



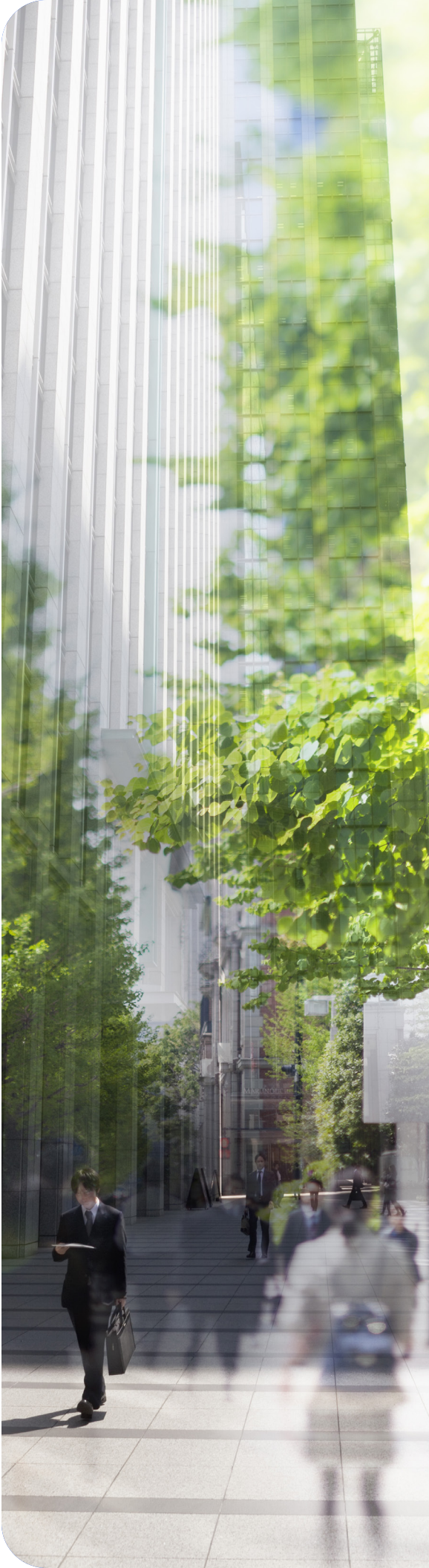
# Environmental and Social Policy Framework

July 2024



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## Introduction

We believe that working to promote sustainability — both for our firm and for our clients — is good business practice. Our commitment to sustainability is also aligned with, and contributes to, Citi's Mission and Value Proposition to serve as a trusted partner to our clients. This belief is reflected in our dedication to financing business opportunities with positive environmental and social impacts, actively mitigating environmental and social risks associated with client transactions which may give rise to credit, reputation and/or legal risks for Citi, and reducing our operational footprint.

Our Environmental and Social Policy Framework describes our approach to net zero, sustainable operations, sustainable finance, and human rights, and outlines our commitment to identify, measure, and monitor environmental and social risks associated with our clients' activity. In our pursuit to generate enduring value for our clients, shareholders, and employees, Citi integrates comprehensive environmental and social risk management policies into our core business strategies and expects clients to mitigate the risks of their operations. Updates on our sustainability progress, including achievements and goals, are detailed in our annual [Environmental, Social and Governance reports and Climate reports](#).

## Principles, Standards and Frameworks

To advance our sustainability goals and the best interests of our clients, and to encourage responsible financial practices, we have adopted, joined or publicly endorsed the external principles, standards and industry groups listed below, which help inform our approach to sustainable finance and risk management:

- Amazon Finance Network
- European Clean Hydrogen Alliance
- Glasgow Financial Alliance for Net Zero (GFANZ)
- Global Investors for Sustainable Development Alliance (GISD)
- Green Bond Principles
- International Labour Organization's (ILO) Core Conventions
- Partnership for Carbon Accounting Financials (PCAF)
- Pegasus Guidelines
- Poseidon Principles
- Principles for Responsible Banking
- Roundtable on Sustainable Palm Oil (RSPO)
- United for Wildlife Financial Taskforce
- United Nations Environment Programme Finance Initiative (UNEP FI)
- United Nations Global Compact
- United Nations Guiding Principles on Business and Human Rights
- United Nations Universal Declaration of Human Rights
- Sustainable Aluminum Finance Framework
- Sustainable STEEL Principles
- Wolfsberg Principles

Furthermore, our internal policies and procedures reference additional international, industry-wide good practices such as the World Bank's International Finance Corporation (IFC) Performance Standards and Environmental Health and Safety Guidelines, the Voluntary Principles on Security and Human Rights, the Forest Stewardship Council, the Roundtable on Responsible Soy and the Accountability Framework initiative. A description of our policies and programs, and how Citi is organized to achieve maximum impact in our areas of focus, follows.

# Citi's Sustainability Journey

Citi has been engaging in sustainability and environmental initiatives for more than two decades, and we continue to advance our leadership and partnerships across the industry.



## Citi's Approach to Climate Change

Climate change is one of the most critical challenges facing our global society and economy in the 21st century. The data is irrefutable, and the world's climate scientists agree that urgent action must be taken to address the current and potential impacts of climate change, including chronic changes to temperature and precipitation, rising sea levels, and more intense and frequent extreme weather events. Some of these impacts are already being felt in communities across the globe, and longer-term climatic changes have the potential to cause wide-ranging impacts affecting business and society, including disrupted supply chains, damaged infrastructure, reduced crop yields and a decline in biodiversity. These risks and impacts are exacerbated by inequality and unsustainable economic development, which put additional pressure on land, water, forests and other natural resources. These interconnected challenges endanger the vitality of communities all over the world and present a threat to global prosperity if not managed properly. The financial sector has an important role to play in addressing this challenge by supporting the transition to a sustainable, low-carbon economy that balances the environmental, social and economic needs of society. Citi understands these critical sustainability issues and believes we must respect and support the environment and human rights in our operations, supply chain and client transactions.

