



August 13, 2021

Jeanne Martin
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Via e-mail: jeanne.martin@shareaction.org

Dear Ms. Martin,

Thank you for your inquiry regarding Citi's efforts to align its financing activities with the goals of the Paris Agreement. We have already initiated work on many of the specific steps mentioned in your letter, although we recognize that we, like all actors, have much work to do collectively to transition to a low-carbon economy.

Central to Citi's [Sustainable Progress Strategy](#) are Citi's concerns about the climate crisis and our need to play a leadership role in addressing it. We have been engaged in this work for a number of years, including enhancing our policies, establishing new sustainable finance commitments, conducting climate risk analysis, restructuring our business teams, and continuing our vocal advocacy for robust public policy to accelerate the transition.

Significantly, Jane Fraser announced Citi's commitment to achieve net zero emissions by 2050, which will cover our operational footprint (by 2030) and our financing of our clients' activities, on her first day as CEO on March 1, 2021. We stated our intent to develop emissions reduction targets for carbon-intensive sectors, including interim emissions targets for 2030 for our Energy and Power loan portfolios. This work is underway and will be developed in alignment with the principles we committed to in April 2021 when Citi became a [founding member of the Net Zero Banking Alliance \(NZBA\)](#), helping to ensure our target setting aligns with science-based requirements, the expectations of our stakeholders and emerging industry best practice. In July Citi also joined the Steering Committee of NZBA to help guide the further development of the NZBA. As Fraser noted in her announcement, we are working to publish our initial net zero plan including the 2030 Energy and Power emissions targets by early 2022.

Fundamental to our net zero commitment is our intention to work closely with our clients to help them transition; as Citi is the world's most global bank and a financier of the global economy, we understand that this translates to a responsibility as well as an opportunity to help our clients transition. In pursuit of this objective, we are participating in a number of industry initiatives to develop specific sectoral pathways for key sectors to decarbonize. We are co-leading the Glasgow Finance Alliance for Net Zero (GFANZ) workstream on "Sectoral net zero pathways to guide financing decisions." We also are also actively engaged in shaping sectoral decarbonisation pathways through our participation in collaborative initiatives organized by the World Economic Forum and the Rocky Mountain Institute's Center for Climate-aligned Finance.



Our disclosures related to climate risk and net zero will continue to be guided by the Taskforce on Climate-related Financial Disclosures (TCFD) recommendations as well as the NZBA guidelines. In addition to our TCFD disclosures and annual ESG reports, we have also integrated information on our approach to climate change into our 10k annual reports and proxy statements.

Other recent steps we have taken, detailed in our [Environmental and Social Policy Framework, 2020 ESG Report](#) and [TCFD Report \(Dec 2020\)](#), are as follows:

- In 2020 and 2021, we updated our Environmental and Social Risk Management (ESRM) Policy fossil fuel sector standards, including:
 - Policy prohibitions against project-related financing of thermal coal mines, coal-fired power plants and Arctic oil and gas exploration and development;
 - Strengthened our thermal coal mining standard to reduce our credit exposure to thermal coal mining companies by 50% by 2025 and to zero by 2030; after 2025, we also will not provide capital markets or mergers and acquisitions advisory and financial services to thermal coal mining companies;
 - Updated coal-fired power standard with strengthened prohibition against financing coal-fired power plants and a new sector-wide approach designed to help our power clients transition away from coal. The policy includes a set of increasing expectations for Paris alignment that our clients with coal-fired power will be expected to meet by transitioning their companies and phasing out coal-fired power (by 2030 for assets in OECD countries, 2040 for non-OECD countries).
- In 2020, we joined the Partnership for Carbon Accounting Financials (PCAF) and committed to disclosing the emissions associated with our lending portfolio. We also released our [second climate risk disclosure report](#) aligned with the TCFD Recommendations, which includes our learnings from conducting a short-term scenario analysis of the potential effects on parts of our Energy portfolio of a rapid onset and global carbon price, as well as a credit exposure climate risk heat map illustrating our exposure to sectors exposed in varying degrees to physical and transition risks.
- In April 2021, Citi enhanced its existing Environmental Finance Goal, [committing \\$1 trillion towards environmental and social finance by 2030](#). This includes \$500 billion for a wide array of climate solutions – from renewable energy and clean technology, to water conservation and sustainable transportation – and \$500 billion towards transactions advancing progress in education, affordable housing, health care, economic inclusion, community finance, international development finance, racial and ethnic diversity and gender equality.

To achieve these objectives will require unprecedented partnership with our clients as well as with policymakers. We know that to achieve net zero as a society, we also will need strong public policy frameworks to drive the transition and to support the new technology and innovation that are needed to move



the global economy to net zero. This is why Citi has since 2019 participated in the CEO Climate Dialogue, advocating along with other companies across sectors for robust and durable climate policy in the United States, including a price on carbon, and has publicly supported the Biden Administration's announcement of an ambitious, science-aligned Nationally Determined Contribution to the Paris Agreement.

Regarding biodiversity, Citi's ESRM Policy recognizes the need to exercise enhanced due diligence when evaluating projects that are being developed in close proximity to areas of critical habitat, high conservation value and high biodiversity, including legally protected areas such as World Heritage Sites, RAMSAR wetlands, national parks, or other areas of significant cultural heritage value. For such projects, Citi requires a thorough assessment of potential impacts and risks in light of national laws, the UN Guiding Principles on Business and Human Rights, IFC Performance Standards and other international standards. In these cases, we would not proceed unless a thorough review determined that risks and impacts were being appropriately managed to comply with our policies and standards.

As further detailed in our Environmental and Social Policy Framework, Citi also has robust forestry and palm oil sector standards requiring our clients to obtain certifications for their plantations or forest supply chain from external standard-setting bodies, such as the Roundtable on Sustainable Palm Oil (RSPO) and the Forest Stewardship Council and other forestry certification standards, and we have a long-standing prohibition against financing companies that we know to be in violation of local or national forestry and logging laws or to provide financing to clients' whose activities involve forced labor or child labor. As part of compliance with RSPO, we require our palm oil clients to become members and commit to achieving RSPO certification within five years, which since 2018 has required palm producers to establish NDPE policies. Most recently, Citi has joined the Stakeholder Group of the Taskforce on Nature-related Financial Disclosures, which is developing an enhanced disclosure framework for biodiversity impacts.

We appreciate the opportunity to share with you and other stakeholders our response to date to the urgent demand for action posed by the climate crisis. We look forward to sharing continued updates with our stakeholders as our work progresses.

Sincerely,

A handwritten signature in black ink that reads "Val C. Smith". The signature is written in a cursive, flowing style.

Val Smith
Chief Sustainability Officer
Citi