



Environmental and Social Policy Framework

March 2021

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2025 Sustainable Progress Strategy

The climate crisis 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 crisis 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 recognizes that we have an imperative to 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.

To continue advancing our response to these challenges, in 2020 we launched our new 2025 Sustainable Progress Strategy with the ambition to be the world's leading bank in driving the transition to a low-carbon economy. As one of the largest financiers of carbon-intensive sectors such as oil & gas, power and industrials, we know that this ambition to bring our business and the global economy into alignment with the Paris Agreement will not be easy. It will require rapid and far-reaching transitions in energy systems, industrial processes, land-use, buildings, transport and other infrastructure. We also know that delaying this transition could significantly increase costs, lock in carbon-emitting technology and infrastructure, increase the amount of stranded assets and reduce the range of effective responses to the challenge in the medium and long term. As an important next step, we announced in March 2021 our intent to achieve net zero by 2050, including net zero in our own operations by 2030. We plan to publish our net zero plan by early 2022.

Our 20+ year sustainability track record of working with clients, partners, employees and other key stakeholders to address the growing risks and opportunities related to climate has positioned us to respond to this challenge. We have co-created sustainable finance and due diligence frameworks – including the Equator Principles, the Green Bond Principles and the Poseidon Principles – by bringing together financial institutions to develop best practices and drive sustainable change. Those experiences were training grounds for the collaborative innovation that is needed now. We know 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.

As we start the “Decade of Action” to achieve the UN Sustainable Development Goals and Paris Agreement, our 2025 Sustainable Progress Strategy sets out three key pillars of activity that contribute to the world’s sustainable development agenda:

	<p>Low-Carbon Transition Accelerate the transition to a low-carbon economy through our \$250 Billion Environmental Finance Goal</p>		<p>Climate Risk Measure, manage and reduce the climate risk and impact of our client portfolio</p>		<p>Sustainable Operations Reduce the environmental footprint of our facilities and strengthen our sustainability culture</p>
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Recognizing the need for urgent action, we are setting out these ambitions over a five-year period to 2025. In addition to annual progress reports, this midway point on the road to 2030 will offer an opportunity to reflect on our progress and adapt our plans for the future as needed.



Low-Carbon Transition

Citi is committed to advancing solutions that address climate change around the world. We’re building upon our long track record of sustainable finance commitments by establishing a new five-year \$250 Billion Environmental Finance Goal to accelerate the transition to a low-carbon economy. The criteria for our goal expands on that of our previous goal resulting in \$164 billion in environmental finance from 2014 to 2019. We have included additional criteria on the circular economy and sustainable agriculture and land use and have incorporated elements of emerging frameworks, such as the EU Taxonomy. Transactions that meet one or more of the goal’s criteria will be counted using our league table methodology where applicable, and otherwise counting Citi’s direct lending.

Goal Criteria	Description
Circular Economy	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
Clean Technology	Products, equipment, methods and projects that mitigate greenhouse gas (GHG) emissions
Energy Efficiency	Residential and commercial energy efficiency improvements that reduce energy consumption
Green Buildings	Construction or renovation of certified buildings for reduction or efficiency in energy use, resource consumption or for low GHG emissions
Renewable Energy	Generation and/or storage of energy from renewable energy sources
Sustainable Transportation	Zero- and low-emissions vehicles, public transportation or related infrastructure construction and efficiency improvement
Sustainable Agriculture and Land Use	Sustainable ecosystem management leading to carbon removal from the atmosphere, reduced emissions, improvement of soil fertility and conservation of natural resources
Water Quality and Conservation	Improvement of water quality, improved efficiency and increased availability and conservation of freshwater resources
Exclusionary Criteria	<ul style="list-style-type: none"> • Large scale hydropower plants that have a generation capacity of over 25MW • Fossil fuel projects, including: <ul style="list-style-type: none"> - Refined or alternative coal technologies - Gas-to-liquid projects - Natural gas projects

Citi will also continue to develop innovative financing structures and look for opportunities to scale positive impact in these and other areas. As the world’s most global bank, we have the opportunity to support clients in all sectors through the low-carbon transition. We recognize that companies are at different stages in their sustainability journey, but we also recognize the urgent need to transform all sectors of the economy to meet the challenges of climate change.