We also understand the complexity of developing solutions to these challenges, which require a combination of strong governmental policy and regulatory frameworks, corporate leadership, investor engagement and individual actions. As one of the largest financiers of carbon-intensive sectors such as energy, power and industrials, we know that the ambition to bring our business into alignment with the ambitions stated in the Paris Agreement will not be easy. Moreover, aligning the global economy with the Paris Agreement will require rapid and far-reaching transitions in energy systems, industrial processes, land-use, buildings, transport and other infrastructure, all supported by an enabling policy environment. We also know that delaying this transition could increase the costs, lock in carbon-emitting technology and infrastructure, increase the risks of stranded assets and reduce the range of effective responses to the challenge in the medium and long term. In light of these opportunities and risks, in 2021 we announced our intent to achieve net zero GHG emissions associated with our financing by 2050 and net zero for our own operations by 2030. For details on our Net Zero Plan and the underlying interim targets, please see our [climate reporting](#).

Achieving a low-carbon economy will also require increased financing of climate solutions. Building on our previous \$50 billion climate initiative from 2007-2013 and our \$100 billion environmental finance goal from 2014-2019, in 2021 Citi announced a commitment to \$1 trillion in sustainable finance by 2030. This commitment extends our previous environmental finance goal from \$250 billion and includes environmental and social criteria such as renewable energy, sustainable transportation and circular economy as well as affordable housing, economic inclusion, education, food security and healthcare.

More than 20 years of working with clients, partners, employees and other key stakeholders to address the growing risks and opportunities related to climate have positioned us to respond to this challenge. We have participated in or contributed to the development of market-based frameworks, such as the Equator Principles, Green Bond Principles, the Poseidon Principles, the Pegasus Guidelines, Sustainable Aluminum Finance Framework, and the Sustainable STEEL Principles, and are reporting Citi's financed emissions for certain carbon intensive sectors per the Partnership for Carbon Accounting Financials (PCAF) Standard, and supporting the development of evolving methodologies from PCAF and the market to enhance understanding of financed and facilitated emissions<sup>1</sup>. We know

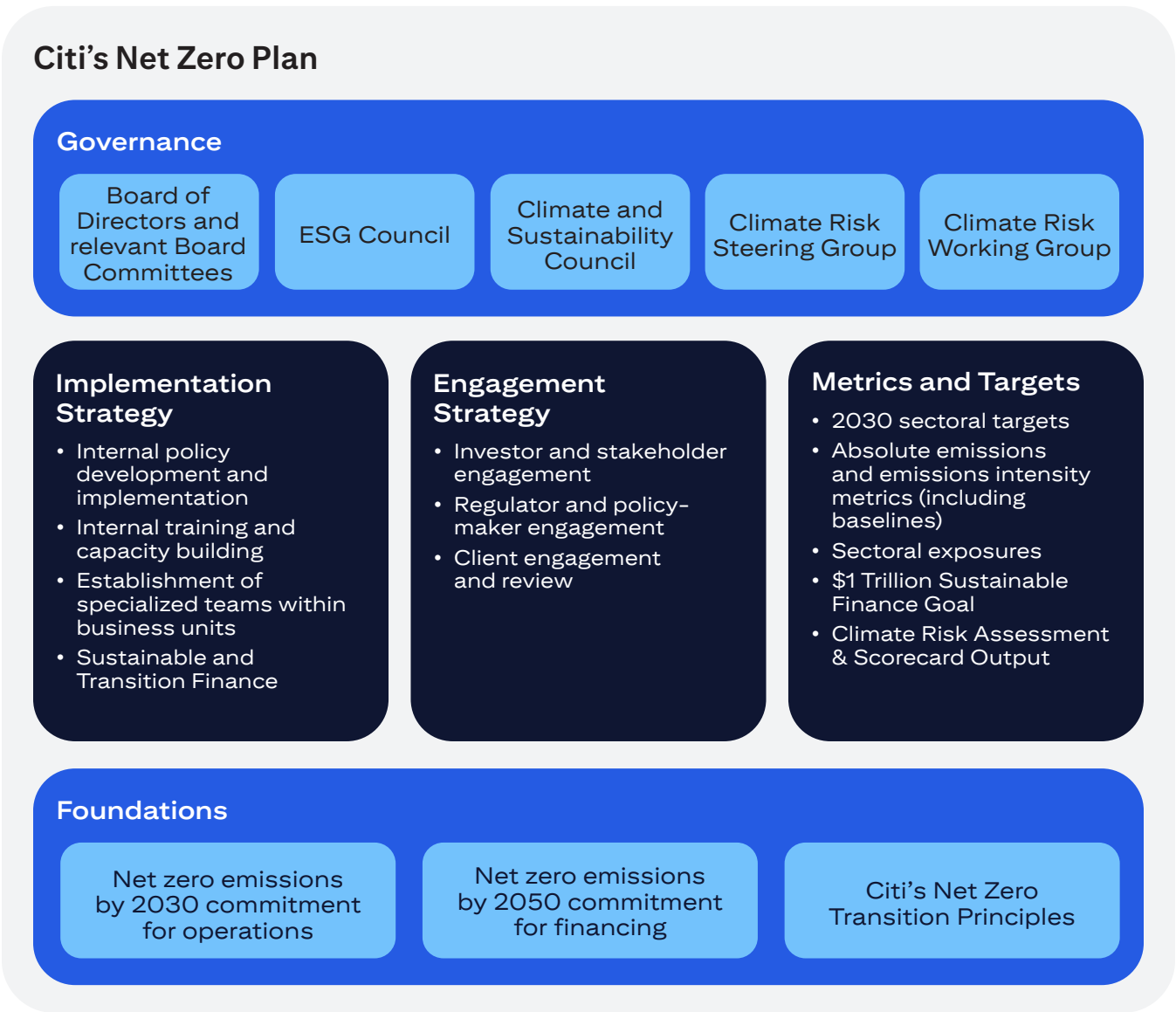
<sup>1</sup> 96% Financed emissions are the GHG emissions generated by the operations and entities that financial institutions lend money to or invest in.



there is more to do and we will continue to learn, engage and report on our progress, but we cannot do it alone. We support responsible and interconnected governmental action on climate to align incentives across the economy to support a low-carbon future, including robust approaches to carbon pricing and disclosure of climate risks.

