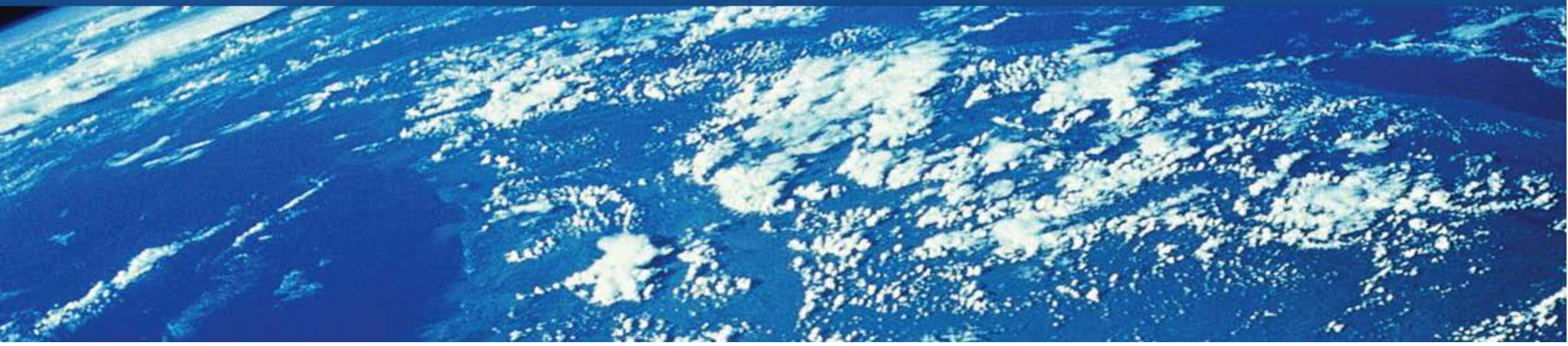

April 2020

# Environmental and Social Policy Framework

## I. Introduction


I. Introduction……………………………………….1

II. Environmental Finance……………………….2

III. Environmental and Social Risk Management…………………………………….4

IV. Climate Change ……………………………….10

V. Human Rights…………………………………..12

VI. Operations and Supply Chain…………….13

VII. Engagement, Transparency and Reporting…………………………………14

VIII. Governance……………………………………14


The world is challenged by the current and potential impacts of climate change, increasing resource scarcity, and pressure on land, water and forests from economic development carried out in an unsustainable manner. These interconnected challenges have put pressure on communities and people and present a threat to global prosperity if not managed properly. Citi understands these critical sustainability issues, and recognizes that we have a responsibility to respect the environment and human rights in our activities, including operations, supply chain, and client transactions.

We also understand the complexity of developing solutions to these challenges, which require a combination of corporate leadership, investor engagement, individual actions and strong regulatory frameworks. To advance our response to these challenges, in 2015 Citi launched its Sustainable Progress Strategy, which describes Citi's initiatives and goals to advance environmental and social progress and conduct business in a way that enables growth and improves the quality of people's lives. This strategy sets out priority areas that are critical to our sustainable progress — Climate Change, Sustainable Cities and People and Communities – and includes an ambitious $100 Billion Environmental Finance Goal. Citi's Environmental and Social Policy Framework summarizes the programs, initiatives and policies that underpin this strategy.

Citi's Environmental and Social Policy Framework is global and applies to all of our businesses in nearly 100 countries. We believe that working to promote sustainability — both for our firm and our clients — is good business practice. This belief, reflected in our dedication to financing business opportunities with positive environmental and social impacts, actively mitigating environmental and social risks associated with client transactions, reducing our operational footprint, and setting similar expectations for our suppliers, is aligned with and contributes to Citi's goal to deliver the best outcomes for our clients by providing financial solutions that are both innovative and meet our responsibilities to people and the planet.

In the time since the company began reporting on its operational footprint in 2002 and helped to found the Equator Principles in 2003, Citi's ability to generate economic, client and societal value through its sustainability expertise has evolved significantly. Our program has expanded to include a set of initiatives and transactions that position Citi as a leading financier of clean energy and the transition to a low-carbon economy, a comprehensive suite of environmental and social risk policies, and a leading green building portfolio of Citi facilities.

In pursuit of Citi's Mission and Value Proposition to serve as a trusted partner to our clients by responsibly providing financial services that enable growth and economic progress, and to encourage broader realization of responsible financial practices, we have adopted or publicly endorsed the external principles and standards listed below, which help to inform our approach to sustainable finance and risk management:

- Equator Principles
- Green Bond Principles
- Guiding Principles for Federal Action on Climate
- G-20 Financial Stability Board's Task Force on Climate-Related Financial Disclosures (TCFD) Recommendations
- International Labour Organization's (ILO) Core Conventions
- Natural Capital Declaration
- Principles for Responsible Banking
- Poseidon Principles
- RE100
- Roundtable on Sustainable Palm Oil (RSPO)
- United for Wildlife Financial Taskforce
- United Nations Environment Finance Initiative
- United Nations Global Compact
- United Nations Guiding Principles on Business and Human Rights
- United Nations Universal Declaration of Human Rights
- We Are Still In
- Wolfsberg Principles

Furthermore, our internal policies and procedures reference additional good international industry practice such as the IFC Performance Standards and Environmental Health and Safety Guidelines, the Voluntary Principles on Security and Human Rights and the Forest Stewardship Council. A description of our policies and programs, and how Citi is organized to achieve maximum impact in our areas of focus, is below.

