



Respecting the Rights of Indigenous Peoples

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Citi respects the collective rights of Indigenous Peoples, such as the right to self-determination, autonomy and participation in decisions that directly affect them. Furthermore, Citi recognizes Indigenous Peoples' distinctive spiritual relationship with their traditionally owned or otherwise occupied and used lands and territories, including the resources within these lands, which are fundamental to ensuring their survival.

We recognize the unique historical challenges faced by Indigenous Peoples and understand that their languages, beliefs, cultural values and lands often face threats placing them at a higher degree of vulnerability than other communities. Our Environmental and Social Risk Management (ESRM) Policy acknowledges this vulnerability and outlines our approach to transactions that may have the potential to impact Indigenous Peoples.

Our Commitment to Respecting Indigenous Peoples' Rights

Policy Commitments and Alignment with International Frameworks

National governments bear primary responsibility for safeguarding human rights, including Indigenous Peoples' rights. We acknowledge our corporate responsibility to respect those rights wherever we do business, in line with the U.N. Guiding Principles on Business and Human Rights — a global framework for preventing and addressing the risk of adverse impacts on human rights linked to business activity. The U.N. Guiding Principles are informed by established international human rights instruments whose principles Citi endorses, such as the U.N. Universal Declaration of Human Rights and the International Labour Organization's (ILO) Core Conventions.

Our ESRM Policy lies at the core of our strategy for addressing risks to Indigenous Peoples that arise from our clients' activities. This Policy is informed by key international environmental and social standards, such as the U.N. Guiding Principles, the Equator Principles, and the World Bank's International Finance Corporation (IFC) Performance Standards.

Consistent with the precautionary principle of “do no harm,” the Citi ESRM Policy recognizes that there are certain Areas of High Caution that require special attention, focus and respect, such as risks to Indigenous Peoples. For transactions that may impact these areas, Citi proceeds only after a thorough and judicious assessment of those risks and associated impacts, as well as confirmation that appropriate mitigation measures have been or will be designed.

This focus on robust due diligence and ongoing engagement with clients underscores our commitment to upholding the U.N. Guiding Principles' tenet of business' responsibility to respect human rights, including the rights of Indigenous Peoples.

Free Prior and Informed Consent (FPIC)

The Citi ESRM Policy refers to the World Bank's IFC Performance Standards, which explain the IFC's approach to FPIC as follows:

“There is no universally accepted definition of FPIC. For the purposes of Performance Standards 1, 7 and 8, ‘FPIC’ has the meaning described in this paragraph. FPIC builds on and expands the process of Informed Consultation and Participation (ICP) described in Performance Standard 1 and will be established through good faith negotiation between the client and the Affected Communities of Indigenous Peoples. The client will document: (i) the mutually accepted process between the client and Affected Communities of Indigenous Peoples, and (ii) evidence of agreement between the parties as the outcome of the negotiations. FPIC does not necessarily require unanimity and may be achieved even when individuals or groups within the community explicitly disagree.”

— IFC Performance Standard 7, paragraph 12

Our Due Diligence Process

We expect our clients to avoid infringing upon the rights of and the protections for Indigenous Peoples as required by applicable national laws, including laws implementing host country obligations under international law. When Citi identifies a potential risk to Indigenous Peoples in our initial transaction screening, the ESRM team may decline to approve the opportunity outright (if the risks are deemed too high to address) or outline the additional due diligence required and specify the standards that must be met for the transaction to proceed. See below for how we conduct screening and due diligence for potential risks to Indigenous Peoples in our financial products and services.

Identifying Risks to Indigenous Peoples' Rights in Project-Related Loans

In project finance or project-related corporate loans, there is usually a longer due diligence

period than with other financial products. With project-related loans, lenders have more access to information, more time and loan structures that allow for engagement of independent consultants, as well as the opportunity to negotiate loan covenants requiring specific actions of clients as a condition of financing. This allows for more effective evaluation and management of potential risks to Indigenous Peoples in project-related loans, as opposed to general corporate relationships, where our ability to conduct due diligence and influence client activities is more limited.