## Citi's Net Zero Commitment

In March 2021, we announced our intent to achieve net zero GHG emissions associated with our financing by 2050 and net zero for our own operations by 2030. Our Net Zero Plan provides the foundation for us to implement our goal of achieving our net zero commitment. Our Net Zero Plan is summarized in the graphic below. Details on each of the elements in this plan, our interim 2030 targets for select sectors, and our year-on-year progress toward meeting our net zero objectives are available in our [2023 Citi Climate Report](#).



## Sustainable Operations

Citi remains committed to reducing the environmental footprint of our facilities around the world. As of December 2023, we have facilities across 95 countries. Our global operations give us an opportunity to positively impact the communities where we live and work.

For our operations, we are targeting net zero emissions by 2030. Additionally, we set 2025 Operational Footprint goals, which help drive performance improvements related to greenhouse gas (GHG) emissions, energy use, water consumption, waste reduction and diversion, and sustainable building design. These goals are aligned with a pathway to limit global temperature rise to 1.5°C. Our efforts to further integrate sustainable practices across our geographic footprint also include renewable electricity sourcing, employee engagement and seeking opportunities for efficiency in business travel. Citi also purchases voluntary third-party verified carbon credits consisting of a portfolio of nature-based, energy efficiency and methane destruction credits in an amount equivalent to our Scope 1 direct GHG emissions. Progress toward these operational footprint goals is provided in our [annual ESG reporting](#).

## Sustainable Finance

The financial sector has an important role to play in helping to address climate change by providing access to the capital needed for the transition to a low-carbon economy.

We have committed \$1 trillion to sustainable finance by 2030 to finance and facilitate a wide array of climate solutions, such as renewable energy, clean technology, water conservation and sustainable transportation and in social finance, which includes activity in affordable housing and basic infrastructure, diversity and equity, economic inclusion, education, food security and healthcare. Our \$1 trillion goal aims to support the transition to a sustainable, low-carbon economy that balances society's environmental, social and economic needs.

### Tracking Progress

Each transaction we finance or facilitate must meet at least one of our criteria for environmental or social finance to be counted toward the overall \$1 trillion goal. These criteria were informed by external standards and may therefore be subject to changes as industry guidelines are further developed. Definitions of our environmental finance and social finance criteria are included below.

We track our sustainable finance activities using third-party financial league table credit, where applicable. The industry league tables track public financial activities and rank financial institutions based on their role (i.e., lead arranger, bookrunner, etc.) in each transaction. For financial products for which there are no established league tables, we count the amount that reflects Citi's financial involvement in the deal.

For additional details on progress toward our \$1 Trillion Sustainable Finance Goal, please see our [annual ESG reporting](#).

## Environmental Finance Goal Criteria

| Criteria                                    | Definition  |
|---|---|
| <b>Circular Economy</b>                     | Substitution of virgin raw materials with recycled or recyclable materials, elimination and replacement of hazardous/toxic materials with sustainable or recyclable materials, or recovery of materials from previously discarded products or projects  |
| <b>Clean Technology</b>                     | Products, equipment, methods and projects that mitigate greenhouse gas (GHG) emissions  |
| <b>Energy Efficiency</b>                    | Residential and commercial energy efficiency improvements that reduce energy consumption  |
| <b>Green Buildings</b>                      | Construction or renovation of certified buildings for reduction or efficiency in energy use, resource consumption or for low GHG emissions  |
| <b>Renewable Energy</b>                     | Generation and/or storage of energy from renewable energy sources   |
| <b>Sustainable Agriculture and Land Use</b> | Sustainable ecosystem management leading to carbon removal from the atmosphere, reduced emissions, improvement of soil fertility and conservation of natural resources. Activity related to sustainable agriculture, which includes work with clients in the agricultural tech space and focused on alternative proteins. |
| <b>Sustainable Transportation</b>           | Zero- and low-emissions vehicles, public transportation or related infrastructure construction and efficiency improvement   |
| <b>Water Quality and Conservation</b>       | Improve water quality, improved efficiency and increased availability and conservation of freshwater resources  |

## Social Finance Goal Criteria

| Criteria                               | Definition   |
|--|--|
| <b>Affordable Basic Infrastructure</b> | Improve and/or expand access to clean drinking water, sanitation, clean energy, sustainable transportation, and telecommunications infrastructure in low-income or developing countries  |
| <b>Affordable Housing</b>              | Construction, rehabilitation, and/or the preservation of quality affordable housing for low- and moderate-income populations   |
| <b>Diversity &amp; Equity</b>          | Promote and support equitable participation in the market, asset ownership and access to opportunities for racial, ethnic, LGBTQ+ and gender minorities and/or other underrepresented populations  |
| <b>Economic Inclusion</b>              | Improve access to credit and financial services in vulnerable or underserved communities, including micro, small, and medium enterprise (MSME) financing. Generate employment opportunities. Improve public spaces and community resources |
| <b>Education</b>                       | Improve access to, affordability of, and/or quality of primary, secondary, and vocational education facilities and programs  |
| <b>Food Security</b>                   | Enhance agricultural productivity and access to safe, nutritious, and sufficient food  |
| <b>Healthcare</b>                      | Improve access to, affordability of, and/or quality of healthcare services   |



## Exclusionary Criteria

**Financing for projects specifically focused on the following activities are not eligible toward the \$1 trillion goal:**

- Large scale hydropower plants that have a generation capacity of over 25 MW, unless the project has lifecycle GHG emissions intensity of no greater than 100g CO<sub>2</sub> /kWh or power density of at least 5 W/m<sup>2</sup>
- Fossil fuel projects, including:
  - Refined or alternative coal technologies
  - Gas-to-liquid projects
  - Natural gas projects

## Human Rights

Citi supports the protection and fulfilment of human rights around the world and is guided by fundamental principles of human rights, such as those in the U.N. Universal Declaration of Human Rights<sup>2</sup> and the International Labour Organization's (ILO) Declaration on Fundamental Principles and Rights at Work (including the fundamental core conventions)<sup>3</sup>. We engage with a range of stakeholders to support our efforts to respect human rights in line with the U.N. Guiding Principles on Business and Human Rights — a global framework for preventing and addressing the risk of adverse impacts on human rights linked to business activity. To learn more about our commitment to human rights and our approach to human rights protections see our [Statement on Human Rights](#).