## II. Environmental Finance

Citi, through its global business activities, seeks to use its skills and assets to accelerate solutions to major environmental problems. We are doing this through specific business units dedicated to developing environmental finance products as well as by identifying opportunities through our traditional businesses. In 2015 as part of its Sustainable Progress Strategy, Citi announced a ten-year, $100 Billion Environmental Finance Goal to lend, invest and facilitate $100 billion to environmental and climate solutions. This goal builds on and is in addition to our previous $50 billion climate finance goal, which we met three years early in 2013. We report on our environmental finance activities, including progress towards the $100 Billion Goal, in our annual Global Citizenship Report. Citi's accounting and impact methodologies for the goal can be found here. The following businesses from across Citi are actively engaged in activities that support sustainable progress and growth, and many also contribute to our $100 Billion Environmental Finance Goal:

Alternative Energy Banking

Through our Alternative Energy Banking business, which is part of the Global Power and Utilities Group within Corporate and Investment Banking, we provide clients in the renewable energy and clean tech sectors with a full range of banking services to support the scaling of renewable energy projects. Alternative Energy Banking supports the growth of the renewable energy industry through the provision of advice on mergers and acquisitions, equity and debt capital raising and a full suite of treasury and cash management solutions.

Alternative Energy Finance

Our Alternative Energy Finance business is housed in the Capital Markets Origination business and provides a full range of financing products to support the development of renewable energy and energy efficiency projects — including utility-scale generation, distributed generation, and residential size projects across wind, solar, alternative fuels, energy storage, and other technologies. In partnership with the Project and Infrastructure Finance and Citi Commodities businesses, Alternative Energy Finance provides construction finance and long-term tax equity financing for utility scale renewable energy projects. This business also facilitates residential renewable energy projects by providing pooled tax equity financings and loan warehouses for smaller size projects, and then securitizing those the cash flows from these projects for sale to investors. AEF assembles multiple product solutions to complex client problems and develops new products to grow the range of renewable energy financing solutions.

Municipal Securities

Citi's Municipal Securities Division provides state and local governments with a range of financial products, including loans and bonds, to help them grow in a way that is sustainable and resilient. Citi underwrites municipal bonds that may contain green uses of proceeds, including for water quality and conservation, sustainable transportation, sewer and waste management and pollution control. A specialized unit within Citi's Municipal Securities Division called Community Capital provides loans and equity for community development projects in the United States, including the green development or rehabilitation of affordable housing.

Debt Capital Markets

Thematic bonds – green, sustainability and social bonds with a specified use of proceeds for activities that have environmental and/or social benefits — are a debt capital market innovation with the potential to significantly expand sustainable financing worldwide. To support the development of this market, Citi partnered with other financial institutions to develop the Green Bond Principles (GBP), launched in January 2014 and subsequently the Social Bond Principles in June 2017. The Principles are a set of voluntary guidelines for the issuance of Green & Social Bonds that encourage transparency, disclosure and integrity in the market, ensuring that investors are provided the information they need to document the environmental and social impacts of their investments. We work with clients, including sovereigns, corporates, municipalities, and development banks, to underwrite their issuance of green and social bonds, as well as blended sustainability bonds, which are designed to attract new investors and market our clients' sustainability efforts.

Asset Finance

Citi's Asset Finance Group (AFG), housed in Capital Markets Origination, deploys an innovative solution for energy efficiency finance. Through the use of Energy Services Agreements, AFG is able to help corporates acquire better performing equipment, meet energy reduction and environmental goals, and create operational savings. Performance benefits are guaranteed, realized without any capex expenditure, and can be off-balance sheet.

Commodities

Citi's Commodities business executes buy-side and sell-side renewable energy transactions. On the buy-side, Citi acts as the sole-hedge provider to wind and solar project companies, enabling projects to secure a financing package for successful project completion. On the sell-side, Citi helps corporate clients participate in renewable energy project deals and achieve renewable energy goals in a cost-efficient manner. The approach on the sell-side focuses on structuring transactions to help clients manage their exposure to commodity prices and to the project assets themselves.

Export Agency Finance

Export Agency Finance works in partnership with development banks and export credit agencies to provide loans for a variety of development projects around the world, including renewable energy, energy efficiency, public mass transit and water conservation projects.

Commercial Banking

The Citi Commercial Bank extends credit and provides a full range of banking services to mid-sized companies. Among these are organizations with operating models that are environmentally beneficial in purpose. The current portfolio includes businesses involved in building renewable energy electric power equipment and rapid transit equipment.

 
1006084 4/20

Investment Research

Investors are very interested in the many ways that companies' consideration and integration of environmental, social and governance issues into strategy and operations affect company valuations. Citi's Investment Research team researches listed companies whose business models touch climate change, clean energy, water, and green buildings, and analyzes commodities markets and risk, including those related to traditional and clean energy. Citi Research also produces thematic "Global Perspectives and Solutions" research through its Commodities and Environmental, Social and Governance (ESG) research teams that looks at how various global issues, such as climate change, inequality or automation could impact different industries.

