I. Introduction

We believe that working to promote sustainability — both for our firm and our client base — is good business practice. This belief, reflected in our dedication to reducing our operational footprint, actively managing environmental and social risks, and financing environmental business opportunities, is aligned with and contributes to Citi’s goal to create the best outcomes for our clients and customers with financial solutions that are simple, creative and responsible.

Our primary platform to fulfill this goal is found in our approach to Responsible Finance, which consists of three pillars: 1) A commitment to generating positive economic value for clients and stakeholders; 2) A commitment to generating value for our clients; and 3) A commitment to generating value to society. Environmental Sustainability is a core part of our commitment to Responsible Finance, and this value-generating focus drives our environmental vision, strategy, policies and programs.

Citi’s Environmental Policy Framework is global and applies to all of our businesses in over 100 countries. It is composed of policies, programs and initiatives and is organized into three categories:

• Reducing our direct operational impacts;
• Managing environmental and social risks associated with client transactions; and
• Increasing financing of environmentally sustainable business opportunities.

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 environmental sustainability expertise has evolved significantly. Our environmental program has expanded to include a leading green-building portfolio of Citi facilities, a comprehensive suite of environmental and social risk policies, and a set of initiatives and transactions positioning Citi as a leading financier of a clean-energy and low-carbon economy.

Citi understands the serious threats to natural capital and society that are posed by climate change, water scarcity, the loss of biodiversity and other critical sustainability issues. These threats are interconnected and present unprecedented challenges to value generation. We also understand the complexity of forging solutions to these challenges, which require a combination of corporate initiatives, individual actions and strong regulatory frameworks. Citi is aware of the constraints and opportunities ahead of us, and we are addressing them. We are committed to being a leading financier of a sustainable global economy through financing clean energy solutions; partnering with our clients to develop water- and biodiversity-positive businesses;
and promoting environmental sustainability through our engagements with clients, investors, regulators and communities. We also recognize that we have a responsibility to respect human rights in our own activities and in our client transactions.

A description of our policies and programs, and how Citi is organized to achieve maximum impact in our areas of focus, is found below.

II. Direct operational impacts

Citi has approximately 266,000 employees working in approximately 12,000 facilities in over 100 countries. Our environmental sustainability program is built on a foundation of industry-leading work to measure, manage and reduce the direct environmental impacts of our own operations. Our efforts reduce costs, enhance work environments and productivity, and enable us to speak from a position of experience when our clients need support.

FOOTPRINT MANAGEMENT

Citi was the first financial services firm to announce greenhouse gas (GHG) and water reduction goals. We report annually on global energy and water use as well as other metrics related to our global footprint. In addition to an initial goal set in 2007 to reduce our GHG emissions (Scopes 1 and 2) by 10% by 2011 (against a 2005 baseline), in 2010 we announced the following additional goals against that same 2005 baseline:

• 25% absolute GHG reduction by 2015;
• 20% energy efficiency increase (based upon facilities where actual data is collected versus estimated data as calculated through the EPA's Portfolio Manager Energy Star Tool);
• 20% water use reduction (based upon facilities where Citi can obtain actual or invoiced water data) by 2015;
• 40% diversion of waste from landfill (based upon facilities where Citi can obtain actual or invoiced waste data) by 2015; and
• 15% of portfolio LEED certified based upon square footage by 2015.

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.

Citi also has a significant paper footprint, primarily through our client statements. Several of our businesses, including Global Cards and Global Transaction Services, have launched e-payment and e-statement initiatives. To increase the scale of the effort and the speed of its adoption, Citi has developed an e-Delivery platform that each of our lines of business can adopt when seeking to move their clients to e-statements. Our Cards business achieved a paperless statement penetration rate of 29% of consumer credit card customers worldwide as of 2011.

