible Canadian Stocks are sorted on the basis of market cap and 12 months average daily traded dollar value volume (\$-volume). Any firms with market cap or \$-volume in the bottom half is removed, and the remaining stocks consist of the "Index Universe".

The Index Universe will also exclude any shares where, in the determination of the Index Calculation Agent, there is a reasonable expectation that there may be a material reduction in the liquidity of a share in the period ending on the last Ordinary Adjustment Date following the next Rescreening Date (i.e., the last Ordinary Adjustment Date on which the share would exit the Index) as a consequence of an impending corporate action, regulatory action, delisting or other material event affecting a share ("Qualifying Shares").

### 2.2 Ordinary Adjustment

On Rescreening Dates, all companies from the Index Universe are ranked on the basis of

1. Share Count Reduction Ratio.
  - Calculated as:  $(\text{common shares outstanding today} - \text{value 24 months ago}) / \text{value 24 months ago}$
  - Firms are ranked from lowest to highest
2. Buyback Consistency.
  - Calculated as:
    - i. Obtain common shares outstanding at month end over the past 24 months
    - ii. Calculate the % change in common shares outstanding for each month =  $(\text{month end value} - \text{prior month end value}) / \text{prior month end value}$
    - iii. Calculate a "share reduction index", initially set at 0
    - iv. Look back over the past 24 months
      - For each month with a positive change ( $>0.01\%$ ) add 1 to the index
      - For each month with a negative change ( $<-0.01\%$ ) subtract 1 to from the index
      - If no change, there is no change to the index
3. An overall ranking score is calculated from results of #1 & #2
  - Overall ranking score =  $50\% * \text{Share Count Reduction Ratio rank} + 50\% * \text{Buyback Consistency rank}$
4. Firms are ranked from best to worst on the overall ranking score calculated in #3
5. The initial index as of Jun 22, 2000 is composed of the top 40 ranking stocks
6. On each Rescreening Date if a new firm not currently in the index has a rank  $\leq 10$ , it is added to the index. If so, the firm with the lowest score currently in the index is removed. The stock is added at the same weight as the stock removed. All of the firms that are currently not in the index and with a rank  $\leq 10$  will be added to the index. In the case of two new firms with a rank of  $\leq 10$ , the best ranked firm will replace the worst ranked firm currently in the index. Similarly, the second best ranked firm will replace the second worst ranked firm currently in the index.
7. The changes take effect on Ordinary Adjustment Dates
8. On Quarterly Rebalancing Dates the index is rebalanced to equal weights

If the index has less than 40 stocks before the Quarterly Rebalancing Date due to corporate actions, the index is filled up back to 40 constituents with the highest ranking stocks not currently in the index added. Then the index is rebalanced to equal weight.

If two firms are tied when calculating the overall ranking score, the firm with the higher 24 Share Count Reduction Ratio is prioritized. If still tied, the firm with the higher market cap is picked.

### 2.3 Extraordinary Adjustment

If an index member included in the index is removed from the Index between two Ordinary Adjustment Dates due to an Extraordinary Event, if necessary, the Calculation Agent shall designate a successor. This is announced by the Index Calculator after the close of business on the day on which the new composition of the Index was determined by the Index Calculator. The Index is adjusted in such a case with 2 days notice if possible.

### 3 Calculation of the Index

#### 3.1 Index formula

The Index Value on a Business Day at the relevant time is calculated in accordance with the following formula:

$$Index_t = \frac{\sum_{i=1}^n x_{i,t} * p_{i,t} * f_{i,t}}{D_t}$$

with:

$x_{i,t}$  = Number of Index Shares of the Index Component i on Trading Day t

$p_{i,t}$  = Price of Index Component i on Trading Day t

$f_{i,t}$  = Foreign exchange rate to convert the Price of Index Component i on Trading Day t into the Index Currency

$D_t$  = Divisor on Trading Day t

The initial Divisor on the Start Date is calculated according to the following formula:

$$D_t = \frac{\sum_{i=1}^n (p_{i,t} * f_{i,t} * x_{i,t})}{100}$$

After the close of trading on each Adjustment Day t the new Divisor is calculated as follows:

$$D_t = \frac{\sum_{i=1}^n (p_{i,t} * f_{i,t} * x_{i,t})}{Index_t}$$

This Divisor is valid starting the immediately following Business Day.