## Environmental and Social Risk Management

Citi lends and mobilizes billions of dollars of capital toward a variety of companies and projects, including sectors that may be associated with environmental and social impacts and risks. Before making a financing decision, our Environmental and Social Risk Management (ESRM) Policy guides our assessment of these risks and impacts. We then engage with our clients as they work to apply international standards and responsible industry practice to mitigate and manage environmental and social risks which can generate credit, reputation and/or legal risks to Citi.

Citi's global ESRM Policy, which is regularly updated in response to emerging risks, applies across the firm any time one of the following criteria is met:

1. A transaction is above relevant financial thresholds for the financial product type that has an identified use of proceeds directed to a specific physical asset or project
2. Clients or transactions covered by one of Citi's ESRM sector- specific requirements (see page 14-18), or
3. Transactions that trigger one of the ESRM Areas of High Caution (see page 12-14).

<sup>2</sup> The Universal Declaration of Human Rights was adopted by the United Nations in 1948 and is widely regarded as the international community's fundamental human rights framework. The rights it recognizes are implemented in international law by the International Covenant on Civil and Political Rights (1966) and the International Covenant on Economic, Social and Cultural Rights (1966). As explained in the Guiding Principles on Business and Human Rights, we also recognize that other international instruments can inform the responsibility to respect, particularly those articulating the rights of vulnerable groups.

<sup>3</sup> The ILO core conventions cover the freedom of association and collective bargaining, elimination of forced and compulsory labor, elimination of discrimination, abolition of child labor, and a safe and healthy working environment.

## ESRM Policy Implementation

Implementation of the ESRM Policy is a shared responsibility across Citi business and risk teams globally when any of the above listed policy triggers apply.

Updates to the ESRM Policy are reviewed by internal governance forums or committees and subject to review and challenge. Application of the ESRM Policy is subject to internal controls to ensure adherence by Citi businesses. Citi policy governance allows requests for exceptions in exceptional cases, with reasons for the exception clearly articulated and a formal request sent to the Policy Owner.

### Risk Screening of Transactions

When potential transactions are first referred to the ESRM unit, we start by evaluating if it falls within the scope of the ESRM Policy. We work to identify any relevant environmental and social risks associated with the proposed transaction and based on the risks identified determine whether any additional due diligence or client engagement is required in order to move forward. As one part of a holistic review and approval process for all transactions and client relationships covered under the ESRM Policy, Citi considers a client's commitment, capacity and track record related to its environmental and social performance.

### Risk Screening for Project- Related Transactions

Our approach to project-related transactions is informed by internationally recognized standards and frameworks including those articulated by the World Bank, the International Finance Corporation (IFC) and the Equator Principles. At the marketing stage for project-related transactions, the ESRM unit works closely with bankers to categorize the magnitude of potential impacts associated with a transaction using criteria in part defined by the IFC and to screen for any environmental or social risks associated with the transaction. These categories include:

- Category A — use of proceeds is likely to have potential significant adverse social or environmental impacts that are diverse, irreversible or unprecedented;
- Category B — use of proceeds is likely to have potential limited adverse social or environmental impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures; and
- Category C — use of proceeds is expected to have minimal or no social or environmental impacts.

The chart in the Appendix provides an illustrative summary of steps taken in a typical Citi project-related finance transaction.

For projects in countries who are not members of the Organization of Economic Cooperation and Development (OECD), Citi requires benchmarking against the relevant IFC sector-specific Environmental, Health and Safety (EHS) Guidelines, which address topics including, but not limited to, pollution prevention and abatement and worker and community health and safety, as well as the issue-based IFC Performance Standards, which include:

- PS 1 — Assessment and Management of Environmental and Social Risks and Impacts
- PS 2 — Labor and Working Conditions
- PS 3 — Resource Efficiency and Pollution Prevention

- PS 4 — Community Health, Safety and Security
- PS 5 — Land Acquisition and Involuntary Resettlement
- PS 6 — Biodiversity Conservation and Sustainable Management of Living Natural Resources
- PS 7 — Indigenous Peoples
- PS 8 — Cultural Heritage

For transactions in high-income OECD countries, Citi requires compliance with all relevant local and national environmental laws, such as those on impact assessment, public consultation and stakeholder engagement processes, and permitting conditions. Furthermore, we evaluate projects in these countries against relevant responsible industry practice.

### Independent Review

All Category A and certain higher risk Category B project finance and project-related corporate loans require review by an independent environmental and/or social expert with relevant expertise, not associated directly with the borrower. Independent Review may also be required of other ESRM high risk transactions or client relationships, especially those involving Areas of High Caution (see page 12-14). Independent Review contributes to Citi's due diligence by reviewing the environmental and social assessment documentation and consultation process documentation, assessing ESRM Policy alignment, identifying gaps and proposing corrective actions to fill those gaps.

### Action Plans

Following either ESRM internal review or Independent Review, if gaps are identified between a client's current plans or operations and ESRM Policy requirements, an Environmental and Social Action Plan (ESAP) is developed. The ESAP contains targeted environmental and social actions with timelines and deliverables to demonstrate completion that bring the project into alignment with the ESRM Policy over a reasonable timeframe. In project-related loans, the ESAP becomes a binding covenant of the loan agreement and alignment with it is monitored, either by an independent consultant or by the client's environmental team members, with results reported to Citi on a regular basis.