GREEN IT

Data centers, which house our servers, data storage and network infrastructure, are the backbone of global banking. They also account for about 26% of our global electrical consumption – it is estimated that data centers can consume 100 to 200 times more electricity than standard office spaces. Citi's data center program focuses on reducing the amount of energy our equipment uses and designing buildings to aid cooling. We also have reduced our number of data centers from 51 in 2005 to 20 in 2011 as part of our effort to consolidate our operations and reduce our energy footprint.
Citi Environmental Policy Framework

Other green IT initiatives include a desktop standardization initiative where every Citi employee's computer is standardized and energy efficient, a PC Power Management program that puts computers to sleep when not in use, and a flexible work strategy that enables employees to work on a secure network from anywhere in the world, which reduces the need to commute and also reduces demand for conventional office space.

SUPPLY CHAIN

Citi's supply chain sustainability program is composed of three primary components: 1) Citi's Statement of Supplier Principles, 2) supplier assessment; and 3) specific environmental bottom-line initiatives.

Published in 2009, Citi's Statement of Supplier Principles (http://www.citigroup.com/citi/procurement/supplierprinciples.htm) communicates our values related to environmental sustainability, and how Citi engages our suppliers to encourage best practices on ethics, human rights, and the environment. The principles were circulated to approximately 3,000 of our approved suppliers and continue to be socialized and communicated to our suppliers.

In 2010, Citi implemented a supplier questionnaire and assessment conducting a baseline evaluation of our suppliers, focusing on acknowledgement and implementation of the Statement of Supplier Principles. In 2011, the questionnaire and assessment was updated to include additional quantitative and qualitative metrics for supplier evaluation. Evaluations address reputational risk factors, cost savings/avoidance opportunities and relationship management. Responses provided by suppliers are utilized in the RFx process as well as in the ongoing relationship management.

Additional specific initiatives to reduce the environmental footprint of our supply chain include:

• A toner cartridge recycling program that eliminates significant solid waste;
• A print optimization program at 27 sites in the United States and Canada that helps to reduce the number of printers needed; and
• The purchase of FSC-certified recycled copy paper for 92% of our U.S. facilities and for international facilities where the supply is available.

EMPLOYEE ENGAGEMENT

Our environmental employee engagement program is based on the belief that for Citi to be a truly sustainable company, our vast global workforce must be engaged in these efforts. The intent of the employee engagement program is to increase employee awareness of Citi's environmental initiatives so that our approximately 266,000 employees can help to improve the firm's environmental performance. Our employee program includes an annual Citi Earth Week communications campaign, an annual Citi Green Survey, a monthly electronic environmental sustainability newsletter, local volunteer opportunities, environmental expos in key facilities and a global network of local green teams. Our Green Survey results indicate that the overwhelming majority of our respondents care personally about environmental responsibility and believe that Citi has a responsibility to take positive actions to protect the environment.

III. Environmental and social risk management

As a leading global financial institution, Citi commits and mobilizes billions of dollars of capital into a variety of projects, including infrastructure and extractive projects that may be associated with environmental and social impacts and risks. Before making a lending 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 policies consistent with leading international standards and good practice.
Citi’s broad Environmental and Social Risk Management (ESRM) Policy, which includes the Equator Principles for project finance, is applied to all transactions (across all geographies and industry sectors) when a transaction meets certain financial thresholds and there is a known use of proceeds.¹

For transactions in emerging markets, Citi requires adherence to the issue-based International Finance Corporation (IFC) Performance Standards and 63 sector-specific Environmental Health and Safety (EHS) Guidelines. The EHS Guidelines address topics including but not limited to pollution prevention, abatement, and worker and community health and safety. For transactions in Australia, Canada, Japan, the United States and Western Europe, Citi requires compliance with all relevant local and national environmental laws, impact assessment and public comment processes, and permitting conditions. In addition to the IFC standards, Citi-specific sector policies also exist for coal-fired power in the United States, forestry, palm oil, nuclear power and mountaintop removal coal mining. As part of the credit 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 their environmental and social performance.