## III. Environmental and Social Risk Management

Citi lends and mobilizes billions of dollars of capital towards a variety of companies and projects, including sectors that may be associated with environmental and social impacts and risks. Before making a financing decision, we carefully assess the extent of these impacts and work with our clients to apply a clearly defined set of environmentally and socially responsible international standards and good practice to mitigate and manage environmental and social risks and impacts. This policy is continually updated in response to emerging risks.

Citi's Environmental and Social Risk Management (ESRM) Policy fully incorporates the Equator Principles (EPs), a credit risk management framework for banks (co-founded by Citi in 2003) to determine, assess and manage environmental and social risks for project-related finance. The EPs form the backbone of our approach to project-related transactions. General corporate purposes transactions or client relationships subject to the ESRM Policy are subject to corporate-level review of their policies regarding environmental and social issues, as well as a review of their track record, to assess client commitment and capacity. Citi's Environmental and Social Risk Management (ESRM) Policy applies across the firm any time one of the following criteria is met:

1. A transaction above relevant financial thresholds for the financial product type (below) that has an identified use of proceeds directed to a specific physical asset or project

| Transaction / Product Type | Financial Threshold |
|---|---|
| Equator Principles Project Finance Advisories | Estimated project capital costs: USD 10 million |
| Equator Principles Project Finance Transactions | Project capital costs: USD 10 million |
| Equator Principles Bridge Loans | Total facility amount: USD 10 million when takeout will be project finance, USD 100 million when takeout will be EP Project-Related Corporate Loan |
| Corporate and Government Loans (Note: includes the following sub-category):<br>▪ Equator Principles Project-Related Corporate Loans | Total facility amount: USD 50 million (in aggregate)<br>Total facility amount: USD 100 million (in aggregate) where majority of proceeds is related to one project |
| Official and Export Agency Loans | Total facility amount: USD 50 million |
| Acquisition Finance | Total facility amount: USD 50 million (in aggregate) |
| Debt Securities Placements or Underwritings (Bonds) | Underwriter or arranger of debt securities placements or underwritings of USD 50 million (in aggregate value) |
| Equity Underwriting Transactions | Underwriter, arranger or placement agent for the selling of equity securities of USD 50 million (in aggregate) |
| Equity Investment | Firm (Citi) equity investment of USD 5 million |
| Letters of Credit, Bid Bonds and Performance Bonds | Relevant instruments of USD 50 million (in aggregate) |
| Private Bank Loans directed to an individual's business | Total facility amount: USD 50 million (in aggregate) |

2. Any client relationship covered by one of Citi's ESRM Sector Standards (including forestry, palm oil, shale oil and gas, oil sands, coal mining and nuclear, described on pp. 7-9), or

 
1006084 4/20

3. Client relationships flagged as ESRM watchlisted due to elevated environmental, social or reputational risks associated with, for example, the ESRM Areas of High Caution (see pp. 6-7), controversial projects or industry lagging policies and performance on environmental or social issues. Citi's ESRM unit will review individual transactions and/or annual client credit reviews (frequency dependent on the relevant risks identified) for these clients, prioritizing them for engagement on ESRM issues.

## ESRM Policy Implementation

Implementation of the ESRM Policy is a shared responsibility across Citi:

- **ESRM unit –** The ESRM unit serves as a global technical resource and in-house counsel for risk managers, senior management, and bankers. ESRM Champions are Credit Risk Officers based in the regions who can provide regional advice on ESRM issues. The ESRM unit reviews, categorizes and advises on transactions and clients subject to the ESRM Policy;
- **Banker –** The Banker is the main client contact and leads transactions and client relationships. The Banker is responsible for complying with the approval, analysis, documentation, and process requirements for ESRM-covered transactions and clients. The ESRM unit provides a quality control function;
- **Risk Manager and Portfolio Banker –** The Risk Manager and Portfolio Banker are members of Citi's Independent Risk Management team who review ESRM covered transactions from a credit perspective, ensuring they meet Citi's credit policy and requisite standards. In the course of their credit review, the relevant Risk Manager independently determines whether requisite ESRM process requirements have been fulfilled in consultation with bankers and the ESRM unit.

### Risk Screening

At the marketing stage, when the viability of deals is first being explored by banks, Citi's ESRM unit works closely with bankers to characterize the magnitude of potential impacts associated with a transaction using criteria in part defined by the International Finance Corporation (IFC) and to screen for any environmental, social or reputational 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;
- Category C — use of proceeds is expected to have minimal or no social or environmental impacts; and
- Category GR — "general review," use of proceeds are directed to multiple projects with varying risk levels.

As part of the review and approval process for all transactions covered under the ESRM Policy, Citi also assesses a client's commitment, capacity and track record related to its environmental and social performance. This chart provides an illustrative summary of steps taken in a typical Citi project-related finance transaction.

For projects in non-OECD countries, Citi requires adherence to the issue-based IFC Performance Standards and 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. The Performance Standards 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



1006084 4/20

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

Independent Review

All Category A and certain Category B EP-covered project finance transactions, and any EP-covered project related corporate loans that trigger EP 7 “high risk impacts” 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 Covered Category A transactions, especially those involving “areas of high caution” (see below) as deemed appropriate by the ESRM unit. Independent Review contributes to Citi’s due diligence by reviewing the environmental and social assessment documentation and consultation process documentation, assessing ESRM Policy compliance, identifying any gaps in compliance 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 compliance with the ESRM Policy over a reasonable timeframe. In project-related loans, the ESAP becomes a binding covenant of the loan agreement and compliance 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 to confirm compliance.