### Policy Prohibitions

Citi does not do business with companies when our due diligence indicates that they are active in the following activities, which we have determined expose Citi to unreasonably high risk:

- Production or activities involving modern slavery, human trafficking or forced labor, defined as all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty;
- Production or activities involving harmful or exploitative forms of child labor. Harmful child labor means the employment of children that is economically exploitive, or is likely to be hazardous to, or interfere with, the child's education, or be harmful to the child's health, or physical, mental, spiritual, moral or social development;
- Illegal logging;
- Production or trade in any product or activity deemed illegal under the host country laws or

regulations (including those ratified by host countries under international conventions and agreements);

- Production or trade in wildlife or products regulated under CITES (the Convention on International Trade in Endangered Species of Wild Fauna and Flora);
- Drift net fishing in the marine environment using nets in excess of 2.5 km in length;
- Production or shipment of cluster munitions.

Furthermore, please refer to the ESRM sector-specific requirements and Areas of High Caution for additional project-related requirements.

## **Areas of High Caution**

Consistent with the precautionary principle of “do no harm,” Citi recognizes that there are certain Areas of High Caution that require special attention, focus and respect due to heightened risks which may also subject Citi to associated credit, reputation and legal risks. These Areas of High Caution apply where these risks are identified, regardless of financial product or sector. Citi only proceeds with transactions that impact such Areas of High Caution after a careful review of impacts and risks, and confirmation that mitigation measures have been or will be designed to align with international responsible industry practice. Where applicable, Citi considers relevant national laws and international standards such as the U.N. Guiding Principles on Business and Human Rights, and, for emerging markets, the IFC Performance Standards.

In addition, in project-related transactions where these risks are present, Independent Review of social and environmental assessment documentation by a qualified independent consultant with the relevant expertise may be required, as determined by the ESRM unit, to evaluate whether risks and impacts are being appropriately managed. These Areas of High Caution include the following thematic areas.

### **High Biodiversity Risk**

Biodiversity refers to the variability, complexity and interdependence of species and ecosystems on land and in the ocean. Biodiversity risk analysis considers the potential impacts activities can have on the health and integrity of global biodiversity and ecosystem services. This risk is of particular concern in areas of high biodiversity with critical habitat to support species and/or areas of high conservation value, such as those found in the Amazon rainforest, other tropical rainforests, Ramsar Wetlands, mangroves, etc. In addition, biodiversity degradation and deforestation exacerbate the problem of climate change. Transactions with high biodiversity risk require close review of the client’s biodiversity management. For project-related lending in non-OECD countries, this includes assessment of project biodiversity management plans against IFC Performance Standard 6 on biodiversity and natural resource management. Citi will not finance mining projects that utilize submarine waste disposal due to heightened risks.

### **Significant Cultural Heritage Value**

Cultural heritage encompasses properties and sites of archaeological, historical, cultural, artistic, and/or religious significance. It also refers to unique environmental features and cultural knowledge, as well as intangible forms of culture embodying traditional lifestyles that should be preserved for current and future generations. Projects or transactions that may impact cultural heritage require close review by



the ESRM unit. Citi will not finance projects that negatively impact UNESCO World Heritage Sites.

### Project-Related Conflict Risk

Project development in sectors with large land requirements, such as mining, oil & gas and agribusiness, may trigger conflict due to land conversion needs. This need for resources and land may also trigger company-community conflict presenting risk to rights holders. In these project-related financing cases, Citi carefully considers key conflict factors such as sources of tension, root causes of conflict, different stakeholders' perspectives and motivations, and ability to address such risks. In addition, projects in fragile and conflict-affected areas present risk in the management of project security, for example mining projects involving "conflict minerals." In these cases, we recommend our clients use the Voluntary Principles on Security and Human Rights as guidance for managing their engagement of security forces.

### Elevated Human Rights Risks

Certain risk factors in client activities can lead to elevated human rights risks that require special attention and enhanced human rights due diligence. Some factors that may increase human rights risks include activities or projects:

- In countries or regions with both the presence of significant vulnerable populations and with a history of known human rights abuses relevant to the sector. Vulnerable groups may have increased difficulty in adapting to changes brought by projects and may not have access to adequate protection, respect and remedy for their human rights, and thus significant presence of these groups in the project area of influence increases the social risks;
- In countries or regions with a history of known human rights abuses related to the sector and weak enforcement of labor laws, especially occupational health and safety and freedom of association;
- Involving in-migration of large labor forces, which can lead to a higher risk of human trafficking or forced labor;
- With environmental justice concerns due to disproportionate adverse environmental or health impacts on racial or ethnic minority communities, or economically disadvantaged communities;
- Related to constructing or operating private prisons.

### Indigenous Peoples

Citi recognizes and respects the unique historical treatment and collective rights of Indigenous Peoples, and understands that these communities' languages, beliefs, cultural values and lands are often under threat, representing a higher degree of vulnerability than other project-affected communities. Citi will use extra caution and conduct enhanced due diligence (which may require Independent Review by a qualified social expert) when the transaction may pose adverse effects to:

- An area used or traditionally claimed by an Indigenous community;
- Their communal self-preservation based on traditional ways of life; or
- Their use or enjoyment of critical cultural heritage that is essential to their identity and/or the cultural, ceremonial or spiritual aspects of their lives.

Building upon government efforts, companies must not infringe upon the rights and protections for Indigenous Peoples contained in relevant national law, including those laws implementing host country obligations under international law. Globally, in project-related lending for projects involving involuntary resettlement of indigenous communities, significant impacts on land and natural resources traditionally used by the community, or significant impacts on critical cultural heritage, project sponsors are expected to have engaged in meaningful consultation with directly affected Indigenous Peoples, with the goal of achieving Free Prior and Informed Consent (FPIC).

### Large-scale Resettlement

All transactions involving large-scale resettlement or displacement of people require special attention and enhanced due diligence.

## Sector- Specific Requirements

Citi recognizes that there are a number of important areas that require increased attention via sector-specific standards or guidance as described below to help mitigate heightened environmental and social risks and associated credit, reputation and/or legal risk. Citi's sector-specific requirements apply at the client relationship level regardless of financial product or threshold.

### Agribusiness

We review agribusiness clients within the scope defined in the subsectors below for direct and supply chain deforestation or land conversion risks, commitments to strong environmental and social policies, relevant sustainability certifications, and/or supply chain traceability programs. As part of these reviews, the external standards Citi refers to in the subsectors below address a number of Citi's Areas of High Caution such as biodiversity risk, human rights risks, and the respect and protections for the unique cultural values and vulnerability of Indigenous Peoples in activities that affect their territorial lands and livelihoods.