ESRM POLICY GOVERNANCE

The ESRM Policy is governed by Citi’s Independent Risk Management. Independent of line business, Citi’s ESRM unit reviews all transactions subject to the Policy in order to ensure consistency and quality control. The ESRM unit works closely with bankers to help determine ESRM categorization and Policy compliance at both the marketing and credit approval stages, and screens for any undue reputational risk.

The commitments described below represent the minimum standards for Citi and have been incorporated fully into Citi’s credit and risk policies and procedures. We have sought to align our ESRM Policy, where possible, with the standards of multilateral or official agencies and commercial banking competitors, which ultimately helps both Citi and our clients.

Policy scope: ESRM-covered products

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<tr>
<th>Product Type</th>
<th>Required Threshold Amount</th>
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| Project Finance Transactions  
(subject to the Equator Principles) | Project capital costs: Above US$10 million |
| Project Finance Advisories  
(subject to the Equator Principles) | Estimated project capital costs: Above US$10 million |
| Project Finance for Existing Projects and Refinancings | Project capital costs: Above US$10 million |
| Corporate and Government Loans | Total facility amount: US$50 million (in aggregate) |
| Official and Export Agency Loans | Total facility amount: Above US$50 million |
| Acquisition Finance | Total facility amount: US$50 million (in aggregate) |
| Debt Securities Placements or Underwritings (Bonds) | Underwriter or arranger of debt securities placements or underwritings in excess of US$50 million (in aggregate value) |
| Equity Investment or Equity Underwriting Transactions | • Firm (Citi) equity investment in excess of US$5 million  
• Underwriter, arranger or placement agent for the selling of equity securities in excess of US$50 million (in aggregate value) |
| LCs, Bid Bonds and Performance Bonds | Relevant instruments in excess of US$50 million (in aggregate) |

¹ Sectors that often have challenging environmental or social impacts and that may trigger Citi’s ESRM Policy include, but are not limited to: oil and gas developments and pipelines, mining, hydro-power and thermal power, forestry and palm oil transactions, and other large-scale infrastructure (e.g., toll roads and ports).
ESRM SCREENING AND CATEGORIZATION CRITERIA

As part of the review of a transaction’s environmental and social risks, Citi uses a system of categorization, based on the IFC’s environmental and social screening criteria, to characterize the magnitude of impacts understood as a result of assessment.

• **Category A** — use of proceeds is likely to have potential significant adverse social or environmental impacts that are diverse, irreversible or unprecedented;

• **Category B** — use of proceeds is likely to have potential limited adverse social or environmental impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures; and

• **Category C** — use of proceeds is expected to have minimal or no social or environmental impacts.

INDEPENDENT REVIEW

Certain transactions, including all Category A and certain Category B project finance transactions subject to the Equator Principles, require review by an independent environmental and/or social expert not associated directly with the borrower. Independent review may be required of other ESRM Covered Category A transactions in “areas of high caution” or of transactions subject to certain ESRM Sector Standards (see below), as deemed appropriate by Citi Independent Risk.

POLICY PRECLUSIONS

Citi does not directly finance the following projects or activities:

• Production or activities involving harmful or exploitative forms of forced labor\(^2\) or harmful child labor\(^3\)

• Illegal logging

• Production or trade in any product or activity deemed illegal under 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

AREAS OF HIGH CAUTION AND SPECIAL FOCUS

Consistent with the precautionary principle of “do no harm,” Citi recognizes there are certain “areas of high caution” that require special attention, focus and respect. Utilizing the relevant IFC Performance Standards and national laws, Citi only proceeds with investments 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 our ESRM Policy.

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

Citi recognizes that protecting and conserving areas of critical habitat or areas of significant biodiversity and/or high conservation value is key to high-quality environmental risk management. We are guided by standards that require clients to avoid or mitigate threats to biodiversity 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

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\(^2\) Forced labor means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty.