## Policy Prohibitions

Citi does not do business with companies when our due diligence indicates that they are active in the following activities:

- Production or activities involving human trafficking or harmful or exploitative forms of 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.

Furthermore, Citi will not provide project-related financial services for the following:

- New thermal coal mines or significant expansion of existing mines;
- New coal-fired power plants or expansion of existing plants;
- Oil and gas exploration, development and production in the Arctic Circle;
- Projects that negatively impact the Outstanding Universal Value of UNESCO World Heritage Sites.

## 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. Referencing national laws, the UN Guiding Principles on Business and Human Rights, and, for emerging markets, the relevant International Finance Corporation (IFC) Performance Standards, Citi only proceeds with transactions that impact these areas after a thorough and judicious assessment of impacts and risks, and confirmation that mitigation measures have been or will be designed to comply with Citi’s policies and standards. In these cases, 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, but are not limited to the following thematic areas.

Critical Habitat, Areas of High Conservation Value and Significant Cultural Heritage Value

Citi recognizes that protecting and conserving areas of critical habitat, areas of significant biodiversity and/or areas of high conservation value, including legally protected areas,[1] is key to high-quality environmental and social risk management. We are guided by standards that require clients to avoid or mitigate threats to biodiversity arising from client operations and to sustainably manage natural resources. For the protection and conservation of biodiversity, the mitigation hierarchy includes biodiversity offsets, which may be considered only after appropriate avoidance, minimization and restoration measures have been applied with the goal of no-net-loss (and preferably a net gain) of biodiversity. We also recognize the importance of cultural heritage for current and future generations, and seek to protect areas of significant cultural heritage and value from the adverse impacts of project activities. In addition, Citi will not directly finance new mining projects within the boundaries of a World Heritage Site or ones that utilize submarine waste disposal.

Conflict Risk

Certain sectors may present a greater degree of project-induced conflict risk, which may be tied to competition for resources or land. In such cases, Citi carefully assesses key conflict factors such as sources of tension and root causes of conflict, actors and their interests and development needs and incentives to address such risk in the project's area of influence. Additionally, agricultural commodities sectors (e.g., palm oil, forestry, sugar and soy) may trigger conflict due to land conversion needed for agricultural commodities' plantations. This need for resources and land may also trigger company-community conflict, presenting risk to rights holders and to Citi that may need to be assessed and managed. 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 certain African countries. 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. If a transaction involves a project with any of the following risk factors, it receives enhanced human rights due diligence:

- 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[2] 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;
- Projects in countries or regions with a history of known human rights abuses relevant to the sector and weak enforcement of labor laws, especially occupational health and safety and freedom of association;
- Projects involving in-migration of large labor forces, which can lead to a higher risk of human trafficking or forced labor.

Indigenous Peoples

Citi recognizes and respects the unique historical treatment and collective rights of Indigenous Peoples[3], 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 treat transactions with extra caution and conduct enhanced due diligence (which may require Independent Review by a qualified social expert) when the company's assets 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

[1] These may include World Heritage Sites, RAMSAR wetlands, national parks, or other areas of significant cultural heritage value.

[2] Vulnerable groups can include Indigenous Peoples, women, national or ethnic minorities, religious and linguistic minorities, children, persons with disabilities, and migrant workers and their families.

[3] Also known as First Peoples, First Nations, Aboriginal Peoples, Scheduled Tribes or Native Communities.

- 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).[4]

Large-scale Resettlement

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

## Sector Standards

Citi recognizes that there are a number of important areas that require increased attention via sector-specific standards or guidance. To address this, Citi's risk policies incorporate several sector-specific standards as described below.

### Coal

Climate change is a global challenge of tremendous magnitude requiring immediate action. Citi's response has been to identify targeted interventions where we can maximize our leverage with clients towards achieving a transition from a high-carbon to a low-carbon economy.

#### 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 ≥25% of their revenue from thermal coal mining:

- By the end of 2025, we will reduce our credit exposure to these companies by 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.

This strengthens our 2015 commitment to reduce credit exposure to coal mining companies (at the time focused on those with ≥50% revenues from coal) and our 2009 enhanced due diligence requirements for companies using mountaintop removal coal mining.

Citi conducts corporate-level reviews of clients in the global coal mining sector on their commitment, capacity and track record on ESG performance. This research helps inform our business with the sector and with individual clients. Approval for any transaction for coal mining companies requires escalation and senior approval by the Global Head of ESRM, which will be based on our review of the company's ESG performance, including performance on human rights.

#### Coal-fired Power Generation

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, for power sector clients with coal-fired power generation, Citi will annually review their greenhouse gas (GHG) reduction strategies and their management of the risks and opportunities related to a low-carbon transition. We will request

[4] While there is no universally accepted definition of FPIC, it is well-accepted that it comprises both a process and an outcome through which governmental authorities and project sponsors engage in good faith negotiations with project-affected indigenous communities to ensure their meaningful participation in decision making regarding project impacts that affect them, with a focus on achieving agreement. FPIC does not require unanimity among entire communities nor does it confer veto rights to individuals or sub-groups or require the client to agree to aspects not under their control.