### Forestry

Citi requires environmental and social risk assessments prior to onboarding and at annual review for all forestry clients that are directly involved in logging or primary processing of timber from either natural forests or plantations. We review all forestry clients' policies, practices and track record on forestry management to evaluate alignment with responsible industry practice, including labor, community engagement, systems to avoid deforestation or land conversion of high conservation value and high carbon stock forests, and proper prevention of fire risk. To help mitigate associated risks, all forestry clients operating in tropical forests are required to be members of the Forestry Stewardship Council (FSC) and commit to a time bound action plan to achieve FSC certification within three to five years of client onboarding or new land acquisition, which includes establishing management systems consistent with the principles of No Deforestation, No Peat and No Exploitation. FSC certification may be required in other geographies if concerns of impacts to high conservation value forests are identified thereby increasing risk. Forestry clients are reviewed annually by Citi to confirm ongoing certification status and management practices. Citi also has a long-standing public commitment not to engage in business with companies that we know to be in violation of local or national forestry and logging laws. If any forestry client is unable or unwilling to pursue the required certification or undertake corrective actions, ESRM would escalate the relationship to the relevant risk committees for consideration to exit the relationship.

## *Palm Oil*

Citi is a member of the Roundtable on Sustainable Palm Oil (RSPO), a respected global multistakeholder forum setting environmental and social criteria for the palm oil industry. We have long required all palm oil clients involved in the upstream production of palm oil (e.g., growers and mills) to become members of the RSPO. These clients must commit to a time-bound action plan to achieve full RSPO certification within three to five years of becoming a Citi client. Downstream palm oil refiners and traders are reviewed for RSPO membership, zero deforestation policies, as well as links to Areas of High Caution in their supply chain and encouraged to obtain RSPO certification if relevant. Citi ESRM team monitors progress annually on alignment with RSPO Principles and Criteria to ensure palm oil clients' operations are consistent with the principle of No Deforestation, No Peat and No Exploitation. We evaluate our clients' identification and preservation of high conservation value areas (including peatlands and high carbon forests), implementation of responsible industry practice fire prevention and management systems, adherence to international labor standards, and the implementation of FPIC for project-affected communities. Any palm oil producer client who has not achieved certification by 2025 will be escalated to the Head of ESRM and relevant risk committees for consideration to exit the relationship.

## *Soy*

The production of soy presents risks of deforestation and biodiversity loss in sensitive ecoregions across South America, including the Amazon Forest, the Cerrado tropical savanna, the Atlantic Forest and the Gran Chaco Forest. To address these risks, clients that are soy producers in these countries, or processors and traders who source from these countries, must be escalated to the ESRM unit to understand if their operations overlap with sensitive ecoregions. Clients that are identified as producing in or sourcing from the above ecoregions will be reviewed for membership and certification with the Roundtable on Responsible Soy (RTRS) or equivalent environmental and social management systems to address deforestation. Existing clients in these ecoregions who are not already certified will be encouraged to pursue RTRS membership or other relevant certifications. New clients in these ecoregions will be evaluated for membership and certification of RTRS or equivalent certification with a goal of working toward full certification.

## *Beef*

The beef industry can act as a driver of deforestation and land clearance in biodiverse ecoregions of Argentina, Bolivia, Brazil, Colombia, Ecuador, Paraguay and Peru. Citi evaluates clients directly involved in cattle rearing, fattening and finishing in these countries, as well as slaughterhouses and meat processing plants sourcing from these countries, to determine if their operations or supply chains overlap sensitive ecoregions – specifically the Amazon Forest, the Cerrado tropical savanna, the Pantanal grasslands and the Gran Chaco Forest. For these clients, Citi reviews their policies and management plans for clear commitments to 100% traceability of their supply chain in alignment with the Accountability Framework Initiative. This framework provides guidance based on international norms and responsible industry practices for companies to prevent deforestation driven by the production of agricultural commodities, including livestock, in their operations and supply chains. Citi reviews these clients annually and encourages time-bound improvement in alignment and traceability commitments.

## Coal

As a carbon intensive energy source, global alignment with a low-carbon economy calls for a rapid transition away from thermal coal as a fuel source. This trend increases the risk of stranded assets which leads to increased credit risk related to financing coal.

### *Coal Mining*

Citi will not provide project-related financing for new thermal coal mines or significant expansion of existing mines, and has set targets to phase out our financing of mining companies deriving  $\geq 25\%$  of their revenue from thermal coal mining:

- By the end of 2025, we will reduce our credit exposure to these companies by at least 50% from a 2020 baseline;
- After 2025, we will no longer facilitate capital markets transactions or mergers and acquisition advisory and financing for these companies;
- By the end of 2030, all remaining exposure to these companies will be reduced to zero.

Approval for any transaction for a coal mining company requires escalation for review of the company's transition away from coal.

### *Coal-fired Power Generation*

Citi is committed to helping our Power clients transition to a Paris Agreement-aligned future. Globally, Citi will not provide project-related financial services for transactions supporting the construction or expansion of coal-fired power plants, including refinancing recently constructed plants. This includes transactions supporting the supply of all components, equipment, materials and services directly required for the construction of such plants.

In addition, in line with our net zero targets we have established a set of increasing expectations over time for our clients with coal-fired power generation.

Citi expects clients with coal-fired power generation to:

- Publicly report their GHG emissions annually consistent with the GHG Protocol; and
- Engage with Citi as requested on their low-carbon transition strategy to diversify away from coal-fired power generation. It is our expectation that such strategies will align with Paris Agreement decarbonization pathways by 2030 (for clients with power generation in OECD countries) and by 2040 (for clients with power generation in non-OECD countries).

Furthermore, Citi commits to:

- Not provide acquisition financing or acquisition advisory services related to coal-fired power plants. Exceptions may be considered if the proposed transaction is being pursued in the context of a low-carbon transition strategy or managed phaseout.
- Not onboard any new clients with  $\geq 20\%$  of power generation from coal-fired power plants unless such client meets the above criteria; i.e., is pursuing a low-carbon transition strategy.