\(^3\) Harmful child labor means the employment of children that is economically exploitative or is likely to be hazardous to, or to interfere with, the child’s education, or to be harmful to the child’s health, or physical, mental, spiritual, moral or social development.
(and preferably a net gain) of biodiversity. We additionally recognize the importance of cultural heritage for current and future generations, and we seek to protect areas of significant cultural heritage and value from the adverse impacts of project activities. 4

Indigenous Peoples
Citi recognizes and respects the unique needs and aspirations of Indigenous Peoples, native communities and First Nations, and understands that these communities’ languages, beliefs, cultural values and lands are often under threat. Citi exercises extra caution and diligence when it is known that a transaction’s activities may negatively impact an area used or traditionally claimed by an indigenous community. For projects affecting Indigenous Peoples, the client is required to engage them in a process of informed consultation and participation. For projects located in emerging markets, consistent with the special circumstances described in IFC Performance Standard 7, those having adverse impacts on Indigenous Peoples will require their Free, Prior and Informed Consent (FPIC). Additionally, projects need to comply with applicable national law, including those laws implementing host-country obligations under international law.

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

Human Rights
Citi seeks to do business with clients who share our values and respect human rights. In 2007, Citi formulated a Statement on Human Rights that covers our approach to human rights, including reference to the ESRM Policy with respect to transactions. The statement can be reviewed here: http://www.citigroup.com/citi/citizen/data/citi_statement_on_human_rights.pdf.

INCORPORATION OF EXTERNAL PRINCIPLES
Citi has a long history of founding and adopting industry-leading sustainability initiatives, including the Equator Principles (2003) and Carbon Principles (2008). These initiatives have fundamentally and positively changed the way financial institutions approach environmental and social risk. The process to implement the Equator Principles and Carbon Principles has been fully integrated into Citi’s ESRM Policy and credit policies.

Equator Principles
As one of our initial and principal commitments to environmental and social sustainability, Citi was instrumental in developing the Equator Principles (http://www.equator-principles.com/), which we subsequently adopted at the June 2003 launch. These principles are a voluntary set of guidelines for the financial industry to manage social and environmental issues in project financings and are based on the policies and guidelines of the IFC.

Carbon Principles and Citi Climate Change Position Statement
The Carbon Principles (http://www.carbonprinciples.com/) provide a risk management framework for Citi and its power clients to evaluate carbon risks in the financing of U.S.-based coal-fired power plants over 200 MW. The need for these Principles was driven by the risks faced by the U.S. power industry as utilities, independent producers, regulators, lenders and

4 Areas of high caution include World Heritage Sites, RAMSAR wetlands, or other areas of significant environmental and cultural sensitivity.
Citi Environmental Policy Framework

investors deal with the ongoing uncertainties around regional and national climate change policy. Additionally, in 2007 Citi launched a Climate Change Position Statement (http://www.citigroup.com/citi/environment/climateposition.htm), which states our support for market-based national policies that reduce GHG emissions, stimulate innovation, bring certainty to markets and complement other frameworks.

SECTOR STANDARDS

Citi recognizes that there are a number of important areas that require increased attention via sector-specific policy or guidance that is not available through the IFC Performance Standards, IFC EHS Guidelines, or national or internationally accepted standards. To address this, Citi's ESRM Policy incorporates several sector-specific standards as described below.

Sustainable 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 Sector Standard includes risk assessment criteria for all Forest Products Obligors (FPOs) and requirements for certain FPOs operating in challenging geographies to follow a time-bound Action Plan to achieve independent certification. This sector standard is publicly available and can be found at:

Palm Oil

As a member of the Roundtable on Sustainable Palm Oil (RSPO), Citi requires clients to commit to a time-bound Action Plan to achieve RSPO certification over time, in accordance with RSPO Principles and Criteria, or an equivalent credible third party certification acceptable to Citi, and as required by IFC standards.