1006084 4/20

information on GHG emissions (owned generation and purchased power); climate-related risks and opportunities impacting the client's business strategy, including, if available, a 2º climate warming scenario analysis; and a description of the company's current efforts and future strategic plans designed to support its transition to a low-carbon energy future, including diversification options for the company's mix of owned and purchased generation capacity to shift away from coal-fired power sources; and quantitative targets for reducing GHG emissions.

## Firearms

Citi is committed to promote the adoption of best 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 best practices regarding the sale of firearms. For retailers, these best 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 best practices identified by the policy.

## Forestry

Illegal logging is a significant contributor to the degradation and loss of critical forest ecosystems in many regions around the world. Citi 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. Citi's Sustainable Forestry Standard has no minimum dollar threshold and applies to clients that are directly involved, as a material business line, in logging or primary processing of timber. This includes all customers who are engaged in harvesting or processing of forest resources from either natural forests or plantations. The standard requires robust risk assessment for all forestry clients, and requires forestry clients operating in countries deemed to have a high risk of illegal logging to follow a time-bound action plan to achieve independent certification, which is monitored annually by Citi. For forestry clients where a significant threshold of concern has been raised about the legality of their operations, evidenced by credible and objective third-party information, a qualified external consultant must be hired to develop a plan to achieve Forest Stewardship Council (FSC) certification and monitor the client's progress in meeting milestones in order to continue the financing relationship. In these cases, if a client refuses to pursue FSC certification, Citi would initiate steps to exit the relationship.

## Military Equipment

As part of Citi's military equipment policy and risk approach, direct financing of and/or facilitating the production or shipment of lethal military equipment requires escalation and senior approval. Military equipment includes munitions, missiles, fighter aircraft, armored vehicles and components of such equipment needed to perform a lethal function. In addition, Citi will not directly finance the production or shipment of cluster munitions.

## Nuclear Power

Citi recognizes the complexities involved in the responsible management of nuclear power, and supports the industry meeting essential requirements regarding safety, security, non-proliferation, and capacity of all parties — host country regulators, project sponsors and suppliers — to manage environmental and social risks and abide by internationally accepted standards and conventions. 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, as appropriate. All Category A transactions under the Nuclear Standard will require Independent Review (see page 5 for a description of Categories A, B, C and GR).



1006084 4/20

Oil and Gas

The oil and gas sector presents a number of elevated environmental and social risks that must be carefully assessed both at the project and corporate levels.

Frontier Exploration

Frontier exploration and production occurs in remote environments with often harsh conditions where there is a greater reliance on technology and increased uncertainty regarding performance. Citi has not previously provided and will not provide project-related financing for oil and gas exploration and production in the Arctic Circle. In project-related lending to other frontier exploration and production activities such as deep water and ultra-deep water exploration offshore, Citi will closely evaluate the project characteristics, EHS policies, emergency response and spill response plans and the experience and operational track record of the company before making a decision whether to proceed.

Oil Sands

Oil sands development in Canada has specific environmental and social risks that need to be identified, mitigated and managed. Citi has an enhanced risk review process for any client with oil sands operations.

Shale Oil and Gas

It is vitally important that shale oil and gas resources be developed in a safe, transparent and environmentally and socially responsible manner. Citi has an enhanced risk review process for clients with unconventional oil & gas operations in shale formations, including those utilizing hydraulic fracturing ("fracking").

Mid-Stream and Downstream Oil and Gas

When addressing project-related financing with regards to liquefied natural gas (LNG) plants and terminals, oil and gas pipelines and oil refineries, we conduct environmental and social due diligence to evaluate the project risks and address risks present in the transaction. Recommendations to address any improvements needed in management plans and policies are included in an ESAP. Given the linear nature of pipelines, enhanced due diligence is conducted to determine if any Areas of High Caution are triggered, especially any resettlement, Indigenous Peoples impacts, or sensitive habitat impacts.

Palm Oil

Citi's Palm Oil Standard requires all palm oil clients to become members of the Roundtable on Sustainable Palm Oil (RSPO) and commit to a time-bound action plan to achieve RSPO certification within 5 years of becoming a Citi client. Citi also monitors clients' alignment with RSPO Principles and Criteria through annual reviews. This standard applies to clients that are involved in the upstream production of palm oil (e.g. growers and mills). There is no minimum dollar threshold amount for this sector standard. To support ongoing development and implementation of the RSPO standard across the palm oil sector, Citi participates in the RSPO Financial Institutions Task Force (FITF).

## IV. Climate Change

Citi views climate change as a central challenge facing our global society and economy in the 21st Century. As detailed in the latest Intergovernmental Panel on Climate Change (IPCC) Special Report, *Global Warming of 1.5°C* (2018), chronic changes to temperature and precipitation, rising sea levels, and more intense and frequent extreme weather events are anticipated as our world continues to warm. As recognized by the *Fourth U.S. National Climate Assessment (2018)*, some of these impacts are already being felt in communities across the United States and the world. These 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.

The Paris Agreement's central aim is to hold the increase in the global average temperature to well below 2°C above pre-industrial levels, and to pursue efforts to limit the increase to 1.5°C. The IPCC report warns that this will require "rapid and far-reaching" transitions in land, energy, industry, buildings, transport and city infrastructure. Delaying this transition could significantly increase



1006084 4/20

the costs, lock-in carbon-emitting infrastructure, increase the number of stranded assets, and reduce the range of effective responses to the challenge in the medium and long term.