Climate Risk

Citi is committed to managing climate risks and implementing the recommendations of the Financial Stability Board’s Task Force on Climate-related Financial Disclosures (TCFD). Building on our Environmental and Social Risk Management (ESRM) Policy and our experience in climate risk analysis, we will further test the resilience of Citi’s lending portfolios to transition and physical risks related to climate change. We will also begin measuring the climate impact of our portfolios and their potential alignment with 1.5 and 2°C warming scenarios. These analyses will help accelerate our understanding of the climate

risks faced by Citi and our clients and the possible pathways for our collective transition to a low-carbon economy. We will explore opportunities to collaborate with our clients and peers to develop industry-wide methodologies for climate risk analysis and disclosure.

Our approach to analyzing and reducing climate risk associated with our clients includes three areas of activity:

- **Policy Development:** Further integrate climate risk into Citi's risk policies and governance frameworks; progressively and iteratively update our ESRM Policy and sector standards for carbon-intensive sectors to incorporate evolving best practice.
- **Portfolio Analysis and Measurement:** Utilize climate scenario analysis and stress testing of our portfolios to understand the differentiated impacts (or resilience) our clients exhibit to transition or physical climate risks; assess and test emerging methodologies to quantify the climate risks related to our clients' activities, to estimate emissions associated with our portfolio, and to evaluate portfolio decarbonization pathways. In 2020, Citi committed to disclose its financed emissions in alignment with the Partnership for Carbon Accounting Financials (PCAF).
- **Engagement:** Engage with clients on their own climate risk management and low-carbon transition strategies; engage with regulators on emerging climate risk supervisory guidelines; and actively participate in multi-stakeholder initiatives to share learnings and build industry best practices for climate risk analysis and management.



Sustainable Operations

Citi remains committed to reducing the environmental footprint of our facilities around the world. We have approximately 200,000 employees working in close to 7,000 facilities in 97 countries. Our global operations give us an opportunity to positively impact the communities where we live and work. Sustainability is a growing priority for our colleagues around the world, and we are channeling their enthusiasm by strengthening Citi's sustainability culture, engaging our employees and integrating sustainable practices across the company.

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 and report annually on global energy use, greenhouse gas (GHG) emissions, water use, waste-to-landfill, and green building initiatives. Our efforts reduce our direct environmental impacts, cut costs, enhance work environments and productivity, and enable us to speak from a position of experience when our clients need support. In 2020, we also achieved our goal of sourcing 100% of our electricity from renewable sources.

Our 2025 Operational Footprint Goals are our fourth set of such goals, which began in 2007 with our first set of GHG emissions and water reduction goals. For this new set of goals, we are moving our baseline year to 2010 (from 2005) to align with the baseline year of the latest climate science ([IPCC Special Report: Global Warming of 1.5°C](#)).

2025 Operational Footprint Goals *(Measured against a 2010 baseline)*



GHG Emissions
45% reduction in location-based GHG emissions



Energy
40% reduction in energy consumption and maintain 100% renewable electricity sourcing



Water
30% reduction in total water consumption and 25% of water consumed to come from reclaimed/reused sources



Waste
50% reduction in total waste and 50% of waste diverted from landfill



Sustainable Buildings
40% of floor area to be LEED, WELL or equivalent certified, with a focus on Citi-owned buildings to operate at the highest level of sustainability

Our Commitments

Principles, Standards and Frameworks

We believe that working to promote sustainability – both for our firm and for our clients – is good business practice. 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, reducing our operational footprint, and setting similar sustainability expectations for our suppliers. 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. Citi's goal is to deliver the best outcomes for our clients by responsibly providing innovative financial services that enable growth and economic progress while meeting our responsibilities to people and planet. To advance these goals and the best interests of our clients, and to encourage broader realization of responsible financial practices, we have adopted or publicly endorsed the external principles and standards listed below, which inform our approach to sustainable finance and risk management:

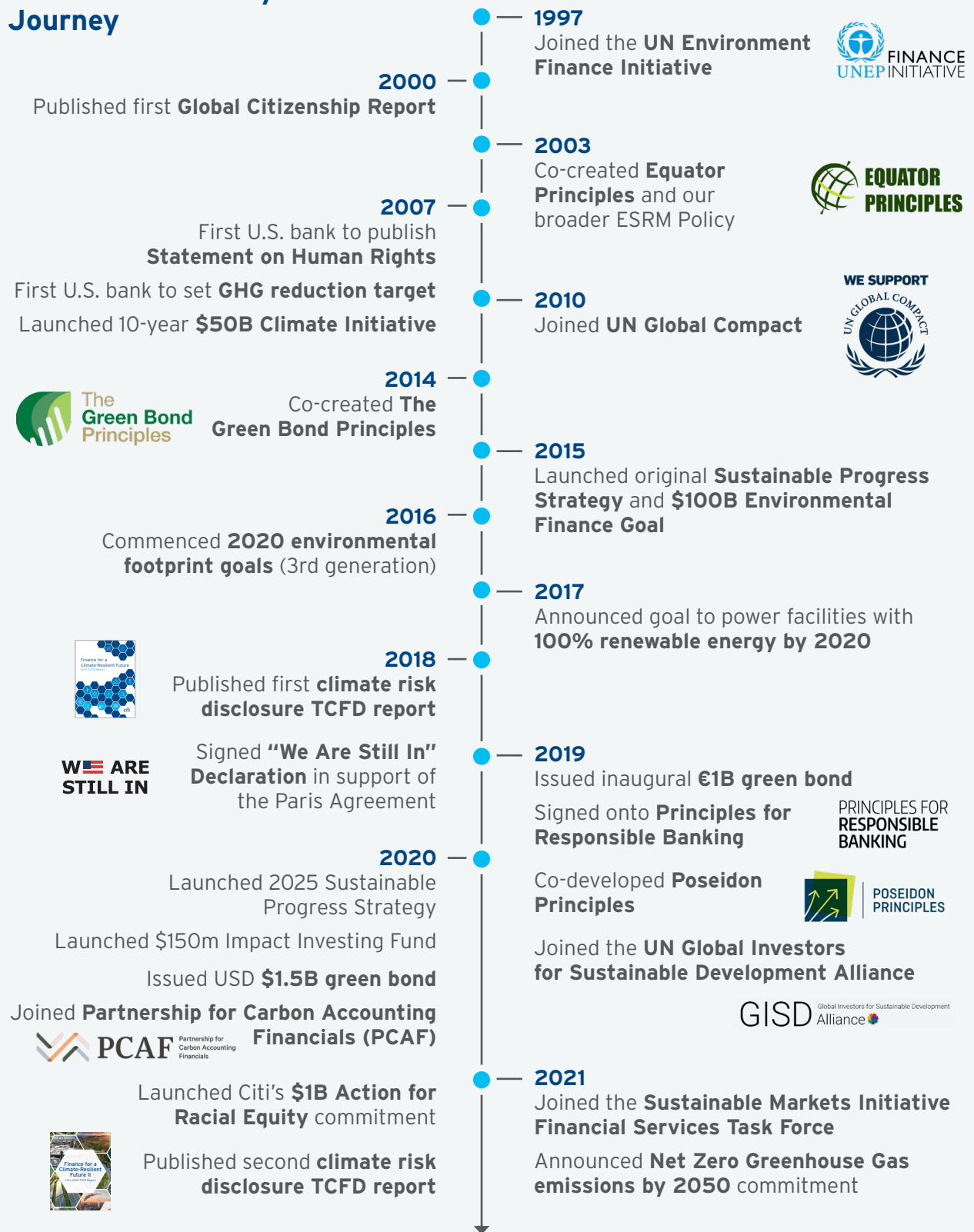
- Cross-Sector Biodiversity Initiative (CSBI)
- Equator Principles
- European Clean Hydrogen Alliance
- G-20 Financial Stability Board's Task Force on Climate-Related Financial Disclosures (TCFD) Recommendations
- Global Investors for Sustainable Development Alliance (GISD)
- Green Bond Principles
- Guiding Principles for Federal Action on Climate
- International Labour Organization's (ILO) Core Conventions

- Natural Capital Declaration
- Paris Agreement Capital Transition Assessment (PACTA)
- Partnership for Carbon Accounting Financials (PCAF)
- Principles for Responsible Banking
- Poseidon Principles
- RE100
- Roundtable on Sustainable Palm Oil (RSPO)
- Sustainable Markets Initiative Financial Services Task Force
- 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
- We are Still In
- Wolfsberg Principles

Furthermore, our internal policies and procedures reference additional good international industry practice such as the International Finance Corporation (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, follows.

In the time since Citi 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 grown significantly. Building on over two decades of sustainability experience, we have solidified our role as a leader in driving sustainable finance, in part by spearheading initiatives and shaping emerging norms and practices, often as the pioneer U.S. bank to do so. This evolution and succession of achievements is captured in the timeline below.