During the due diligence phase for project-related loans, we obtain project assessment information that allows us to benchmark the project against relevant standards. If a project does not align with our ESRM Policy expectations, inclusive of relevant, long-standing international standards, we will not approve financing unless we can negotiate an Environmental and Social Action Plan with the project sponsor. The purpose of these plans is to address gaps with the ESRM Policy and appropriately avoid or minimize risks and mitigate any residual risks in an acceptable time frame.

Citi uses extra caution and conducts enhanced due diligence (which may require support by a qualified independent social consultant) when financing projects that have the potential to pose adverse effects to an area used or traditionally claimed by an Indigenous community, to their communal self-preservation based on traditional ways of life or to 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.

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, we expect our clients to have engaged in meaningful consultation with directly affected Indigenous Peoples, with the goal of achieving FPIC.

Due Diligence Process for Financed Projects

Project-related lending is often used to construct large-scale industrial, extractive or infrastructure projects, which can have tangible environmental and social risks. These projects require comprehensive environmental and social impact assessments, including appropriate assessment of potential adverse human rights impacts. In project-related lending, the Citi ESRM team conducts a deep dive into any material environmental and social risks pertinent

to the project. Such evaluations enable us to identify potential adverse impacts on Indigenous Peoples, allowing us to further engage project sponsors to evaluate their approach to avoiding, minimizing and/or mitigating those risks in order to respect human rights. Additionally, project finance structures enable us to integrate specific requirements into loan covenants to improve environmental and social risk management for projects. (This approach is not feasible in general corporate purpose lending, where the funds are not tied to a specific project.)

1. Risk Screening

The Citi ESRM team:

- Reviews preliminary project information to understand location- and sector-specific environmental and social risks
- Categorizes the project according to the IFC risk categorizations A, B and C (note that projects with risks to the rights of Indigenous Peoples are most likely to be categorized as A, which is the highest risk category, requiring the most due diligence and caution)
- Conducts screening for negative environmental and social news and underlying controversies, using third-party data providers and internal research of public information, to identify potential human rights risks

2. Geospatial Analysis

The Citi ESRM team:

- Uses databases such as LandMark and Global Forest Watch, to identify potential overlap or proximity of the project and its area of influence with Indigenous territories and sensitive regions

3. Review of Environmental and Social Impact Assessment (ESIA) and/or Independent Consultant's Environmental and Social Due Diligence

In Category A project-related lending, a qualified Independent Environmental and Social Consultant (IESC) is required to review the project's ESIA against applicable standards (which might include national laws, IFC Performance Standards and/or IFC Environmental Health and Safety Guidelines). In cases with sensitive Indigenous Peoples risks, a specialized human rights or Indigenous Peoples consultant may also be required to support the IESC review, with appropriate expertise to assess respect of internationally recognized Indigenous Peoples' rights.

The Citi ESRM team:

- Analyzes IESC reports to understand the risks, how to avoid such risks and mitigation of risks that cannot be avoided — including risks to Indigenous Peoples
- Cross-references ESIA and/or IESC reports with findings from internal risk screening, to check that the project sponsor has identified potential human rights risks
- Determines if conditions requiring FPIC are present, and if so, evaluates whether the project sponsor has conducted sufficient meaningful consultation with the goal of achieving FPIC
- Discusses the report and internal findings with Citi bankers, as well as the bank syndicate, client and independent consultants, as appropriate to the transaction

4. Development of Environmental and Social Action Plan (ESAP)

Where gaps between project sponsor plans and the ESRM Policy are identified, the ESRM team ensures that the independent consultant develops a time-bound ESAP. Dependent on the project and gaps identified, the ESAP may, for example:

- Ensure the project has an ongoing Stakeholder Engagement Plan and Grievance Mechanism in place
- Include specific actions to prevent, mitigate and remedy negative impacts to Indigenous Peoples, with clear timelines for implementation and monitoring

5. Loan Documentation

In the final stages of due diligence, the ESRM team:

- Reviews loan documentation to determine if appropriate loan covenants, representations and warranties, and/or reporting requirements are included — if not, ESRM proposes relevant additions
- Dependent on the project and the financial structure of the loan, this may include a covenant to ensure implementation of the ESAP and the project's Environmental and Social Management Plan (inclusive of mitigation efforts), as well as reporting requirements to confirm ongoing alignment with ESAP requirements