As the world's most global bank, Citi appreciates the scale of these climate risks and the need for our society to successfully transition to a low-carbon economy and invest in mitigation and adaptation solutions. Citi believes that to be as successful and as orderly as possible, the transition must be based on the foundations of innovation, collaboration and public policy. Our efforts to date have included the following initiatives.

**Environmental finance:** Citi has leveraged its core strength – providing financial products and services – in the pursuit of a series of ambitious finance goals, including our $50 Billion Climate Finance Initiative (2007-2013) and, most recently, our $100 Billion Environmental Finance Goal initiated in 2014 (see Section II of this Framework). These goals have helped drive our financing and facilitation of environmental solutions, including solutions for climate change mitigation and adaptation. As of the end of 2018, Citi had financed $95.3 billion towards achieving the $100 billion goal.

**Climate risk assessment, mitigation and disclosure:** Citi evaluates climate-related risks of financed client projects under our ESRM Policy and reports on our approach to climate risk in our Global Citizenship Report and to CDP (formerly the Carbon Disclosure Project). Building on our previous coal sector approaches, in 2019-20 we enhanced our ESRM Policy to prohibit all project-related financial services for coal-fired power plants and thermal coal mines and instituted a phase-out of business to thermal coal mining companies globally by 2030, as well as a commitment to review our power utility clients' climate risk mitigation and alignment with a 2°C warming scenario. For more on the ESRM Policy, see Section III of this Framework.

In 2014-15, we co-developed and piloted with the Natural Capital Finance Alliance and UN Environment Finance Initiative (UNEP FI) a drought stress-testing tool used to model the financial impacts of droughts on companies in 19 different industry sectors in four countries – Brazil, China, Mexico and the U.S. More recently, we have enhanced our efforts to better understand the resilience of Citi's lending portfolios to transition and physical risks related to climate change by participating, along with 15 other banks, in the UNEP FI pilot project to implement the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD). Our internal analysis was led by a cross-functional working group drawn from ESRM, Corporate Sustainability, Banking, Credit Risk, and Quantitative Analysis. In addition to contributing to the UNEP FI pilot's two reports on modeling physical and transition risk, we also published our first TCFD report, *Finance for a Climate-Resilient Future*, in 2018.

**Managing our operational footprint:** Citi announced its first generation of GHG and water reduction goals in 2007 and reports annually on global energy use, GHG emissions, water use, waste-to-landfill, and green building initiatives. In 2015, we set our third generation goals, all relative to Citi's 2005 baseline. In 2017, we announced a goal to power our global operations with 100% renewable energy by 2020. See Section VI of this framework for more details.

**Market-based frameworks:** Citi has helped to develop and/or endorsed initiatives aimed at accelerating the transition to a low-carbon economy, such as the Natural Capital Declaration, Green Bond Principles, RE100 and the U.S. Alliance for Sustainable Finance. In 2019, Citi played a pivotal role in the development of the Poseidon Principles, the world's first global, sector-specific and self-governing climate alignment agreement among financial institutions aimed at helping the shipping industry to decarbonize.

**Public advocacy:** Citi has been unwavering in our public advocacy in support of governmental efforts to address climate change, such as the Paris Agreement. Our public engagement goes back to our first Climate Position Statement published in 2007. That statement was followed in 2015 by a statement we co-authored with five other banks to express support for the development of the Paris Agreement. We recognized then, as we do now, that policy frameworks which include a price on carbon, among many important market-oriented solutions, are needed to provide greater market certainty, accelerate investment, drive innovation, and create jobs. In 2017, Citi CEO Michael Corbat, along with his counterparts from 30 other large companies, signed an open letter to the U.S. President that laid out the business case for the Paris Agreement. After the U.S. announced it would be withdrawing from the Paris Agreement, we also signed the "We Are Still In" declaration and continue to voice our support for the global agreement due to the unique and widespread risks that climate change presents to society and to the global economy. We believe that U.S.

 
1006084 4/20

participation in the Paris Agreement strengthens American competitiveness in global markets, creates jobs, and supports new market development by setting clear, long-term goals for the global economy. As a founding signatory of the *Guiding Principles for Federal Action on Climate*, in 2019 we called for a U.S. climate policy that will ensure significant emissions reduction of 80% or more by 2050 with aggressive near and mid-term reductions commensurate with this goal. We think achieving these targets should be driven by economically rational policies, including an economy-wide carbon price, that encourage investment and planning decisions consistent with this timeframe that focus on emissions reductions outcomes, not specific resources or technologies.

Citi remains fully committed to contributing to global collaboration to advance solutions for climate change, and the Paris Agreement will remain a guiding framework for Citi's public engagement and commercial activities around the world. We acknowledge the scientific consensus, as articulated by the *IPCC (2014)*, that fossil fuel combustion and industrial processes contributed to about 78% of the total GHG emissions increase between 1970 and 2010. We further recognize that pursuit of the Paris Agreement's goal of limiting increases in global temperature may lead to the adoption of more stringent government regulations that may disproportionately affect certain sectors of the economy and our client base.