Citi's Sustainability Journey



Climate Change

Central to Citi's 2025 Sustainable Progress Strategy and our previous strategy launched in 2015 are Citi's concerns about the climate crisis and our need to play a role in addressing it. We acknowledge the scientific consensus, as articulated by the [Intergovernmental Panel on Climate Change \(2014\)](#), that fossil fuel combustion and industrial processes contributed to about 78% of the total GHG emissions increase between 1970 and 2010. As the world's most global bank, Citi understands the scale of the risks that climate change poses and the need for our society to successfully transition to a low-carbon economy and invest in mitigation and adaptation solutions.

In recognition of those risks, since Citi first issued a statement on climate change in 2007, we have been unwavering in our public advocacy in support of governmental efforts to address climate change. Since the Paris Agreement was adopted in 2015, Citi has continued to push for strong U.S. leadership and domestic implementation in line with the Paris Agreement's goals. 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 urgent need to address the unique and widespread risks that climate change presents to society and the global economy. We believe that U.S. participation in the Paris Agreement strengthens American competitiveness in global markets, creates jobs, and supports innovation 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, which encourage investment and planning decisions consistent with this timeframe and that focus on emissions reductions outcomes, not specific resources or technologies.

We 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. Indeed, achieving the Paris Agreement's central aim 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, will require rapid and far-reaching transitions in energy systems, industry processes, land-use, buildings, transport and other infrastructure. Delaying this transition could significantly increase costs, lock in carbon-emitting technology and infrastructure, increase the number of stranded assets, and reduce the range of effective responses to the challenge in the medium and long term.

Citi believes that public policy is needed to create market certainty, accelerate investment, drive innovation and create jobs in a low-carbon economy. Collaboration across sectors is also essential, as is civic engagement and changes in consumer behavior. For over a decade we have contributed our resources and voice to advancing the transition in various ways, including through a series of ambitious environmental and climate finance goals and continually evolving operational footprint goals. We have also participated in or contributed to the development of market-based frameworks, such as the Equator Principles, Natural

Capital Declaration, Green Bond Principles, RE100 and the Poseidon Principles, and piloted innovative climate risk assessment methodologies to serve as public goods to enhance our collective understanding of how climate risk translates into financial risk.

Citi remains fully committed to contributing to global collaboration to advance solutions for climate change, and the Paris Agreement and the TCFD recommendations will remain guiding frameworks for Citi's public engagement and commercial activities around the world. In March 2021, we announced our intent to achieve net zero by 2050, including net zero in our own operations by 2030. We plan to publish our net zero plan by early 2022, which will include interim 2030 targets for some of the most carbon intensive sectors in our portfolio – Energy and Power. After an initial implementation period, we will review the scope of our net zero plan to assess which additional sectors to include and how best to incorporate additional areas of our business in a way that achieves meaningful emissions reductions in the real economy as part of a just transition. For more information on our approach to climate action, see our TCFD reporting and our annual progress updates in our most recent [Environmental, Social, and Governance Report](#).

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 and the International Labour Organization's (ILO) Declaration on Fundamental Principles and Rights at Work (including the eight core conventions). Citi is also a signatory to the United Nations (UN) 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 and in 2016, became the first U.S. bank to report on human rights based on the Guiding Principles Reporting Framework (see Reporting Index in annual ESG Report). 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 the application of our ESRM Policy in client engagements and 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 of being 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 [Requirements for Suppliers](#) and [Statement of Supplier](#)

[Principles](#) communicate to our suppliers our expectation 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 Customer 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 also deploy 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.

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 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 global 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. Other transactions or client relationship within scope of 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
EP Project Finance Loans and Advisories	Estimated project capital costs: USD 10 million
EP Bridge Loans	Total facility amount: USD 10 million when takeout will be project finance, USD 50 million when takeout will be EP Project-Related Corporate Loan
Corporate and Government Loans (Note: includes the following sub-category): <i>EP Project-Related Corporate Loans</i>	Total facility amount: USD 50 million (in aggregate) When Citi's commitment is USD 50 million and majority of proceeds is related to one project
EP Project-Related Refinance and Acquisition Finance	See Scope section of The Equator Principles (July 2020)
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 coal, firearms, forestry, military equipment, nuclear, oil and gas, palm oil,) described on pp. 16-19), or
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. 14-16), controversial projects or industry lagging policies and performance on environmental or social issues. Citi's ESRM unit will conduct enhanced due diligence 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 sits in Independent Risk and serves as a global technical advisor to risk

managers and bankers across the bank on environmental and social risks related to financing client activities. ESRM Champions are Credit Risk Officers based in the regions who can provide additional regional advice and support 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. The chart in the Appendix 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

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 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 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;
- Production or shipment of cluster munitions.