6. Monitoring after the financial close of projects

When an ESAP is required, an independent consultant:

- Monitors the client's implementation of the ESAP through regularly scheduled site visits and provides monitoring report progress updates to lenders to ensure alignment with loan commitments

Due Diligence Process for General Client Relationships and Other Financial Products

Project finance and project-related corporate loans represent only a small portion of our financing activity and are where we have the most insight and potential influence over client activities. Citi offers many other financial products and services to clients, including general corporate purpose loans, bonds (where we are not lending but instead are facilitating investors to lend), advisory services, cash management, derivatives and more. We have ongoing relationships with clients, offering them different types of financial products and services over many years.

Although we do not have the same access to information outside project-related financing, Citi still applies our ESRM Policy Areas of High Caution to identify potential risks to Indigenous Peoples. When identified, regardless of the financial product, such clients or transactions are referred to our ESRM team. The ESRM team conducts further due diligence on the potential risks and reviews our clients' policies and practices, to avoid, minimize and mitigate such risks. When called for, based on the risks identified, we engage our clients to understand the implementation and effectiveness of their policies and whether they have adequate staffing to manage these risks.

1. Initial Risk Screening

Citi bankers, risk managers and compliance officers:

- Identify risks under our Areas of High Caution through our Know Your Customer (KYC) process, standard risk screening or annual credit reviews, and refer those potential risks to our ESRM team for specialist review and consultation

2. Enhanced Due Diligence

The Citi ESRM team:

- Conducts geospatial analyses of the client's assets to evaluate proximity to Indigenous territories and sensitive regions
- Reviews the client's human rights policies, community engagement policies, any specific Indigenous Peoples policies and sustainability reporting
- Conducts screening for negative environmental and social news and reviews third-party data providers' information to identify any other potential risks

3. Discussion and Recommendations

Where risks or concerns are identified, the Citi ESRM team:

- Compiles due diligence questions for engagement and information gathering with the client's relevant personnel
- Makes recommendations, if relevant, to the client on human rights management systems and grievance system improvements

4. Conclusion

Based on the risks identified and the client's actions to avoid, minimize and mitigate such risks, the Citi ESRM team:

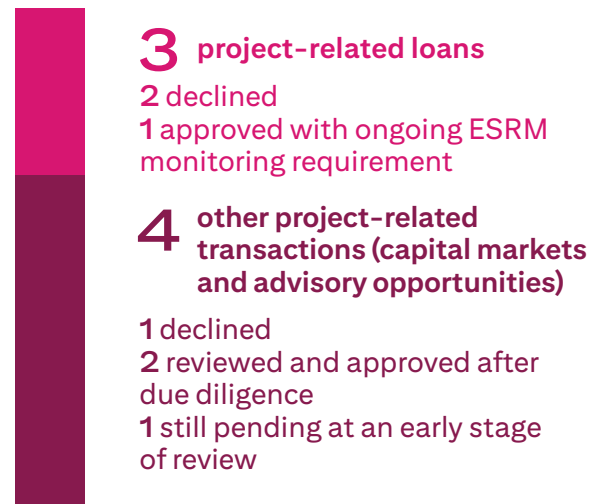
- Determines whether the transaction or client relationship aligns with the Citi ESRM Policy, and whether ongoing monitoring is required
- May decline transaction opportunities or client onboarding if risks are too great or not adequately mitigated

New Transactions Flagged for Potential Risks to Indigenous Peoples

In 2023, the Citi ESRM team flagged 37 transaction opportunities with potential risks to Indigenous Peoples that required enhanced due diligence prior to proceeding.



7 of the 37 transactions were project-related transactions



Existing Client Relationships Flagged for Potential Risks to Indigenous Peoples Through Annual Review Process

In addition, in 2023, during our annual credit review process, 16 clients were referred to the ESRM team for enhanced due diligence, in alignment with our ESRM Policy's Areas of High Caution.

16 clients flagged at annual credit review for risks related to Indigenous Peoples





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