- Not onboard any new clients that have plans to expand coal-fired power generation.

After 2025, Citi commits to:

- No longer extend capital and/or provide other financial services to clients that do not have a low-carbon transition strategy to diversify away from coal-fired power generation and align with Paris Agreement decarbonization pathways by 2030 (for clients with power generation in OECD countries) or by 2040 (for clients with power generation in non-OECD countries). Exceptions may be considered, with escalated senior management review, for regulated utilities or state-owned entities that are not able to decarbonize in line with the policy due to legal and/or regulatory requirements, or if the proposed transaction is being pursued in the context of a low-carbon transition strategy or managed phaseout.
- Not onboard any new clients with a material business line in power generation unless they align with a Paris Agreement decarbonization pathway as described above.

After 2030, Citi commits to:

- For clients with power generation operations in OECD countries, no longer extend capital and/or provide other financial services unless the share of power generation from coal-fired power plants is less than 5%.
- For clients with power generation operations in non-OECD countries, no longer extend capital and/or provide other financial services unless such clients have a low-carbon transition strategy that is designed to reduce the share of power generation from coal-fired power plants to less than 5% by 2040.

## Commercial Firearms

Citi is committed to promote the adoption of responsible industry practices with our applicable business relationships regarding the manufacture, distribution and retail sale of firearms. This commitment is designed to respect the rights of responsible gun owners and the responsible businesses that serve them, while promoting community and individual safety. In pursuit of this goal, Citi requires U.S. Firearms Retailers and Firearms Manufacturers who sell through U.S. retail channels to conform to responsible practices regarding the sale of firearms. For retailers, these responsible practices include only selling firearms to individuals who have passed a completed background check with a “Proceed” response; placing additional requirements on the sale of firearms to individuals under 21 years of age (such as firearms training as active or former military or law enforcement, or successful completion of a gun safety or hunter safety training by a certified instructor); and not selling bump stocks or high-capacity magazines (e.g., for long guns, magazines that hold more than 10 rounds, and for hand guns, magazines that either extend beyond the bottom of the pistol grip or attach outside of the pistol grip, and hold more than 10 rounds). For manufacturers, this entails ensuring that they sell firearms and ammunition only through retail channels that follow the retailer responsible practices identified by the policy.

## Military Equipment

Citi will not directly finance the production, distribution or sale of cluster munitions, biological or chemical weapons, or nuclear weapons. In the rare case where we may be asked to provide direct financing of the production or shipment of other military equipment such as munitions, missiles,

fighter aircraft, armored vehicles or warships, escalation and senior consultation is required to determine if allowed.

## Nuclear Power

Citi recognizes the complexities involved in the responsible management of nuclear power. Project-related transactions will be evaluated against host-country environmental laws, regulations, and permits, and in emerging markets, against the international nuclear environmental guidelines that are set forth by the International Atomic Energy Agency (IAEA) and IFC standards. Construction of new nuclear power plants will be subject to independent review by qualified consultants.

## Oil and Gas

The oil and gas sector presents a number of sensitive environmental and social risks that must be carefully assessed to evaluate whether companies' policies and management approach align with responsible industry practice. Our due diligence approach to any project-related transaction in this sector includes the risk management policy implementation (see Risk Screening for Project-Related Transactions on page 10 or the appendix) and focuses on oil and gas sector-specific risks such as emergency response and spill response plans, methane and other emissions management, and the experience and operational track record of the company, prior to making a decision whether to proceed.

Beyond project-related lending, the ESRM unit evaluates the risk profile of oil & gas clients based on the geographic locations of their assets, the risks associated with their activities (such as frontier exploration, oil sands, LNG terminals, midstream pipelines, developments in sensitive areas), potential overlaps with ESRM's Areas of High Caution, any patterns of regulatory violations or safety incidents, and large-scale community opposition or litigation related to environmental or social issues.

Citi does not provide project-related financial products or services to oil and gas exploration, development or production in the Arctic Circle due to heightened risks including elevated operational risk, technical complexity, credit risk, and environmental risk. In addition, Citi does not provide project-related financial products or services for expansion of oil and gas operations in the Amazon due to sensitive biodiversity risks in the region and heightened risks. Any general corporate purposes transaction for clients with operations in the Amazon requires enhanced ESRM due diligence.

## Supply Chain

Citi strives to maintain sustainable practices in its supply chain. Suppliers must adhere to all applicable laws and comply with Citi's [Requirements for Suppliers](#) which communicate relevant Citi policies and mandate, among other requirements, supplier policies and practices designed to prohibit discrimination in the workplace and address the risk of forced labor, child labor or other indicators of modern slavery.

Citi's [Statement of Supplier Principles](#) outlines aspirational guidelines in the areas of ethical business practices, human rights in the workplace and environmental sustainability which it encourages its suppliers to maintain.

Citi maintains a process to identify risks related to its suppliers, including risks of modern slavery. Through this Corporate Responsibility Questionnaire process, Citi also seeks information from suppliers on sustainability-related matters addressed in the Statement of Supplier Principles.

Citi's commitment to a sustainable supply chain includes creating mutually beneficial business relationships with diverse suppliers. Citi's Supply Chain Development, Inclusion and Sustainability Program also aims to increase opportunity and development of diverse-owned and small business suppliers through training and engagement.

## Sustainability-Related Governance

The Citi Board of Directors has ultimate oversight of our work to identify, assess and integrate environmental- and social-related risks and opportunities throughout Citi, including our climate-related work and diversity, equity and inclusion and talent efforts. The Board receives reports from key personnel on our progress and key issues on a periodic basis.

The Nomination, Governance and Public Affairs Committee of the Board receives reports from management on Citi's activities pertaining to environmental sustainability, climate change, human rights and other environmental and social issues, as well as Citi's strategy for engagement with external stakeholders. For more information on the roles and responsibilities of this committee, see the [Nomination, Governance and Public Affairs Committee Charter](#).