#### 3.2 Accuracy

The value of the Index will be rounded to 2 decimal places.

Trading Prices and foreign exchange rates will be rounded to six decimal places.

Divisors will be rounded to six decimal places.

#### 3.3 Adjustments

Indices need to be adjusted for systematic changes in prices once these become effective. This requires the new Number of Index Shares of the affected Index Component and the Divisor to be calculated on an ex-ante basis.

Following the Committee's decision the Index is adjusted for distributions, capital increases and stock splits.

This procedure ensures that the first ex quote can be properly reflected in the calculation of the Index. This ex-ante procedure assumes the general acceptance of the Index calculation formula as well as open access to the parameter values used. The calculation parameters are provided by the Index Calculator.

### 3.4 Dividends and other distributions

Dividend payments and other distributions are included in the Index. They cause an adjustment of the Divisor. The new Divisor is calculated as follows:

$$D_{t+1} = D_t * \frac{\sum_{i=1}^n (p_{i,t} * f_{i,t} * x_{i,t}) - (x_{i,t} * y_{i,t} * g_{i,t})}{\sum_{i=1}^n (p_{i,t} * f_{i,t} * x_{i,t})}$$

with

$p_{i,t}$  = Price of Index Component i on Trading Day t

$f_{i,t}$  = Foreign exchange rate to convert the Price of Index Component i on Trading Day t into the Index Currency

$x_{i,t}$  = Number of Index Shares of the Index Component i on Trading Day t

$y_{i,t}$  = Distribution of Index Component i with ex date t+1 multiplied by the Dividend Correction Factor

$g_{i,t}$  = Foreign exchange rate to convert the amount of the distribution of Index Component i on Trading Day t into the Index Currency

$D_t$  = Divisor on Trading Day t

$D_{t+1}$  = Divisor on Trading Day t+1

### 3.5 Corporate actions

#### 3.5.1 Principles

Following the announcement by an issuer of Index Components of the terms and conditions of a corporate action the Index Calculator determines whether such corporate action has a dilutive, concentrative or similar effect on the price of the respective Index Component.

If this should be the case the Index Calculator shall make the necessary adjustments that are deemed appropriate in order to take into account the dilutive, concentrative or similar effect and shall determine the date on which this adjustment shall come into effect.

Amongst other things the Index Calculator can take into account the adjustment made by an Affiliated Exchange as a result of the corporate action with regard to option and futures contracts on the respective share traded on this Affiliated Exchange.

#### 3.5.2 Capital increases



In the case of capital increases with ex date t+1 the Index is adjusted as follows:

$$x_{i,t+1} = x_i * \frac{1+B}{1} \quad \text{with:}$$

$x_{i,t+1}$  = Number of Index Shares of Index Component i on Trading Day t+1  
 $x_{i,t}$  = Number of Index Shares of Index Component i on Trading Day t  
 $B$  = Shares received for every share held

$$p_{i,t+1} = \frac{p_{i,t} + s * B}{1+B} \quad \text{with:}$$

$p_{i,t}$  = Price of Index Component i on Trading Day t  
 $p_{i,t+1}$  = Hypothetical Price of Index Component i on Trading Day t+1  
 $s$  = Subscription Price in the Index Component currency

$$D_{t+1} = D_t * \frac{\sum_{i=1}^n (p_{i,t} * f_{i,t} * x_{i,t}) + \sum_{i=1}^n [(x_{i,t+1} * p_{i,t+1} * f_{i,t}) - (x_{i,t} * p_{i,t} * f_{i,t})]}{\sum_{i=1}^n (p_{i,t} * f_{i,t} * x_{i,t})}$$

with

$p_{i,t}$  = Price of Index Component i on Trading Day t  
 $f_{i,t}$  = Foreign exchange rate to convert the Price of Index Component i on Trading Day t into the Index Currency  
 $x_{i,t}$  = Number of Index Shares of the Index Component i on Trading Day t  
 $p_{i,t+1}$  = Hypothetical price of Index Component i on Trading Day t+1  
 $x_{i,t+1}$  = Number of Index Shares of the Index Component i on Trading Day t+1  
 $D_t$  = Divisor on Trading Day t  
 $D_{t+1}$  = Divisor on Trading Day t+1