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;
- Mining projects that utilize submarine waste disposal.

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 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, significant biodiversity and/ or high conservation value, including legally protected areas, 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.

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 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.
- Projects with environmental justice concerns due to disproportionate or adverse environmental and health impacts on racial or ethnic minority communities.

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 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
- 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 Standards

Citi recognizes that there are a number of important areas that require increased attention via sector-specific standards or guidance. To address this, our ESRM Policy incorporates several sector-specific standards as described below.

Coal

As the most carbon intensive energy source, global alignment with the Paris Agreement calls for a rapid transition away from thermal coal as a fuel source.

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 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 $\geq 50\%$ 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

Citi is committed to helping our Power clients transition to a Paris Agreement-aligned future. However, 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, we have established a set of increasing expectations over time for our clients with coal-fired power generation.

By the end of 2021, Citi will expect 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, after 2021 Citi commits to:

- Not provide acquisition financing or 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.
- 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 if the proposed transaction is being pursued in the context of a low-carbon transition strategy.

- Not onboard any new clients with a material business line in power generation unless the share of power generation from coal-fired power plants is less than 5%.

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 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

Stopping the spread of deforestation and illegal logging is a critical challenge in the global fight to preserve global biodiversity and combat climate change. To address the risk of deforestation of high conservation value (HCV) or high carbon stock forests, Citi’s Sustainable Forestry Standard requires robust environmental and social risk assessments for all forestry clients annually. Citi’s Sustainable Forestry Standard applies to all clients that are directly involved in logging or primary processing of timber from either natural forests or plantations, regardless of the banking relationship, transaction type or amount.

We review clients’ policies, practices, and track record on forestry management to evaluate alignment with

industry best practice, including labor, community engagement, systems to avoid impacts to HCV areas (such as peatlands), and proper prevention and management of fire risk. Forestry clients operating in countries deemed high risk for HCV deforestation and illegal logging must follow a time-bound action plan (monitored annually by Citi) to achieve independent PEFC, SFI or FSC certification.

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. For clients where significant concerns are raised, evidenced by credible and objective third-party information, about the legality of their operations or potential impacts to HCV or high carbon stock forest, a qualified external consultant must be hired. The consultant will 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 with Citi. 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, distribution or sale 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).

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 100% RSPO certification within 5 years of becoming a Citi client. Citi also monitors clients’ alignment with RSPO Principles and Criteria through annual reviews. Annual reviews include evaluation of the client’s adherence to no deforestation or degradation of HCV areas including peatlands, the implementation of FPIC for project-affected communities and best fire prevention and management systems. This standard applies to clients that are involved in the upstream production of palm oil (e.g., growers and mills), regardless of the banking relationship, transaction type or amount. To support ongoing development and implementation of the RSPO standard across the palm oil sector, Citi participates in the [RSPO Financial Institutions Task Force \(FITF\)](#) and works with prospective clients to become RSPO certified. If a client declines to join the RSPO or leaves the RSPO Citi would initiate steps to exit the relationship.

Supply Chain

Citi strives to drive sustainable practices in its supply chain. The three key elements of Citi’s Supply Chain Development, Inclusion and Sustainability Program are: 1) Citi’s Statement of Supplier Principles; 2) Citi’s Requirements for Suppliers; and 3) the Corporate Responsibility Questionnaire (CRQ).

Citi’s [Statement of Supplier Principles](#) communicate our expectations to our suppliers related to:

- 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

The [Requirements for Suppliers](#) communicate Citi's policies and specifically reference the Supplier Principles and Citi Code of Conduct. The link to Citi's Requirements for Suppliers has been circulated to all of Citi's approximately 8,700 active Approved Suppliers - those with whom Citi has an ongoing relationship - and continues to be socialized and communicated internally and externally.

The CRQ assists the procurement team in determining how well potential and current suppliers are managing environmental sustainability, labor issues (including modern slavery) and diversity issues within their business.

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.

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. We also have a broader employee engagement program designed to increase employee awareness of Citi's environmental initiatives and performance. This includes a global network of local Green Teams and various employee champion groups across the firm that have been created with the intention of promoting and driving ESG issues in their respective business units.

Reporting

Citi reports annually on the issues covered in this Environmental and Social Policy Framework in our ESG Report. The ESG Report is prepared in accordance with the GRI Standards: Core option. We also use the UN Global Compact, the UN Guiding Principles on Business and Human Rights and TCFD frameworks to guide our reporting.