Nuclear

All new construction of nuclear facilities, or the upgrade or expansion of existing nuclear facilities, must be evaluated against host-country environmental guidelines, and must meet relevant host-country environmental laws, regulations and permits. In emerging markets, these facilities must be further evaluated against the international nuclear environmental guidelines that are set forth by the International Atomic Energy Agency (IAEA), including all IAEA fundamental principles, safety and environmental management requirements. All Category A nuclear-related transactions subject to the ESRM Policy require Independent Review.

Mountaintop Mining Environmental Diligence Process

Mountaintop removal (MTR) coal mining is a surface mining method used in the Central Appalachian region of the United States. In May 2009, Citi instituted an MTR Environmental Diligence Process that has been incorporated fully into our credit risk policies and procedures. The Diligence Process is triggered when engaging any client that uses MTR as an extraction method, and it includes an MTR Risk Assessment Questionnaire that Citi reviews with relevant clients as a part of our transactional due diligence. Under certain circumstances, Citi may require an Independent Review. A public summary of this diligence process is found here:
http://www.citigroup.com/citi/environment/mrcm.htm
ENVIRONMENTAL RISK MANAGEMENT IN CITI COMMERCIAL BANK

Citibank offers a full range of financial services and commercial products to serve the needs of small- and medium-sized enterprises in over 20 countries globally. Citi’s global commercial business has incorporated environmental risk review requirements in its risk policy and in various credit programs, including its real estate and energy lending, and these credit programs govern conditions of engagement in relevant transactions.

ESRM IN CITI PRIVATE BANK

Since 2007, Citi Private Bank (CPB) has recognized the value of applying consistent sustainability criteria to transactions for high net worth individuals. Clients that own assets in sensitive sectors (e.g., palm oil, forestry and mining) undergo a franchise risk review in consultation with Citi’s ESRM Unit, and ESRM Policy procedures are implemented for transactions where proceeds are directed to a business in a sensitive sector. For example, CPB clients that have a controlling share of companies involved in logging or primary processing of timber are subject to Citi’s Sustainable Forestry Sector Standard.

IV. Environmental business opportunities

Environmental assets including air, water and biodiversity are all forms of natural capital and are key inputs to economic activity and to sustaining livelihoods. Unlike traditional types of economic capital, however, natural capital often lacks clear standards with respect to valuation, market size and exchange mechanisms. We believe that the lack of clarity on the value of natural capital presents a serious challenge to sustainable development but also creates tremendous market opportunities for the organizations that correctly define and leverage this value. Herein lays both the challenge and opportunity for business and for financial institutions in particular.

Citi, through its global business and market-making activities, seeks to use its skills and assets to accelerate capital markets solutions to major environmental problems. We are doing this through the establishment of specific business units dedicated to environmental business development as well as by identifying opportunities through our traditional businesses. These activities are measured in part under our $50 Billion Climate Initiative (http://www.citizenship.citigroup.com/citi/about/data/2011citizenship_report.pdf), through which we report on our financings and investments related to climate-friendly client transactions and operational initiatives.

CORPORATE AND INVESTMENT BANKING

Through dedicated units within Citi’s Institutional Clients Group (ICG), we offer our clients a full range of products and services related to alternative energy. Our Alternative Energy practice consists of two primary units – the Alternative Energy Finance (AEF) group housed in the Capital Markets organization and the Alternative Energy group within the Global Banking organization. These groups lead Citi’s efforts to develop innovative and scalable structures for the financing of clean energy projects and to provide strategic advice to clients on corporate and financing matters. Our Alternative Energy practice targets clients across the entire alternative energy/cleantech value-chain – including renewable generation, alternative fuels, energy storage, smart grid and electric transport.
Citi Environmental Policy Framework

Citi is also developing structured solutions to aggregate and scale energy efficiency and distributed generation projects across multiple assets. This is a critical component to helping cities and other jurisdictions meet efficiency emission-reduction targets as well as economic development and energy independence goals. While the Alternative Energy practice serves as a coordinator of activity across the bank, many other units within Citi including Municipal Securities, Global Transaction Services, Community Capital, Microfinance, and Consumer and Commercial Banking are also active in the area of alternative energy.