### 3.5.3 Share splits

In the case of share splits with ex date on Trading Day t+1 it is assumed that the prices change in ratio of the terms of the split. The new Number of Index Shares is calculated as follows:

$$x_{i,t+1} = x_{i,t} * B$$

$x_{i,t}$  = Number of Index Shares of the affected Index Component on Trading Day t  
 $x_{i,t+1}$  = Number of Index Shares of the affected Index Component on Trading Day t+1  
 $B$  = Shares after the share split for every share held before the split

### 3.5.4 Stock distributions

In the case of stock distributions with ex date on Trading Day t+1 it is assumed that the prices change according to the terms of the distribution. The new Number of Index Shares is calculated as follows:

$$x_{i,t+1} = x_{i,t} * (1 + B)$$

$x_{i,t}$  = Number of Index Shares of the affected Index Component on Trading Day t  
 $x_{i,t+1}$  = Number of Index Shares of the affected Index Component on Trading Day t+1  
B = Shares received for every share held

### 3.6 Calculation of the Index in the event of a Market Disruption Event

The Index is not calculated in the event of a Market Disruption Event or Force Majeure Event. If the Market Disruption Event or Force Majeure Event continues over a period of eight Trading Days, then the Committee will determine the necessary action (including but not limited to taking into account the market conditions prevailing at this point in time, the last quoted Trading Price for each of the Index Components as well as any other conditions that it deems relevant for calculating the Index value) such that the affected securities resulting from the Market Disruption Event are no longer causing such disruption to occur.

## 4 Definitions

An “**Affiliated Exchange**” is with regard to an Index Component an exchange, a trading or quotation system on which options and futures contracts on the Index Component in question are traded, as specified by the Index Calculator.

“**Business Day**” means a day on which the Toronto Stock Exchange is open.

An Index Component is “**Delisted**” if the Exchange announces pursuant to the Exchange regulations that the listing of, the trading in or the issuing of public quotes on the Index Component at the Exchange has ceased immediately or will cease at a later date, for whatever reason (provided delisting is not because of a Merger or a Takeover bid), and the Index Component is not immediately listed, traded or quoted again on an exchange, trading or listing system, acceptable to the Index Calculator.

“**Dividend Correction Factor**” is 1.

“**Eligible Canadian Stocks**” must satisfy the following requirements

- Listed on the Toronto Stock Exchange
- Incorporated in Canada
- Only common shares and REITs are eligible for index inclusion
- If a security has multiple classes, only the most liquid share class is included in the universe based on 12m trading volumes
- Liquidity: (total number of shares traded at Canadian trading venues in the previous 12 months divided by common shares outstanding at the end of the period  $\geq 0.5$ ) or (market cap over CAD\$10 billion)
- Must have at least 6-months of trading history
- Minimum security price of \$1 over the past 3 months (measured by average of closing prices)
- Market cap: market cap  $\geq 0.05\%$  of universe

“**Exchange**” means the Toronto Stock Exchange or any other appropriate successor.

An “**Extraordinary Event**” is

- a Merger

- a Takeover bid
- a delisting
- a change in domiciled country
- the Nationalisation of a company
- Insolvency

The Trading Price for this Index Component on the day the event came into effect is the last available market price for this Index Component quoted on the Exchange on the day the event came into effect (or, if a market price is not available for the day the event came into effect, the last available market price quoted on the Exchange on a day specified as appropriate by the Index Calculator), as determined by the Index Calculator, and this price is used as the Trading Price of the particular Index Component until the end of the day on which the composition of the Index is next set.

In the event of the Insolvency of an issuer of an Index Component the Index Component shall remain in the Index until the next Adjustment Day. As long as a market price for the affected Index Component is available on a Business Day, this shall be applied as the Trading Price for this Index Component on the relevant Business Day, as determined in each case by the Index Calculator. If a market price is not available on a Business Day the Trading Price for this Index Component is set to zero. The Committee may also decide to eliminate the respective Index Component at an earlier point in time prior to the next Adjustment Day. The procedure in this case is identical to an elimination due to and Extraordinary Event.