We engage with clients across different sectors to better understand how they are addressing the risks and opportunities presented by the transition to a low carbon economy, particularly the ramifications of carbon pricing frameworks. As we continue to evaluate the physical risks from climate change and the associated transition risks, we expect to continue to learn from and contribute to evolving best practice in climate risk assessment as well as continue to evaluate our appetite for exposure to climate change related risks across all sectors.

## V. 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 United Nations Universal Declaration of Human Rights[5] and the International Labour Organization's (ILO) Declaration on Fundamental Principles and Rights at Work (including the eight core conventions[6]). Citi is also a signatory to the United Nations Global Compact. Citi seeks to integrate the corporate responsibility to respect human rights articulated in the United Nations Guiding Principles on Business and Human Rights and corresponding expectations in the OECD Guidelines on Multinational Enterprises [7] and in 2016 became the first U.S. bank to report to the Guiding Principles Reporting Framework. Our support for these fundamental principles is reflected in our policies and actions toward our employees, suppliers, clients and the countries where we do business, as further discussed in our Statement on Human Rights.

Our provision of financial services could entail potential risks to internationally recognized human rights, including the risks posed by our clients' activities to other rights holders. Citi strives to prevent impacts to human rights and seeks to do business with clients who share our commitment to respect human rights. We carry out appropriate due diligence on clients to maintain our high ethical standards and to protect rights holders potentially affected by unethical and harmful activities. We work with our clients to respect human rights through application of our ESRM Policy in client engagements and through the diligence we perform related to transactions triggered by our Areas of High Caution, which constitute our salient human rights risks.

### Modern Slavery

Across our operations, in our supply chain and in our lending activities, we seek to avoid the risk that we might become linked through our business relationships to any form of modern slavery, including forced labor or human trafficking. As an employer, we have instituted the policies reflected in our Code of Conduct to promote the respectful treatment of our employees. Citi's

---

[5] 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.

[6] The ILO core conventions include freedom of association and collective bargaining; elimination of forced and compulsory labor; elimination of discrimination; and abolition of child labor.

[7] The Guiding Principles on Business and Human Rights provide guidance on implementing the United Nations' "Protect, Respect, and Remedy Framework": The State duty to protect human rights; the corporate responsibility to respect human rights; and access to remedy. The "Human Rights" chapter of OECD Guidelines on Multinational Enterprises draws upon and is in line with the "Protect, Respect and Remedy Framework."



1006084 4/20

Requirements for Suppliers and Statement of Supplier Principles communicate our expectation to our suppliers that they have policies addressing practices constituting forced labor and child labor.

Beyond our own operations and supply chain, we evaluate all clients for risks related to modern slavery through our Global Anti-Money Laundering Program and Know Your Client protocols. These protocols designate human trafficking as among the most severe types of risks for financial crimes due to the risks of traffickers laundering their illicit proceeds via our financial products, services, or those of our correspondent banking relationships. We have also deployed advanced data analytics through our Far From Home program to flag flows of funds that present a high risk of being related to human trafficking, so that we can raise these concerns to the proper law enforcement authorities and try to prevent further illicit activity from occurring. In addition, some sectors we finance or procure from can in certain geographies be associated with a high prevalence of risk indicators of human trafficking or forced labor. Citi will not provide financing when our due diligence indicates that the client is actively using forced labor or harmful or exploitative forms of child labor in their own operations, or if the relevant labor forces are at risk of being subjected to human trafficking. Citi publishes an annual Statement on its efforts to combat modern slavery in compliance with the UK Modern Slavery Act (2015) that is approved by the boards of directors of all relevant Citi UK entities and our global board of directors and signed by our CEO.

## VI. Operations and Supply Chain

Citi has approximately 209,000 employees working in approximately 12,000 facilities in approximately 100 countries. Since 2001, Citi has been working to measure, manage and reduce the direct environmental impacts of our own operations. We track our environmental impacts through a centralized environmental management system. Our efforts reduce our direct impacts, cut costs, enhance work environments and productivity, and enable us to speak from a position of experience when our clients need support.

### Operational Footprint

Citi announced its first generation of GHG and water reduction goals in 2007. We report annually on global energy use, GHG emissions, water use, waste-to-landfill, and green building initiatives. In 2017, we announced a goal to power our global operations with 100% renewable energy by 2020. In addition, in 2015 we also set these new operational performance goals, all relative to Citi's 2005 baseline:

- **Energy:** 30% absolute reduction
- **Water:** 30% absolute reduction; 10% of water from a reclaimed or recycled source
- **Waste:** 60% diversion of waste from landfill absolute reduction
- **LEED:** 33% of our real estate portfolio LEED certified. Under our green building initiative, Citi has a global portfolio of LEED-certified office buildings, data centers and retail branches. We were the first bank in the world to build a LEED-Platinum data center (located in Frankfurt, Germany) and were also the first bank to achieve 200 LEED-certified projects.

#### Data Centers

Data centers, which house our servers, data storage and network infrastructure, are the backbone of global banking. They also account for about 27% of our global electrical consumption. Citi's data center program focuses on reducing the amount of energy our equipment uses and designing buildings to aid efficiency.

#### Supply Chain

The two key elements of Citi's Supply Chain Development, Inclusion and Sustainability Program are: 1) Citi's Statement of Supplier Principles and related Supplier Standards, and 2) the Corporate Responsibility Questionnaire (CRQ).

