



ESG Is Such a Big Deal That it's Creeping Into the Banking Sector

Description

Biden's green infrastructure plan has once again put the spotlight on the ESG trend. As more companies are now keen on joining the sustainability bandwagon, ESG-related stocks have continued to outperform.

Some investors may be surprised to see ESG creeping into nearly every nook and cranny of financial markets. And banks happen to be among those undertaking sustainability initiatives. **Canadian Imperial Bank of Commerce** ([TSX:CM](#)) ([NYSE:CM](#)) is the latest addition in this regard.

CIBC has an opportunity to be a sustainability leader

As we move into a lower-carbon future, every company is going to have to do their part — at least, it appears this is how CIBC sees it.

The Canadian bank has decided to follow the direction of the market and what its clientele wants in making a transition toward a lower-carbon future. The company's focus on carbon capture projects, waste-to-energy programs, and transitioning to renewable energy sources is a step in the right direction.

CIBC Capital Markets recently announced it would be combining two investment banking teams to focus on sustainable energy. Given CIBC's increased footprint in the U.S., it's expected this team could capitalize on Biden's green infrastructure plans.

This team will be comprised of approximately 100 CIBC employees and will be looking for opportunities in the sustainable energy space. This move has been cheered by investors and analysts alike. Accordingly, it appears CIBC is ramping up its efforts to become a sustainability leader in the Canadian banking space.

Robust earnings allow for these strategic moves

The reason CIBC is able to focus on what other banks might view as non-core initiatives is the bank's current financial position.

Indeed, CIBC's fundamentals and strong earnings provide the company with the ability to stretch its focus. Its year-over-year earnings growth rate of 34% this past quarter signifies there's room for such investments. Indeed, considering the emphasis that's placed on sustainability right now, these investments could pay off big over the long term.

With banks like CIBC emerging from the pandemic in pretty decent shape, investors will once again begin assessing the banks in comparison to each other. CIBC's management team hopes its focus on sustainability will be a selling point to investors. And it's the right thing to do for the planet.

When altruism intersects with profit, meaningful change can happen. Indeed, CIBC is hopeful this will be the case.

Bottom line

I think CIBC continues to represent an intriguing pandemic reopening play, regardless of its non-core investments.

However, I think this bank is making some pretty interesting strategic moves right now. Generally speaking, I think this is a positive play for the bank today.

From a numbers perspective, investors can't argue with a [dividend yield](#) of 4.6%, a price-to-earnings ratio of less than 14, and the kind of aforementioned earnings growth that other banks have not been able to provide.

CIBC's a solid long-term pick — and now it's giving investors another reason to buy this stock.

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1. Bank Stocks
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