January 17, 2018

VIA EMAIL

Christen Dobson
Marti Flacks
Business & Human Rights Resource Centre
120 Wall Street, 16th Floor
New York, NY 10005

Dear Ms. Dobson and Ms. Flacks,

Thank you for your inquiry regarding Banktrack’s recent report and the opportunity to comment on it.

Policy Commitment

Our engagement in assessing and addressing human rights risks dates back over a decade. We have had a public commitment to respect human rights since 2007, when Citi became the first major U.S. based bank to issue a Statement on Human Rights, which we updated in 2014. In the Statement, Citi publicly states its support for the key international human rights instruments, including the Universal Declaration on Human Rights, the International Labour Organization’s Declaration on Fundamental Principles and Rights at Work, and the UN Guiding Principles on Business and Human Rights. The Statement provides a summary of our policies and practices that help us fulfill our corporate responsibility to respect human rights across Citi’s value chain, to our employees, suppliers, clients and communities, and countries where we do business. Prior to publishing the updated Statement in 2014, we engaged with several external human rights experts on the update and incorporated much of the feedback they provided. In addition, we are the only U.S. bank participant in the UN Global Compact, and in 2016 we became the first U.S. bank to develop our human rights reporting in alignment with the Guiding Principles Reporting Framework put out by Shift.

Due Diligence Processes

Human rights plays a critical role in our broader approach to environmental and social risk management. Before making a financing decision, we assess the potential impacts and work with our clients to apply a clearly defined set of environmentally and socially responsible policies consistent with leading international standards and good practice. These policies are encompassed by Citi’s Environmental and Social Risk Management (ESRM) Policy, which is embedded in our credit and risk policies and applies to all business units within the firm with the objective of ensuring that we effectively assess and manage environmental and social risk associated with our client transactions. The ESRM Policy is a continually
evolving product of our long history of founding and adopting industry-leading sustainability initiatives, including co-founding the Equator Principles (EPs) in 2003.

The Policy has several Areas of High Caution, including human rights risk, which trigger enhanced due diligence by the ESRM team. The policy also contains explicit prohibitions of direct or indirect financing of forced labor or child labor and contains several sector standards for certain industries that require enhanced due diligence. The chart at this link explains our due diligence process in more detail.

In addition to implementation of our ESRM Policy for covered transactions, which include project-specific lending or transactions with a known use of proceeds, we also analyze our clients’ overall track record for environmental and social risk management to enhance our ability to proactively identify possible risks. In addition to the implementation of our ESRM Policy for covered transactions with a known use of proceeds, we have also initiated a process to assess our clients’ overall environmental and social performance, using third-party ESG data inputs, to help us identify possible risks.

Please see below for further information regarding the two issues you raised in your communication to us.

Allegations against Drummond

Citi has previously communicated with Banktrack on this issue, as noted on its website. Our previous response detailed our extensive due diligence of the company, which included engagement on these issues. In our letter to Banktrack in April 2016, we stated:

Prior to participating in the loan issued to Drummond in 2010, Citi’s specialized ESRM team conducted due diligence on the company, including their Colombia asset, and specifically on the issues related to the civil suit against Drummond that followed the Alien Tort Claims Act lawsuit filed in 2002 in Alabama.

Citi engaged directly with the company to gain a better understanding of the following issues:

- Regulatory compliance
- Performance benchmarked against the IFC Performance Standards, which covers human rights issues such as labor rights, stakeholder engagement, and grievance mechanisms
- Internal controls, including payments to vendors
- Security management in Colombia benchmarked against the Voluntary Principles on Security and Human Rights

Transactions screened by the ESRM team, including the 2010 loan to Drummond, which have potential human rights issues are tracked in a database and tagged if they involve resettlement, impacts to indigenous peoples, labor rights, or security risks. If a transaction proceeds, Citi continues to engage the company on ESRM issues and only gives final approval if we determine human rights risks are adequately managed.

In our engagement with Drummond, Citi has received and reviewed numerous documents related to the allegations, as well as information about their human rights policy, management plans to proactively engage local communities, and grievance mechanisms. Drummond also adheres to the Voluntary Principles on Security and Human Rights, an area Citi raised in its initial due diligence in 2010.
Discussions with our client continue to focus on how they are engaging with the communities on the ground, and we will continue to assess their engagement as the situation evolves, including efforts at addressing historic injustices through the government-led peace process.

*Cluster Munitions*

As part of Citi’s Military Equipment policy and risk approach, direct financing and/or facilitating of lethal military equipment, including cluster munitions, is generally prohibited. The financing and/or facilitating of military equipment that potentially could have a lethal use is required to be escalated and obtain senior risk approval.

We appreciate the opportunity to share with you and other stakeholders the efforts we have made to respond to these concerns, including our engagement with our clients on these issues.

Sincerely,

Valerie C. Smith  
Managing Director and Global Head of Corporate Sustainability  
Citi