The Audit Committee of the Board has oversight over the controls and procedures related to Citi group-level ESG and climate-related reporting. For more information on the roles and responsibilities of this committee, see the [Audit Committee Charter](#).

The Risk Management Committee of the Board provides oversight of the Citi Risk Management Framework and risk culture and reviews our key risk policies and frameworks, including receiving climate risk-related updates. For more information on the roles and responsibilities of this committee, see the [Risk Management Committee Charter](#).

Citi's full Board provides oversight of Citi's net zero strategy and related metrics and activities.

Citi's ESG Council provides a senior management level forum for oversight of our ESG-related commitments. The ESG Council, which meets quarterly, is chaired by the CEO and includes members of the Executive Management Team as well as subject matter experts. Other steering groups, including the Climate Risk Steering Group and the Climate and Sustainability Council, also exist to provide forums for discussion, debate and deep dives into key topics, and the leads of those steering groups are members of and/or provide reports to the Global ESG Council.

The senior-executive level Climate Risk Steering Group consists of Citi leaders from across the firm who provide guidance, feedback and support with regards to the integration of climate risk management. The Steering Group is chaired by the Head of Climate Risk and facilitates engagement with senior global leadership, ensuring senior management commitment and provides assistance to help coordinate resources across the firm.

The Climate and Sustainability Council provides input and guidance on relevant policies and initiatives and helps drive sustainability through the businesses. The committee is chaired by the Chief Sustainability Officer (CSO) and includes other executives from Banking, Risk, Public Affairs, Operations, and ESRM. Committee meetings are held approximately bi-monthly.

## Appendix

Illustrative steps in risk screening process for project-related finance transactions.

| Project Review Stage   | Client Actions  | Citi Banker Actions   | Citi Independent Risk Review & Approval  |
|--|---|---|--|
| <b>Business Opportunity Identified</b>                                   | <ul style="list-style-type: none"> <li>Client seeks competitive financing terms from banks</li> <li>Preparing or finalizing environmental and social assessment documentation</li> </ul>  | <ul style="list-style-type: none"> <li>Business opportunity identified for internal review and discussion</li> </ul>  | <ul style="list-style-type: none"> <li>Banker notifies risk teams, including Environmental and Social Risk Management (“ESRM”), of early-stage client discussions prior to formal approval</li> </ul>  |
| <b>Greenlight Memo &amp; Marketing Stage</b>                             | <ul style="list-style-type: none"> <li>Receives and reviews marketing letter or proposal from Citi and other banks</li> </ul>   | <ul style="list-style-type: none"> <li>Initial approvals required from appropriate Senior Business Heads to submit proposal/marketing letter to client</li> </ul>   | <ul style="list-style-type: none"> <li>Approval to send marketing letter or proposal required from Independent Risk as well as ESRM unit</li> <li>Project screened for potential environmental and social risks, including human rights risks</li> <li>Applicable ESRM Policy requirements identified, which in emerging markets includes alignment with IFC Performance Standards and IFC EHS Guidelines</li> </ul> |
| <b>Discussion of Citi Proposal with Client</b>                           | <ul style="list-style-type: none"> <li>Reviews and seeks clarification on Citi proposals, including ESRM requirements</li> <li>Accepts, modifies or rejects Citi proposal</li> <li>If proposal accepted, Citi is mandated by the client to provide financing</li> </ul> | <ul style="list-style-type: none"> <li>Includes discussion of ESRM requirements, if requested by client</li> <li>For higher risk transactions, an Independent Environmental and Social Consultant (IESC) is appointed to review documentation and review compliance with Citi’s ESRM Policy and applicable IFC Performance Standards and IFC EHS Guidelines</li> </ul>  |  |
| <b>Detailed Due Diligence Process, Including Term Sheet Negotiations</b> | <ul style="list-style-type: none"> <li>Client provides to Citi ESRM-related documentation (e.g., Environmental and Social Impact Assessment Management Plan, Action Plan, stakeholder consultation information)</li> </ul>  | <ul style="list-style-type: none"> <li>Banker, ESRM and IESC (when required) review environmental and social documentation, including documentation on any human rights risks and climate risks if relevant to transaction</li> <li>When gaps exist between current plans and Citi ESRM Policy requirements, ESRM/IESC prepare an Environmental and Social Action Plan (“ESAP”) with recommended actions to properly mitigate and/or manage any environmental, social and human rights risks</li> </ul> |  |



| Project Review Stage              | Client Actions   | Citi Banker Actions   | Citi Independent Risk Review & Approval   |
|-----------------------------------|--|---|---|
| <b>Closing &amp; Disbursement</b> | <ul style="list-style-type: none"> <li>• Final facility terms agreed</li> <li>• Signs loan documentation</li> <li>• Receives first disbursement</li> </ul>   | <ul style="list-style-type: none"> <li>• Citi confirms conditions precedent met, including any ESRM-related conditions</li> <li>• Citi signs loan documentation and disburses loan</li> </ul> | <ul style="list-style-type: none"> <li>• Timeframe and condition set for IESC monitoring and reporting on ESAP items, if required dependent on transaction risks</li> </ul>   |
| <b>Ongoing Monitoring</b>         | <ul style="list-style-type: none"> <li>• If monitoring is required based on previously agreed terms, client plans for and submits monitoring reports to lenders regarding compliance with environmental and social conditions</li> </ul> | <ul style="list-style-type: none"> <li>• Ongoing monitoring takes place during agreed upon intervals (annually or more frequent depending on risks) if needed</li> </ul>                      | <ul style="list-style-type: none"> <li>• Receives and reviews ongoing environmental and social monitoring reports from client and/or IESC</li> <li>• Engages with the client and/ or IESC if needed to understand progress on actions</li> <li>• If significant areas of noncompliance are identified, senior approvers are notified and a corrective action plan devised to bring client back into compliance</li> </ul> |

Note: This chart provides an illustrative summary of steps taken in a typical Citi project-related finance transaction. All transactions are not identical, and the review, approval and monitoring steps described above may be tailored, reduced or supplemented based on the facts and circumstances of a particular transaction.



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