CARBON TRADING

Citi’s Environmental Markets unit engages in carbon trading under the frameworks of the Clean Development Mechanism, Joint Implementation and EU Emission Trading Scheme. The unit is also prepared to participate in emerging regional and national markets in the United States and other countries around the world. Citi’s carbon trading market and product platform includes:
• Helping clients to originate and transact carbon commodities;
• Helping clients to source carbon allowances for compliance, investment or voluntary offsetting;
• Optimizing compliance strategies in regulated markets;
• Investing in emissions abatement; and
• Optimizing the financial consequences of buying and holding allowances.

EQUITY RESEARCH

Investors are very interested in many aspects of the way companies respond to environmental policy and how these issues affect company valuations. The Citi Research team researches listed companies whose business models touch climate change, carbon trading and clean energy, water, and green buildings. They periodically perform risk analysis for investors with an ESG (environmental, social, governance) mandate.

V. Philanthropy

Citi Foundation supports economic empowerment with environmental attributes for individuals and families, particularly those in need, including alternative energy development, sustainable agricultural and forestry production, and green community development. These grants provide support for partners to 1) establish innovative financing structures and data collection systems for alternative energy projects, 2) develop supply chain solutions that link sustainable sourcing goals with programs to help producers transition to the sustainable sources of production, and 3) design and development of housing and other assets that are green and ensure benefits are realized by community members.
VI. Transparency, reporting and stakeholder engagement

Citi aligns its environmental sustainability priorities with business objectives, and we actively engage stakeholders on our initiatives and overall performance. From an environmental sustainability perspective, our stakeholders include clients, shareholders (including socially responsible investors), employees, regulators, suppliers, communities, non-governmental organizations (NGOs) and peer institutions in networks such as the Equator Principles Association and Carbon Principles. Citi is also an active member of several industry and stakeholder groups focused on environmental and social sustainability, including the UN Global Compact, the United Nations Environment Program Finance Initiative (UNEPFI), and Ceres. Citi actively engages with a wide variety of stakeholders on issues related to environmental and social sustainability.

Citi has been a long-standing leader in reporting publicly on our environmental sustainability performance, doing so annually in our Global Citizenship Report since 2001 and consistent with the Global Reporting Initiative. Our reporting includes data on Citi's ESRM Policy, including the Equator Principles, and reporting on our operational footprint and environmentally friendly business development. The Global Citizenship Report can be found at www.citizenship.citigroup.com.

VII. Governance

The Citigroup Board of Directors Nomination, Governance and Public Affairs Committee oversees Citi's environmental policies and initiatives, and Citi's performance on these is reported to the Board by the Director of Corporate Citizenship. The Environmental and Social Policy Review Committee (ESPRC) is a management committee composed of senior bankers and managers from across Citi's businesses and functions and provides review and guidance on Citi's environmental sustainability and human rights policies and initiatives. The Director of Corporate Citizenship serves as the chair of the ESPRC, which meets approximately once per quarter to discuss emerging issues and compliance with Citi's environmental policies and initiatives.

Citi's Corporate Sustainability staff works across Citi's businesses and regions to help develop and implement Citi's environmental sustainability and human rights initiatives, including business opportunities, operational footprint and external stakeholder engagement. The Environmental and Social Risk Management (ESRM) team sits within the Independent Risk Management function and assesses the environmental and social impacts and risks associated with specific financing transactions according to Citi's ESRM policy. A number of other corporate and business units, including Global Banking, Global Transaction Services, Operations & Technology, and Public Affairs, also have sustainability experts embedded in their units to develop and promote sustainable products, services and initiatives at the line-of-business level.