The ESG Report includes reporting on completed financings under our \$250 Billion Environmental Finance Goal, case studies and data on transactions covered by our ESRM Policy (including the EP), human rights implementation across our business and progress on operational footprint goals. It also details other ESG-related initiatives at Citi in the areas of inclusive finance, affordable housing, diversity and inclusion and our philanthropic and volunteer initiatives. Our annual reporting of our environmental footprint and our EP-related data receive assurance by an external third party.

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, which provides oversight of Citi's risk management function, also reviews Citi's risk policies and frameworks, including those related to environmental and social 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](#).

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 or sustainability specialists in the regions. ESRM also leads development of Citi's climate risk management strategy in partnership with the Head of Climate Risk. To help implement this strategy, Citi established a global, senior-level, cross-functional Climate Risk Working Group to pull expertise from Credit Risk, Quantitative Risk & Stress Testing, Operational Risk, Banking, Legal, and Public Affairs.

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 Enterprise Infrastructure Operations & 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.

Appendix

Client Actions	Project Review Stage	Citi Transactor Actions	Citi Independent Risk Review & Approval
<ul style="list-style-type: none"> Client seeks competitive financing terms from banks Preparing or finalizing environmental and social assessment documentation 	Business Opportunity Identified	Business opportunity identified for internal review and discussion	When appropriate, early-stage “heads-up” memo sent to risk units including Environmental and Social Risk Management (“ESRM”) to notify of early-stage client discussions prior to formal approval
Receives and reviews marketing letter from Citi	Greenlight Memo & Marketing Stage	<ul style="list-style-type: none"> Approvals required from appropriate Senior Heads Following Greenlight approval, submits Citi proposal/marketing letter to client 	<ul style="list-style-type: none"> Approval required from appropriate Citi Independent Risk heads as well as ESRM unit Project screened for potential environmental and social risks, including human rights risks ESRM Category assigned along with ESRM Policy or Equator Principles requirements
<ul style="list-style-type: none"> Reviews and seeks clarification on Citi proposals, including ESRM requirements Accepts, modifies or rejects Citi proposal If proposal accepted, Citi is mandated by the client to provide financing 	Discussion of Citi Proposal with Client	<ul style="list-style-type: none"> Includes discussion of ESRM requirements, if requested by client For higher risk transactions, Transactor and ESRM arrange appointment of Independent Environmental and Social Consultant to review documentation and review compliance with Citi’ ESRM Policy, including the Equator Principles, IFC Performance Standards and IFC EHS Guidelines, as relevant to individual transactions 	
Client provides to Citi Equator Principles documentation, prepared by or on behalf of client (e.g., Environmental and Social Impact Assessment Management Plan, Action Plan, consultation information)	Detailed Due Diligence Process, Including Term Sheet Negotiations	<ul style="list-style-type: none"> Transactor, ESRM and Independent Consultant (when required) review environmental and social documentation, including documentation on any human rights risks if relevant to transaction When gaps exist between current plans and Citi ESRM standards, ESRM/Independent Consultant prepare an Environmental and Social Action Plan (“ESAP”) with recommended actions to properly mitigate and/or manage any environmental, social and human rights risks 	

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Client Actions	Project Review Stage	Citi Transactor Actions	Citi Independent Risk Review & Approval
<ul style="list-style-type: none"> • Final facility terms agreed • Signs loan documentation • Receives first disbursement 	<p>Closing & Disbursement</p>	<ul style="list-style-type: none"> • Citi confirms conditions precedent met, including ESRM and Equator Principles conditions, if applicable • Citi signs loan documentation and disburses loan 	<p>Timeframe and condition set for monitoring and reporting on agreed upon ESAP</p>
<p>Based on previously agreed terms, client plans for and submits ESRM and other monitoring and reporting to Citi and/or syndicate regarding compliance with environmental and social conditions</p>	<p>Ongoing Monitoring & Supervision</p>	<p>Ongoing monitoring takes place during annual credit reviews or at more frequent agreed upon intervals if needed</p>	<ul style="list-style-type: none"> • Receives and reviews ongoing monitoring and compliance reports from client and/or Independent Expert on environmental, social and human rights matters • Works with the client and/or Independent Expert to identify and correct areas of noncompliance, if any • If significant areas of noncompliance are evident, senior approvers are notified and a corrective action plan devised to bring client back into compliance

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 are based on the facts and circumstances of a particular transaction.



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