The “**Index Calculator**” is Solactive AG or any other appropriately appointed successor in this function.

“**Index Component**” is each share currently included in the Index.

The “**Index Currency**” is the Canadian dollar.

“**Index Sponsor**” means CIBC World Markets Inc.

“**Insolvency**” occurs with regard to an Index Component if (A) all shares of the respective issuer must be transferred to a trustee, liquidator, insolvency administrator or a similar public officer as result of a voluntary or compulsory liquidation, insolvency or winding-up proceedings or comparable proceedings affecting the issuer of the Index Components or (B) the holders of the shares of this issuer are legally enjoined from transferring the shares.

“**Market Capitalization**” is with regard to each of the shares in the CIBC Canadian Buyback Index on a Rescreening Day or Ordinary Adjustment Day the value published as the Market Capitalization for this day. As at the date of this document Market Capitalization is defined as the value of the security calculated by multiplying the number of shares outstanding of the security by its share price.

A “**Market Disruption Event**” is defined as a Business Day where the Index Component is not published.

With regard to an Index Component a “**Merger**” is

- (i) a change in the security class or a conversion of this share class that results in a transfer or an ultimate definite obligation to transfer all the shares in circulation to another legal person,
- (ii) a merger (either by acquisition or through forming a new structure) or a binding obligation on the part of the issuer to exchange shares with another legal person (except in a merger or share exchange under which the issuer of this Index Component is the acquiring or remaining company and which does not involve a change in security class or a conversion of all the shares in circulation),
- (iii) a takeover offer, exchange offer, other offer or another act of a legal person for the purposes of acquiring or otherwise obtaining from the issuer 100% of the shares issued that entails a transfer or the irrevocable obligation to transfer all shares (with the exception of shares which are held and controlled by the legal person), or

- (iv) a merger (either by acquisition or through forming a new structure) or a binding obligation on the part of the issuer of the share or its subsidiaries to exchange shares with another legal person, whereby the issuer of the share is the acquiring or remaining company and it does not involve a change in the class or a conversion of the all shares issued, but the shares in circulation directly prior to such an event

The “**Merger Date**” is the date on which a Merger is concluded or the date specified by the Index Calculator if such a date cannot be determined under the law applicable to the Merger.

“**Nationalisation**” is a process whereby all shares or the majority of the assets of the issuer of the shares are nationalised or are expropriated or otherwise must be transferred to public bodies, authorities or institutions.

“**Number of Shares**” is in respect of an Index Component and any given Business Day the number or fraction of shares included in the Index. It is calculated for any Index Component as the ratio of (A) the Percentage Weight of an Index Component multiplied by the Index value and (B) its Trading Price.

“**Ordinary Adjustment Date**” is the 2<sup>nd</sup> Trading Day of each month.

“**Percentage Weight**” of an Index Component is the ratio of its Trading Price multiplied by its Number of Shares divided by the Index value.

“**Quarterly Rebalancing Date**” is the 2<sup>nd</sup> Trading Day of January, April, July, and October in each year.

“**Rescreening Date**” is the last Trading Day of each month.

“**Stock Substitute**” includes in particular American Depository Receipts (ADR) and Global Depository Receipts (GDR).

A “**Takeover bid**” is a bid to acquire, an exchange offer or any other offer or act of a legal person that results in the related legal person acquiring as part of an exchange or otherwise more than 10% and less than 100% of the voting shares in circulation from the issuer of the Index Component or the right to acquire these shares, as determined by the Index Calculator based on notices submitted to public or self-regulatory authorities or other information considered by the Index Calculator to be relevant.

“**Trading Day**” means a day on which the Toronto Stock Exchange is open.

With regard to an Index component (subject to the provisions given above under “**Extraordinary Events**”) the “**Trading Price**” in respect of a Trading Day is the closing price on this Trading Day determined in accordance with the Exchange regulations. If the Exchange has no closing price for an Index Component, the Index Calculator shall determine the Trading Price and the time of the quote for the share in question in a manner that appears reasonable to him.