Published in 2010, Citi's Statement of Supplier Principles communicates our expectations to our suppliers related to ethics, sustainability and human rights. The principles have been circulated to over 4,000 of our top approved suppliers and continue to be socialized and communicated internally and externally. The key issues covered include:



1006084 4/20

- Air Quality and Emissions
- Conservation and Resource Utilization Reductions
- Environmental Policy
- Hazardous Materials Safety
- Labor Standards and Human Rights
- Lifecycle Analysis/Implementation
- Pollution Prevention and Recycling

Citi also engages suppliers through its CRQ. This tool assists the procurement team in determining how well potential and current suppliers are managing corporate citizenship, environmental sustainability, human rights and diversity issues within their business.

## VII. Engagement, Transparency and Reporting

### Stakeholder Engagement

Our sustainability priorities, transparency and reporting are aligned with our business objectives and informed by our periodic materiality assessments, and we actively engage stakeholders on our initiatives and overall performance. Our stakeholders include clients, shareholders (including ESG-focused and socially responsible investors), employees, regulators, suppliers, communities, non-governmental organizations (NGOs) and peer institutions in networks such as the Equator Principles Association. Citi is also an active member of several industry and stakeholder groups focused on environmental and social sustainability, including the United Nations Global Compact, UNEP FI and Ceres, and frequently engages with academic institutions and multilateral organizations to better understand evolving norms and help drive better practices.

Citi has reported annually on sustainability performance in its Global Citizenship Report since 2000, and its reporting is aligned with the Ten Principles of the United Nations Global Compact, the Global Reporting Initiative (GRI), the EP, the UN Guiding Principles Reporting Framework and CDP.

### Employee Engagement

Citi has a Global Sustainability Network, comprised of over 150 internal partners, which functions as an information-sharing network among the different teams and individuals working on various aspects of sustainability. Our broader environmental employee engagement program is designed to increase employee awareness of Citi's environmental initiatives so that our approximately 200,000 employees can help to improve the firm's sustainability performance. Our employee program includes an annual Citi Earth Day campaign, and a global network of local green teams.

### Reporting

Citi reports annually on the issues covered in this Environmental and Social Policy Framework in our Global Citizenship Report. This includes reporting on completed financings under our $100 Billion Environmental Finance Goal, case studies and data on transactions covered by our ESRM Policy (including the EP), human rights, and operational footprint, among other Citizenship initiatives. Our annual reporting of our environmental footprint and our EP-related data receive assurance by an external third-party.

## VIII. Governance

Citi's Board of Directors reviews Citi's sustainability and climate change progress and key issues on a periodic basis. In addition, the Nomination, Governance and Public Affairs Committee of the Board has direct oversight over sustainability issues at Citi. Committee responsibilities include reviewing our policies and programs for sustainability, climate change, human rights and other potentially material ESG issues, as well as advising on ESG engagement with investors and major external stakeholders. The Risk Management Committee of the Board also reviews Citi's risk policies and frameworks, including those related to climate change risk. For more information on the roles and responsibilities of Citi's Nomination, Governance and Public Affairs Committee and Risk Management Committee, you can view the Committee Charters here.



1006084 4/20

Citi’s Chief Sustainability Officer (CSO) reports to the Global Head of Public Affairs, who is a member of Citi’s Executive Management Team. The CSO provides progress reports to the Nomination, Governance and Public Affairs Committee at least annually on issues, trends and results pertaining to the company’s key sustainability and climate change issues.

Citi has a Global Sustainability Steering Committee, which provides input and guidance on policies and initiatives and helps drive sustainability through the businesses. The committee is chaired by the CSO and a senior executive in Banking and includes other executives from Banking, Risk, Public Affairs, Operations, and ESRM. Committee meetings are held approximately four times per year.

Citi’s Sustainability & ESG team, led by the CSO, is responsible for developing Citi’s sustainability strategy and key initiatives, in collaboration with partners across the company, and for coordinating and monitoring its implementation. The Sustainability & ESG team works across Citi’s businesses and regions to provide expertise for sustainable finance product and client advisory, facilitate cross-business learning and coordination, engage with stakeholders, and report on our progress.

Citi’s Global Head of ESRM leads the ESRM function, which is part of Independent Risk Management. This team is responsible for implementing the ESRM Policy, including the Equator Principles and sector standards, in partnership with Banking and Risk teams. This work is supported by Regional ESRM Champions who are credit risk officers in the regions. ESRM Champions in our Global Commercial Banking unit help implement the ESRM Policy for mid-sized commercial clients.  ESRM also leads development of Citi’s climate risk management strategy in partnership with the Global Head of Crisis Management and Climate Risk, who reports to the Chief Risk Officer.

Many Citi businesses also have dedicated teams and team members focused on specific aspects of ESG and sustainable finance, including green bonds, sustainability bonds, sustainability-linked loans, renewable energy finance, and sustainable business advisory and investment services.  These diverse teams lead on transactions that contribute to our environmental finance goals.

Within Citi’s Operations and Technology unit, a dedicated sustainability team in the Citi Realty Services unit is responsible for development and execution of Citi’s environmental footprint goals. Similarly, within Citi’s Enterprise Supply Chain organization, a Supplier Diversity and Sustainability team is responsible for implementing the sustainable supplier program.